SOCIETE GENERALE

2021

SOCIETE GENERALE LUXEMBOURG S.A.

CONSOLIDATED FINANCIAL STATEMENTS

Societe Generale Luxembourg S.A.
11 Avenue Emile Reuter
L-2420 Luxembourg

Consolidated Financial Statements, Consolidated management report and Report of the Independent auditor as at December 31, 2021

R.C.S. Luxembourg: B 006.061

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I. GENERAL INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Patrick Suet

Secretary of the Board of Directors of Societe Generale Group

MANAGING DIRECTOR

Arnaud Jacquemin

Chief Executive Officer of Societe Generale Luxembourg

DIRECTORS

Cécile Bartenieff

Chief Operating Officer of the Global Banking & Investor Solutions division, Societe Generale Group

Marco Cameroni

Director representing employees

Marie Doucet

External Director

Patrick Folléa

Head of Societe Generale Group Private Banking, Societe Generale Group

Emmanuel Gaspard

Director representing employees

Isabelle Goubin

Independent Director

Mathilde Guérin

Head of Transformation & Technology Delivery, Societe Generale Securities Services, Societe Generale Group

Didier Mouget

Independent Director

Frédéric Roveda

Director representing employees

Anne-Sophie Steiner

Director representing employees

Frédéric Surdon

Head of Asset Finance, Societe Generale Group

1. Patrick Suet. **2.** Arnaud Jacquemin. **3.** Cécile Bartenieff. **4.** Marco Cameroni. **5.** Marie Doucet. **6.** Patrick Folléa. **7.** Emmanuel Gaspard. **8.** Isabelle Goubin. **9.** Mathilde Guérin. **10.** Didier Mouget. **11.** Frédéric Roveda. **12.** Anne-Sophie Steiner. **13.** Frédéric Surdon. **14.** Olivier Blanc. **15.** Hélène Crinquant.

AUTHORIZED MANAGEMENT

Arnaud Jacquemin

Chief Executive Officer

Olivier Blanc

Deputy CEO in charge of Resources

Hélène Crinquant[1]

Deputy CEO in charge of the General Secretary, Risk and Compliance

REGISTERED OFFICE

Societe Generale Luxembourg S.A.

11, Avenue Emile Reuter

L-2420 Luxembourg

AUDITORS

Ernst & Young

Société Anonyme

35E, Avenue John F. Kennedy

L-1855 Luxembourg

1 *Anne De Kouchkovsky has been appointed Deputy CEO in charge of the General Secretary, Risk and Compliance on the February 1st, 2022 in replacement of Hélène Crinquant*

II. CONSOLIDATED MANAGEMENT REPORT

1. CHIEF EXECUTIVE OFFICER STATEMENT

By drawing on our Code of Conduct and Societe Generale Group's values – Team Spirit, Commitment, Innovation and Responsibility – and Corporate purpose, each employee aims at excellence to offer clients security, transparency and unsurpassed expertise. Our teams partner with our clients to structure innovative solutions to help accelerate their international development and fulfil their ambitions.

We are a responsible bank, chosen for its commitment to diversity and inclusion, and for its contribution to the sustainable and profitable development of our societies through positive impact finance and socially responsible investments. We help develop tomorrow's world.

Leveraging on the dynamic Luxembourg ecosystem, we are pursuing our digital transformation to improve our clients' experience and anticipate their future needs, as well as optimize our operational efficiency, security and compliance with applicable regulations.

In all such respects, we contribute to the sustainability and strength of the Luxembourg's economy and society at large. Despite macroeconomic uncertainties linked to the current Russian crisis, thanks to the commitment and recognized expertise of our teams, and the Group's strong solvency and liquidity position, we are convinced of our ability to continue to do so more than ever.

Societe Generale Luxembourg S.A. (the "Bank" or the "Group") is one of Luxembourg's largest banking groups by its financial position (net income of EUR 303 million in 2021, assets of EUR 67 billion at end 2021) and number of staff (close to 1 700 employees in average over 2021), and the oldest foreign bank in the Grand Duchy.

At the heart of Europe, Societe Generale Luxembourg is a multi-expertise banking group with operations in Luxembourg and main foreign subsidiaries in Switzerland and Monaco, capitalizing on the strengths of the Societe Generale Group.

2. CORPORATE GOVERNANCE

2.1. CORPORATE GOVERNANCE STRUCTURE AND MAIN BODIES

2.1.1. Board Committees

The Board of Directors is assisted by four Committees:

- the Audit and Accounts Committee;
- the Risk and Compliance Committee;
- the Remuneration Committee;
- the Nomination and Internal Governance Committee.

Each Committee comprises at least three members. One Director representing employees sits on the Remuneration Committee. The missions of the Board of Directors' four committees are set out in their respective charters.

As of December 31, 2021, the specialized committees of the Board were:

- Audit and Accounts Committee: As of December 31, 2021, the Audit and Accounts Committee comprised four members including two Independent Directors and one external Director: Didier MOUGET, Isabelle GOUBIN, Marie DOUCET and Patrick SUET. The Committee is chaired by Didier MOUGET. This committee's mission is to monitor and control the preparation of accounting and financial information, the independence of the statutory auditors, and the effectiveness of the internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. It gives recommendations and advices on such matters to the Board of Directors;
- Risk and Compliance Committee: As of December 31, 2021, the Risk and Compliance Committee comprised three Directors, including two Independent Directors: Isabelle GOUBIN, Didier MOUGET and Frédéric SURDON. The Committee is chaired by Isabelle GOUBIN. This committee advises the Board of Directors on the risk profile of the Group, the quality and effectiveness of the risk monitoring framework, the appetite regarding all types of risks derived from the Group's strategy, and the evolution of regulations and its impact on the risk profile and Group's strategy;
- Remuneration Committee: As of December 31, 2021, the Remuneration Committee comprised four Directors, two Group representatives, one external Director and one Director representing employees: Marie DOUCET, Patrick FOLLEA, Cécile BARTENIEFF and Frédéric ROVEDA. The Committee is chaired by Marie DOUCET. This committee prepares the decisions of the Board of Directors concerning compensation, especially those related to directors, executive officers and other having a significant impact on the Group's risk profile and risk management;
- Nomination and Internal Governance Committee: As of December 31, 2021, the Nomination and Internal Governance Committee comprised two Directors and one external Director: Patrick SUET, Cécile BARTENIEFF and Marie DOUCET. The Committee is chaired by Patrick SUET. This committee identifies and recommends future company's officers (directors and executive officers) to the Board of Directors. It periodically examines (1) the Board of Directors' policies regarding selection and appointment of Key Functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer) and (2) the structure, size and composition of the Board of Directors and it's work effectiveness. It proposes a target in respect of the balanced representation of women and men at the Board. Moreover, it aims at implementing and supervising key internal governance principles within the Bank and its subsidiaries.

2.1.2. Executive Committees

The main executive committees are as follows:

- Management committees:
  - Authorized Management Committee: the mission of this committee is to oversee strategic and business development matters of the Group and make necessary related decisions;
  - Executive Committee: this committee's mission is to address matters such as strategic orientations definition and implementation, business development and other transversal topics. It is composed of Authorized Management and of each Business Units and Support Units heads;
  - Responsible Commitments Committee: this committee deals with topics related to the Group's commitments and normative framework in CSR matters (including CSR sectoral policies), culture and conduct, or other topics that have an impact on the Group's liability or reputation and not already covered by an existing Committee;
  - Senior Management Team Committee (SMT): this committee is a privileged forum of exchanges, reflections and works on general interest questions related to the Group taking advantages on the professional experience of its members.
  - Executive committees at BU/SU level: these committees are responsible for elaborating the strategic and transversal orientations of each BU/SU.

- Steering committees:
  - Finance Committee (COFI): this committee is responsible for setting out the Group's financial strategy and for managing scarce resources (capital, liquidity, statement of financial position) in the context of the allocation and the management of structural risks; it also addresses tax-related matters. The Assets & Liabilities Committee (ALCO) is a subcommittee of the COFI focusing on asset & liability risks;

- CSR Committee: this committee deals with topics related to the Group's commitments and normative framework in CSR matters (including inclusion of the CSR dimension in the businesses' strategy and in the Group's risk management framework, as well as commitments in terms of the Group's own footprint), culture and conduct, or other topics that have an impact on the Group's liability or reputation and not already covered by an existing Committee;
- Human Resources Committee (HR Committee): this committee elaborates the human resources policy, addressing in particular attractiveness, compensation, retention and HR regulatoryrelated subjects.

- Enterprise Risk Management Committees:
  - Risk Committee (CORISQ): the mission of this committee is to define the Group's key priorities in terms of risk (credit, country, market, structural and operational risks), within the framework of the risk appetite and the financial targets set by the Board of Directors of the Group, and to monitor compliance in such respect; and to maintain a sound, effective and sustainable risk management framework, taking appropriate measures in case of gaps;
  - Compliance Committee (COMCO): the mission of this committee is to define the Group's main guidelines and principles in terms of compliance, to ensure a sound, effective and sustainable adherence to all regulations to be applied by the Group based on an appropriate framework, and to take appropriate measures in case of gaps;
  - Internal Control Coordination Committee (ICCC): this committee is responsible for the overall architecture of the Group's internal control system, for evaluating its efficiency, consistency and comprehensiveness, for taking corrective actions and for monitoring their implementation;
  - IS Security Committee: this committee is responsible for the Group's IS security policy and governance, compliance with IT regulations as well as IT risk assessments.

2.2. CORPORATE GOVERNANCE

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

2.3. REMUNERATION POLICY

The Group strictly applies the Societe Generale Group remuneration policy, which aims at guaranteeing the sustainable engagement and loyalty of its employees, while ensuring an effective and sustainable risk management, including from a compliance perspective.

3. CONSOLIDATED MANAGEMENT REPORT

3.1. GROUP MAIN ACTIVITIES

The Group has built over time a solid diversified banking model to serve its corporate, institutional and individual customers. Such model is structured around several complementary pillars enabling the Group to benefit from strong market positions and a diversified risk profile.

3.1.1. Private Banking

The Societe Generale European Private Banking activity is primarily present in Luxembourg, Switzerland and Monaco, with a representative office in Germany and a commercial branch in Italy. It offers global financial engineering and wealth management solutions, in addition to global expertise in structured products, hedge funds, mutual funds, private equity funds, life insurance and real estate investment solutions. It also offers customer broad access to capital markets.

The expertise of Societe Generale European Private Banking's teams contributes to the strong recognition of Societe Generale Group in the private banking industry: in 2021, Societe Generale Private Banking was awarded as the Best Client Reporting Platform in Europe at the PWM Wealth Tech Awards, Best Private Bank for Structured Products by the Global Private Banking Innovation Awards and Best Private Bank – Wealth Planning Team by the Wealth Briefing European Awards. Locally, our entities was elected Best Private Bank in Luxembourg and Best Private Bank in Monaco by the Global Private Banking Innovation Awards and SGPB Luxembourg was awarded Best Private Bank – Wealth Management Business Benelux by the Wealth Briefing European Awards.

3.1.2. Securities Services

The Securities Services business (SGSS) in Luxembourg offers a comprehensive and complete range of Assets and Securities services to Corporate and Financial Institutions as well as Institutional Investors, including:

- custody and depository bank activities, covering all asset classes;

- fund administration services for investment managers on all asset classes including complex financial products;
- private asset services for alternative investment managers covering real estate, private equity and infrastructure funds;
- issuer services, including issuing and paying agency services to large international corporate bond programs;
- transfer agent activities, providing a comprehensive array of services to support fund distribution;
- middle office and trade execution services.

SGSS in Luxembourg is one of the largest Securities Services provider given the size of its global activity and contributes to the development of SGSS globally as a leader in the industry and the second largest European provider.

In 2021 SGSS won the Best Global Custody Services in Europe by Capital Finance International 2021, the Best Sub-Custodian Bank in Romania and Morocco by Global Finance Award and “Outstanding Performer” in central and Easter Europe by Global Custodian.

3.1.3. Corporate Banking and Cash Management

The Corporate Banking and Cash Management team in Luxembourg is servicing domestic and international clients, and particularly financial institutions, medium and large corporates with international and multinational activities that require flow management assistance for their banking, commercial, corporate flows and/or payment flow assistance. The business line offers a full and integrated range of solutions and services, leveraging the expertise of the Societe Generale Group’s global Transaction Banking business lines; specifically, it covers five activities:

- cash management;
- short & medium term financing;
- financial & commercial guarantees issuance;
- foreign exchange services and interest rate hedging;
- financial assets custody.

3.1.4. Global Banking & Advisory

The Global Banking & Advisory (GLBA) platform in Luxembourg is part of Societe Generale Group’s worldwide platform composed of expert teams located in Europe, the CEEMEA region, the Americas and in Asia region, whose knowledge of customers and expertise on industries and local regulations are key to conducting domestic, international and cross-border activities.

Leveraging this global expertise and sectoral knowledge, the GLBA team provides clients with a full range of structured finance solutions in the following areas:

- asset based finance (export finance, aircraft finance, shipping finance, real estate finance, and structured solutions and leasing);
- natural resources and infrastructure;
- asset-backed products and securitization

Societe Generale Group was named “Europe Bank of the Year” by the “Project Finance International 2021” and “Energy & Commodity Finance House of the Year” at the Energy Risk Awards 2021. The Group was named “Best Bank for Sustainable Finance” at the Global Bank Award 2021.

3.1.5. Global Markets

Part of the global Markets Business Unit of Societe Generale Group, the Issuing activity in Luxembourg is performed by SG Issuer S.A. (“SGIS”) as well as through the “SOGEIS” framework based on Luxembourg’s fiduciary legal framework: it provides international investors with access to the entire range of financial engineering services (Asset and Liability Management – portfolio management, securitisation, risk policy management and Capital Management – strategic management of shareholdings, equity-linked products, and employee savings plans). SGIS issues both secured and unsecured notes through private placements or public offerings. SG Luxembourg via SOGEIS only issues secured notes. The securities issued by SG Issuer or by SG Luxembourg via SOGEIS are fully backed by a guarantee from the Societe Generale Group.

3.1.6. Corporate Center

It comprises Treasury and Asset / Liability Management (ALM) functions which are responsible for monitoring, managing and hedging structural risks (liquidity, interest rate and forex) arising from all business units within the Group, including from the Bank’s international affiliates in Monaco and Switzerland.

The Profit & Loss account of the Corporate Center covers the carrying cost of equity shareholdings in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group’s Treasury center, Asset and Liability Management (ALM) function and income from the management of the Group’s assets (industrial and bank non-consolidated equity portfolio and real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Center.

3.2. GROUP RESULTS

3.2.1. Group results – Consolidated income statement

(in EUR thousand)	**31.12.2021**	**31.12.2020**	**Change in %**	**Change in value**
Net interest margin	327 610	305 439	7%	22 171
Net fee margin	293 620	289 635	1%	3 985
Net gains and losses on financial transactions	49 093	40 374	22%	8 719
Net income from other activities	33 357	51 123	-35%	(17 766)
Net banking income	**703 680**	**686 571**	**2%**	**17 109**
Operating expenses	(429 543)	(396 338)	8%	(33 205)
Gross operating income	**274 137**	**290 233**	**-6%**	**(16 096)**
Cost of risk	2 045	(63 934)	-103%	65 979
Operating income	**276 182**	**226 299**	**22%**	**49 883**
Net income from investments accounted for using the equity method	39 205	16 101	143%	23 104
Net income/expense from other assets	(1 066)	(2 369)	-55%	1 303
Earnings before tax	**314 321**	**240 031**	**31%**	**74 290**
Income tax	(10 372)	(10 230)	1%	(142)
Consolidated Net Income	**303 949**	**229 801**	**32%**	**74 148**
Non-controlling interests	42	27	56%	15
Net income Group share	303 907	229 774	32%	74 133

After a 2020 resilient performance in a Covid-19 crisis environment marked by a heavy market turmoil, Societe Generale Luxembourg Group confirmed in 2021 its franchise quality and the positive impact of 2019-2023 strategy on its financial performance. The strong 2021 commercial performance combined with a strict cost discipline while pursuing strategic investments and well contained cost of risk allowed Societe Generale Luxembourg Group to post a consolidated Net Income growth of 32% compared to 2020.

The **net banking income** amounted to EUR 704 million, up by 2% compared to 2020 despite the negative impact on income resulting from the accounting deconsolidation of SGIS following the change of shareholder ownership structure. The growth was driven by the strong performance on Global Markets, Corporate Banking and Cash Management and Private Banking:

The **Private Banking** activities had strong revenue growth (+6% vs 2020) driven by the excellent momentum in client inflows and the asset under management (AuMs) growth (+17% in 2021) reaching EUR 31 billion at end of 2021 (vs EUR 27 billion at end 2020). The 2021 transactional activity was maintained at a good level (mainly on structured products) despite the less volatile market compared to 2020.

In 2021, **Securities Services** activities recorded an excellent commercial momentum, although certain subsegments were impacted by the full year effect of the sale of a non-strategic servicing activity mid-2020. Overall, Assets under Administration (AuA) reached EUR 249 billion at end 2021, up by EUR 26 billion compared to 2020, and Assets under Custody (AuC) reached EUR 137 billion at end 2021, up by EUR 3 billion compared to 2020.

The **Corporate Banking and Cash Management** activity had strong commercial and financial performance in a new dynamic environment consistently, leveraging a high & dynamic cash management activity, especially with private equity and real estate clients. This growth confirmed the quality of the services, well recognized by historical clients as well as new clients.

Global Banking & Advisory activities continued in 2021 to strongly contribute to the financing of the economy confirming the quality of the franchise.

Global Markets activities showed a good commercial momentum with an increase in structured products issuance activities reflecting a sustained appetite from investors for this type of investment products. Of note, following the change of shareholder ownership structure of SGIS, revenues from thius activity are now recorded in “net income from investments accounted for using the equity method”.

Finally, the **Corporate Center** 2021 financial performance showed a resilient result decreasing compared to last year due to an exceptional insurance compensation received in 2020.

In a continuing costs discipline model, Societe Generale Luxembourg Group maintained its investment strategy to transform its IT and operating model to prepare the future of its business, mainly in Private Banking and Securities Services activities. Overall, **costs** increased by 8% compared to 2020 at - EUR 430 million.

Net cost of risk amounted to a net provision reversal of EUR 2 million, compared to EUR 64 million in 2020, confirming the quality of the loan portfolio and a still very low operational risk.

3.2.2. Group results – Statement of financial position

ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in EUR thousand)	12.31.2021	12.31.2020	Change in %	Change in value
Cash, due from central banks	10 966 851	9 871 682	11%	1 095 169
Financial assets at fair value through profit or loss	1 240 582	1 057 591	17%	182 991
Hedging derivatives	5 625	-	100%	5 625
Financial assets at fair value through other comprehensive income	2 815 004	3 205 031	-12%	(390 027)
Securities at amortised cost	8 051 597	7 086 422	14%	965 175
Due from banks at amortised cost	19 840 378	10 498 243	89%	9 342 135
Customer loans at amortised cost	22 817 851	22 980 536	-1%	(162 685)
Investments of insurance activities	371 871	442 651	-16%	(70 780)
Tax assets	1 560	4 781	-67%	(3 221)
Other assets	481 959	648 839	-26%	(166 880)
Investments accounted for using the equity method	108 560	99 419	9%	9 141
Tangible and intangible fixed assets and right-of-use assets	139 945	154 457	-9%	(14 512)
Total Assets	**66 841 783**	**56 049 652**	**19%**	**10 792 131**

As of December 31, 2021, the Group's statement of financial position amounted EUR 66 841 million. The increase of EUR 10 billion compared to December 31, 2020 is mainly explained by the significant variation of "Due to from bank at amortised cost".

Cash, due from central banks increased by EUR 1 095 million (+11%) compared to December 31, 2020, and **Financial assets at fair value through profit or loss** increasing by EUR 182 million (+17%) over the period.

Due from banks at amortized cost increased by of EUR 9 342 million (+89%) compared to December 31, 2020 mainly due to the assets transfer from SG Paris related to the SGSS activities.

Customers loans at amortized cost slightly decreased by EUR 162 million (-1%) compared to December 31, 2020.

Other assets decreased by EUR 166 million (- 26%) compared to December, 31 2020.

Tangible and intangible fixed assets slightly decrease by EUR 14 million (- 9%) compared to December 31, 2020.

LIABILITIES

(in EUR thousand)	31.12.2021	31.12.2020	Change in %	Change in value
Financial liabilities at fair value through profit or loss	450 051	534 905	-16%	(84 854)
Hedging derivatives	98 483	193 687	-49%	(95 204)
Debt securities issued	45 084	64 609	-30%	(19 525)
Due to banks	24 147 288	25 326 267	-5%	(1 178 979)
Customer deposits	38 006 508	24 995 893	52%	13 010 615
Tax liabilities	120 757	156 068	-23%	(35 311)
Other liabilities	481 724	1 292 389	-63%	(810 665)
Insurance contracts related liabilities	79 326	91 623	-13%	(12 297)
Provisions	66 010	81 680	-19%	(15 670)
Total liabilities	**63 495 231**	**52 737 121**	**20%**	**10 758 110**
Shareholders' equity				
Shareholders' equity, Group share				
Issued capital	1 389 043	1 389 043	0%	-
Reserves and retained earnings	1 606 797	1 658 308	-3%	(51 511)
Net income	303 907	229 774	32%	74 133
Sub-total	**3 299 747**	**3 277 125**	**1%**	**22 622**
Unrealised or deferred gains and losses	46 695	35 314	32%	11 381
Sub-total equity, Group share	**3 346 442**	**3 312 439**	**1%**	**34 003**
Non-controlling interests	110	92	20%	18
Total equity	**3 346 552**	**3 312 531**	**1%**	**34 021**
TOTAL LIABILITIES AND EQUITY	**66 841 783**	**56 049 652**	**19%**	**10 792 131**

Customer deposits increased by EUR 13 010 million (+53%) compared to December 31, 2020.

Financial liabilities at fair value through profit and loss decreased by EUR 84 million (-16%) compared to December 31, 2020.

Due to banks decreased by EUR 1 325 million (-5%) compared to December 31, 2020.

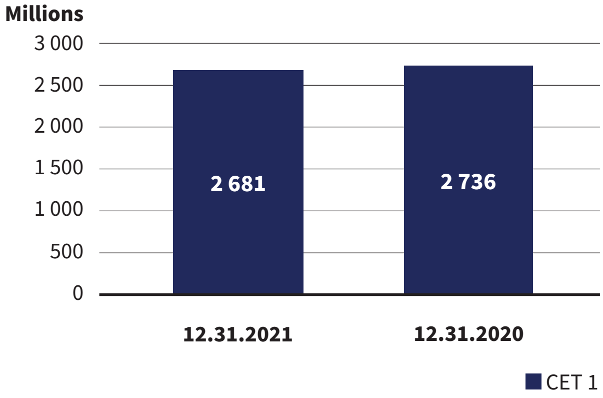
Debt securities issued decreased by EUR 19 million (- 30%) compared to December 31, 2020.

Other Liabilities decreased by EUR 810 million (- 63%) compared to December 31,2020.

Provisions decreased by EUR 15 million (-19%) compared to December 31, 2020.

Group shareholders' equity amounted to EUR 3 345 million as of December 31, 2021, slight increase of 1% compared to December 31, 2020. Details related to shareholders' equity are disclosed in Note 7 of the Consolidated Financial Statements.

3.3. GROUP'S OWN FUNDS



The Group's sole shareholder is Sogeparticipations S.A., a French Company fully owned by the Societe Generale Group.

As of December, 31 2021, the Group's sole shareholder holds 11 024 148 shares representing 100% of the share capital of the Societe Generale Luxembourg S.A.

In 2021, the Group did not proceed with the buyback of its own shares but paid a EUR 279 million dividend. As of December 31, 2021, the Group's sole shareholder holds 11 024 148 shares representing 100% of the share capital of the Societe Generale Luxembourg S.A.

The Group's capital, on a consolidated basis, is made of:

- Core Tier I capital: EUR 2 681 million (2020: EUR 2 736 million) ;
- No additional eligible capital at end 2020 and end 2021.

3.4. POST CLOSING EVENTS

In February 2022, a number of countries (including the EU, the US and UK) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation.

Additional sanctions have been made following military operations initiated by Russia on February 24, 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions may impact not only the sanctioned entities and individuals including entities under their control but also business counterparties of these sanctioned entities.

The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Board of Directors has performed an analysis towards the Bank's potential exposure to the above.

The Board of Directors regards these events as non-adjusting events after the reporting period. The situation including the possible impact of changing micro- and macroeconomic conditions will continue to be closely monitored by the Group.

Photo credit: Olivier Minaire

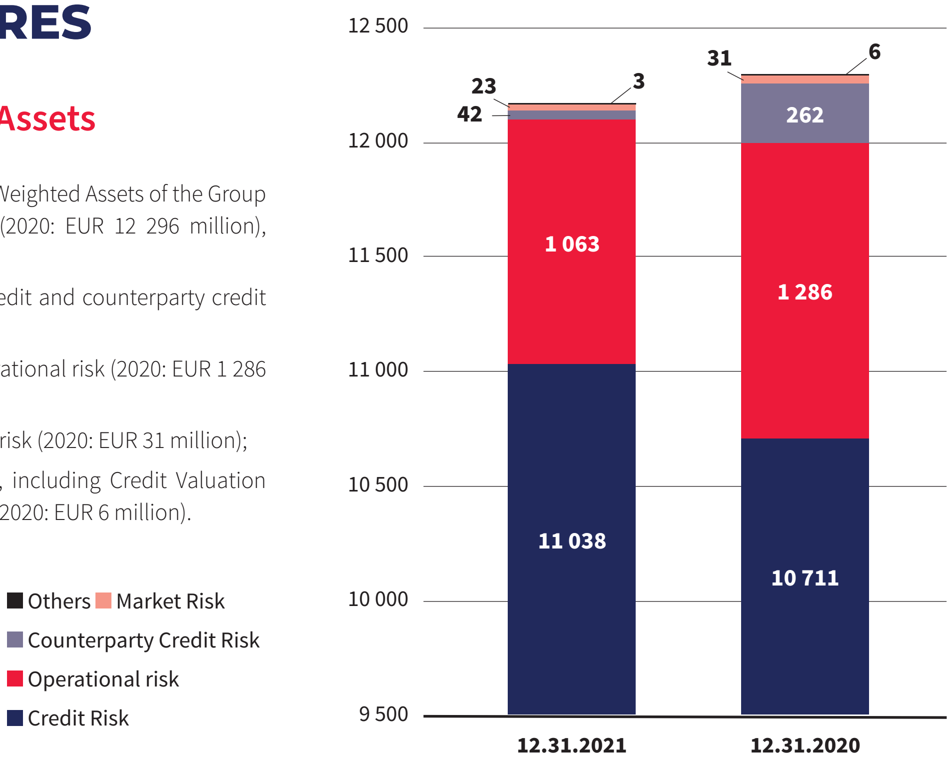
4. RISKS AND CAPITAL ADEQUACY

4.1. KEY FIGURES

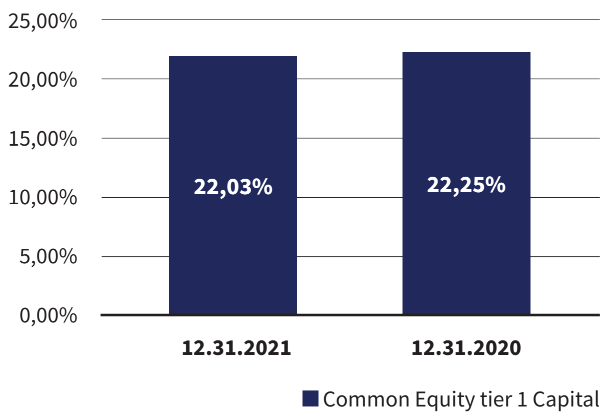
4.1.1. Risk-Weighted Assets

As at December, 31 2021, total Risk-Weighted Assets of the Group amounted to EUR 12 169 million (2020: EUR 12 296 million), composed of:

- EUR 11 080 million related to credit and counterparty credit risk (2020: EUR 10 973 million);
- EUR 1 063 million related to operational risk (2020: EUR 1 286 million);
- EUR 23 million related to market risk (2020: EUR 31 million);
- EUR 3 million related to others, including Credit Valuation Adjustment and Settlement risk (2020: EUR 6 million).



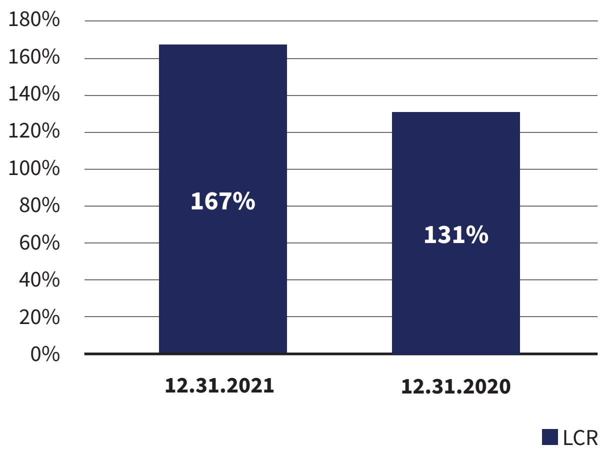
4.1.2. Capital ratios



As of December 31, 2021, the Group Common Equity Tier 1 ratio stood at 22.03% (2020: 22.25%). So did the Group Total Capital ratio.

As of December 31, 2021, the Group capital ratios are significantly above minimum regulatory requirements.

4.1.3. Liquidity Coverage Ratio



As of December 31, 2021, the Group one-month Liquidity Coverage Ratio (LCR) stood at 167% (2020: 131%) well above the regulatory requirement of 100%.

4.2. RISK MANAGEMENT

The understanding, identification, mitigation and control of risks are essential elements of the successful management of the Group. In accordance with circular CSSF 12/552 as amended, the Group's internal governance is based on a "three-lines-of-defence" model which relies on distinct internal control functions:

- a "first line of defense" function performed by business lines and support functions,
- a "second line of defense" function: the credit, market and operational risk management function (RISQ), and the compliance function (CPLE),
- a "third line of defense" function: the internal audit (IGAD).

The main objectives of the Group's risk management framework are:

- to accurately identify and measure all the risks the Group is subject to,
- to maintain an effective oversight framework, and implement enhancement plans when needed,
- to propose to the Board of Directors an adequate risk appetite framework for its validation,
- to ensure that Societe Generale Group's and the Bank's risk policies are consistently and effectively applied throughout the organization.

4.3. RISKS

The Group's risk monitoring process identifies six main risk categories:

Credit Risk: the credit risk is defined as the risk of loss resulting from the inability of the Group's customers, sovereign issuers or other counterparties to honour their financial commitments. It also includes the counterparty risk related to the market activities.

Market Risk: the market risk is defined as the risk of loss due to unfavourable movements in market factors, such as interest rates, share prices or currency exchange rates, impacting the value of the Bank's market positions.

Interest Rate Risk: the structural interest rate risk is measured on structural activities (i.e. commercial transactions, associated hedging transactions and treasury transactions) for each of the Group's entities.

Exchange Rate Risk: the structural exchange rate risk is the risk that a loss occurs due to an unfavourable movement of the exchange rate affecting the Group due to existing open positions in foreign currencies.

Liquidity Risk: the liquidity risk is defined as the risk for the Group of not being able to meet at all times its current and future cash requirements, whether or not those have been anticipated, at a reasonable cost. Liquidity is a key factor in the viability of the Group.

Operational Risk: the operational risk is defined as the risk of loss or fraud as a result of defects in or failure of internal systems and procedures, human error or external events, including IT risk and management risk. Particular attention is paid to **Compliance risk**, i.e. the risk of not being compliant with applicable regulations in areas, among others, of sanctions & embargoes, anti-money laundering and terrorism financing, client protection, market abuse, data protection and conduct.

Please refer to note 9 to the Consolidated Financial Statements for further details.

4.4. RISK APPETITE

Risk Appetite is defined as the level of risk that the Group is prepared to bear in the course of pursuing its strategic objectives.

The Group has defined a Risk Appetite Framework which includes:

- a governance over an identified scope;
- a mechanism composed of a set of policies, instructions, procedures, and controls;
- a risk culture favouring risk awareness.

The Risk Appetite Statement describes the principles, policies, and metrics that set the Group's risk appetite, which includes targets, thresholds and limits.

The main risk appetite principles are summarised below.

4.4.1. Structural interest rate and exchange risks

The Group assesses and controls structural risks. The mechanism to control interest rate risk, foreign exchange risk and the risk on employee benefits is based on sensitivity or stress limits adapted to each of the various businesses (entities and business lines).

4.4.2. Liquidity risk

The Group assesses the solidity of its liquidity profile based on the following:

- Controlling liquidity risk, based on internal stress tests with adapted limits;
- Controlling funding risk, with long term funding projections under base case and stresses scenarios;
- Complying with regulatory obligations, in particular Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") requirements.

4.4.3. Credit and counterparty risks

When taking credit risk, the Group focuses on medium and long-term client relationships, targeting clients with which the Group has an established relationship of trust and prospects offering the

Photo credit: Olivier Minaire

potential for profitable business development over the medium-term. In a credit or market transaction, credit (or counterparty) risk acceptability is based, first and foremost, on the borrower's (or counterparty's) ability to meet its commitments.

4.4.4. Market risks

The business development strategy of the Group for market activities is focused on addressing client needs, with a full range of products and solutions. The market risk is strictly managed through various limits related to a set of appropriate market risk metrics. Overall, the Group's appetite for market risk is limited.

4.4.5. Operational risks (excluding compliance risk)

The Bank has no appetite for operational risk. Over recent years, the materialization of such risk has been very low in Private Banking and Securities Services businesses.

4.4.6. Compliance risk

The Group's policy is strictly compliant with all laws and regulations governing financial and banking activities. It has no tolerance for not complying with such laws and regulations when conducting its activities. It aims at maintaining a strong culture of compliance and adequate conduct among its employees.

5. CORPORATE SOCIAL RESPONSIBILITY

Being one of the oldest banks in Luxembourg, the Group has a particular responsibility as a corporate entity as well as a leading banking group to promote a sustainable development of the country and sustainable finance more globally.

This is why responsibility is one of the four values of our shared "leadership model", together with team spirit, innovation and commitment.

In order to achieve this goal, we acted collectively in 2019 to launch a CSR strategy focused on our engagement as a Corporate and our engagement as a banking group.

This strategy is annually updated, with ambitions revised upwards, the last revision to date being approved by the Board of Directors in March 2021.

5.1. OUR ENGAGEMENT AS A CORPORATE

BE A RESPONSIBLE EMPLOYER

- Responsibly manage the Group through the Covid-19: The Crisis Unit launched at the really beginning of the crisis in order to be in line with the sanitary recommendations of the Ministry of Health and with our concern to promote well-being at work and specially during homeworking (allocation of equipment budget, provision of parking space to avoid public transportation, provision of masks) was maintained with weekly committees. The management also prepared the Bank for the exit phase: ahead of many peers, SG Luxembourg put in place as early as September 2021 the future homeworking set-up to be activated once sanitary and fiscal transitional measures expire.
- Foster diversity: launch of a Diversity Committee with three main objectives:
  - Increase the percentage of women in managerial positions and better take into account the international dimension of SG Luxembourg. Gender equality is a top objective of the Group. The Group signed the Luxembourg Diversity Charter in 2013 and is a longstanding participant to the Diversity Day Lëtzebuerg.
  - Promote Talent: launch of a Career and Development Committee and update of succession plans of key managers.
  - Promote responsible corporate culture and ethics principles: with a new corporate purpose ("Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions") and by supporting employee involvement in solidarity initiatives.

CONTRIBUTE TO CLIMATE AND ENVIRONMENT PRESERVATION

Like any corporate, the Group generates environmental impacts through its activity. The Group is well-aware of its responsibility and therefore was pioneer in this matter by taking the decision, 10 years ago, to reduce its CO_2 emissions by:

- Responsible purchase policy: implementation of a CSR questionnaire for suppliers to assess their social and environmental policy, CSR note included in the bid evaluation grids.
- Optimize environmental impact of our premises: continually enhancing the energy performance of its buildings to optimize carbon emissions, with new, strong ambitions on our future two buildings to be occupied in 2023: our future headquarters downtown ("Arsenal") will benefit from the HQE certification (excellent) and BREEAM certification (very good), and our future building in Belval ("Icône") with the BREEAM certification (excellent);
- Foster responsible consumption mode: Zero Plastic Charter signed in 2019, waste responsible policy with SuperDrecksKëscht label, promote soft mobility with green vehicle and cycle promotion, reducing our paper consumption with the "FollowMe" printing initiative (since 2016, SG Luxembourg has reduced its paper consumption from EUR 4,2 million sheets of paper, which represent more than 500 trees saved).
- Helping the Institut pour le Mouvement Sociétal (IMS) by participating to their initiatives as "knowledge sharing", Diversity Day (as a Gold Sponsor) or Luxembourg Sustainability Forum.

5.2. OUR ENGAGEMENT AS A BANK

INTENSIFY SOCIALLY RESPONSIBLE INVESTMENTS

SG Luxembourg Group is convinced that a strong ESG policy will be synonymous of a sustainable superior financial performance.

In Private Banking, our clients have access to bespoke SRI portfolios which combine financial performance with a positive social and environmental impact. Clients can measure the environmental, social and governance (ESG) performance of their portfolio via dedicated ESG reporting.

Furthermore, a dedicated team has developed a full range of structured positive impact finance (PIF) products with a charity dimension. Private Banking also support investors in organising their philanthropic projects and defining their philanthropic strategy and objective for each donation, set up a budget and payment plan and measure the impact.

SGSS continues to promote to their institutional clients an ESG reporting solution, a system for measuring the impact of investment strategies on the environment and society. Its objective is to help investors and asset managers to better integrate ESG criteria into their investment decisions.

Global market activities, through their Luxembourg-based issuing vehicles, continue to support the Societe Generale Group's effort in structuring and distributing CSR structured investment solutions.

FOSTER SUSTAINABLE AND POSITIVE IMPACT FINANCING

The Group is thriving to play a major role by promoting of Positive Impact Finance in the country together with partners like Luxembourg For Finance (LFF) or the Association des Banques et Banquiers du Luxembourg (ABBL).

Main objectives of the Group as part of its GLBA activities include:

- Promoting SG Luxembourg as SG Group's main European positive impact financing hub: more than EUR 800 million of assets already booked as at end of 2021 in sustainability linked loans and renewable energy finance with an ambition to grow to EUR 2 trillion by end 2023 ;
- Special focus on green/circular economy assets using current dedicated tax enhancement scheme and its possible future amendments for PIF linked assets;
- Promoting securitization and leasing schemes, particularly adapted to financing circular economy.

ENRICH OUR ENVIRONMENTAL AND SOCIAL RISK FRAMEWORK

Accompanying the evolution of the regulation, in particular in Europe, the Group is focusing on:

- Enrich existing risks maps with environmental and social risk dimension;
- Update risk assessment and reporting tools and procedures;
- Educating our stakeholders on this dimension;
- Update its governance to foster and control the adequate integration of this dimension into our risk management framework.
- Train the stakeholders on this CSR dimension with general as well as more specialized learning programs.

6. OUTLOOK

The latest wave of the epidemic has incurred a proportionally lower death toll compared to the very high contamination levels of 2020. The economy's greater adaptability has mitigated the impact on business in 2021, but the withdrawal of temporary support measures is only partly being offset by the economic reopening and recovery support measures.

Prevailing uncertainty over events in Ukraine and Russia is making it difficult to forecast the impact on the global economy and the Group and has furthermore sparked a return of volatility in financial markets. We expect energy prices (notably oil and gas) to remain high in 2022 on back of supply chain disruptions and the consequences of the situation in Ukraine. These factors are likely to contribute to a slowdown in eurozone growth during 2022 and 2023.

Tensions in the job market are playing out in wage adjustments and specifically a rise in the minimum wage. We forecast that these gains, combined with rising energy prices, may trigger short-term inflation spikes in Europe and the US. Further out, new monetary policy strategies on both sides of the Atlantic should drive inflation closer to target, contrary to the past decade during which inflation undershot central bank targets.

In such environment, the Group intends to continue its strategic initiatives at the service of our clients, adapting it when necessary to the evolution of the environment and of our clients' needs.

Strategically, we will pursue the development and adaptation of our businesses to more comprehensively and adequately serve our clients in all our businesses and continue to be natively ESG centric. We will further work on putting our clients' needs at the heart of our way of collectively working. In 2022, we will also pursue the of structural initiatives to optimize our efficiency and security, through IT investments, review of target operating models and optimization of processes, as well as further digitalization.

Finally, we will continue to enhance our attractiveness as a responsible employer of choice.

With the commitment and recognized expertise of our teams, and the Group's strong solvency and liquidity position, despite macroeconomic uncertainties ahead, we are convinced of our ability to accompany our clients and contribute to the structural long term dynamism of the Luxembourg ecosystem.

CONCLUSION

In a lower epidemic environment, SG Luxembourg Group continued to show in 2021 a remarkable agility and its ability to continue to efficiently support its clients while demonstrating its responsibility as a bank in particular by fostering sustainable and positive impact financing and investment solutions.

In parallel, the Group was able to purse its high-pace transformation focused on three priorities - customer centricity, corporate social responsibility and operational efficiency based on digital technologies – and will continue to do so in 2022.

GLOBAL STATEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, the Consolidated Financial Statements give a true and fair view of the financial position and profit and losses of Societe Generale Luxembourg and its consolidated subsidiaries as at December 31 2021, and its financial performance and cash flows for the period then ended in accordance with with International Financial Reporting Standars ("IFRS") as adopted by the European Union, and the Consolidated Management Report includes a true and fair presentation of the evolution and performance of Societe Generale Luxembourg and its consolidated subsidiaries, together with a description of the main risks and uncertainties that Societe Generale Luxembourg and its consolidated subsidiaries face.

Arnaud Jacquemin
Societe Generale Luxembourg Chief Executive Officer

Luxembourg, 22 April 2022

Photo credit: Olivier Minaire

III. INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Societe Generale Luxembourg S.A.
11, Avenue Emile Reuter
L-2420 Luxembourg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Societe Generale Luxembourg S.A. (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated income statement, the consolidated statement of net income and unrealised or deferred gains and losses, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of July 23, 2016 and ISAs are further described in the "Responsibilities of the "Réviseur d'Entreprises Agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairments on customer loans and provisions on financing commitments

DESCRIPTION

As at December 31, 2021, the gross amount of customer loans is EUR 22 902 million, and related impairments amount to EUR 84 million (see Note 3.6).

As at December 31, 2021, provisions relating to financing commitments amount to EUR 3 million (see Note 3.9).

Customer loans and financing commitments carry a credit risk which exposes the Group to a potential loss if its client or counterparty is unable to meet its financial obligations. The Group recognizes expected credit losses ("ECL") to cover this risk. Such ECL are calculated in accordance with IFRS 9 "Financial instruments".

The assessment of ECL for customer loans and financing commitments requires the exercise of judgment notably to:

- determine the exposure classification criteria under stage 1, stage 2 or stage 3;

- estimate the amount of ECL depending on the different stages;
- prepare macroeconomic projections which are embedded in the deterioration criteria and in the ECL measurement.

The qualitative information concerning in particular the recognition and procedure used to estimate ECL is mainly described in Note 3.9 "Impairment and provisions" to the consolidated financial statements.

We considered the assessment of ECL on customer loans and financing commitments to be a key audit matter for the following reasons:

- the significance of customer loans in the Group's balance sheet;
- the use of various parameters and assumptions in the models to determine the probability of default and the loss given default;
- the importance of judgment in determining the criteria of significant increase in credit risk and the way macroeconomic forecasts are taken into account;
- the assessment of individual ECL on defaulted loans and financing commitments (stage 3);
- the heightened difficulty to determine ECL during an unprecedented health and economic crisis combined with an unprecedented level of government support measures.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We obtained an understanding of the Group's internal control and tested the manual and automated key controls relating to the assessment of the credit risk and the measurement of the ECL.

With the support of internal specialists in risk management and modelling included in the audit team, we focused our work on the most significant loans and/or portfolios of loans to customers, as well as on the financing granted to companies operating in economic sectors and geographical areas most impacted by the current health and economic crisis.

Concerning ECL, our audit work notably consisted in:

- examining the compliance of policies and methodologies implemented by the Group with IFRS 9 "Financial instruments" requirements;
- analyzing the main parameters used by the Group to classify outstanding exposures and assess stages 1 and 2 ECL calculation as at December 31, 2021, including the integration of macroeconomic projections;
- testing a sample of customer loans and financing commitments consisting of key items and items selected on the basis of our professional judgment to form our own assessment as to whether they are classified in the appropriate stage;
- performing tests on impairment models implemented in the information systems which are used to prepare financial information;
- performing a counter-calculation of the ECL as at December 31, 2021;
- examining the analyses prepared by the Group regarding variations of customer loans and financing commitments between stages and the related ECL during the year;
- testing based on a sample of exposures selected using our professional judgment, as at December 31, 2021, the main assumptions used to classify loans in stage 3, as well as the estimation of the related individual ECL. We examined in a critical manner the conclusions of the specialized committee monitoring such exposures and the assumptions used to determine expected cash flows and estimated recovery from any underlying collateral.

Mirroring of financial assets and financial liabilities related to issuance activity at SG Issuer S.A.

DESCRIPTION

As at December 31, 2021, SG Issuer S.A. is accounted for using the equity method (see Notes 2.1, 2.2 and 2.3).

The activity of SGIS consists in issuing Notes and Warrants, which are subscribed by investors. These financial instruments are economically fully hedged with mirror transactions concluded with Societe Generale S.A. replicating the financial instruments issued by SGIS.

We considered the mirroring of financial instruments issued to be a key audit matter in light of the financial risk to the Group which would result from the inadequate mirroring of the financial instruments issued by SGIS.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We tested the key controls implemented by SGIS in relation with the issuance of financial instruments and the conclusion of mirror transactions with Societe Generale S.A., as well as the key controls on the stock of financial instruments to ensure the mirroring effectiveness.

We verified the intercompany reconciliation process between SGIS and Societe Generale S.A., and the intercompany reconciliations performed as at December 31, 2021.

We tested whether SGIS has contracted the mirror financial instruments with Societe Generale S.A. for a sample of financial instruments issued by the Group as at December 31, 2021

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

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises Agréé" thereon.

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of Board of Directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "Réviseur d'Entreprises Agréé" for the audit of the consolidated financial statements by the Board of Directors on April 22, 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the consolidated management report. The information required by article 70bis paragraph 1 of the law of June 17, 1992 relating to the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the consolidated financial statements of the Group as at December 31, 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the consolidated financial statements. For the Group, it relates to:

- Financial statements prepared in valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at December 31, 2021, identified as Societe Generale Luxembourg S.A. consolidated financial statements 12312021 ESEF", have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

Dorian Rigaud

Luxembourg, April 29, 2022

IV. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

(in EUR thousand)	*Notes*	**12.31.2021**	**12.31.2020**
Cash, due from central banks	*3.1*	10 966 851	9 871 682
Financial assets at fair value through profit or loss	*3.2, 3.3 and 3.5*	1 240 582	1 057 591
Hedging derivatives	*3.3 and 3.5*	5 625	-
Financial assets at fair value through other comprehensive income	*3.4 and 3.5*	2 815 004	3 205 031
Securities at amortised cost	*3.6 and 9.1*	8 051 597	7 086 422
Due from banks at amortised cost	*3.6 and 9.1*	19 840 378	10 498 243
Customer loans at amortised cost	*3.6 and 9.1*	22 817 851	22 980 536
Investments of insurance activities	*4.3*	371 871	442 651
Tax assets	*6*	1 560	4 781
Other assets	*4.4*	481 959	648 839
Investments accounted for using the equity method		108 560	99 419
Tangible and intangible fixed assets and right-of-use assets	*8.4*	139 945	154 457
Total		**66 841 783**	**56 049 652**

The accompanying notes are an integral part of the consolidated financial statements.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES AND SHAREHOLDERS' EQUITY

(in EUR thousand)	*Notes*	**12.31.2021**	**12.31.2020**
Financial liabilities at fair value through profit or loss	*3.2, 3.3 and 3.5*	450 051	534 905
Hedging derivatives	*3.3 and 3.5*	98 483	193 687
Debt securities issued	*3.7*	45 084	64 609
Due to banks	*3.7*	24 147 288	25 326 267
Customer deposits	*3.7*	38 006 508	24 995 893
Tax liabilities	*6*	120 757	156 068
Other liabilities	*4.4*	481 724	1 292 389
Insurance contracts related liabilities	*4.3*	79 326	91 623
Provisions	*8.3*	66 010	81 680
Total liabilities		**63 495 231**	**52 737 121**
Shareholders' equity			
Shareholders' equity, Group share			
Issued capital	*7.1*	1 389 043	1 389 043
Reserves, share premium and retained earnings	*7.1*	1 606 797	1 658 308
Net income	*7.1*	303 907	229 774
Sub-total		**3 299 747**	**3 277 125**
Unrealised or deferred gains and losses	*7.2*	46 695	35 314
Sub-total equity, Group share		**3 346 442**	**3 312 439**
Non-controlling interests	*2.3*	110	92
Total equity		**3 346 552**	**3 312 531**
Total liabilities and equity		**66 841 783**	**56 049 652**

The accompanying notes are an integral part of the consolidated financial statements.

3. CONSOLIDATED INCOME STATEMENT

(in EUR thousand)	*Notes*	**2021**	**2020**
Interest and similar income	*3.8*	555 316	617 300
Interest and similar expense	*3.8*	(227 706)	(311 861)
Fee income	*4.1*	445 349	444 440
Fee expense	*4.1*	(151 729)	(154 805)
Net gains and losses on financial transactions		49 093	40 374
o/w net gains and losses on financial instruments at fair value through profit or loss	*3.2 and 3.3*	*49 093*	*40 374*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	*3.4*	-	-
o/w net gains and losses from the derecognition of financial assets at amortised cost		-	-
Net income of insurance activities	*4.3*	34 158	23 637
Income from other activities	*4.2*	8 186	37 070
Expenses from other activities	*4.2*	(8 987)	(9 584)
Net banking income		**703 680**	**686 571**
Personnel expenses	*5.1*	(208 519)	(203 429)
Other operating expenses	*8.2*	(176 773)	(149 330)
Amortisation, depreciation and impairment of tangible and intangible fixed assets and right-of-use assets	*8.4*	(44 251)	(43 579)
Gross operating income		**274 137**	**290 233**
Cost of risk	*3.9*	2 045	(63 934)
Operating income		**276 182**	**226 299**
Net income from investments accounted for using the equity method	*2.3*	39 205	16 101
Net income/expense from other assets		(1 066)	(2 369)
Earnings before tax		**314 321**	**240 031**
Income tax	*6*	(10 372)	(10 230)
Consolidated net income		**303 949**	**229 801**
Non-controlling interests	*2.3*	42	27
Net income, Group share		**303 907**	**229 774**

The accompanying notes are an integral part of the consolidated financial statements.

4. CONSOLIDATED STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(in EUR thousand)	*Notes*	**2021**	**2020**
Consolidated net income		**303 949**	**229 801**
Unrealised or deferred gains and losses that will be reclassified subsequently into income		**(5 012)**	**6 468**
Translation differences	*7.2*	(2 221)	77
Revaluation of debt instruments at fair value through other comprehensive income	*7.2*	(4 931)	(3 802)
Revaluation differences of the year		*75 800*	*5 317*
Reclassified into income		*(80 731)*	*(9 119)*
Revaluation of available-for-sale financial assets (1)	*4.3 and 7.2*	(8 828)	224
Revaluation differences of the year		*(2 919)*	*5 066*
Reclassified into income		*(5 909)*	*(4 842)*
Revaluation of hedging derivatives	*7.2*	13 835	10 604
Revaluation differences of the year		*13 835*	*10 604*
Reclassified into income		-	-
Unrealised gains and losses of entities accounted for using the equity method	*7.2*	(3 460)	1 568
Tax related	*7.2*	593	(2 203)
Unrealised or deferred gains and losses that will not be reclassified subsequently into income		**13 967**	**(2 426)**
Actuarial gains and losses on defined benefits plans	*7.1 and 7.2*	16 223	(2 889)
Unrealised gains and losses of entities accounted for using the equity method	*7.1 and 7.2*	-	77
Related tax	*7.1 and 7.2*	(2 256)	386
Total unrealised or deferred gains and losses		**8 955**	**4 042**
Net income and unrealised or deferred gains and losses		**312 904**	**233 843**
o/w Group share		*312 862*	*233 816*
o/w non-controlling interests	*2.3*	*42*	*27*

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

The accompanying notes are an integral part of the consolidated financial statements.

5. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves		
(in EUR thousand)	**Issued common stocks**	**Issuing premium and capital reserves**	**Total**
Shareholders' equity at January 01, 2020	**1 389 043**	**2 817**	**1 391 860**
Appropriation of net income	-	-	-
2020 dividends paid (see Note 8.8)	-	-	-
Effect of changes of the consolidation scope	-	-	-
Sub-total of changes linked to relations with shareholders	**-**	**-**	**-**
Change in unrealised or deferred gains and losses	-	-	-
2020 Net income	-	-	-
Change in accounting policy	-	-	-
Other changes	-	-	-
Sub-total	**-**	**-**	**-**
Shareholders' equity at December 31, 2020	**1 389 043**	**2 817**	**1 391 860**
Allocation to retained earnings	-	-	-
Shareholders' equity as at January 01, 2021	**1 389 043**	**2 817**	**1 391 860**
Appropriation of net income			
2021 dividends paid (see Note 8.8)	-	-	-
Effect of changes of the consolidation scope	-	-	-
Sub-total of changes linked to relations with shareholders	**-**	**-**	**-**
Change in unrealised or deferred gains and losses	-	-	-
2021 Net income	-	-	-
Change in accounting policy	-	-	-
Other changes	-	-	-
Sub-total	**-**	**-**	**-**
Shareholders' equity at December 31, 2021	**1 389 043**	**2 817**	**1 391 860**

The accompanying notes are an integral part of the consolidated financial statements.

Retained earnings	Net income, Group share	Unrealised gains and losses: that will be reclassified subsequently into income	Unrealised gains and losses: that will not be reclassified subsequently into income	Unrealised gains and losses: Total	Shareholders' equity, Group share	Non-controlling interests	Total consolidated shareholders equity
1 655 546	**-**	**31 273**	**-**	**31 273**	**3 078 680**	**102**	**3 078 782**
-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	(38)	**(38)**
-	-	-	-	-	-	-	**-**
-	**-**	**-**	**-**	**-**	**-**	***(38)***	***(38)***
-	-	6 468	(2426)	4 042	4 042	-	**4 042**
-	229 774	-	-	-	229 774	27	**229 801**
-	-	-	-	-	-	-	**-**
(55)	-	-	-	-	(55)	1	**(54)**
(55)	***229 774***	***6 468***	***(2426)***	***4 042***	***233 761***	***27***	***233 788***
1 655 491	**229 774**	**37 740**	**(2 426)**	**35 314**	**3 312 439**	**92**	**3 312 531**
227 348	(229 774)	-	2 426	2 426	-	-	**-**
1 882 839	-	**37 740**	**-**	**37 740**	**3 312 439**	**92**	**3 312 531**
(279 000)	-	-	-	-	(279 000)	(25)	**(279 025)**
-	-	-	-	-	-	-	**-**
(279 000)	**-**	**-**	**-**	**-**	**(279 000)**	***(25)***	***(279 025)***
-	-	(5 012)	13 967	8 955	8 955	-	**8 955**
-	303 907	-	-	-	303 907	42	**303 949**
145	-	-	-	-	145	-	**145**
(4)	-	-	-	-	(4)	1	**(3)**
141	***303 907***	***(5 012)***	***13 967***	***8 955***	***313 003***	***43***	***313 046***
1 603 980	**303 907**	**32 728**	**13 967**	**46 695**	**3 346 442**	**110**	**3 346 552**

6. CONSOLIDATED STATEMENT OF CASH FLOW

(in EUR thousand)	*Notes*	**2021**	**2020**
Consolidated net income (I)		**303 949**	**229 801**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	*8.4*	44 251	43 579
Depreciation and net allocation to provisions		(17 799)	66 035
Net income/loss from investments accounted for using the equity method		(39 205)	(16 101)
Change in deferred taxes	*6.1*	(43 103)	(19 534)
Net income from the sale of long-term assets and subsidiaries		-	-
Change in deferred income		(2 069)	2 429
Change in prepaid expense		1 258	1 199
Change in accrued income		(39 138)	17 074
Change in accrued expense		(774 626)	408 490
Other changes		205 974	111 634
Income tax paid		(47 109)	(23 785)
Non-cash items included in net income and others adjustments excluding income on financial instruments at fair value through profit or loss (II)		**(711 566)**	**591 020**
Income on financial instruments at fair value through profit or loss		111 085	235
Interbank transactions		(3 173 251)	(632 828)
Customers transactions		13 734 532	1 760 126
Transactions related to other financial assets and liabilities		114 054	(376 980)
Transactions related to other non financial assets and liabilities		(38 389)	(81 447)
Net increase/decrease in cash related to operating assets and liabilities (III)		**10 748 031**	**669 106**
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III)		**10 340 414**	**1 489 927**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments		(1 077 309)	81 976
Net cash inflow (outflow) related to tangible and intangible fixed assets		(31 475)	(25 277)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)		**(1 108 784)**	**56 699**
Dividend paid to equity holders of the parent	*8.8*	(279 000)	-
Repayment of subordinated loan		-	-
Other net cash flows arising from financing activities		-	-
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)		**(279 000)**	**-**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)		**8 952 630**	**1 546 626**
Cash due from central banks	*3.1*	9 871 682	9 262 134
Demand deposits and current accounts with banks	*3.6 and 3.7.1*	1 625 662	688 584
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		**11 497 344**	**9 950 718**
Cash due from central banks	*3.1*	10 966 851	9 871 682
Demand deposits and current accounts with banks	*3.6 and 3.7.1*	9 483 123	1 625 662
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**20 449 974**	**11 497 344**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS		**8 952 630**	**1 546 626**

Additonal information on operational cash flows from interest:

Interests paid	*3.8*	(232 608)	(328 773)
Interests received	*3.8*	558 077	628 498
Dividend received	*3.2*	139 547	73 866

The accompanying notes are an integral part of the consolidated financial statements.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

CORPORATE INFORMATION

Societe Generale Luxembourg S.A. (the "Group" or the "Bank") was formed as Ingéfilux on April 11, 1956. Its name was changed to Luxbanque, Société Luxembourgeoise de Banque S.A. on May 7, 1981. In 1995, the Extraordinary Shareholders' Meeting decided to change the Bank's name to Societe Generale Bank & Trust S.A., with effect as at June 1, 1995. Furthermore, on January 27, 2020 the Bank changed its name to Societe Generale Luxembourg S.A. The Bank is governed by Luxembourg banking regulations and in particular the Law of April 5, 1993, as amended, on the financial sector. The Bank was incorporated under Luxembourg and is a limited liability company ("Société Anonyme") for an unlimited duration.

The Group provides financing engineering in private banking, securities services, corporate and investments banking. It is active in the insurance activities through the integrated bank-insurance model.

The Group has also treasury and assets liabilities management functions which are responsible for monitoring, managing and hedging structural risks arising from all the business units within SG Luxembourg.

As at December 31, 2021, the Bank's capital is wholly-owned by Sogeparticipations, a limited liability company ("Société Anonyme"), incorporated under French law.

The Bank and other entities of the Group are included in Societe Generale consolidated financial statements, which is the ultimate parent company of the Group. The consolidated financial statements of Societe Generale may be obtained from its registered office at Societe Generale, 29 Boulevard Haussmann, 75009 Paris, France.

Societe Generale Group is a public limited company (Société Anonyme) established under French law and headquartered in Paris, that prepares and published IFRS, as adopted by the European Union, consolidated financial statements since 2005.

The Bank holds a representation office in Germany (launched in 2018) and a branch in Italy from January 2021 (former representation office opened in 2018 and transformed into a branch as at 1 January 2021).

These consolidated financial statements were approved by the Board of Directors of the Bank on April 22, 2022.

ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, Societe Generale Luxembourg Group prepared its consolidated financial statements for the year ended December 31, 2021 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date and with the going concern principle.

FINANCIAL STATEMENTS PRESENTATION

The consolidated financial statements have been prepared on an historical cost basis except for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income that have been measured at fair value.

The carrying values of assets and liabilities that are designated as hedged items (fair value hedges) are adjusted to record changes in the fair values attributable to risks that are being hedged in effective hedge relationships. These assets and liabilities would otherwise be carried at amortised cost.

In relation to its insurance activity, the Group has taken the exemption authorized under IFRS 4 not to discount the technical provisions. The Group maintained the decision, to defer the application of IFRS 9 and thus maintain the treatments defined by IAS 39 as adopted in the European Union.

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").

The disclosures provided in the notes to the consolidated financial statements of the Group are based on information that is both relevant and material to the financial statements of Societe Generale Luxembourg Group, its activities and the circumstances in which it conducted its operations over the year.

The Group publish its consolidated financial statements as at December 31,2021, in European Single Electronic Format ("ESEF") format in accordance with European Regulation 2019/815 and modified by the delegated Regulation 2020/1989. The official version of consolidated financial statement as at 31 December 2021 is the version in ESEF format, available from the tool «Officially Appointed Mechanism» (OAM).

PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro (EUR).

Functional currency for SG Luxembourg and its subsidiairies is EUR except for Societe Generale Private Banking Suisse S.A. ("SGPB Suisse"), where the functional currency is CHF.

The figures presented in the consolidated financial statements and in the notes are expressed In EUR thousand, unless otherwise specified. The effect of rounding can generate discrepancies between the consolidated figures presented in the financial statements and those presented in the notes.

The statements of financial position of consolidated companies reporting in foreign currencies are translated into EUR at the official exchange rates prevailing at the closing date. The statements of income of these companies are translated into EUR at the monthly average exchange rates.

The main spot exchange rates used as at December 31, 2021 are are as follows:

(in EUR thousand)	**12.31.2021**	**12.31.2020**
EUR1 =	USD 1.1326	USD 1.2271
EUR1 =	GBP 0.8403	GBP 0.8990
EUR1 =	CHF 1.0331	CHF 1.0802
EUR1 =	JPY 130.38	JPY 126.49

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP IN 2021

AMENDMENTS TO IFRS 4 – EXTENSION OF THE TEMPORARY EXEMPTION FROM THE APPLICATION OF IFRS 9

Amendments to IFRS 17 and IFRS 4 published by the IASB on June 25, 2020 and Regulation (EU) 2020/2097 published by the European Commission on December 15, 2020.

These amendments allow financial conglomerates as defined by Directive 2002/87/EC to defer, until January 1, 2023, the application of IFRS 9 by their legal entities operating in the insurance sector.

The Group therefore maintained the decision, for its insurance subsidiaries, to defer the application of IFRS 9 and thus maintain the treatments defined by IAS 39 as adopted in the European Union.

DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (IFRS IC) OF APRIL 20, 2021 ON IAS 19R

During its April 20, 2021 meeting, the IFRIC specified the modalities for determining the vesting period of a defined post-employment benefit plan under which employees are entitled to a lump-sum benefit payment the amount of which:

- depends on their length of employee service, when they reach retirement age, and
- is capped at a maximum amount when they exceed a certain number of consecutive years of service determined by the regime,
- and the payment of which requires that they are still employed by the firm until their retirement date.

The IFRIC specified that, pursuant to IAS 19R, the vesting period should be the period of employee service immediately before the retirement age and that its duration should be capped to the number of consecutive years of service required to be entitled to this benefit.

Therefore, it is not possible to use as the vesting period the total length of service when the latter is greater than the cap used to calculate the benefit. The consecutive decision not to place the issue on the IFRIC agenda was validated by the IASB on May 24, 2021.

During the second half of 2021, the Group inventoried the defined post-employment benefit plans similar to the ones covered by the IFRIC decision and whose vesting period applied by the Group until now corresponded to the employees' total length of service, mainly termination benefit plans.

Pursuant to the IFRIC decision, the commitments relating to these plans have been reassessed based on a capped length of service, resulting in a writeback of the provisions for employee benefits as at January 1, 2020 against Consolidated reserves for an amount of EUR 194 thousand (before tax impact).

Only Societe Generale Private Banking Monaco S.A. ("SGPB Monaco") entity is affected by a modification of the calculation (pension plan from the Ultimate parent in France). As this change in the length of service has no significant impact on the 2020 comparative income statement, the latter has not been restated.

AMENDMENTS TO IFRS 16 « LEASE CONTRACT» DUE TO THE COVID-19 CRISIS – EXTENSION OF RENT RELIEF RELATED TO COVID-19 BEYOND JUNE 30 2021

Issued by the IASB on March 31, 2021.

The IASB extend by one year the period of application of the amendments related to IFRS 16 "Lease contract" related to the Covid-19 crisis and published on May 28, 2020. The amendments are to allow, as an option, tenants benefiting from rent relief in the context of the Covid-19 pandemic, not to analyze whether the concessions granted to them should be accounted for as modifications to rental contracts. This would imply spreading out the effects of the advantage granted over the term of the contract in profit or loss, they can recognize these reductions as negative variable rents (generating an immediate gain in profit or loss).

Thus, this simplication measure can be applied to rent relief relating to payments due until June 30, 2022.

In 2021 and in 2020, the Group did not benefit from any rent reduction following the Covid-19 crisis.

IFRS INTERPRETATIONS COMMITTEE (IFRIC) DECISION ON IAS 38, DATED 27 APRIL 2021 .

During its April 27, 2021 meeting, the IFRIC reiterated the accounting rules for a customer's costs of configuring or customizing the supplier's application in a 'Software as a Service' (SaaS) arrangement.

The Group's analysis of the SaaS contracts does not allow for the recognition of an asset since they concern only a right to access a software application for a given amount of time. Consequently, configuration and customization costs may not be capitalized and have to be recognized as expense in the income statement.

No material impact has been identified as at December 31, 2021.

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 December 31, 2021. They are required to be applied from annual periods beginning on January 1, 2022 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at December 31, 2021.

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

2022

- Amendments to IAS 37 «Provisions, contingent liabilities and contingent assets» - Onerous contracts - contract execution costs»
- Annual IFRS Improvement (2018 - 2020 Cycle)

2023

- Amendments to IAS 1 " Classification of liabilities"
- Amendments to IAS 1 "Disclosure of Accounting Policies "
- Amendments to IAS 8 "Definition of Accounting Estimates"
- IFRS 17 "Insurance contracts" and IFRS 9 "Financial Instruments" to the legal entities operating in the insurance sector
- Amendments to IAS 12 "Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

AMENDMENTS TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS "ONEROUS CONTRACTS - CONTRACT EXECUTION COSTS "

Issued by the IASB in May 2020 and adopted by European Union on July 2, 2021.

These amendments specify the costs to be used in determining the costs of performing a contract when analyzing onerous contracts.

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

ANNUAL IFRS IMPROVEMENTS (2018–2020 CYCLE)

Issued by the IASB on May,14 2020 and adopted by European Union on July 2, 2021.

As part of the annual procedure for improving IFRS, the IASB published minor changes to IFRS 9 "Financial instruments" and IFRS 16 "Leases". The IASB also published minor changes to IFRS 1 "First time adoption of International Financial Reporting Standards" and IAS 41 "Agriculture", which is not applicable to the Group.

The amendment on IFRS 9 "Financial instruments" clarifies which fees an entity includes when performing the "10 per cent" test to assess whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The Group will integrate this new guidances in its accounting policy. At this stage, the Group does not expect any significant impact from these amendments.

AMENDMENTS TO IAS 1 «CLASSIFICATION OF LIABILITIES»

Issued by the IASB on January 23, 2020.

On January 23, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2022.

On July 15, 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 for annual reporting periods beginning on or after January 1,2023. The Accounting Standards Board approved this amendment to IAS 1 on October 2020.

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

AMENDMENTS TO IAS 1 " INFORMATION TO BE PROVIDED ON ACCOUNTING METHODS"

Issued by the IASB on February 12, 2021.

The aim of these amendments is to help companies improve the materiality of the information on accounting policies disclosed in the notes to the financial statements and the usefulness of that information to investors and financial statements users.

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

AMENDMENTS TO IAS 8 "DEFINITION OF AN ACCOUTING ESTIMATE"

Issued by the IASB on February 12, 2021.

These amendments aim to facilitate the distinction between changes in accounting policies and changes in accounting estimates.

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

PREPARATION FOR THE FIRST-TIME APPLICATION OF IFRS 17 "INSURANCE CONTRACTS" AND OF IFRS 9 "FINANCIAL INSTRUMENTS" TO THE LEGAL ENTITIES OPERATING IN THE INSURANCE SECTOR

Issued by the IASB on May 18, 2017, amended on June 25, 2020 and December 9,2021.

The IFRS 17 standard, will replace the IFRS 4 "Insurance contracts" standard which allows for the recognition of insurance contracts using the methods specified by the local accounting regulation.

IFRS 17 will be applicable from January 1, 2023. On the same date, the Group subsidiaries operating in the insurance sector will, for the first time, apply IFRS 9 "Financial instruments" the application was deferred for these entities according to the possibilities offered by the amendments to IFRS 17 and IFRS 4 published by the IASB on June 25, 2020 and extended by regulations (EU) 2017/1988 and (EU) 2020/2097 of the European Commission.

On December 9, 2021, the IASB published amendments to IFRS 17 to improve the comparative information on financial assets presented at the time of the first concomitant application of the IFRS 9 and IFRS 7 standards. The process of adoption of these amendments by the European Union is currently underway.

The main consequences of the application of IFRS 17 concern:

- the valuation of insurance contracts on the balance sheet: their value will be updated at each closing date based on a reassessment of the related future cash flows. This reassessment will take account market data in relation to the financial elements and behaviour of customers;
- the recognition of the margin: even if the profitability of the insurance contracts remains unchanged, the recognition in profit or loss of their margins will be modified to be spread over the duration of the insurance service ; and
- the presentation of the income statement: the operating expenses attributable to the execution of the insurance contracts will, from now on, be presented in deduction of the Net Banking Income under Insurance service expenses and will not impact the total operating expenses in the consolidated income statement anymore.

SCOPE OF THE CONTRACTS

The scope of insurance contracts to which IFRS 17 applies mirrors the one to which IFRS 4 currently applies. These are the insurance contracts issued, the reinsurance contracts issued or held, and the investment contracts issued including a discretionary participation clause provided they are issued by an entity which also issues insurance contracts. Like IFRS 4, IFRS 17 does not apply to the insurance contracts in which the Group is the insured beneficiary except for the contracts identified as reinsurance treaties.

GROUPING OF CONTRACTS

To measure the insurance contracts issued, IFRS 17 requires that the latter are aggregated into homogeneous portfolios. Within these portfolios, the contracts must be subject to similar risks and managed together.

Within each portfolio, three groups will be distinguished upon initial recognition: contracts that are onerous at initial recognition, contracts that at initial recognition have no significant possibility of becoming onerous subsequently, and remaining contracts.

Furthermore, IFRS 17 stipulates that each group of contracts shall be divided into annual cohorts (with contracts issued no more than one year apart). The European Commission endorsing IFRS 17 has however offered European enterprises the possibility not to apply this provision to intergenerational mutualised contracts. The Group intends to use this exemption to better reflect the mutualised management of the specific risks related to insurance activities.

MEASUREMENT MODELS

GENERAL MODEL APPLICABLE TO THE INSURANCE CONTRACTS ISSUED

Initial measurement

Upon initial recognition, the value of a group of insurance contracts issued corresponds to the sum of the following elements:

Liabilities representative of the insurance contracts

=

Current value of the insurance services or Cash flow related to the performance of the con-tracts (Fulfilment cash flows)

Future cash flows estimated at the effective date of the contract
Premiums, services, directly related costs.

+

Discounting
Time value of money and financial risk not taken into account in the estimated flows.

+

Adjustment for non-financial risks
(Risk adjustment)

+

Margin on contractual services

The contractual service margin represents the unearned profit that the entity will recognise in profit or loss as the insurance services are provided. Its amount is determined at the time of initial recognition of the group of insurance contracts so that, at this date, no income nor expense is recognised, except in the particular case of groups of onerous contracts whose loss corresponding to the net expected cash outflow has to be recognised immediately in profit or loss.

Subsequent measurement (except for onerous contracts)

At each closing date, the accounting value on the balance sheet of the group of insurance contracts issued is reestimated. It is then equal to the sum of the two following amounts:

- liabilities for the remaining coverage, which aggregate the value of the execution flows reestimated at this date (discounted value of the premiums receivable and of the expenses for future services over the remaining coverage period) and the contractual service margin discounted at the same date as described above;
- liabilities for the claims incurred, for an amount equal to the discounted value of the estimated cash flows required to settle the valid claims on past events.

At the same closing date, the amount of the contractual service margin is reassessed to take account in particular of:

- the impact of the new contracts added to the group of contracts,
- the interest capitalised at the discounting rate used to determine the initial margin value,
- the reassessment execution cash flows (discounted value of the premiums receivable and of the expenses for future services over the remaining coverage period, except for the estimated expenses to be paid for the claims incurred which are assessed separately).

A share of the amount of the margin thus reassessed is then recorded in profit or loss, representing the insurance coverage provided by the group of contracts during the period; this share is determined by distributing this reassessed margin between the amount of insurance services provided over the period and the amount of services remaining to be provided over the expected residual coverage period of these contracts.

PRESENTATION OF THE FINANCIAL PERFORMANCE

On the consolidated income statement, the profits and losses related to the insurance contracts issued and the reinsurance contracts are presented under Net Banking Income, distinguishing between, on one side:

- the income from the insurance and reinsurance contracts issued,
- the expenses for the services relating to the insurance and reinsurance contracts issued, and
- the income and expenses relating to the reinsurance contracts held;

and on the other side:

- the financial income and expenses of the insurance and reinsurance contracts issued, and
- the financial income and expenses of the reinsurance contracts held.

The expenses for the services relating to the insurance and reinsurance contracts issued as well as the expenses for the reinsurance contracts held will then include the share of operating expenses directly attributable to the execution of the contracts which will thus be deducted from the Net Banking Income.

Many insurance contracts include an investment component in the form of a deposit made by the policyholder and which the insurer is contractually required to repay even if the insured event doesn't occur. Even if they may take the contractual form of insurance premiums and services, the deposits collection and repayment flows do not constitute either income or expenses in relation to these contracts.

The financial income and expenses of the insurance and reinsurance contracts mainly include the variations in value of the groups of contracts relating to the impacts of the time value of money and of the financial risks not taken into account in the estimated flows.

TRANSITION

At this stage of the project aiming at implementing IFRS 17 and IFRS 9 standard, the consequences of its application in terms of amounts in the consolidated financial statements cannot be reasonably estimated but are limited to the assets and liabilities accounts for which IFRS 4 and IAS 39 are applicable as at December 31, 2021.

Application of IFRS 17 standard

The initial application of IFRS 17 as at January 1, 2023 will be retrospective and the comparative figures for the 2022 financial year will be restated.

The differences in measurement of the insurance assets and liabilities resulting from the retrospective application of IFRS 17 as at January 1, 2022 will be presented directly under Equity.

The retrospective measurement of these assets and liabilities, and in particular of the different insurance contract portfolios, may be subject to simplified approaches when the historical data necessary for a completely retrospective application are not available. The standard then allows for the use of:

- either an adjusted retrospective approach, based on the reasonable information available without undue cost or effort, which should provide for measurements that are as close as possible to those that would result from the retrospective application of the standard;
- or an approach based on the fair value of the insurance contract portfolios as at January 1, 2022.

The Group intends to apply a retrospective approach adjusted for the savings life-insurance contracts and the retirement savings contracts which represent the large majority of its contracts. The protection –damage contracts might be subject to a full retrospective approach while a case-by-case approach is examined for the protection–provident contracts.

Application of the IFRS 9 standard by the insurance entities of the Group

The initial application of IFRS 9 by the insurance entities of the Group as at January 1, 2023 will be retrospective.

For consistency purpose with the IFRS 17 transition arrangements, and in order to provide more relevant information, the Group intends to restate the comparative figures for 2022 financial year relating to the financial instruments concerned of its insurance entities.

The differences in the measurement of the concerned financial assets and liabilities and of the impairment for credit risk , as well as gains and losses recognised directly in equity, resulting from the retrospective application of IFRS 9 as at January 1, 2022 will be presented directly under Equity.

The treatment of the financial assets currently measured at fair value through profit or loss will not be modified. The other financial assets (available-for-sale financial assets) mainly consist of:

- basic financial instruments - the cashflows of which correspond solely to the payment of principal and the payment of interest on the principal due held in the framework of a “Held to Collect and Sell” business model; these instruments will be reclassified under Financial Assets at Fair Value through Equity.
- non-basic financial instruments: these instruments will be reclassified under Financial Assets at Fair Value through Profit or Loss. The unrealised gains or losses previously recognised in equity will be reclassified as consolidated reserves (no impact on the Group’s shareholders’ equity).

Owing to the credit quality of the assets held, the application of the provisions of IFRS 9 on the recognition of the expected credit losses should lead only to a limited increase in their impairments resulting mainly from the recognition of the 12-months expected credit losses.

AMENDMENTS TO IAS 12 “ INCOME TAX – DEFERRED TAX FOR ASSETS AND LIABILITIES RELATED TO THE SAME TRANSACTION”

Issued by the IASB on May 7, 2021.

These amendments clarify and narrow the scope of the exemption of not recognize deferred tax during the ignitial recongnition of an assets and a liability, offered by IAS 12. Therefore, lease contracts and decommissioning obligations for which companies record both assets and liabilities are excluded and they will have now to book deferred taxes.

The objective of these amendments is to reduce the heterogeneity in the recognition of deferred tax relating to leases and decommissioning obligations.

Since the implementation of IFRS 16, the Group has considered rights of use and lease debts as a single transaction. Thus, on the date of first recognition, no deferred tax is recognized , as the value of the deferred tax assets generated offsets the value of the deferred tax liability. The differences due to subsequent variations in the right of use and lease liability lead to the recognition of deferred tax. As such, this amendment has no effect on the Group’s consolidated accounts.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires the Board of Directors to make judgments, estimates and assumptions that affect the reported figures recorded in the consolidated income statement, on the valuation of assets and liabilities in the consolidated statement of financial position, and on information disclosed in the Notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Board of Directors 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 assumptions and estimates used for the preparation of these consolidated financial statements have changed since the previous annual closing to reflect the current uncertainties about the consequences, duration and magnitude of the economic crisis generated by the Covid-19 pandemic. The effects of this crisis on the assumptions and estimates used are specified in the section Covid-19 crisis impact.

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

In the process of applying the Group’s accounting policies, the Board of Directors has made the following judgments and estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Fair value 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 or Financial assets at fair value through other comprehensive income (see Notes 3.2, 3.3, 3.4 and 3.5);
- Classification of financial instruments, in particular the analysis of the contractual cash flow characteristics of financial assets (see Notes 3.4 and 3.6);
- 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 Notes 3.9, 8.3 and 9);

- Provisions, in particular provisions for disputes in a complex legal environment (see Note 8.3);
- 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 entities excluded from the consolidation scope (see Note 2);
- The assumptions used for the supplemental defined benefit retirement plan (see Note 5.2).

BREXIT

After having been postponed several times, the United Kingdom's withdrawal agreement from the European Union entered into force on January 1, 2021 after an 11-month transition period.

The Group continues to follow the negotiations between the United Kingdom and the European Union regarding financial services. As at December 31, 2021, the European Commission has granted British clearing houses temporary equivalence status until June 30, 2022.

The Group remains vigilant about the possible future differences between the local and European regulations, and takes into account the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates used in the preparation of the consolidated financial statements.

5. COVID-19 CRISIS IMPACT

Two years after the outbreak of the Covid-19 pandemic, the year 2021 was marked by an economic upturn in several major economies, in particular as a result of the deployment of vaccines.

However, these dynamics are affected by persistent frictions in the global supply chains and labour markets, and by longer delivery times in the manufacturing sector and a reduced capacity of supply in the service sector, which have led to rising costs. Uncertainties remain regarding new developments in the sanitary crisis (emergence of the Omicron variant and slow deployment of vaccines in some countries).

Against this background, the multi-scenario approach selected in 2020 has been maintained for preparing the consolidated accounts as at December 31, 2021. The Group thus presents a central scenario central and an alternate protracted crisis scenario.

To apply the principles underlying the assessment of expected credit losses, the Societe Generale Group has maintained the use of methodological adjustments to take into account the specifics of the current period.

SG Luxembourg Group policy relies on Societe Generale Group's modelizations for macroeconomic scenarios and analysis of activities.

The details of evolutions to macroeconomic scenarios and their impacts on calculation of Expected Credit Losses (ECL) under IFRS 9 are presented below.

There was no impact on levelling nor fair value calculation methods (see Note 3.5) due to Covid-19 crisis.

MACROECONOMIC SCENARIOS

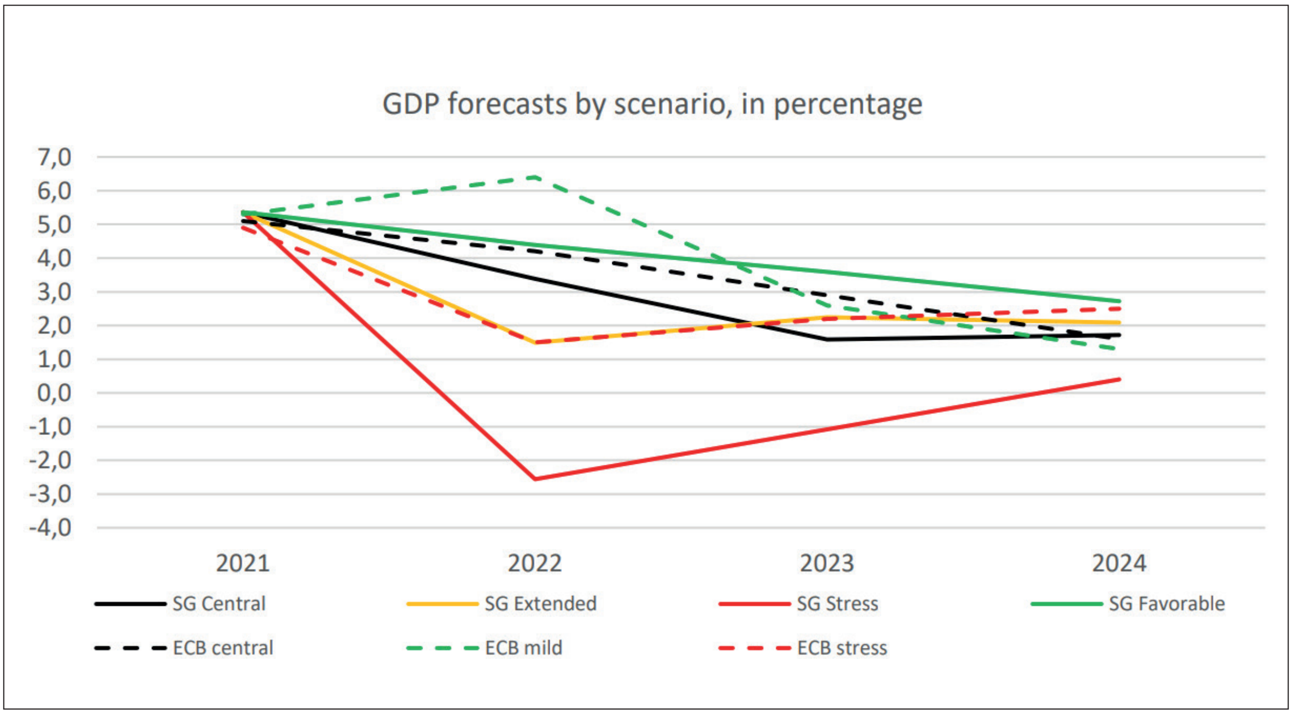
As at December 31, 2021, Societe Generale Group has maintained the coexistence of four scenarios:

- the central scenario (SG Central), including the assumption that the GDP in the euro area will be back to a 2019 level in 2022, expects no new widespread closures, and assumes that the remaining social distancing measures, such as masks, will enable most sectors to operate almost as usual;
- a scenario of prolonged health crisis (SG Extended), including the assumption that the GDP in the euro area will be back to a 2019 level in 2023, expects a new sanitary shock from the end of 2021, reproducing the lockdown pattern with increased social distancing measures as observed at the end of 2020 and in Spring 2021;
- lastly, two additional scenarios, one favourable (SG Favourable) and one stressed (SG Stress), supplement these two scenarios. The favourable scenario envisages a stronger GDP growth than the central scenario owing to unexpected productivity gains leading to a potentially higher GDP. The stress scenario, including the assumption that the GDP in the euro area will be back to a 2019 level after 2026, corresponds to a crisis situation leading to a negative deviation in GDP compared to the central scenario. This scenario may result from a financial crisis (2008 crisis, Euro area crisis), an exogenous crisis (Covid) or a combination of both.

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

Forecasts from institutions (IMF, Global Bank, ECB, OECD…) and the consensus among market economists serve as a reference to ensure the consistency of the scenarios thus constructed.The scenarios provided by the Societe Generale Group's economists are integrated into the models over a 3-year horizon, followed by a 2-year period to return in year 5 to the average probability of default observed during the calibration period. The assumptions made by the Societe Generale Group with a view to developing these macro-economic scenarios are updated to account for the remaining uncertainties regarding the Covid-19 pandemic as well as for the economic recovery prospects.

The illustration below compares the GDP forecasts in the Euro area used by the Group for each scenario with the forecasts provided by the ECB in December 2021.



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

(in percentage %)

SG Favourable scenario	2022	2023	2024	2025	2026
France GDP	4.0	3.5	2.8	2.9	2.0
Euro area GDP	4.4	3.6	2.7	2.8	2.0
United States GDP	4.6	4.6	3.0	3.0	2.0
SG Central scenario	**2022**	**2023**	**2024**	**2025**	**2026**
France GDP	3.0	1.5	1.8	1.9	2.0
Euro area GDP	3.4	1.6	1.7	1.8	2.0
United States GDP	4.6	4.6	3.0	3.0	2.0
SG Extended scenario	**2022**	**2023**	**2024**	**2025**	**2026**
France GDP	1.0	2.0	2.3	1.9	2.0
Euro area GDP	1.5	2.2	2.1	1.8	2.0
United States GDP	2.0	2.8	2.5	2.0	2.0
SG Stress scenario	**2022**	**2023**	**2024**	**2025**	**2026**
France GDP	(3.0)	(1.2)	0.5	1.4	2.0
Euro area GDP	2.6	(1.1)	0.4	1.3	2.0
United States GDP	(2.2)	(0.3)	0.8	1.5	2.0

These simulations assume that the historical relationships between the key economic variables and the risk parameters remains unchanged. In fact, these correlations may be impacted by changes in behaviour, legal environment, granting policy or, in the current context, by the unprecedented impact of the support measures.

WEIGHTINGS AS AT DECEMBER 31, 2021

The probabilities used are based on the differences observed in the past over 25 years between the forecasts made by a consensus of economists regarding the US GDP and the actual scenario that occurred (forecast similar to the actual scenario occurred, significantly optimistic or pessimistic).

In order to better account for a possible reversal of the cycle, the Societe Generale Group supplemented the methodology it uses for weightings scenarios as at December 31, 2021 and provided a higher weight to be assigned to the Stress scenario when the economy moves towards the peak of the cycle. Conversely, the methodology provides assigned a higher weight to the central scenario when the economy is depressed. This methodology will be applied and assessed throughout next year to be confirmed by December 31, 2022.

	December 31, 2020	June 30, 2021	December 31, 2021
SG Central	65%	65%	50%
SG Extended	10%	10%	10%
SG Stress	15%	15%	30%
SG Favourable	10%	10%	10%

ADJUSTMENTS SUPPLEMENTING THE APPLICATION OF MODELS

SECTOR ADJUSTMENTS

The Societe Generale Group can supplement the models with two types of sectoral adjustments: the first relates to the possible revision of the expected credit loss estimates (with no impact on the classification of loans) of some sectors; the second, implemented since 2020, supplements the analysis of the increase in credit risk and may leads to additional transfers in Stage 2.

The different models used to estimate the expected credit losses may be supplemented by sectoral adjustments that increase or decrease the amount of expected credit losses. These adjustments allow to better anticipate defaults or recoveries in certain cyclical sectors that have been subject to peaks in default in the past or that are particularly vulnerable to the current crisis and where the Societe Generale Group exposure exceeds a threshold reviewed and fixed yearly by the Risk division.

These sectoral adjustments are reviewed and updated on a quarterly basis by the Risk division and approved by SG Group General Management according to the materiality threshold.

The main sectors concerned are the leisure sectors, as well as the oil and gas, commercial real-estate, and airline sectors.

At the time when these adjustments were reviewed and where consistent with the provisioning horizon, the possible impact of climate risks on the determination of expected credit losses was integrated.

ADDITIONAL TRANSFER CRITERIA TO STAGE 2

Since 2020 and the beginning of the Covid-19 crisis, some sectors are considered as having significantly deteriorated due to the crisis. For those sectors and although not initially included in IFRS 9 framework, SG Management has validated the full transfer to stage 2 of all exposures from those sectors in the Non Retail sector except for exposures granted after April 1st 2020. It was considered that after that date and even though the pandemic situation may have evolved, its potential impact were known and we cannot consider that all contracts in one sector have significantly deteriorated since origination. For these contracts granted after April, the usual criteria apply.

The table below summarized the sectors impacted:

D1	*RAILROAD, AEROSPACE, SHIP MANUFACTURING*
J11	*AIRLINES AND SPACE TRANSPORT*
N1	*LODGING, LEISURES AND GAMING*

Over the year of 2021, automotive, shipping, oil and gas and non-food retails sectors have been removed from this list and generated a Stage 2 net cost of risk of EUR 5,4 million (EUR 4,7 million for Oil and Gas sector and EUR 0,7 million for shipping sector). The Bank also booked a additional provisioning of EUR 0,9 million in Stage 1.

ADJUSTMENTS ON THE OUTSTANDING LOANS UNDER THE SIMPLIFIED APPROACH

For the Private Banking portfolio, Probability of default (PDs) have also been recalibrated during 2021 to better reflect the deterioration of credit risk on some portfolios.

Simultaneously, the additional coefficient “Forward Looking” has been maintained. Compared to an usual situation, where stage 1 probability of default computed as the average of the default rates observed at one year over the last 4 quarters, an additional “Forward Looking” overlay has been defined.

The impact of the recalibration of Private Banking portfolio PDs is estimated at EUR 0,5 million.

CALCULATION OF EXPECTED CREDIT LOSSES

The main evolutions over the year concerned are as follows:

- the expected credit losses model update to take into account the impact of the macroeconomic scenarios described in the dedicated section of this note;
- the sector adjustments update and adjustments on the scope of the Private Banking entities that use the simplified

approach, both adjustments are described in the dedicated section of this note;

Based on the scenarios and weightings mentioned above, and after taking into account the methodological adjustments, the calculation of expected credit losses led the Group to record a positive Net Cost of Risk of EUR -2 million at December 31, 2021.

SG Luxembourg Group cost of risk as at December 31, 2021 split by business lines:

(in EUR million)		**2021 NCR**	
Business line	**Stage 1 & Stage 2**	**Stage 3**	**Global**
Private Banking	0,62	7,99	8,61
Securities services	0,04	0,00	0,04
Corporate and Investment Banking	-8,91	-1,79	-10,70
Corporate center	0,00	0,00	0,00
SG Luxembourg Group	-8,25	6,20	-2,05

COVID-19 SUPPORT MEASURES

Moratoriums have been granted in 2020 in order to defer for a few months the repayment of loans instalments (principal and interests).

The terms of the moratoriums granted by SG Luxembourg Group to its clients varied from entity to entity.

In Luxembourg, the moratoriums took the form of a 6 months payment deferment on loans granted to corporates and private banking customers, with interests on the deferral charged only on the principal. During the year, the moratoriums were fully regularized.

Abroad, various cases have been observed, both over the duration of the moratorium (never exceeding 9 months), and over its terms (interest charged for the deferral for SGPB Monaco, not charged for SGPB Suisse).

As at December 31, 2021, the approved moratoriums amounts a total commitment of EUR 32,7 million and are related to four residual cases in SGPB Monaco.

From an accounting point of view, these moratoriums were not considered as substantial modifications of the contractual cash flows of the loans to which they were applied, and therefore in a classification as forbearance or in default of these loans.

Given the low number of moratoriums, the loss related to the moratoriums recorded in the interest margin amounts is non-material for SG Luxembourg Group.

As recommended by the prudential and supervisory authorities and supported by the IASB in a press release of 27 March 2020, the granting of moratoriums directly related to the cash flow difficulties generated by the occurrence of the Covid-19 crisis do not lead to an automatic transfer of these credit outstanding's into Stage 2, or into Stage 3. A case-by-case analysis was conducted by SG Luxembourg entities on the most significant exposures, and on those with increased risks particularly due to their ante-crisis Basel scoring.

6. INTEREST RATE BENCHMARK REFORM – IBOR REFORM

ACCOUNTING STANDARDS

AMENDMENTS TO IFRS 7, IAS 39 AND IFRS 9 IN THE CONTEXT OF THE INTEREST RATE BENCHMARK REFORM ("IBOR REFORM")

Issued by the IASB on August 27, 2020 and adopted by the European Union on January 14, 2021.

In the context of the interest rate reform – or IBOR reform – currently being implemented, the accounting standards applicable have been amended by the IASB. The first amendments, with objective to enable the continued application of hedge accounting treatments, were implemented by the Group since December 31, 2019.

The second phase of these amendments introduced by the IASB regards the treatment of the changes in financial instruments contracts in the framework of the IBOR reform and were early-applied by the Group in its financial statements as at December 31, 2020.

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

- changes brought about by the IBOR reform in the determination of the contractual cash flows, when performed on an economically equivalent basis, should be booked as a revision of the variable interest rate when measuring financial assets and liabilities at amortised cost, financial assets at fair value through other comprehensive income and lease liabilities (see Note 3 "Financial instruments" and Note 3.8 Interest income and expense);
- continuation of the hedging relationship when changes are made, in the framework of the IBOR reform, on the hedged item and/or the hedging instrument and leading to a new documentation of the hedge (see Note 3.3.2 Financial instruments – Hedging derivatives).

In view of the arrangements introduced by the amendments of IBOR – Phase 2, the changes in contractual cash flows expected for this rate transition should not generate any significant effect on the Group's consolidated financial statements. In fact, the Group, following the recommendations issued by the regulatory authorities and local working groups on rate reform, migrates the contracts with an IBOR index, as a benchmark, on an economically equivalent basis. This usually results in the replacement of the historical reference rate by an alternative reference rate to which is added a fixed spread compensating the interest rate differential between these two rates.

ACCOUNTING TREATMENTS

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

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

- either by amending the contractual terms and conditions set during the initial recognition of the financial instrument,
- or by applying the appropriate external dispositions without requiring a change in contractual terms,
- or as a result of the activation of an existing contractual term or condition.

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

This treatment depends on compliance with the following conditions:

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

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

METHOD OF ANALYSIS OF CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

The procedures established by the Bank for determining if financial assets pass the SPPI test at initial recognition (loans granting, acquisition of securities, etc.) have been adapted. Specifically for the consideration of prepayment compensation as reasonable: in order to assess reasonability, the analysis takes into account the fact that the amount is capped or limited by competitive market practices or the comparison of the amount to the reinvestment of prepaid amount at a rate reflecting the relevant benchmark interest rate.

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

NON-DISCONTINUATION OF HEDGING RELATIONSHIPS

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

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

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

These updates are performed as and when changes are made to the hedged items or the hedging instruments; an accounting hedge may be updated several successive times. Changes not directly resulting from the application of the IBOR reform and impacting the basis used for determining the contractual cash flows of the hedging relationship components or the hedging documentation are analysed beforehand in order to confirm compliance with the qualifying criteria for hedge accounting.

SPECIFIC ACCOUNTING TREATMENTS

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

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

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

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

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

	12.31.2021			
(In EUR thousand)	**Fair value hedge**	**Average maturity fair value hedge (years)**	**Cash flow hedge**	**Average maturity cash flow hedge (years)**
Eonia	-			
Euribor	2 449	4 years	139	2 years
Ester	-		1 025	1 year
Libor	-		-	
of which : Libor USD	-		-	
of which : Libor GBP	-		-	
Total	**2 449**		**1 164**	

MIGRATION OF THE CONTRACTS WITH AN IBOR INDEX – PHASE 2

The interest rate benchmark reform, in phase 2, aims at replacing these benchmark rates with alternative rates, in particular the Risk-Free Rates (RFR). This reform accelerated on March 5, 2021, when the Financial Conduct Authority, which is in charge of supervising LIBOR, announced the official dates for the cessation or loss of representativeness.

The progressive cessation of the production of new products indexed on LIBOR and EONIA started in first half of 2021 and the Societe Generale Group has been offering to guide its customers towards alternative solutions since then. In parallel, the Group has introduced fallback clauses in line with the market standards in the new contracts that remain indexed on the IBOR indexes (EURIBOR included).

In 2021, the Group focused its action on transitioning its agreements referencing GBP LIBOR, CHF LIBOR, JPY LIBOR, and EUR LIBOR, as well as EONIA. This transition concerned the customers of the investment banking and financing and advisory activities. Depending on the products, the transition has, overall, been carried out according to three major modalities:

- loans and credit lines are subject to individual renegotiations, together with the related hedging instruments, in order to maintain their effectiveness;
- the majority of the derivative products have been transitioned at the instigation of the clearing houses or through the activation of their fallback clauses. Some derivative products have, however, been renegotiated bilaterally;
- lastly, for some products (typically: sight deposits and similar), the transition has been done through an update of the general conditions.

At end December 2021, the Group considers that it has achieved more than 99.5% of its legal transition programme regarding the contracts on indexes ending or ceasing to be representative at the end of 2021. The remainder corresponds mainly to contracts being renegotiated at that date and for which the use of synthetic LIBORs will allow for the transition at the beginning of 2022.

It should be noted that LIBOR exposures will continue beyond 31 December 2021 pending the operational transitions associated with some types of contracts which will take place during 2022.

Financial assets, liabilities and derivatives impacted by the reform

The table below presents the exposures related to the contracts impacted by the benchmark reform and whose term is scheduled beyond the official cessation dates.

This information has been retrieved form the management tools, and for technical reasons they present the Group's situation at end November 2021. Nonetheless, at the beginning of January 2022, one observes that 99.5% of these exposures have been switched to alternative benchmarks, the remainder being the subject of renegotiations which should be completed soon.

These exposures do not account for the transitions made during December 2021 and the beginning of January 2022 for the rates that ceased to be published as at 31 December 2021. These are mainly transitions concerning derivatives cleared by clearing houses, the implementation of fallback clauses for OTC derivatives under an ISDA master agreement or a similar agreement within the framework of the market protocol, or the use of statutory fallbacks on EONIA and CHF LIBOR.

(In EUR thousand)

		2021		
		Outstanding principal		Notional
Current interest rate benchmarks[4]	**New risk-free rates liable to replace the current interest rate benchmarks**	**Financial assets[1] (excl. derivatives) impacted by the reform**	**Financial liabilities[2] (excl. derivatives) impacted by the reform - Derivatives[3] impacted by the reform**	**Derivatives[3] impacted by the reform**
Indices whose listing ends on 31/12/2021 – Exposures as at 31 December 2021		-	-	-
EONIA - Euro OverNight Index Average	Euro Short-Term Rate (€STR)	-	-	-
LIBOR - London Interbank Offered Rate – GBP	Reformed Sterling Over-night I ndex Average (SONIA)	138 754	-	-
LIBOR - London Interbank Offered Rate - CHF	Swiss Average Rate Over-night (SARON)	1 452	-	-
LIBOR - London Interbank Offered Rate – JPY	Tokyo OverNight Ave-rage (TONA)	-	-	12 272
LIBOR - London Interbank Offered Rate – EUR	Euro Short-Term Rate (€STR)	1 903	-	-
Indices whose listing ends on 30/06/2023 – Exposures as at 31 December 2021		**2 654 066**	**100 701**	**-**
LIBOR - London Interbank Offered Rate - USD	Secured Overnight Financing Rate (SOFR)	2 654 066	100 701	-

(1) Including accounts receivable, loans,securities received under repurchase agreements, debt securities bearing interest at variable rates.

(2) Including deposits, borrowings, transactions on securities delivered under repurchase agreements, debt issued in the form of securities bearing interest at variable rates.

(3) Including firm instruments (swaps and futures) and conditional instruments.

(4) Only the major interest rate benchmarks impacted by the IBOR reform are presented in this table. The EURIBOR construction methodology was reformed in 2019 and revised in 2020. Its cessation was announced neither by EMMI – its administrator - nor by ESMA – its regulator. Contracts exposed to this rate are therefore no longer presented in this table.

NOTE 2 – CONSOLIDATION

MAKING IT SIMPLE

The various activities of the Societe Generale Luxembourg Group in Luxembourg and abroad are carried out by Societe Generale Luxembourg – Parent company and by all of the entities that it controls either directly or indirectly (subsidiaries) 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 Luxembourg – Parent company and its subsidiaries, 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 Luxembourg include the financial statements of the parent company and the main Luxembourg and foreign companies over which the Group exercises control or significant influence. There was no entity jointly controlled as at December 31, 2021 and December 31, 2020.

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 VARIABLE 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 decisionmaking 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 decisionmaking 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. Please refer to Note 2.5.

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. As at December 31, 2020 and 2021, the Group holds no interest in joint arrangements.

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.

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 statement of financial position, 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.

In the consolidated income statement and the statement of comprehensive income 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 statement of financial position*, the *Consolidated income statement* and the *Consolidated statement of net income and unrealised or deferred gains and losses*.

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 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 statement of financial position 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 thecompany, 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 subsidiaries and of companies accounted for using the equity method are recorded under *Net income/expense from other assets*.

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

The statement of financial position 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 monthend 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*.

On disposal of a foreign entity, such foreign exchange differences are recognized in the consolidated income statement as part of the gain or loss upon disposal. Initial consolidation differences and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

Note 2.1. – Consolidation scope

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, 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.

1. FULLY CONSOLIDATED SUBSIDIARIES

Country	Company	Activity
Ireland	SGBT Finance Ireland DAC.	Corporate Financing
Ireland	Societe Generale Hedging DAC	Corporate Financing
Luxembourg	IVEFI S.A.	Other Financing Company
Luxembourg	SGBT Asset Based Funding S.A.	Investments & management
Luxembourg	SGBTCI S.A.	Corporate Financing
Luxembourg	Société Immobilière de l'Arsenal S.à r.l.	Non Financial Corporation
Luxembourg	Societe Generale Capital Market Finance S.A.	Financial services
Luxembourg	Societe Generale Financing and Distribution S.A.	Financial services
Luxembourg	Societe Generale Life Insurance Broker S.A.	Brokerage
Luxembourg	Societe Generale Private Wealth Management S.A.	Wealth management
Luxembourg	Societe Generale Ré S.A.	Reinsurance
Luxembourg	Societe Generale Luxembourg Ré S.A.(1)	Reinsurance
Luxembourg	Societe Generale Luxembourg Leasing S.A.	Financial services
Luxembourg	Surya Investments S.A. (1)	Financial services
Monaco	Societe Generale Private Banking Monaco S.A.	Private Banking
Netherlands	Montalis Investment B.V.	Corporate Financing
Netherlands	Coparer Holding B.V. (1)	Non Financial Corporation
Switzerland	Societe Generale Private Banking Suisse S.A.	Private Banking

2. ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Country	Company	Activity
Luxembourg	Sogelife S.A.	Insurance
Luxembourg	SG Issuer S.A.	Security issuance

(1) Please refer to Note 2.2.

Consolidation method		Group ownership interest		Group voting interest	
2021	**2020**	**2021**	**2020**	**2021**	**2020**
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	N/A	100.00%	0.00%	100.00%	0.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	99.80%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%
Full	Full	95.00%	95.00%	95.00%	95.00%
Liquidated	Full	0.00%	100.00%	0.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%

Consolidation method		Group ownership interest		Group voting interest	
2021	**2020**	**2021**	**2020**	**2021**	**2020**
Equity	Equity	39.86%	39.86%	39.86%	39.86%
Equity	Equity	99.80%	99.80%	0.00%	0.00%

3. NON-CONSOLIDATED SUBSIDIARIES AND PARTICIPATIONS

			2021		2020	
Country	**Company**	**Activity**	**Capital held**	**Reason for exclusion**	**Capital held**	**Reason for exclusion**
Luxembourg	Nethuns S.à r.l.	Financial services	97.22%	No control(1)	97.22%	No control(1)
Luxembourg	Regional Financing Company	Financial services	99.00%	No control(1)	99.00%	No control(1)
Luxembourg	SGL Asia SCSp	Financial services	5.00%	No control(1)	5.00%	No control(1)
Luxembourg	Sociéte de la Bourse de Luxembourg	Stock exchange	0.01%	No control(1)	0.01%	No control(1)
Luxembourg	Société Immobilière du Golf S.A.	Real Estate	0.20%	No control(1)	0.20%	No control(1)
Luxembourg	Cercle Munster	Non Financial Corporation	0.01%	No control(1)	0.01%	No control(1)
Netherlands	Coparer Holding B.V.	Non Financial Corporation	0.00%	Liquidated	100%	Full consolidation
Luxembourg	Nautika S.A.	Financial services	100.00%	Insignificant	N/A	N/A
Luxembourg	Meribou Investments S.A.	Financial services	100.00%	Insignificant	N/A	N/A
Luxembourg	Ischia Investments	Financial services	100.00%	Insignificant	N/A	N/A

(1) Entities which are not controlled by the Group are either held in minority of capital (Société de la Bourse de Luxembourg, Société Immobilière du Golf and Cercle Munster and SGL Asia SCSp), either controlled by external entities through other equity instruments granting them rights over the capital held (Nethuns, Regional Financing Company).

Non-consolidated subsidiaries and participations are accounted in the consolidated accounts of SG Luxembourg as financial instruments at fair value through profit or loss.

Note 2.2. – Material changes in consolidation scope

The Group amended the consolidation perimeter as follows:

- companies consolidated for the first time in 2021:
  - Societe Generale Luxembourg Ré S.A (« SGL Ré »)
- companies no longer consolidated in 2021 and reason for exclusion:
  - Coparer Holding B.V. was liquidated in 2021.

1. COMPANIES CONSOLIDATED FOR THE FIRST TIME IN 2021

Societe Generale Luxembourg Ré S.A. ("SGL Ré") is a 100% SG Luxembourg subsidiary that aims to hold the reinsurance activities developed by the Bank.

2. PRIOR YEAR CHANGE IN CONSOLIDATION METHOD OF SG ISSUER S.A.

SG Issuer S.A. was a 100% owned subsidiary of SG Luxembourg until November 30, 2020. At this date, Societe Generale Luxembourg S.A. sold 100 of its shares to Societe Generale S.A. ("SG S.A.") and renounced to its voting rights on its remaining shares. As SG S.A. is the remaining shareholder with voting rights, it inherits the power and control over SGIS. Consequently, Societe Generale Luxembourg S.A. has lost power and control on SGIS in accordance with IFRS 10.

Even if Societe Generale Luxembourg S.A. does not fully consolidate SGIS, Societe Generale Luxembourg S.A. keeps a significant influence on SGIS. Indeed, based on the existing significant economic relationships, the Group's supervision in Luxembourg and common workforce, SG Luxembourg exercises significant influence in accordance with IAS 28.

Therefore, SG Luxembourg accounts its interest in SGIS (99.8%) using the equity method as at December 31, 2020 SGIS still contributed to the consolidated profit and loss of SG Luxembourg Group from January 1, 2020 to November 30, 2020 and to the Net income from investment accounted for using the equity method for the month of December 2020.

Note 2.3. – Additional disclosure 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 are for entities over which SG Luxembourg exercises exclusive 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.

1. NON-CONTROLLING INTERESTS

Non-controlling interests refer to equity holdings in one of fully consolidated subsidiary that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by this subsidiary 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 110 thousand at December 31, 2021 and EUR 92 thousand at December 31, 2020.

December 31, 2021

(in EUR thousand)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to the holders of non-controlling interest
Montalis Investment B.V.	95.00%	95.00%	42	110	25
Total			**42**	**110**	**25**

December 31, 2020

(in EUR thousand)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to the holders of non-controlling interest
Montalis Investment B.V.	95.00%	95.00%	27	92	38
Total			**27**	**92**	**38**

2. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

(in EUR thousand)	12.31.2021	12.31.2020
Group share	-	-
Net income	39 205	16 101
Unrealized or deferred gains and losses (net of tax)	(2 684)	1 214
Net income and unrealized or deferred gains and losses	**36 521**	**17 315**

There were no guarantee, nor commitment provided to associates as at December 31, 2021 and December 31,2020.

Societe Generale Luxembourg S.A. has a 99.8% interest in SG Issuer S.A., which the activity is to issue both secured and unsecured notes though private placements or public offering. SG Issuer S.A. is a public limited company.

Societe Generale Luxembourg S.A.'s interest in SG Issuer S.A is accounted for using the equity method in 2021 and 2020 consolidated financial statements. The following table illustrates the summarised financial information of SG Luxembourg's investment in SGIS :

(in EUR thousand)	12.31.2021	12.31.2020
Financial assets at fair value	41 123 644	43 904 198
Other assets	497 267	835 571
Total assets	**41 620 911**	**44 739 769**
Financial liabilities at fair value	41 115 116	43 888 959
Other liabilities	503 809	848 411
Total liabilities	**41 618 925**	**44 737 370**
Equity	**1 986**	**2 399**
Group's share in equity – 99.80%	1 982	2 394
Group's carrying amount of the investment	**1 982**	**2 394**

The associate had no contingent liabilities or capital commitments as at December 31, 2021 and December 31,2020.

Note 2.4. – Restrictions

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, European Central Bank recommandations, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency, liquidity ratios or large exposures ratios that aim to cap the entity's exposure in relation to the Group. The Group was not exposed to significant limitations as of December 31, 2020 and 2019 except the ECB guidance on dividend distribution related to the Covid-19 crisis.

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, or assets pledged as security for transactions on financial instruments, mainly through guarantee deposits with clearing houses (Note 3.10);
- securities that are sold under repurchase agreements or that are lent (Note 3.7);
- mandatory deposits placed with central banks (Note 3.8).

Note 2.5. – Unconsolidated Structured Entities

The information provided hereafter concerns entities structured but not controlled by the Group.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated statement of financial position according to their nature (financial assets at fair value through profit or loss, available-for-sale financial assets on insurance, etc…).

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.

BREAKDOWN OF INTERESTS OF THE GROUP IN UNCONSOLIDATED STRUCTURED ENTITIES

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Entities consolidated statement of financial position total	875 869	1 013 014
Net carrying amount of Group interests in unconsolidated structured entities:	-	-
Assets:	**140 373**	**166 453**
Financial assets at fair value through profit or loss	19 594	10 423
Financial assets at fair value through other comprehensive income	-	
Due from banks at amortised cost and customer loans at amortised cost	120 779	156 030
Liabilities:	**7 454**	**6 501**
Financial liabilities at fair value through profit or loss	-	-
Due to banks and customer deposits	7 454	6 501
Other liabilities	-	-

The variation of the consolidated statement of financial position for non-consolidated structured entities is mostly due to a decrease in fundings as at December 31, 2021.

The Group did not provide any financial support to these entities nor any binding contractual arrangement and, as of December 31, 2021 and 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 for non-derivative financial assets entered into with the structured entity depending on how they are measured on the consolidated statement of financial position;
- the fair value of derivative financial assets recognized in the consolidated statement of financial position;
- the notional amount of written Credit Default Swaps (maximum amount to pay);
- the notional amount of loan commitments or guarantee commitments granted.

	Other interests	
(in EUR thousand)	12.31.2021	12.31.2020
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	**140 373**	**166 453**
Fair value of derivative financial assets recognized in the consolidated statement of financial position(1)	-	-
Notional amount of loan or guarantee commitments granted	-	-
Maximum exposure to loss	140 373	166 453

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

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

- the notional amount of guarantee commitments received;
- the fair value of collateral received;
- the carrying amount of surety deposits received.

These mitigating amounts must be capped in case of legal or contractual limitation of their realizable or recoverable amounts.

2. SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES WHERE THE GROUP HAS NO INTEREST

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 structure;
- 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 December 31, 2021, the total amount of balance sheet of these unconsolidated structured entities, sponsored by the Group, and in which the Group does not have any interest, was EUR 2 929 million (including EUR 876 million for Other structures).

In 2021, no significant revenue has been recognised for theses structured entities.

	Asset financing		Asset management		Others	
(in EUR thousand)	12.31.2021	12.31.2020	12.31.2021	12.31.2020	12.31.2021	12.31.2020
Entity consolidated statement of financial position total(1)	-	-	2 425 367	1 930 879	155 164	234 323
Income from those entities during the year	-	-	-	-		-
Carrying amounts of all assets transferred to those structured entities during the year	-	-	-	-		-

(1) For Asset Management, NAV (Net Asset Value) of the fund.

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

NOTE 3 – FINANCIAL INSTRUMENTS

MAKING IT SIMPLE

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, 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 depends 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 statement of financial position, no matter what their purpose is (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

Accounting principles presented in this Note 3 are applied as from 1 January 2018 according to the IFRS 9 provisions excluding insurance activities (see Note 4.3), and hedge accounting, which is applied according to IAS 39 (see Note 3.3.).

CASH DUE FROM CENTRAL BANKS

Cash and cash equivalents are Cash consists primarily of cash balances, debit balances outstanding from the current account and the mandatory minimum reserve with the Central Bank of Luxembourg.

The funds for the minimum reserves are not available for financing the current operations of the Bank. The reserve base, calculated monthly, is based on balance sheet items in accordance with accounting principles. The baseline calculation, which determines the reserve requirement, is performed by the central bank of Luxembourg.

CLASSIFICATION OF FINANCIAL ASSETS

At initial recognition, financial instruments are classified in the Group statement of financial position in one of three categories (amortised cost, fair value through profit or loss, and fair value through other comprehensive income) that determines 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 (**S**olely **P**ayments of **P**rincipal and **I**nterest) ▪ Basic debt financial assets		Collecting contractual cash flows		Amortised cost
		Collecting contractual cash flows and selling		Fair value through OCI <u>with</u> subsequent recycling in the icome 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 instruments		Regardless of the business model		Fair value through profit or loss
		+ Fair value through OCI option *<u>without</u> subsequent recycling in the income statement* *(non-trading equity financial assets)*		Fair value through OCI <u>without</u> 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.

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 statement of financial position (see Note 3.3).

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 3.5.

INITIAL RECOGNITION

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

The fair value of structural notes and warrants is defined according to models or limited observable market data, and the sales margin is recognised at Societe Generale’s level as it assumes the role of agent and absorbs the initial sales margin.

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 statement of financial position 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Basic financial assets (SPPI) are debt instruments which mainly include:

- cash and cash equivalents,
- 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,
- 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.

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.

Note 3.1. – Cash, due from central banks

(in EUR thousand)	12.31.2021	12.31.2020
Cash	695	1 122
Balances with central banks	10 966 156	9 870 560
Total	**10 966 851**	**9 871 682**
o/w mandatory reserve	*389 946*	*289 732*

Note 3.2. – Financial assets and liabilities at fair value through profit or loss

1. OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12.31.2021		12.31.2020	
(in EUR thousand)	Assets	Liabilities	Assets	Liabilities
Trading portfolio	831 097	425 086	609 498	534 905
Financial instruments mandatorily at fair value through profit or loss	409 485	-	448 093	-
Financial instruments at fair value through profit or loss using the fair value option	-	24 965	-	-
Total	**1 240 582**	**450 051**	**1 057 591**	**534 905**

2. TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

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

By default, derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.3).

The financial instruments recorded in the trading portfolio are measured at fair value at the statement of financial position date and recognised in the statement of financial position under *Financial assets or liabilities at fair value through profit or loss.* Changes in their fair value, interests accrued and dividends net gains or losses and revenues from derecognition 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*.

As at December 31, 2021, the Financial assets held for trading are mainly composed of :

- financial derivatives, of which back-to-back operations (see Note 3.3 Financial derivatives).

Trading portfolio includes all the financial assets held for trading purpose regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst *Financial assets measured mandatorily at fair value through profit or loss* (see section 3 below).

ASSETS

(in EUR thousand)	12.31.2021	12.31.2020
Bonds and other debt securities	-	-
Shares and other equity securities	1 402	3 885
Loans and receivables and securities purchased under resale agreements	393 039	63 922
Trading derivatives	436 656	541 691
Total	**831 097**	**609 498**
o/w securities lent	–	–

LIABILITIES

(in EUR thousand)	12.31.2021	12.31.2020
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	-	-
Trading derivatives	425 086	534 905
Other trading liabilities	-	-
Total	**425 086**	**534 905**

3. 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 subcategory: 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 statement of financial position 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*.

Interest income is recorded in the income statement as *Interest and similar income*.

Dividends on shares & equity securities are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*, (see paragraph 5 below).

BREAKDOWN OF FINANCIAL ASSETS MEASURED MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

(in EUR thousand)	12.31.2021	12.31.2020
Loans and receivables	276 509	330 564
Bonds and other debt securities	48 003	48 003
Shares and other equity securities	84 973	69 526
Total	**409 485**	**448 093**

4. 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. Interest income is recorded in the income statement as Interest and similar income.

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.

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.

ASSETS

As at December 31, 2021, as well as at December 31, 2020, the Group does not hold any asset recorded under *Assets at fair value through profit and loss using fair value option*.

LIABILITIES

As at December 31, 2021, the Group holds structured deposits for EUR 24.9 million in liabilities at fair value through profit and loss using fair value option. As at December 31, 2020 the Group did not hold such structured bonds

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

(in EUR thousand)	**2021**	**2020**
Net gain/loss on trading portfolio (excluding derivatives)	(967)	814
Net gain/loss on financial instruments mandatorily at fair value through profit or loss	39 613	(4 595 416)*
o/w dividend income	*139 547*	*73 866**
Net gain/loss on financial instruments measured using fair value option	(53)	4 605 186*
Net gain/loss on derivative instruments	(11 828)	(851)
Net gain/loss on hedging transactions	(371)	494
Net gain/loss on foreign exchange transactions	22 699	30 147
Total of net gains and losses on financial instruments at fair value through profit or loss	**49 093**	**40 374**

**Restated figures*

**In 2020, the change in consolidation method was carried out on 30 November 2020, therefore SG Issuer S.A., was fully included in the income statement over 11 months, please refer to Note 2.*

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 3.3. – Financial derivatives

MAKING IT SIMPLE

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating…), as are their forms (forward contracts, swaps, calls and puts…).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives. These financial instruments are issued in back-to-back.

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 statement of financial position, 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 statement of financial position 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.

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. As at December 31, 2021 and December 31, 2020, the Group did not have these instruments.

1. TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

All financial derivatives are recognised at fair value in the statement of financial position as financial assets or financial liabilities. They are considered to be trading derivatives.

Trading derivatives are recorded in the statement of financial position under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value and interest income and expense are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Trading derivatives are mainly used by the Group for transactions with customers in back to back transactions with Societe Generale.

BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(in EUR thousand)	12.31.2021	12.31.2020
Interest rate instruments	**7 723 505**	**6 667 578**
Firm instruments	7 274 356	6 211 584
Swaps	*7 195 456*	*6 211 584*
FRAs	*78 900*	-
Options	449 149	455 994
Foreign exchange instruments	**23 260 983**	**17 221 044**(1)
Firm instruments	12 486 642	10 483 712
Options	10 774 341	6 737 332(1)
Equity and index instruments	**5 093 725**	**4 911 872**
Firm instruments	242 806	64 390
Options	4 850 919	4 847 482
Commodities instruments	**802**	**772**
Firm instruments	802	772
Options	-	-
Other trading instruments	**591 021**	**514 680**(1)
Total	**36 670 036**	**29 315 946**

(1) Modified figures compared to December 2020.

BREAKDOWN OF ASSETS AND LIABILITIES

(in EUR thousand)	12.31.2021		12.31.2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	35 218	25 636	**85 911**	**76 784**
Foreign exchange instruments	42 652	42 581	**25 449**	**27 184**
Equities & index Instruments	356 666	354 748	**423 339**	**423 933**
Other trading instruments(1)	2 120	2 121	**6 992**	**7 004**
Total	**436 656**	**425 086**	**541 691**	**534 905**

(1) Other trading instruments are mainly composed of structured optional products (back to back activities).

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 held (equities and similar securities) are not eligible for hedge accounting regardless of their accounting classification.

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

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, 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, the liability, 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 120%.

Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter 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 statement of financial position under Hedging derivatives.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 statement of financial position.

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 statement of financial position.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest and similar income and expense* – symetrically with the interest income or charges related to the hedged item.

In the consolidated statement of financial position, 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.

In the contemplated hedging structures of the Group, the main source of ineffectiveness comes from the credit risk component of the hedging instrument counterparty and the hedged instrument counterparty.

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 statement of financial position. 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* in equity, 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*.

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).

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, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

The source of ineffectiveness of the hedge is mainly due to the difference in the timing of cash flows, the difference on the yield curve applied and the effect of the change in credit risk.

BREAKDOWN OF HEDGING DERIVATIVES

	12.31.2021		12.31.2020	
(in EUR thousand)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair Value Hedge				
Interest rate instruments				
Swaps	5 445	87 623	-	166 902
Equity and index instruments				
Equity and stock index options	-	-	-	-
Cash Flow Hedge				
Interest rate instruments				
Swaps	-	10 860	-	26 394
Other instruments				
Other forward financial instruments	180	-	-	391
Total	**5 625**	**98 483**	**-**	**193 687**

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 operations, the Group is exposed to future cash flow changes in its short and medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstanding. These data may be increased or decreased by changes in management methods.

BREAKDOWN OF HEDGING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

DERIVATIVE ASSETS (NOTIONAL AMOUNT)

(in EUR thousand)	12.31.2021	12.31.2020
Interest rate instruments	3 611 500	4 820 000
Foreign exchange instruments	-	-
Equity and index instruments	-	-
Commodity instruments	-	-
Credit derivatives	-	-
Other forward financial instruments	1 804	1 845
Total	**3 613 304**	**4 821 845**

DERIVATIVE LIABILITIES (NOTIONAL AMOUNT)

(in EUR thousand)	12.31.2021	12.31.2020
Interest rate instruments	3 611 500	4 820 000
Foreign exchange instruments	–	–
Equity and index instruments	–	–
Commodity instruments	–	–
Credit derivatives	–	–
Other forward financial instruments	–	–
Total	**3 611 500**	**4 820 000**

BREAKDOWN OF NET GAINS/LOSSES ON HEDGING TRANSACTIONS

(in EUR thousand)	2021	2020
Net gain/loss on hedging transactions		
Net gain/loss on fair value hedging derivatives	*80 459*	*9 757*
Revaluation of hedged items attributable to hedged risks	*(80 825)*	*(9 256)*
Ineffective portion of cash flow hedge	*(5)*	*(7)*
Total of net gains and losses on financial instruments at fair value through profit or loss from hedging transactions	**(371)**	**494**

MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

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

(in EUR thousand)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	12.31.2021
Interest rate instruments	433 000	871 500	1 730 500	576 500	**3 611 500**
Foreign exchange instruments	-	-	-	-	**-**
Equity and index instruments	-	-	-	-	**-**
Other forward financial instruments	-	-	1 804	-	**1 804**
Total	**433 000**	**871 500**	**1 732 304**	**576 500**	**3 613 304**

(in EUR thousand)	**Up to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**12.31.2020**
Interest rate instruments	185 000	1 068 000	2 662 500	904 500	**4 820 000**
Foreign exchange instruments	-	-	-	-	**-**
Equity and index instruments	-	-	-	-	**-**
Other forward financial instruments	-	-	1 845	-	**1 845**
Total	**185 000**	**1 068 000**	**2 664 345**	**904 500**	**4 821 845**

FAIR VALUE HEDGE : BREAKDOWN OF HEDGED ITEMS

	12.31.2021		
(in EUR thousand)	**Carrying amount**	**Cumulative change in the fair value**	**Change in the fair value booked during the year**
Hedge of interest rate risk	**2 512 613**	**93 827**	**(85 751)**
Hedged assets	2 512 613	93 827	(85 751)
Due from banks, at amortised cost	-	-	-
Customer loans, at amortised cost	-	-	*(94)*
Securities at amortised cost	-	-	-
Financial assets at fair value through other comprehensive income	*2 512 613*	*93 827*	*(85 657)*
Hedged liabilities	-	-	-
Debt securities issued	-	-	-
Due to banks	-	-	-
Customer deposits	-	-	-
Subordinated debts	-	-	-
Hedge of currency risk	-	-	-
Hedged assets	-	-	-
Customer loans, at amortised cost	-	-	-
Hedged liabilities	-	-	-
Debt securities issued	-	-	-
Due to banks	-	-	-
Customer deposits	-	-	-
Hedge of equity risk	-	-	-
Hedged liabilities	-	-	-
Other liabilities	-	-	-
Total	**2 512 613**	**93 827**	**(85 751)**

	12.31.2020		
(in EUR thousand)	**Carrying amount**	**Cumulative change in the fair value**	**Change in the fair value booked during the year**
Hedge of interest rate risk	**2 562 502**	**179 578**	**(12 921)**
Hedged assets	2 562 502	179 578	(12 921)
Due from banks, at amortised cost	-	-	-
Customer loans, at amortised cost	*3 000*	*94*	*(135)*
Securities at amortised cost	-	-	-
Financial assets at fair value through other comprehensive income	*2 559 502*	*179 484*	*(12 786)*
Hedged liabilities	-	-	-
Debt securities issued	-	-	-
Due to banks	-	-	-
Customer deposits	-	-	-
Subordinated debts	-	-	-
Hedge of currency risk	-	-	-
Hedged assets	-	-	-
Customer loans, at amortised cost	-	-	-
Hedged liabilities	-	-	-
Debt securities issued	-	-	-
Due to banks	-	-	-
Customer deposits	-	-	-
Hedge of equity risk	-	-	-
Hedged liabilities	-	-	-
Other liabilities	-	-	-
Total	**2 562 502**	**179 578**	**(12 921)**

FAIR VALUE HEDGE : BREAKDOWN OF HEDGING INSTRUMENTS

	12.31.2021				
		Fair value [1]			
(in EUR thousand)	**Commitments (notional amounts)**	**Assets**	**Liabilities**	**Change in fair value booked during the year**	**Ineffectiveness recognised during the year**
Hedge of interest rate risk	**2 448 500**	**5 445**	**87 623**	**81 158**	**333**
Firm instruments – Swaps	2 448 500	5 445	87 623	81 158	333
For hedged assets	*2 448 500*	*5 445*	*87 623*	*81 158*	*333*
For hedged liabilities	-	-	-	-	-
Options	-	-	-	-	-
Hedge of currency risk	-	-	-	-	-
Firm instruments	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
Non-derivative financial instruments	-	-	-	-	-
For hedged assets	-	-	-	-	-
Hedge of equity risk	-	-	-	-	-
Options	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
Total	**2 448 500**	**5 445**	**87 623**	**81 158**	**333**

(1) The fair value of interest rate hedging derivatives includes accrued interests.

	12.31.2020				
		Fair value (1)			
(in EUR thousand)	**Commitments (notional amounts)**	**Assets**	**Liabilities**	**Change in fair value booked during the year**	**Ineffectiveness recognised during the year**
Hedge of interest rate risk	**2 652 000**	**-**	**166 902**	**10 193**	**4**
Firm instruments – Swaps	2 652 000	-	166 902	10 193	4
For hedged assets	*2 652 000*	-	*166 902*	*10 193*	*4*
For hedged liabilities	-	-	-	-	-
Options	-	-	-	-	-
Hedge of currency risk	-	-	-	-	-
Firm instruments	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
Non-derivative financial instruments	-	-	-	-	-
For hedged assets	-	-	-	-	-
Hedge of equity risk	-	-	-	-	-
Options	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
Total	**2 652 000**	**-**	**166 902**	**10 193**	**4**

(1) The fair value of interest rate hedging derivatives includes accrued interests.

CASH FLOW HEDGE : BREAKDOWN OF HEDGING INSTRUMENTS

	12.31.2021					
		Fair value		Changes in fair value recorded during the year		
(in EUR thousand)	**Commitments (notional amounts)**	**Assets**	**Liabilities**	**Portion booked in unrealised or deferred gains and losses**	**Ineffectiveness recorded in the profit or loss**	**Cumulative change in fair value recorded in unrealised or deferred gains and losses**
Hedge of interest rate risk	**1 163 000**	**-**	**10 860**	**13 716**	**(5)**	**(5 942)**
Firm instruments – Swaps	1 163 000	-	10 860	13 716	(5)	(5 942)
For hedged assets	-	-	-	-	-	-
For hedged liabilities	-	-	-	-	-	-
Firm instruments – FRAs	-	-	-	-	-	-
For hedged liabilities	-	-	-	-	-	-
Hedge of currency risk	-	-	-	-	-	-
Firm instruments	-	-	-	-	-	-
For hedged assets	-	-	-	-	-	-
For hedged liabilities	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
Non-derivative financial instruments	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
Hedge of equity risk	**1 804**	**180**	-	**119**	-	**40**
Options	1 804	180	-	119	-	40
For hedged future transactions	*1 804*	*180*	-	*119*	-	*40*
Total	**1 164 804**	**180**	**10 860**	**13 835**	**(5)**	**(5 902)**

	12.31.2020					
		Fair value		Changes in fair value recorded during the year		Cumulative change in fair value recorded in unrealised or deferred gains and losses
(in EUR thousand)	Commitments (notional amounts)	Assets	Liabilities	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of interest rate risk	**2 168 000**	**-**	**26 394**	**10 676**	**(7)**	**(19 656)**
Firm instruments – Swaps	2 168 000	-	26 394	10 676	(7)	(19 656)
For hedged assets	-	-	-	-	-	-
For hedged liabilities	-	-	-	-	-	-
Firm instruments – FRAs	-	-	-	-	-	-
For hedged liabilities	-	-	-	-	-	-
Hedge of currency risk	-	-	-	-	-	-
Firm instruments	-	-	-	-	-	-
For hedged assets	-	-	-	-	-	-
For hedged liabilities	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
Non-derivative financial instruments	-	-	-	-	-	-
For hedged future transactions	-	-	-	-	-	-
Hedge of equity risk	**1 845**	**-**	**391**	**(72)**	**-**	**(81)**
Options	1 845	-	391	(72)	-	(81)
For hedged future transactions	*1 845*	-	*391*	*(72)*	-	*(81)*
Total	**2 169 845**	**-**	**26 785**	**10 604**	**(7)**	**(19 737)**

Note 3.4. – Financial assets at fair value through other comprehensive income

OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in EUR thousand)	12.31.2021	12.31.2020
Bonds and other debt securities	2 815 004	3 205 031
Shares and other equity securities	-	-
Total	**2 815 004**	**3 205 031**
o/w unrealized gain/loss through OCI, excluding deferred taxes and allowances for impairment losses	*29 713*	*34 640*
o/w allowances for impairment losses	*3*	*7*

1. DEBT INSTRUMENTS

ACCOUNTING PRINCIPLES

Debt instruments 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, 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 3.9. The impairment does not impact the carrying amount of the assets.

If these instruments are sold, the impairments for credit risk are reversed in Cost of risk in the income statement, and the unrealised or deferred gains and losses are reclassified to profit or loss under *Net gains or losses on financial assets at fair value through other comprehensive income*.

BUSINESS MODEL "HOLD TO COLLECT AND SELL"

The objective of this business model is to realise cash flows by both collecting contractual payments and selling financial assets. In this type of business model, the sales of financial assets are not incidental or exceptional, but they are integral to achieving the business' objectives.

Cash management

Within the Group, the "hold to collect and sale" business model is mainly applied by the Treasury activity for managing HQLA securities (High Quality Liquid Assets) included in the liquidity buffer.

CHANGES OF THE CARRYING AMOUNT

(in EUR thousand)	2021
Balance on January 1	**3 205 031**
Acquisitions / disbursements	283 722
Disposals / redemptions	(582 794)
Change in scope and others	-
Changes in fair value during the year	(85 657)
Changes in related receivables	(5 298)
Translation differences	-
Balance on December 31	**2 815 004**

BREAKDOWN OF CUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

	12.31.2021		
(in EUR thousand)	Cumulated unrealized gains and losses	"o.w. without adjustments for credit risk"	"o.w. adjustments for credit risk"
Unrealised gains	31 574	31 571	3
Unrealised losses	(1 858)	(1 858)	-
Total	**29 716**	**29 713**	**3**

(in EUR thousand)	12.31.2020 Cumulated unrealized gains and losses	"o.w. without adjustments for credit risk"	"o.w. adjustments for credit risk"
Unrealised gains	37 337	37 330	7
Unrealised losses	(2 690)	(2 690)	-
Total	**34 647**	**34 640**	**7**

The amounts as at December 31, 2021 and December 31, 2020 that were reclassified into income from financial instruments at fair value through other comprehensive income are presented in paragraph 3 below.

2. EQUITY INSTRUMENTS

When exceptionally classified at fair value through other comprehensive 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*. 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. Dividend income, if it is considered as a return of investment, is recorded in the income statement under *Net gains or losses on financial assets at fair value through other comprehensive income*.

As at December 31, 2021 and December 31, 2020, the Group did not apply the fair value through other comprehensive income option to any equity instruments.

3. NET GAINS AND LOSSES RECOGNISED IN NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in EUR thousand)	2021	2020
Realised gains and losses on sale of debt instruments	–	–
Dividends incomes on financial assets at fair value through other comprehensive income	–	–
Total	**–**	**–**

Note 3.5. – Fair value of financial instruments

MAKING IT SIMPLE

The financial assets and liabilities recognised in the Group statement of financial position 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 3.6).

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: most of the notes issued by the Group, loans and receivables, structured products.

Financial derivatives traded by the Group are mostly only negotiable on over-the-counter markets.

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm's length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various abovementioned 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. The inputs used shall be observable in active markets ; using some unobservable inputs is possible only if those last have a less decisive influence on the fair value of the instrument. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Level 2 instruments include in particular non derivative financial instruments carried at fair value on the statement of financial position that are not directly quoted or do not have a quoted price on a sufficiently active market (e.g. corporate bonds, repos transactions, mortgagebacked 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 3.10).

Level 3 (L3): instruments valued using significant part of 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 using financial models based on market inputs among which those which are unobservable or observable on insufficiently active markets, have a significant impact on the fair value of the financial instrument as a whole.

Accordingly, Level 3 financial instruments include derivatives and repo transactions with longer maturities than those usually traded and/or with specifically-tailored return profiles, structured debts including embedded derivatives valued based on a method using unobservable inputs or long-term equity investments valued based on a corporate valuation method, which is the case for unlisted companies or companies listed on an insufficiently liquid market.

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

As at December 31, 2021, the fair value hierarchy of financial assets by instrument type is as follows:

	12.31.2021			
(in EUR thousand)	**(L1)**	**(L2)**	**(L3)**	**Total**
Trading portfolio	**1 402**	**829 695**	**-**	**831 097**
Bonds and other debt securities	-	-	-	**-**
Shares and other equity instruments	1 402	-	-	**1 402**
Loans, receivables and repurchase agreements	-	393 039	-	**393 039**
Trading derivatives	-	436 656	-	**436 656**
o/w interest rate instruments	-	*35 218*	-	***35 218***
o/w foreign exchange instruments	-	*42 652*	-	***42 652***
o/w equity and index instruments	-	*356 666*	-	***356 666***
o/w commodity instruments	-	-	-	**-**
o/w other forward financial instruments	-	-	-	**-**
o/w other trading derivatives	-	*2 120*	-	***2 120***
Financial assets measured mandatorily at fair value through profit or loss	**10 883**	**5 431**	**393 171**	**409 485**
Bond and other debt securities	-	-	48 003	**48 003**
Shares and other equity instruments	10 883	5 431	68 659	**84 973**
Loans and receivables	-	-	276 509	**276 509**
o/w loans indexed on commodities instruments	-	-	-	**-**
o/w loans indexed on credit derivatives/securities	-	-	276 509	***276 509***
o/w loans indexed on equity and index securities	-	-	-	**-**
o/w loans indexed on foreign exchange instruments/securities	-	-	-	**-**
o/w loans indexed on interest rate instruments/securities	-	-	-	**-**
o/w other financial instruments	-	-	-	**-**
Financial assets measured using fair value option through profit or loss	**-**	**-**	**-**	**-**
Hedging derivatives	**-**	**5 625**	**-**	**5 625**
Interest rate instruments	-	5 445	-	**5 445**
Equity and index instruments	-	-	-	**-**
Other financial assets	-	180	-	**180**
Financial assets at fair value through other comprehensive income	**2 815 004**	**-**	**-**	**2 815 004**
Debt instruments	2 815 004	-	-	**2 815 004**
Total financial assets at fair value	**2 827 289**	**840 751**	**393 171**	**4 061 211**

As at December 31, 2020, the fair value hierarchy of financial assets by instrument type is as follows:

	12.31.2020			
(in EUR thousand)	**(L1)**	**(L2)**	**(L3)**	**Total**
Trading portfolio	**3 885**	**605 613**	**-**	**609 498**
Bonds and other debt securities	-	-	-	-
Shares and other equity instruments	3 885	-	-	**3 885**
Loans, receivables and repurchase agreements	-	63 922	-	**63 922**
Trading derivatives	-	541 691	-	**541 691**
o/w interest rate instruments	-	*85 911*	-	***85 911***
o/w foreign exchange instruments	-	*25 449*	-	***25 449***
o/w equity and index instruments	-	*423 339*	-	***423 339***
o/w commodity instruments	-	-	-	**-**
o/w other forward financial instruments	-	-	-	**-**
o/w other trading instruments	-	*6 992*	-	***6 992***
Financial assets measured mandatorily at fair value through profit or loss	**11 697**	**4 539**	**431 857**	**448 093**
Bonds and other debt securities	-	-	48 003	48 003
Shares and other equity instruments	11 697	4 539	53 290	**69 526**
Loans and receivables	-	-	330 564	**330 564**
o/w loans indexed on commodities instruments	-	-	-	**-**
o/w loans indexed on credit derivatives/securities	-	-	*330 564*	***330 564***
o/w loans indexed on equity and index securities	-	-	-	**-**
o/w loans indexed on foreign exchange instruments/securities	-	-	-	**-**
o/w loans indexed on interest rate instruments/securities	-	-	-	**-**
o/w other financial instruments	**-**	-	-	**-**
Financial assets measured using fair value option through profit or loss	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**
Interest rate instruments	-	-	-	**-**
Equity and index instruments	-	-	-	**-**
Other financial assets	-	-	-	**-**
Financial assets at fair value through other comprehensive income	**3 205 031**	-	-	**3 205 031**
Debt instruments	3 205 031	-	-	**3 205 031**
Total financial assets at fair value	**3 220 613**	**610 152**	**431 857**	**4 262 622**

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

As at December 31, 2021, the fair value hierarchy of financial liabilities by instrument type is as follows:

	12.31.2021			
(in EUR thousand)	**(L1)**	**(L2)**	**(L3)**	**Total**
Trading portfolio	**-**	**425 086**	**-**	**425 086**
Other trading liabilities	-	-	-	**-**
Transaction derivatives	**-**	**425 086**	**-**	**425 086**
o/w interest rate instruments	-	*25 636*	-	***25 636***
o/w foreign exchange instruments	-	*42 581*	-	***42 581***
o/w equity and index instruments	-	*354 748*	-	***354 748***
o/w commodity instruments	-	-	-	**-**
o/w other forward financial instruments	-	-	-	**-**
o/w other trading derivatives	-	2 121	-	2 121
Financial liabilities at fair value through profit or loss	**-**	**24 965**	**-**	**24 965**
o/w commodities instruments	-	-	-	**-**
o/w credit derivatives/securities	-	-	-	**-**
o/w equity and index securities	-	-	-	**-**
o/w foreign exchange instruments/securities	-	-	-	**-**
o/w interest rate instruments/securities	-	*24 965*	-	***24 965***
o/w other financial instruments	-	-	-	-
Hedging derivatives	**-**	**98 483**	**-**	**98 483**
Interest rate instruments	-	98 483	-	**98 483**
Other financial instruments	-	-	-	**-**
Total financial liabilities at fair value	**-**	**548 534**	**-**	**548 534**

As at December 31, 2020, the fair value hierarchy of financial liabilities by instrument type is as follows:

	12.31.2020			
(in EUR thousand)	**(L1)**	**(L2)**	**(L3)**	**Total**
Trading portfolio	**-**	**534 905**	**-**	**534 905**
Other trading liabilities	-	-	-	**-**
Transaction derivatives	**-**	**534 905**	**-**	**534 905**
o/w interest rate instruments	-	*76 784*	-	***76 784***
o/w foreign exchange instruments	-	*27 184*	-	***27 184***
o/w equity and index instruments	-	*423 933*	-	***423 933***
o/w commodity instruments	-	-	-	**-**
o/w other trading derivatives	-	*7 004*	-	***7 004***
Financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**
o/w commodities instruments	-	-	-	**-**
o/w credit derivatives/securities	-	-	-	**-**
o/w equity and index securities	-	-	-	**-**
o/w foreign exchange instruments/securities	-	-	-	**-**
o/w interest rate instruments/securities	-	-	-	**-**
o/w other financial instruments	-	-	-	**-**
Hedging derivatives	**-**	**193 687**	**-**	**193 687**
Interest rate instruments	-	193 296	-	**193 296**
Other financial instruments	-	391	-	**391**
Total financial liabilities at fair value	**-**	**728 592**	**-**	**728 592**

There have been no transfer of financial assets or liabilities measured at fair value from Level 2 to Level 1 in 2021, as well as in 2020.

3. FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

ACCOUNTING PRINCIPLES

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 above should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest if applicable.

Please refer to Note 3.5.5 for additional details on the valuation methods for loans and debt securities at amortised cost.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

The Group considers that the fair value of the financial instruments measured at amortised cost approximates the carrying amounts as at December 31, 2021 and December 31, 2020.

4. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

During the year of 2021, no transfer of level 3 instruments were observed and no new financial instruments were classified in Level 3.

The following tables show a reconciliation of the opening and closing amounts of Level 3 which are recorded at fair value. Transfers from Level 3 to Level 2 occur when the market for some securities became more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. There were no such transfer in 2021 and 2020.

FINANCIAL ASSETS

(in EUR thousand)	**Balance at 01.01.2021**	**Issuances**
Financial assets measured mandatorily at fair value through profit or loss	**431 857**	**-**
Bonds and other debt securities	48 003	-
Shares and other equity instruments	53 290	-
Loans and receivables	330 564	-
o/w loans indexed on commodities instruments	-	-
o/w loans indexed on credit derivatives/securities	-	-
o/w loans indexed on equity and index securities	-	-
o/w loans indexed on foreign exchange instruments/securities	-	-
o/w loans indexed on interest rate instruments/securities	-	-
o/w other financial instruments	*330 564*	-
Financial assets measured using fair value option through profit or loss	-	-
Hedging derivatives	**-**	**-**
Interest rate instruments	-	-
Total financial assets at fair value	**431 857**	**-**

5. VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA).

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 deter-mined symetrically 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.

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.

BONDS & OTHER DEBT SECURITIES

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.

SHARES AND OTHER EQUITY INSTRUMENTS

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:

- Discounted Cash Flows method based on business plans
- Discounted Dividend Method based on business plans

LOANS AND RECEIVABLES

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted

		12.31.2021				
Redemptions	**Transfer to Level 2**	**Transfer from Level 2**	**Gains and losses due to changes in fair value**	**Translation differences**	**Other changes**	**Balance at 12.31.2021**
-	**-**	**-**	**(39 764)**	**906**	**172**	**393 171**
-	-	-	-	-	-	**48 003**
-	-	-	14 291	906	172	**68 659**
-	-	-	(54 055)	-	-	**276 509**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**-**
-	-	-	-	-	-	**-**
-	-	-	*(54 055)*	-	-	**276 509**
-	-	-	-	-	-	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-	**-**
-	**-**	**-**	**(39 764)**	**906**	**172**	**393 171**

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).

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.

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).

DUE FROM BANKS & 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.

6. ESTIMATES OF MAIN UNOBSERVABLE INPUTS

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

The following table provides the valuation of level 3 instruments on the balance sheet as at December 31, 2021 and the range of values of the most significant unobservable inputs by main product type.

Type of underlyings	**Assets** In EUR thousand	**Liabilities** In EUR thousand	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of unobservable inputs Min & Max**
Equities/funds	68 659	–	Equity shares	Discounted cash flows or dividend distribution models	Equity dividends	0%; 15.80%
					Correlations	-100% ; 100%
					Illiquidity discount	0% ; 20%
Credit	324 512	-	Loans with embedded derivatives, convertible bonds	Recovery and base correlation projection models	Time to default correlations	0%; 100%
					Recovery rate variance for single name underlyings	0%; 100%
					Credit spreads	0 bps ; 1 000 bps
Total	**393 171**	**-**				

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments.

However, by the nature of its activities (mainly private banking, securities services, corporate lending) the Group has very limited market risk exposure. The impact of an immediate change in an unobservable parameter would have very limited consequence on the Group net profit.

Note 3.6. – Loans, receivables and securities at amortised cost

1. OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST

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 3.9.

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. The applicacle renegociation on loans rules are described in Note 3.9.

	12.31.2021		**12.31.2020**	
(in EUR thousand)	**Carrying amount**	*o/w impairment*	**Carrying amount**	*o/w impairment*
Due from banks	19 840 378	*(1 429)*	10 498 243	*(575)*
Customer loans	22 817 851	*(84 247)*	22 980 536	*(84 701)*
Securities	8 051 597	*(200)*	7 086 422	*(471)*
Total	**50 709 826**	***(85 876)***	**40 565 201**	***(85 747)***

DUE FROM BANKS

(in EUR thousand)	12.31.2021	12.31.2020
Deposits and loans		
Demand and overnights		
Current accounts	7 000 540	373 673
Overnight deposits and loans and others	2 554 887	1 311 738
Term		
Term deposits and loans	10 266 716	8 791 515
Subordinated and participating loans	-	-
Loans secured by notes and securities	19 438	21 572
Gross amount	**19 841 581**	**10 498 498**
Impairment		
Allowances for impairment losses	(1 429)	(575)
Revaluation of hedged items	**-**	-
Net amount	**19 840 152**	**10 497 923**
Securities purchased under resale agreements	226	320
Total	**19 840 378**	**10 498 243**

CUSTOMER LOANS

(in EUR thousand)	12.31.2021	12.31.2020*
Unsecured loans(1)	11 140 474	11 726 643
Other collaterized loans	6 698 116	6 899 295
Housing loans	3 075 058	2 895 310
Overdrafts	1 127 422	828 957
Lease Financing agreements	353 161	107 809
Subordinated loans	37 000	37 750
Related receivables	44 438	35 522
Doubtful loans	426 429	533 857
Customer loans before impairment	**22 902 098**	**23 065 143**
Impairment	(84 247)	(84 701)
Revaluation of hedged items	**-**	**94**
Net customer loans	**22 817 851**	**22 980 536**

** Reclassified figures.*

(1) Unsecured loans include exposures with related parties, which are guaranteed by Societe Generale Group, amounting EUR 7 223 million at as December 31, 2021 (December 31, 2020: EUR 8 451 million).

SECURITIES

(in EUR thousand)	12.31.2021	12.31.2020
Negociable certificates, bonds and other debt securities	8 050 198	7 081 143
Related receivables	1 599	5 750
Securities before impairment	**8 051 797**	**7 086 893**
Impairment	(200)	(471)
Total	**8 051 597**	**7 086 422**

Note 3.7. – Debts

ACCOUNTING PRINCIPLES

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

They are recognised in the balance sheet according to the type of instrument and counterparty, under *Due to banks, Customer deposits, Debt securities issued*.

Debts are initially recognised at cost, measured at 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*.

1. DUE TO BANKS

(in EUR thousand)	12.31.2021	12.31.2020
Term deposits	23 164 612	24 568 074
Securities sold under repurchase agreements	890 136	684 886
Demand deposits and current accounts	72 304	59 749
Related payables	6 778	10 946
Overnight deposits and borrowings and others	13 458	2 612
Total	**24 147 288**	**25 326 267**

2. CUSTOMER DEPOSITS

(in EUR thousand)	12.31.2021	12.31.2020
Demand deposits (1)	23 785 664	13 484 313
Term deposits (1)	14 219 578	11 509 594
Related payables	1 266	1 986
Total customer deposits	**38 006 508**	**24 995 893**
Securities sold to customers under repurchase agreements	-	-
Total	**38 006 508(1)**	**24 995 893**

(1) The significant increase in customer deposits in mainly related to the Group's assets reorganization with Societe Generale Paris for fund activity.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

(in EUR thousand)	12.31.2021	12.31.2020
Non financial corporations	1 951 329	1 779 289
Individual customers	3 348 668	3 038 748
Financial customers	18 485 667	8 663 574
Others (1)	-	2 702
Total	**23 785 664**	**13 484 313**

(1) Including deposits linked to governments and central administrations.

3. DEBT SECURITIES ISSUED

(in EUR thousand)	12.31.2021	12.31.2020
Interbank certificates and negotiable debt instruments	44 779	64 550
Related payables	305	59
Total	**45 084**	**64 609**

Note 3.8. – Interest income and expense

MAKING IT SIMPLE

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities…).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement.

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).

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) ;
- hedging financial derivatives ;
- trading portfolio
- all financial instruments mandatorily measured at fair value through profit and loss ;
- all financial instruments at fair value through profit or loss using fair value option
- interest rate risk hedging derivatives for the portion of income or expenses representative of the effective interest rate ;
- interest on lease liabilities (from IFRS 16 application).

Negative interest cashflows on assets are recorded under *Interest and similar expense*; positive interest cashflows on liabilities are recorded under *Interest and similar income*.

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking into account 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.

	2021			2020		
(in EUR thousand)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Financial instruments at amortised cost	512 521	(167 963)	344 558	559 974	(241 189)	318 785
Central banks	*-*	*(39 565)*	*(39 565)*	*1*	*(34 607)*	*(34 606)*
Bonds and other debt securities	*86 629*	*(5 413)*	*81 216*	*104 940*	*(12 429)*	*92 511*
Due from/to banks	*114 184*	*(82 039)*	*32 145*	*127 959*	*(119 867)*	*8 092*
Customer loans and deposits	*303 973*	*(40 946)*	*263 027*	*315 431*	*(74 266)*	*241 165*
Subordinated debt	*-*	*-*	*-*	*-*	*-*	*-*
Securities lending/borrowing	*2 837*	*-*	*2 837*	*3 292*	*(20)*	*3 272*
Securities purchased/sold under resale/purchase agreements and borrowings secured by notes and securities	*4 898*	*-*	*4 898*	*8 351*	*-*	*8 351*
Hedging derivatives	1 689	(59 314)	(57 625)	4 296	(70 212)	(65 916)
Financial instruments at fair value through other comprehensive income	38 817	-	38 817	49 438	-	49 438
Lease agreement	72	(429)	(357)	37	(460)	(423)
Real estate lease agreements	*-*	*(418)*	*(418)*	*-*	*(457)*	*(457)*
Non-real estate lease agreements	*72*	*(11)*	*61*	*37*	*(3)*	*34*
Subtotal interest income/expense on financial instruments using the effective interest method	**553 099**	**(227 706)**	**325 393**	**613 745**	**(311 861)**	**301 884**
Financial instruments at fair value through profit or loss	2 217	-	2 217	3 555	-	3 555
Total Interest income and expense	**555 316**	**(227 706)**	**327 610**	**617 300**	**(311 861)**	**305 439**
o/w interest income from impaired financial assets	*8 954*	*-*	*8 954*	*2 717*	*-*	*2 717*

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.

Note 3.9. – IMPAIRMENT AND PROVISIONS

MAKING IT SIMPLE

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the counterparty or the securities issuer were to be unable to respect their financial commitments. To bear this risk, a portion of the contractual interest received by the bank on those assets, called credit margin, 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 in the Cost of risk. 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, customer receivables, as well as loan commitments granted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

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

OBSERVED DETERIORATION IN CREDIT RISK
SINCE INITIAL RECOGNITION OF THE FINANCIAL ASSET

CREDIT RISK CATEGORY	**STAGE 1** PERFORMING ASSETS	**STAGE 2** UNDER-PERFORMING OR DOWNGRADED ASSETS	**STAGE 3** CREDIT-IMPAIRED OR DEFAULTED ASSETS
Transfer criteria	Initial recognition of the instrument in stage 1 ▶ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument has become credit-impaired / 90 days past due
Measurement of credit risk	12-months 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.

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, macro-economic 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 2.

- 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.

From 2019 the thresholds are differentiated based on the lifetime probability-of-default curves for the Group's main portfolios. The transition from one-year probability-of-default curves to lifetime probability-of-default curves is ongoing for the remaining portfolios, assuming that there is no distortion with respect to any comparison made with the lifetime probability-of-default curves.

- The existence of payments more than 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.

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.

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*.

ESTIMATION OF EXPECTED CREDIT LOSSES

The methodology for calculating Stage 1 and 2 expected credit losses is based on the Basel framework, which served as the basis for determining the methods for setting calculation inputs (probability of default and loss given default for exposures under the A-IRB and F-IRB approaches, and the provisioning rate for exposures under the standardised method).

SG Group portfolios have been segmented to ensure that they are consistent in terms of risk characteristics and to ensure better correlation with global and local macroeconomic variables.

This segmentation factors in all specific characteristics associated with the Group's activities. This new segmentation is consistent or equivalent to the segmentation defined in the Basel framework in order to ensure the uniqueness of past data on defaults and losses.

The forward-looking expected credit loss approach (12-month/ lifetime) is based first and foremost on the incorporation of economic forecasts in probability of default.

IFRS 9 expected credit losses are calculated using the probabilised average of 4 macroeconomic scenarios, established by SG Group economists for all entities of SG Group (base scenarios and current stress scenarios, plus an optimistic scenario).

The probabilities used are based on past observations, spanning a 25-year period, of differences in outcome between the base scenario and the actual scenario (positive and negative differences).

The method is not based on expert opinion; rather it is intended to be replicated over time and updated each quarter.

The method is supplemented with a sector adjustment that increases or decreases expected credit loss in an effort to better anticipate defaults or recoveries in certain cyclical sectors.

On Private Banking perimeter, a simplified approach of expected credit losses calculation is deployed. This methodology is based on segmentation by homogeneous portfolio specification for which a provisioning rate is applied. These rates are reviewed by the business line on a quarterly basis.

Lastly, on an ancillary basis, loss allowances based on expert opinions that increase or decrease expected credit loss have been retained to factor in future risks which cannot be modelled.

These inputs are updated at each reporting date.

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 classified in Stage 3 (credit-impaired exposures) whether the present value of modified cash flows decreases by more than 1% compared with the carrying amount of financial instruments before the restructuring or there is a high probability that the counterparty cannot meet all its commitments involving a risk of loss for the Group. In these two cases, the restructuring of financial assets leads to default. Stage 3 classification is maintained for at least one year, or longer if the Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in Stage 3, 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.

OVERVIEW OF IMPAIRMENT AND PROVISIONS

(in EUR thousand)	12.31.2021	12.31.2020
Impairment of financial assets at fair value through other comprehensive income	**3**	**7**
Impairment of financial assets at amortised cost	**86 062**	**85 916**
Loans and receivables at amortised cost, including debt securities	*85 876*	*85 747*
Other assets at amortised cost	*186*	*169*
Total impairment of financial assets	**86 065**	**85 923**
Provisions on Financing commitments	1 610	3 596
Provisions on Guarantee commitments	895	415
Total credit risk provisions	**2 505**	**4 011**

1. IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(in EUR thousand)	Amounts at 01.01.2021	Allocations	Reversals available*	Net allocations	Reversals used**	Currency	Amounts at 12.31.2021
Financial assets at fair value through other comprehensive income	**7**	**1**	**(5)**	**(4)**	-	-	**3**
Impairment on performing outstandings (Stage 1)	7	1	(5)	(4)	-	-	3
Impairment on under-performing outstandings (Stage 2)	-	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	-	-	-	-	-	-	-
Financial assets at amortised cost	**85 916**	**17 320**	**(17 778)**	**(458)**	**(585)**	**1 189**	**86 062**
Impairment on performing outstandings (Stage 1)	17 223	6 363	(6 461)	(98)	-	286	17 411
Impairment on under-performing outstandings (Stage 2)	8 747	644	(6 890)	(6 246)	-	319	2 820
Impairment on doubtful outstandings (Stage 3)	59 946	10 313	(4 427)	5 886	(585)	584	65 831
Total	**85 923**	**17 321**	**(17 783)**	**(462)**	**(585)**	**1 189**	**86 065**

**Reversals available correspond to reversal of impairment*
***Reversals used correspond to impairment utilisation previously recorded*

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

(in EUR thousand)	Amounts at 01.01.2021	Production, Acquisition	Derecognition (among which write-offs) and repayments	Transfer between stages of impairment and model update	Other variations	Amounts at 12.31.2021
Financial assets at fair value through other comprehensive income						
Impairment on performing outstandings (Stage 1)	7	1	(5)	-	-	3
Impairment on under-performing outstandings (Stage 2)	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	-	-	-	-	-	-
Sub-Total	**7**	**1**	**(5)**	**-**	**-**	**3**
Financial assets at amortised cost						
Impairment on performing outstandings (Stage 1)	17 223	5 602	(4 230)	(760)	(424)	17 411
Impairment of under-performing outstandings (Stage 2)	8 747	9	(2 459)	(3 604)	127	2 820
Impairment on doubtful outstandings (Stage 3)	59 946	150	(3 426)	9 211	(50)	65 831
Sub-Total	**85 916**	**5 761**	**(10 115)**	**4 847**	**(347)**	**86 062**
Total	**85 923**	**5 762**	**(10 120)**	**4 847**	(347)	**86 065**

The contractual amount outstanding on financial assets that have been written off by the Bank as at December 31, 2021 and that were still subject to enforcement activity amounts was nil (2020: nil).

2. CREDIT RISK PROVISIONS

BREAKDOWN OF PROVISIONS

(in EUR thousand)	Amounts at 01.01.2021	Allocations	Reversals available	Net impairment losses	Currency	Amounts at 12.31.2021
Financing commitments	**3 596**	**679**	**(2 794)**	**(2 115)**	**129**	**1 610**
Provisions on performing outstandings (Stage 1)	765	1 025	(684)	341	13	1 119
Provisions on under-performing outstandings (Stage 2)	2 831	(360)	(2 110)	(2 470)	116	477
Provisions on doubtful outstandings (Stage 3)	-	14	-	14	-	14
Guarantee commitments	**415**	**775**	**(302)**	**473**	**7**	**895**
Provisions on performing outstandings (Stage 1)	400	249	(296)	(47)	1	354
Provisions on under-performing outstandings (Stage 2)	15	226	(6)	220	6	241
Provisions on doubtful outstandings (Stage 3)	-	300	-	300	-	300
Total	**4 011**	**1 454**	**(3 096)**	**(1 642)**	**136**	**2 505**

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

(in EUR thousand)	Amounts at 01.01.2021	Production, Acquisition	Derecognition (among which write-offs) and repayments	Transfer between stages of impairment	Other variations	Amounts at 12.31.2021
Financing and Guarantee commitments						
Provisions on performing outstandings (Stage 1)	1 165	331	(353)	(93)	424	1 474
Provisions on under-performing outstandings (Stage 2)	2 846	-	(653)	(1 518)	42	717
Provisions on doubtful outstandings (Stage 3)	-	-	-	300	14	314
Total	**4 011**	**331**	**(1 006)**	**(1 311)**	**480**	**2 505**

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 EUR thousand)	2021	2020
Cost of risk		
Net allocation to impairment losses	462	(60 817)
On financial assets at fair value through other comprehensive income	*4*	*37*
On financial assets at amortised cost	*458*	*(60 854)*
Net allocations to provisions	1 642	(2 948)
On financing commitments	*2 115*	*(2 848)*
On guarantee commitments	*(473)*	*(100)*
Losses not covered on irrecoverable loans	(59)	(169)
Amounts recovered on irrecoverable loans	-	-
Income from guarantee not taken into account for the calculation of impairment	-	-
Other risks	-	-
Total	**2 045**	**(63 934)**

The positive net cost of risk of EUR -2 million is explained by:

- Stage 1: An Increase of EUR 0,2 million linked to:
- The increase in provisions on Private Banking perimeter (EUR 0,7 million), mainly due to adjustments performed to better reflect the credit risk deterioration on some portfolios (please re-fer to Note Covid-19).
- The favourable risk parameters recalibration (PD, forward-looking and sectorial coefficients), the variations of provisioning basis (reimbursements, amortizations, maturities) and the return to stage 1 of sectoral deals initially considered as sensitive to the Covid crisis on non-retail perimeter for EUR -0.5 million.

- Stage 2: A decrease of EUR -8,5 million mainly due to:
- The reversal of provision on Shipping sector deals for EUR -0.7 million and on Oil and Gaz sector loans for EUR -4,7 million. During the first half of the year, these sectors have been removed from the list identified as vulnerable and automatically transferred to stage 2.
- The favourable risk parameters recalibration (PD, forward-looking and sectorial coefficients) and the variations of provisioning basis (reimbursements, amortizations) and maturity on non-retail perimeter for EUR -3.1 million.
- Stage 3: A provision in doubtful credit for EUR 6,2 million following :
- An increase of provisioning for existing files in default: EUR 2,9 million for SG Luxembourg Private Banking, EUR 2,1 million for SGPB Monaco and EUR 1,7 million for SGPB Suisse.
- The total provision reimbursement for EUR -1,6 million (SGBT Finance Ireland) and the partial reversal for EUR -0,3 million (SGBTCI) on Corporate and Investment Banking clients.
- The additional provisioning of Private Banking real estate files (SG Luxembourg).

Note 3.10. – Assets under management, 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 3.9).

GUARANTEE COMMITMENTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of the failure of a specified debtor to make a payment at maturity at the initial or modified terms in the debt instrument.

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 3.9).

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.

FIDUCIARY ASSETS

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated statement of financial position, as they are not assets of the Group.

The Group records though commitments due to the fiduciary transactions as it is committed to restitute the fiduciary advance to the clients with the proceeds of the fiducy to be received at the end of the transaction.

1. COMMITMENTS

COMMITMENTS GRANTED

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act. Guarantees and standby letters of credit carry a similar credit risk to loans.

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Loan commitments	**2 796 693**	**3 290 339**
To banks	198 246	282 322
To customers	*2 598 447*	*3 008 017*
Issuance facilities	-	-
Confirmed credit lines	*2 598 198*	*3 008 017*
Others	*249*	-
Guarantee commitments	**930 580**	**1 118 609**
On behalf of banks	*260 149*	*231 769*
On behalf of customers	*670 431*	*886 840*
Securities commitments	**229 965**	**387 127**
Securities to be delivered	*229 965*	*387 127*

COMMITMENTS RECEIVED

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Loan commitments	**1 823 458**	**1 670 547**
From banks	*1 823 458*	*1 670 547*
Guarantee commitments	**14 346 347**	**13 961 881**
From banks	*12 012 097*	*12 259 873*
Other guarantee commitments	*2 334 250*	*1 702 008*
Securities commitments	**16 732**	**21 661**
Securities to be received	*16 732*	*21 661*
Other commitments	*3 518 801*	*5 730 397*

2. FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(in EUR thousand)	12.31.2021	12.31.2020
Book value of assets pledged as cash for transactions in financial instruments [(1)]	1 024 766	953 454
Book value of assets pledged as deposit for off-balance sheet commitments	209 766	172 766
Total	**1 234 532**	**1 126 220**

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

As at December 31, 2021, the Group has pledged:

- No collateral asset for secured issuances in amount (December 31, 2020: nil);
- collateral for derivative transactions for EUR 134 360 thousand (December 31, 2020: EUR 331 290 thousand) and;
- collateral for repurchase agreements for EUR 890 136 thousand (December 31, 2020: EUR 622 164 thousand)

FINANCIAL LIABILITIES RECEIVED AS PLEDGE

(in EUR thousand)	12.31.2021	12.31.2020
Book value of liabilities received as pledged security for transactions in financial instruments	15 233 941	12 727 691
Book value of liabilities received as pledged security for off-balance sheet commitments	1 561 650	1 144 597
Total	**16 795 591**	**13 872 288**

3. ASSETS UNDER MANAGEMENT

(in EUR thousand)	12.31.2021	12.31.2020
Custody assets	318 316 044	278 274 647
Fiduciary transactions	11 004 365	8 506 908
Asset management	21 326 330	17 840 993
Total	**350 646 739**	**304 622 548**

The Group provides management and representation services to third parties, particularly wealth management services, custody and administration of securities, fiduciary representation and agent functions.

A fiduciary issuance program has been launched by Societe Generale Luxembourg in 2017, according to the Luxembourg Law of the 27th March 2003 on fiduciary operations.

During 2021, the Bank issued 36 fiduciary notes in EUR for a nominal amount of EUR 4.97 billion and 2 fiduciary notes in JPY for a nominal amount of JPY 109.01 billion.

As at December 31, 2021, the Bank had 85 outstanding notes (December 31,2020: 69), listed on the Luxembourg Stock Exchange, amounting to EUR 9.64 billion (December 31,2020: 6.7 billion):

- 22 notes in JPY for a nominal amount of JPY 451.74 billion (December 31, 2020: 21 notes in JPY for a nominal amount of JPY 509.5 billion);
- 63 notes in EUR for a nominal amount of EUR 6.18 billion (December 31,2020: 48 notes in EUR for a nominal amount of EUR 2.64 billion).

The Group fiduciary issuance with the Parent Company Societe Generale represents EUR 466 million as of December 31, 2021 (December 31, 2020: EUR 622 million).

The total amount of fiduciary transactions also includes other single fiduciary operations with some corporate clients.

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.

1. TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

	12.31.2021	
(in EUR thousand)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Financial assets at fair value through profit or loss	882 997	890 136
Financial assets at fair value through other comprehensive income	-	-
Total	**882 997**	**890 136**

	12.31.2020	
(in EUR thousand)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Financial assets at fair value through profit or loss	591 685	684 886
Financial assets at fair value through other comprehensive income	-	-
Total	**591 685**	**684 886**

2. TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

As at December 31, 2021 and December 31,2020, 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.

As at December 31, 2021, and December 31, 2020, there is no impact due to offsetting of financial assets and liabilities in the Group's balance sheet.

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 3.8).

Transactions with banks includes the fees that relates to banking services such as brokerage fees, interchange fees, account management fees or fiduciary fee income if the counterparty is a bank.

Transactions with customers includes the fees from customers from the Group banking activities (in particular, brokerage fees, account management fees, fiduciary fee income if the counterparty is not a bank or structuring fees outside the effective interest rate).

Financial instruments operations gather specific services on financial instruments and are not directly linked to client account management.

In particular, the remuneration of issuance and structuration is composed by 2 distinct services:

- The issuing upfront fee for the initiation and structuration of the operation (thereafter issuing upfront fee);
- The account and security servicing during the lifecycle of the security (thereafter security servicing fee), accrued on a monthly basis.

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 contract assets and contract 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.

	2021			2020		
(in EUR thousand)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Transactions with banks	**1 244**	**(4 508)**	**(3 264)**	**667**	**(4 444)**	**(3 777)**
Transactions with customers	**101 378**	**-**	**101 378**	**88 766**	**-**	**88 766**
Financial instruments operations	**116 968**	**(60 514)**	**56 454**	**167 768**	**(78 586)**	**89 182**
Securities transactions	82 281	(56 520)	25 761	101 388	(77 494)	23 894
Primary market transactions	24 918	-	24 918	51 028	-	51 028
Foreign exchange transactions and financial derivatives	9 769	(3 994)	5 775	15 352	(1 092)	14 260
Loan and guarantee commitments	**64 616**	**(45 745)**	**18 871**	**48 036**	**(41 484)**	**6 552**
Sundry service	**123 068**	-	**123 068**	**119 829**	-	**119 829**
Fund administration fees and custody fees	*50 210*	-	*50 210*	*58 677*	-	*58 677*
Asset management fees	*62 711*	-	*62 711*	*52 859*	-	*52 859*
Means of payment fees	*3 909*	-	*3 909*	*3 288*	-	*3 288*
Insurance products fees	*2 504*	-	*2 504*	*2 227*	-	*2 227*
Underwriting fees of UCITS	*3 734*	-	*3 734*	*2 778*	-	*2 778*
Others	**38 075**	**(40 962)**	**(2 887)**	**19 374**	**(30 291)**	**(10 917)**
Total	**445 349**	**(151 729)**	**293 620**	**444 440**	**(154 805)**	**289 635**

Note 4.2. – Income and expenses from other activities

ACCOUNTING PRINCIPLES

Other activities gather all services that are not directly in scope of banking activities.

The income and expense from other activities mainly relate to:

- Sundry activities that are not the main banking activities but are considered as an extension to banking services (safe deposit box rental, assistance and advice);
- Non-financing services.

(in EUR thousand)	**2021**	**2020**
Income from other activities (1)	8 186	37 070
Expenses from other activities	(8 987)	(9 584)
Total	**(801)**	**27 486**

(1) Income from 2020 is mainly related to non-recurring insurance reimbursement (EUR 28 500 thousand).

Note 4.3. – Insurance activities

MAKING IT SIMPLE

Insurance activities (life insurance 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 January 1, 2023, meaning they may continue applying IAS 39.

The insurance subsidiaries of the Group, SG Ré, Sogelife and SG LIB respect the criteria laid out in IFRS 4 §20B, namely:

- the subsidiaries do not apply IFRS 9 yet;
- the subsidiaries' activities are predominantly (over 90%) connected with insurance, as described in IFRS 4 §20D, taking into account the liabilities linked to the (re)insurance contracts.

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 January 1, 2023.

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.

On June 26, 2019, the IASB issued an exposure draft including a number of amendments to IFRS 17 "Insurance contracts." The purpose of the modifications is to facilitate the implementation of the standard. On March 17, 2020, the IASB has proposed to defer its first application date, which would be postponed to the annual periods beginning on January 1, 2023.

The only subsidiary fully consolidated concerned is SG Ré as Sogelife is consolidated through equity method (cf Note 2.1). The regulatory status of SG Ré include this activity under insurance activities and SG Ré applies the exemption as presented above.

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

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 EUR thousand)	**12.31.2021**	**12.31.2020**
Underwriting reserves of insurance companies	79 326	91 623
Total	**79 326**	**91 623**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(in EUR thousand)	12.31.2021	12.31.2020
Life insurance underwriting reserves	11 878	14 759
Other than life insurance underwriting reserves	67 448	76 864
Total	**79 326**	**91 623**
Attributable to reinsurers	(156)	(185)
Underwriting reserves of insurance net of the share attributable to reinsurers	**79 170**	**91 438**

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

(in EUR thousand)	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January, 2021 (except provisions for deferred profit-sharing)	-	**14 759**	**76 864**
Allocation to insurance reserves	-	11 878	-
Revaluation of unit-linked policies	-	-	-
Charges deducted from unit-linked policies	-	-	-
Transfers and allocation adjustments	-	-	-
New customers	-	-	-
Profit-sharing	-	-	-
Others	-	(14 759)	(9 416)
Reserves at December 31, 2021 (except provisions for deferred profit-sharing)	**-**	**11 878**	**67 448**

UNDERWRITING OF INSURANCE COMPANIES BY REMAINING MATURITY

(in EUR thousand)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	12.31.2021
Underwriting reserves of insurance companies	-	6 611	26 444	46 271	**79 326**

(in EUR thousand)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	12.31.2020
Underwriting reserves of insurance companies	-	7 635	30 540	53 448	**91 623**

2. INSURANCE ACTIVITIES INVESTMENTS

As at December 31, 2021, derivative and non-derivative financial assets and investment property held by insurance entities are isolated on the balance sheet under *Investments of insurance companies*.

ACCOUNTING PRINCIPLES

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*.

RECLASSIFICATION OF FINANCIAL ASSETS

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss*.

A non-derivative financial asset initially recognised under *Financial assets at fair value through profit or loss* as an asset held for trading purposes may only be reclassified out of this category under specific conditions framed by IAS 39 standard.

IMPAIRMENT

Impairment of financial assets measured at amortised cost

For debt instruments not measured at fair value through net income, the criteria used by the insurance entities to assess individually objective evidence of impairment include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments, implying then a risk of loss for the insurance entity (the appreciation of this deterioration can be based on the evolution of the rating of the issuers or the variations of the credit spreads changes observed on these markets);
- the occurrence of late payment of coupons and more generally of arrears of more than 90 days;
- or, regardless of whether or not any past-due payments are recorded, there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees. This discount is calculated using the financial assets' original effective interest rate. The amount of this impairment is deducted from the carrying value of the impaired financial asset.

The allocations and reversals of impairments are recorded in the income statement under net income from investments in the Net income from insurance activities. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under interest income in the Net income from insurance activities. Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, insurance entity includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogeneous portfolio, as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Impairment of available-for-sale financial assets

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, insurance entities consider as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the insurance entities to consider that the cost of its investment may not be recovered even if the abovementioned criteria are not met. An impairment loss is then recorded through net income equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.5.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under Unrealised or deferred gains and losses and subsequent objective evidence of impairment emerges, insurance entities recognise the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement among under net income from investments in the Net income from insurance activities as far as debt instruments and equity instruments are concerned.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

OTHER ACCOUNTING PRINCIPLES

Accounting principles relative to fair value, initial recognition of financial instruments, derecognition of financial instruments, derivative financial instruments, interest income and expense, transferred financial assets and offsetting of financial instruments are similar to those described in Note 3 (Financial instruments).

OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

(in EUR thousand)	12.31.2021	12.31.2020
Available-for-sale financial assets	**371 125**	**442 651**
Debt instruments	*369 117*	*440 643*
Equity instruments	*2 008*	*2 008*
Due from banks	79 757	31 325
Customer loans	-	-
Real estate investments	-	-
Total investments of insurance activities before elimination of intercompany transactions	**450 882**	**472 976**
Elimination of intercompany transactions	(79 011)	(31 325)
Total investments of insurance activities after elimination of intercompany transactions (1)	**371 871**	**442 651**

(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.

The following tables show the carrying amounts 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.

	12.31.2021			
(in EUR thousand)	Basic debt instruments	Equity instruments	Total carrying amount	Fair value
Financial assets at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	369 117	2 008	371 125	371 125
Due from banks	746	-	746	746
Customer loans	-	-	-	-
Total financial invesments	**369 863**	**2 008**	**371 871**	**371 871**

(In EUR thousand)	12.31.2020 Basic debt instruments	Equity instruments	Total carrying amount	Fair value
Instruments	-	-	-	-
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	440 643	2 008	442 651	442 651
Due from banks	-	-	-	-
Customer loans	-	-	-	-
Total financial invesments	**440 643**	**2 008**	**442 651**	**442 651**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(in EUR thousand)	12.31.2021 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	–	–	–	–
Financial assets at fair value through profit or loss using the fair value option	–	–	–	–
Hedging derivatives	–	–	–	–
Available-for-sale financial assets	369 117	-	2 008	371 125
Total	**369 117**	**-**	**2 008**	**371 125**

(in EUR thousand)	12.31.2020 Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	–	–	–	–
Financial assets at fair value through profit or loss using the fair value option	–	–	–	–
Hedging derivatives	–	–	–	–
Available-for-sale financial assets	440 643	-	2 008	442 651
Total	**440 643**	**-**	**2 008**	**442 651**

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in EUR thousand)	2021	2020
Balance as of January 1	**442 651**	**527 812**
Acquisitions	159 023	170 838
Disposals / redemptions	(218 852)	(253 731)
Transfers to held-to-maturity financial assets	-	-
Change in scope and others	(2 869)	(3 386)
Gains and losses on changes in fair value recognised directly in equity during the year	(8 828)	224
Impairment losses on equity instruments recognised in profit and loss	-	894
Translation differences	-	-
Balance as of December 31	**371 125**	**442 651**

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

	12.31.2021		
(in EUR thousand)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**23 218**	**(1 541)**	**21 677**
On equity instruments available-for-sale	*-*	*(319)*	*(319)*
On debt instruments available-for-sale	*23 218*	*(1 222)*	*21 996*
Deferred profit-sharing	*-*	*-*	*-*

	12.31.2020		
(in EUR thousand)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**31 059**	**(554)**	**30 505**
On equity instruments available-for-sale	*-*	*(319)*	*(319)*
On debt instruments available-for-sale	*31 059*	*(235)*	*30 824*
Deferred profit-sharing	*-*	*-*	*-*

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 EUR thousand)	**2021**	**2020**
Net premiums	19 937	88 046
Net income from investments	10 610	11 451
Cost of benefits (including changes in reserves)	7 206	(71 933)
Other net technical income (expense)	(3 595)	(3 927)
Net income of insurance activities	**34 158**	**23 637**
Funding cost	(2 326)	(2 882)
Net banking income of insurance companies	**31 832**	**20 755**

NET INCOME FROM INVESTMENTS

(in EUR thousand)	**2021**	**2020**
Dividend income on equity instruments	308	162
Interest income		
On available-for-sale financial assets	*4 309*	*6 320*
On loans and receivables	*-*	*-*
Other net interest income	*147*	*127*
Net gains or losses on financial instruments at fair value through profit or loss	-	-
Net gains or losses on available-for-sale financial instruments		
Capital gain or loss on sale of debt instruments	*2 586*	*4 944*
Capital gain or loss on sale of equity instruments	*3 260*	*(996)*
Impairment losses on equity instruments	*-*	*894*
Net gains or losses on real estate investments	-	-
Total net income from investments	**10 610**	**11 451**

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 monitered 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.

	12.31.2021		
(in EUR thousand)	**Available-for-sale financial assets**	**Due from banks**	**Total**
AAA	35 748	-	**35 748**
AA+ / AA / AA-	131 902	-	**131 902**
A+ / A / A-	68 370	79 757	**148 127**
BBB+ / BBB / BBB-	124 463	-	**124 463**
BB+ / BB / BB-	-	-	**-**
B+ / B / B-	-	-	**-**
CCC+ / CCC / CCC-	-	-	**-**
CC+ / CC / CC-	-	-	**-**
Lower than CC-	-	-	**-**
Not rated	10 642	-	**10 642**
Total before intercompany elimination	**371 125**	**79 757**	**450 882**
Intercompany amounts	-	(79 011)	**(79 011)**
Carrying amount	**371 125**	**746**	**371 871**

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.

	12.31.2020		
(in EUR thousand)	**Available-for-sale financial assets**	**Due from banks**	**Total**
AAA	35 218	-	**35 218**
AA+ / AA / AA-	163 606	-	**163 606**
A+ / A / A-	81 412	31 325	**112 737**
BBB+ / BBB / BBB-	141 003	-	**141 003**
BB+ / BB / BB-	-	-	**-**
B+ / B / B-	-	-	**-**
CCC+ / CCC / CCC-	-	-	**-**
CC+ / CC / CC-	-	-	**-**
Lower than CC-	-	-	**-**
Not rated	21 412	-	**21 412**
Total before intercompany elimination	**442 651**	**31 325**	**473 976**
Intercompany amounts	-	(31 325)	**(31 325)**
Carrying amount	**442 651**	**-**	**442 651**

Note 4.4. – Other Assets And Liabilities

1. OTHER ASSETS

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Guarantee deposits paid [1]	151 579	343 559
Settlement accounts on securities transactions	100 308	87 358
Prepaid expenses	6 493	7 751
Miscellaneous receivables	223 765	210 340
Amounts receivable and prepayments	*188 166*	*166 175*
Other	*35 599*	*44 165*
Gross amount	**482 145**	**649 008**
Impairment	(186)	(169)
Net amount	**481 959**	**648 839**

(1) *Mainly relates to guarantee deposits paid on financial instruments.*

2. OTHER LIABILITIES

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Guarantee deposits received	37 786	9 345
Settlement accounts on securities transactions	58 655	71 537
Expenses payable on employee benefits	29 625	21 405
Lease liability	81 911	93 252
Deferred income	16 757	18 826
Miscellaneous payables [1]	256 990	1 078 024
Amounts payables and sundry creditors	*23*	*1 078 012*
Other securities transactions	*256 967*	*12*
Total	**481 724**	**1 292 389**

(1) *Miscellaneous payables primarily include other securities transactions, amounts payable and sundry creditors*

NOTE 5 – PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKING IT SIMPLE

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

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

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

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 Group share, long service awards and time saving accounts;
- Termination benefits.

Note 5.1. – Personnel expenses and related party transactions

ACCOUNTING PRINCIPLES

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on the Group 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.

PERSONNEL EXPENSES

(in EUR thousand)	2021	2020
Employee compensation	(175 019)	(171 418)
Social security charges and payroll taxes	(16 951)	(17 264)
Net pension expenses - defined contribution plans	(6 343)	(6 123)
Net pension expenses - defined benefit plans	(10 206)	(8 624)
Total	**(208 519)**	**(203 429)**

Over the course of 2021, the Group employed an average of 1 739 employees (2020: 1 789 employees), including representive offices abroad.

Staff may be broken down as follows:

Average full time-equivalent employees over the year	12.31.2021	12.31.2020
General Management	31	30
Senior managers	406	414
Other employees	1 302	1 345
Total	**1 739**	**1 789**

Note 5.2. – Employee benefits

Group entities in Luxembourg and abroad, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(in EUR thousand)	Provisions at 01.01.2021	Allocations [1]	Reversals/ utilization	Net allocation	Actuarial gains and losses	Other	Provisions at 12.31.2021
Provisions for employee benefits	**71 606**	**10 467**	**(7 570)**	**2 897**	**(16 223)**	**(105)**	**58 175**
Provisions for retiment plans	*60 525*	*8 009*	*(7 080)*	*929*	*(16 223)*	*124*	*45 355*
Provisions for other long-term benefits	*9 915*	*1 530*	*(334)*	*1 196*	*-*	*55*	*11 166*
Other provisions for employee benefits	*1 166*	*928*	*(156)*	*772*	*-*	*(284)*	*1 654*

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.

The Group previously chose to finance defined benefit plans through assets held by a long-term employee benefit fund or by qualifying insurance policies. Since then, the Group transferred employees to a defined contributions plan on voluntary basis.

Funding assets, made by funds, are classified as plan assets if assets are held by 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 extrernal funds classified as plan assets, the fair value of these funds is substracted from the provision to cover obligations.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to remeasure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among unrealised or deferred gains and losses and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gain and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholder's equity so that they are presented directly under retained earnings on the liabilities side of the balance sheet.

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.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

PLANS' PROVISIONS AND ASSUMPTIONS

PLANS' PROVISIONS AND ASSUMPTIONS

The defined contribution plans provided to employees of the Group are located in Luxembourg, Monaco and Switzerland. The following disclosures are provided only for the main retirement plans of the Group: the Luxembourg plan in place at Societe Generale Luxembourg S.A. and the Swiss plan in place at Societe Generale Private Banking Suisse S.A. ("SGPB Suisse").

THE LUXEMBOURG RETIREMENT PLAN PROVISIONS

The Group offers a supplemental defined benefit retirement plan to all eligible employees at its headquarters in Luxembourg.

Under the defined benefit retirement plan, payment of a supplementary pension to the Luxembourg government pension starting from age 65 is planned. The goal of the business pension plan is to grant, for 35 years of service, benefits equal to approximately 60% of salary at retirement, including Luxembourg Social Security.

More specifically, for 35 years of service in the company, the retirement benefit will be equal to 8.33% of the portion of the final pensionable salary, limited to the pension ceiling plus 62.5% of the final pensionable salary that surpasses this ceiling. The salary used for calculation purposes is the annual base salary. The pension benefit is a planned joint and survivor annuity of 60% to the survivor after retirement.

The plan allows for payment of capital instead of the planned supplemental retirement annuity. By its nature, this defined benefit retirement plan exposes SG Luxembourg to certain associated actuarial risks*, such as investment risk, interest rate risk, longevity, inflation and the effect of an increase in payroll.

The risks defined below are applicable for all plans defined among the Group:

**Those risks are applicable to all pension plan of the Group*

Investment risk	The present value of the defined benefit commitment is calculated using a discount rate determined by reference to the interest rates of the highest-quality corporate bonds. If the return on plan assets is below this rate, this will create a plan deficit. The plan assets are limited to those of a reduced insurance group that benefits from a guaranteed return from an insurer.
Interest rate risk	A decline in interest rates for bonds will increase the plan's commitments.
Longevity risk	The present value of the pension commitment is calculated taking into account the estimated mortality tables. The objective being to best reflect the mortality of the pension plan's participants. However, an increase in the life expectancy of participants will increase the plan's commitments.
Risk of payroll growth	The present value of the pension commitment is calculated under the assumption that the pension plan's participants' salaries will increase. Any future increase that is greater than the estimate will increase the plan's commitments.
Inflation risk	The inflation rate directly affects the changes in payrolls and the pension ceiling. An increase in the inflation rate will cause an increase in the current value of the pension commitments.

Risks related to benefits paid to beneficiaries in the event of the death of a plan participant before retirement age is insured by an insurance company.

THE SWISS RETIREMENT PLAN PROVISIONS

The plan provisions detailed were effective from January 1, 2011.

All employees aged at least 18 with an indefinite working contract beyond 3 months are eligible.

For death and disability benefits, participation starts at hire date, but not before 1st of January following 17th birthday. For retirement and termination benefits, participation starts at hire date, but not before 1st of January following 22nd birthday.

The participant has the option of electing to take all the benefit as a pension payable monthly or electing to take part or all of the benefit as a lump sum.

Annual pension is payable monthly (if married or have a registered partner, 60% J&S annuity and if single, life annuity): Accrued Retirement Savings Capital converted to annuity using conversion rates, varying by portion of benefit associated with BVG (Survivors', disability and pension plan) minimum benefit and portion of benefit in excess of BVG minimum benefit.

Lump sum: Accrued Retirement Savings Capital.

The plan must be financed.

The components of the overall contribution include the cost of:

- retirement benefits;
- risk benefits (death, disability), including cost-of-living adjustments;

- payments to the Guarantee Fund;
- administrative costs.

The Group has measured the obligations of the retirement plan as at December 31, 2021 and as at December 31, 2020 in accordance with IAS19 Revised.

The present value of the defined benefit pension obligation as well as the pension cost related to one year of service were measured using the actuarial method called the "projected unit credit method".

The principal assumptions used for measuring pension fund obligations are summarized below:

	12.31.2021		12.31.2020	
Luxembourg				
SG Luxembourg				
Discount rate	0.81%		0.30%	
Inflation rate	2.04%		1.19%	
Expected rate of return on assets	N/A		N/A	
Compensation increase rate	Age	Rate	Age	Rate
	<35 ans	1,9%-2.00%	<35 ans	1.9%-2.00%
	35 ans <= age < 45 ans	1%-1.3%	35 ans <= age < 45 ans	1%-1.3%
	45 ans <= age < 55 ans	0,3%-0.65%	45 ans <= age < 55 ans	0.3%-0.65%
	55 ans <= age < 65 ans	0%-0.7%	55 ans <= age < 65 ans	0%-0.7%
Switzerland				
SGPB Suisse				
Discount rate		0.05%		0.09%
Inflation rate		1.00%		1.00%
Expected rate of return on assets		n/a		n/a
Compensation increase rate (excluding indexation)		0.20%		0.20%

The discount rate used as at December 31, of the year in question is based on the yield curve for corporate bonds rated AA.

This curve is observed in October 2020 via the Merrill Lynch Index.

IAS19 requires taking the same rate for the expected return. The inflation rates used are in line with the long-term objectives of the central banks of the Euro zone.

The cost of services rendered and the net interest on net liabilities (assets) are reported under "Personnel expenses" in profit or loss.

Following the adoption of IAS 19R, the "corridor" method is no longer used: net actuarial gains are now reported at their total amount on the liability side of the consolidated statement of financial position.

Revaluations of net liabilities (assets) are reported in the other items of comprehensive income.

PENSION PLAN LIABILITIES

The pension plan's liabilities according to IAS 19R breaks down as follows:

(in EUR thousand)	12.31.2021	12.31.2020
Defined benefit obligation	212 400	216 508
Fair value of plan assets	(167 045)	(155 983)
Net defined benefit asset/ (liability)	**45 355**	**60 525**

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

(in EUR thousand)	12.31.2021	12.31.2020
Insurance contract	11 818	7 911
Equity	51 397	48 346
Bonds	60 286	61 062
Real Estate	25 249	22 251
Others	18 295	16 413
Total	**167 045**	**155 983**

ACTUARIAL GAINS AND LOSSES

Total actuarial gains and losses increases or decreases provision booked by the bank.

Actuarial gains and losses for the year are booked against Other Comprehensive Income.

Each January 1st, actuarial gains and losses for the year are reclassified towards reserves with no impact on provision calculation

As at December 31, 2021, total actuarial gains and losses recorded in OCI and retained earnings, gross from deferred taxes, were as follows:

(in EUR thousand)	
Total at January 1, 2020	**(158)**
Net 2020 change [1]	2 889
Total at December 31, 2020	**2 731**
Net 2021 change [2]	(16 223)
Total at December 31, 2021	**(13 492)**

(1) See note 7.2 Actuarial gains and losses on defined benefits plans gross value 01.01.2020

(2) See note 7.2 Actuarial gains and losses on defined benefits plans gross value 12.31.2021

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(in EUR thousand)	12.31.2021	12.31.2020
A - Present value of funded defined benefit obligations	212 400	216 508
B - Fair value of plan assets and separate assets	(167 045)	(155 983)
C = A + B Deficit (surplus)	**45 355**	**60 525**
D - Present value of unfunded defined benefit obligations	-	-
E - Change in asset ceiling	-	-
C + D + E = Net balance recorded in the balance sheet	**45 355**	**60 525**

COMPONENTS OF THE COST OF DEFINED BENEFITS

(in EUR thousand)	12.31.2021	12.31.2020
Current service cost including social security contributions	7 868	5 250
Employee contributions	-	-
Past service cost/curtailments	-	-
Settlements	-	-
Net interest	141	345
A - Components recognised in income statement	**8 009**	**5 595**
Actuarial gains and losses on assets	-	-
Actuarial gains and losses due to changes in demographic assumptions	-	-
Actuarial gains and losses due to changes in economic and financial assumptions	(6 342)	1 256
Actuarial gains and losses due to experience	2 515	352
Return on assets excluding amounts included in interest income	(12 396)	1 281
B - Components recognised in unrealised or deferred gains and losses	**(16 223)**	**2 889**
C = A + B Total components of the cost of defined benefits	**(8 214)**	**8 484**

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(in EUR thousand)	12.31.2021	12.31.2020
Balance at January 1	**216 508**	**217 981**
Current service cost including social security contributions	10 639	11 703
Past service cost / curtailments	(314)	(3 735)
Settlements	-	-
Net interest	276	552
Actuarial gains and losses due to changes in demographic assumptions	-	-
Actuarial gains and losses due to changes in economic and financial assumptions	-	-
Actuarial gains and losses due to experience	-	-
Revaluation – actuarial gains and losses	(3 619)	1 477
Foreign exchange adjustment	7 196	814
Benefit payments	(2 280)	(1 451)
Change in consolidation scope	-	-
Payment from plan assets	(15 999)	(10 863)
Transfers and others	(7)	30
Balance at December, 31	**212 400**	**216 508**

CHANGES IN THE FAIR VALUE OF PLAN ASSETS

(in EUR thousand)	12.31.2021	12.31.2020
Balance at January 1	**155 983**	**159 127**
Interest income	135	208
Expected return on plan assets	-	-
Expected return on separate assets	-	-
Actuarial gains and losses due to assets	12 396	(1 309)
Foreign exchange adjustment	7 274	764
Employee contributions	2 484	2 771
Employer contributions to plan assets	4 772	5 285
Benefit payments	(15 999)	(10 863)
Change in consolidation scope	-	-
Return on assets excluding amounts included in interest income	-	-
Transfers and others	-	-
Balance at December, 31	**167 045**	**155 983**

SENSITIVITY ANALYSIS

Actuarial assumptions which are significant in determining pension commitments are: discount rates, inflation and future payroll growth.

The calculation's sensitivity to these individual key assumptions was analyzed on the date of the calculation, i.e. December 31, 2021, using the same projection method (projected unit credit method).

The impact of each individual assumption is not representative of the potential impact of a sensitivity analysis based on combined variations of assumptions.

DBO sensitivity to a change of assumptions by +0.5%, -0.5% would have the following effect as at December 31, 2021:

2021

Luxembourg

SG Luxembourg

Sensitivity	Defined benefit obligation	Service cost	Expected expenses N+1
Discount rate -0,5%:	6.5%	5.8%	-3.8%
Discount rate +0,5%:	-5.9%	-5.4%	3.1%
Inflation rate -0,5%:	-4.2%	-5.2%	-5.0%
Inflation rate +0,5%:	4.4%	5.5%	5.3%
Salary increase +0,5%:	7.6%	9.7%	9.5%

Switzerland

Sensitivity	Defined benefit obligation	Service cost	Expected expenses N+1
Discount rate -0,5%:	6.8%	7.0%	8.0%
Discount rate +0,5%:	-6.2%	-7.1%	-10.2%
Inflation rate -0,5%:	-1.0%	0.8%	1.1%
Inflation rate +0,5%:	1.0%	-0.6%	-0.8%
Salary increase +0,5%:	1.0%	-0.6%	-0.8%

LUXEMBOURG'S PLAN FINANCING

Luxembourg law does not require companies to outsource pension obligations to a pension fund or an insurance group.

The Group's retirement plan is funded directly by the payment of benefits when they become due. In order to provide the benefits expected, the Group recognizes accounting reserves in consolidated statement of financial position liabilities. The retirement plan can be considered as an internally-funded retirement plan. Pension plan liabilities are recognized in the consolidated balance sheet of the company while pension plan assets are included in the assets used in the company's business activities. Should the company become insolvent, a mechanism to protect pension rights is provided through insolvency insurance with the German pension security fund ("Pensionssicherungsverein" - PSV).

Finally, for staff hired before 1997, a small part of the retirement obligation is funded in a former insurance group that no longer receives additional inflows of contributions. There is also a reduced hedging insurance reserve.

Plan duration:

In years		12.31.2021	12.31.2020
Luxembourg	SG Luxembourg	12.0	13.0
Switzerland	SGPB Suisse	13.0	13.0

Expected future benefit payments are as follows:

	Luxembourg	Switzerland
	12.31.2021	12.31.2021
Year	*(in EUR thousand)*	*(in EUR thousand)*
2023	1 506	9 888
2024	1 432	10 011
2025	2 361	9 291
2026	2 280	9 361
2027-2030	15 641	45 325

	Luxembourg	Switzerland
	12.31.2020	12.31.2020
Year	*(in EUR thousand)*	*(in EUR thousand)*
2021	1 112	9 046
2022	1 589	9 183
2023	1 405	9 572
2024	2 264	8 749
2025–2028	15 053	43 059

TREATMENT OF ENTITIES THAT PARTICIPATE IN THE PLAN BUT ARE NOT PART OF SG LUXEMBOURG GROUP

For entities that participate in the plan but are not part of SG Luxembourg Group, paragraphs 32 to 39 of IAS 19R apply, and the plan is treated as a multiemployer plan.

There are two possible scenarios, depending on whether the entity does or does not have sufficient data to categories the plan in its books as a defined benefit or defined contribution plan.

The number of employees (active or retired) benefiting from the plan in each entity must be considered as a major feature. In fact, the use of projection techniques (IAS 19R's projected unit credit method) and all demographic parameters based on a small number of people cannot give truly pertinent results and generates significant statistical volatility each time there is a change in personnel. In such cases the results could be considered insufficiently reliable.

Furthermore, some of these entities have an employee policy based on the use of employees that stay with the entity for a short period (four to five years) and come from/return to SG Luxembourg, effectively resulting in high employee turnover. Similarly, in this context, projecting these employees' compensation over the long term does not make much sense as, by design, they do not remain with the company although they stay with the Group.

Within this framework, and in order to prevent administrative work that does not take into account financial challenges at the SG Luxembourg Group level, these entities treat this plan as a defined benefit plan (paragraph 36) and pay SG Luxembourg their share of the total annual cost of financing the plan, proportional to the percentage of total eligible employees represented by the entities' employees, through a contractual agreement.

The materiality threshold has been set at 20 people (i.e., 3% of the total number of employees benefiting from the plan) as defined with the actuary in charge of the work.

TREATMENT OF ENTITIES THAT DO NOT PARTICIPATE IN THE PENSION PLAN AND EMPLOY STAFF FROM AN AFFILIATED ENTITY

This occurs when SG Luxembourg assigns its personnel to other Societe Generale Group entities. In such cases, employee entitlements in the pension plan are maintained during their assignment period.

The obligation remains with the original affiliation entity. The unaffiliated entity, to which an employee is assigned, has no obligation, not even an implicit one, to the defined benefit plan.

The original entity therefore invoices the expense of maintaining the employee's entitlements under the supplementary pension plan to the entity to which the employee is assigned, as it does for other employee benefits. Societe Generale has implemented a standard reinvoicing contract that the assigning entity must use, filling out the appendices with the various benefits due to the employee in question.

Accordingly, the accounting treatment used is the one used for intra-Group billing of payroll expenses in the entity to which an employee is assigned and for defined benefits in the original entity. Income received from each entity contributes to the financing of the plan at the original entity.

For simplicity's sake, the invoicing principles is based on a fixed amount, defined annually in proportion to the length of time that employees are assigned to an entity and based on the annual cost of the plan and the percentage represented by assigned employees in the total number of eligible employees in the plan.

DEFINED CONTRIBUTION PLAN

Starting in 2015, all new incoming SG Luxembourg employees enroll in a defined contribution pension plan.

RETIREMENT CAPITAL

Retirement capital, or Early Retirement capital, is paid to Plan Members when they retire at normal retirement age or when they take early retirement, respectively.

Plan Members have the option of taking all of the benefit as a pension payable monthly or taking part or all of the benefit as a lump sum.

DEATH BENEFIT

If a Plan Member dies before retirement age, the retirement savings at the time of death are paid in the form of capital to the beneficiaries designated in the event of death.

EMPLOYER CONTRIBUTIONS

Employer contributions are calculated as follows: 2.5% S1 + 9% S2

Where:

- S1 represents the portion of S below the annual cap on contributions to Social Security in force as of the calculation date;
- S2 represents the portion of S which exceeds this cap;
- S represents January's monthly salary x 13.

The employer contribution is multiplied by the percentage of employee time as of the calculation date.

The employer contribution for the year of enrolment in the plan may be paid, in accordance with the plan's administrative provisions, in the year of enrolment or in the following year.

PERSONAL CONTRIBUTIONS

The Plan Member may elect to contribute to the Plan and can choose the monthly or annual contribution amount at the time of enrolment.

FUNDING VEHICLE

The Plan Member may choose from among three financial management and investment formulas for investing the investment of employer contributions, and for the transfer of any entitlements resulting from employer contributions.

However, according to current legal provisions, personal contributions may only be invested in a fund with a guaranteed rate of return at least equal to the rate set by the Commissariat aux Assurances (Luxembourg Insurance Commission).

FINANCE

The company guarantees the payment of benefits and contributions provided for by the supplementary pension plan.

To accomplish this, the Company signed a group insurance contract with the AXA insurance company.

2. LONG-TERM BENEFITS

ACCOUNTING PRINCIPLES

Longterm 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 in the consolidated statement of comprehensive income.

EMPLOYEE BENEFITS - JUBILEE AWARDS

PLANS' PROVISIONS AND ASSUMPTIONS

Disclosures are provided only for the two mains jubilee plans in the Group: the Luxembourg plan in place at Societe Generale Luxembourg S.A., and the Swiss plan in place at Societe Generale Private Banking Suisse S.A.

SG Luxembourg Group employees are entitled to a plan that provides for a jubilee award which is a function of their seniority in the Group.

The defined benefit obligation corresponding to this plan was estimated according to the standard IAS 19R. For this plan, the actuarial gains and losses are immediately recognized in the consolidated income statement account.

The principal assumptions used for measuring the jubilee plan obligations are summarized below:

	12.31.2021		12.31.2020	
SG Luxembourg				
Discount rate	0.76%		0.39%	
Inflation rate	2.02%		0.96%	
Expected rate of return on assets	N/A		N/A	
Compensation increase rate	Age	Age	Age	Age
	<35 years	1.9% - 2%	<35 years	1.9% - 2%
	35 years <= age < 45 years	1% - 1.3%	35 years <= age < 45 years	1% - 1.3%
	45 years <= age < 55 years	0.3% - 0.65%	45 years <= age < 55 years	0.3% - 0.65%
	55 years <= age < 65 years	0% - 0.7%	55 years <= age < 65 years	0% - 0.7%
Switzerland				
Discount rate	0.19%		(0.04)%	
Inflation rate	1.00%		1.00%	
Expected rate of return on assets	N/A		N/A	
Compensation increase rate (excluding indexation)	0.20%		0.20%	

PLAN RESULTS

The cost associated with jubilee awards is reported under "personnel expenses" in Profit or Loss and breaks down as follows:

(in EUR thousand)	12.31.2021	12.31.2020
Service cost	1 051	746
Financial cost	22	32
Actuarial gains and losses	-	-
Total	**1 073**	**778**

CHANGE IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS DURING THE YEAR

The reconciliation of opening and closing obligation balances related to defined benefits for the current year is as follows:

(in EUR thousand)	12.31.2021	12.31.2020
Obligation in relation to defined benefits – Opening	**7 190**	**6 658**
Total (expense)/ revenue recognized in the income statement	1 073	779
Paid benefits	(280)	(254)
Other	-	-
Translation effect	53	7
Obligation in relation to defined benefits – Closing	**8 036**	**7 190**

NOTE 6 – INCOME TAX

MAKING IT SIMPLE

Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

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

ACCOUNTING PRINCIPLES

CURRENT TAXES

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

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included *under Income Tax* in the 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 considering rules established by the local taxation authorities.

The amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value.

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. Temporary differences or tax loss carry forwards can also be used against future taxable profit. Tax loss carry forward review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense, based on their business development outlook: any previously unrecognized deferred tax assets are recorded in the consolidated statement of financial position 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 recognized in the consolidated statement of financial position is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognized in the consolidated income statement *under Income Tax*. However, deferred taxes related to gains and losses recorded under "Unrealized or deferred gains and losses" are also recognized under the same heading in the consolidated statement of comprehensive income.

TAX INTEGRATION

Since financial year 2005, SG Luxembourg has elected to be considered as an integrated group for tax purposes (intégration fiscale or tax integration).

As at December 31, 2021, 13 subsidiaries were included in the group filing a consolidated return (2020: 13 subsidiaries). In accordance with a tax integration agreement entered into with

SG Luxembourg, some affiliates recognize in their financial statements the tax which they would have paid had they not been included in SG Luxembourg's Group tax scope.

Tax integration implies that the Head of the tax group, Societe Generale Luxembourg, should be in charge of income tax payment for the whole Group.

SG Luxembourg establishes its income tax provisions ("Impôt sur le revenu des collectivités" or "IRC", and the "Impôt commercial communal" or "ICC") based on the taxable income of the entire consolidated group, including its own revenue.

Tax prepayments due by SG Luxembourg are also calculated on this basis and paid by SG Luxembourg as the lead company of the integrated group. Tax are prepaid and then, when the right amount is known, the prepayment is netted with the definitive amount.

There is no tax filing integration for wealth tax. However, in compliance with existing tax law, SG Luxembourg sets up, on behalf of some affiliates, a special reserve for the purpose of charging each of these affiliates for the wealth tax. The reserve thus constituted for each affiliate is equal to five times the wealth tax due in principle by each of the members of the integrated group and is unavailable for a period of five years.

The reserve for the wealth tax charged to affiliates is separate from the tax expense reserve set up for SG Luxembourg's own needs. The reserve is set up each year and maintained for the specified legal time limit i.e. five years. The maximum amount of wealth tax that can be charged by affiliates and by SG Luxembourg is determined by reference to the IRC payable by the integrated group before the allocation of tax credits.

PROVISIONS FOR TAX ADJUSTMENTS

Provisions for tax adjustments represent liabilities whose timing or amount cannot be precisely determined and that are adjusted throughout time. 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 the consolidated income statement under "Income tax".

TAX PROVISIONS

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.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

1. INCOME TAX

(in EUR thousand)	12.31.2021	12.31.2020
Current taxes	(53 475)	(29 764)
Deferred taxes	43 103	19 534
Total taxes	**(10 372)**	**(10 230)**

Reconciliation of the difference between the Group's standard tax rate and its effective tax rate:

(in EUR thousand)	12.31.2021	12.31.2020
Income before tax excluding net income from companies accounted for using the equity method	275 116	223 930
Tax rate applicable at the end of the year	24.94%	24.94%
Theoretical income tax	**(68 614)**	**(55 848)**
Tax effect of non-taxable income	42 671	32 187
Tax effect of non-deductible expenses	(1 171)	(4 643)
Tax without basis *	17 559	20 058
Provisions for tax adjustments	-	-
Sub-consolidated results taxed at other rates	(1 201)	(1 205)
Previous year corrections	(48)	(565)
Other items	432	(214)
Total income tax	**(10 372)**	**(10 230)**

**mainly refers to tax expenses of fiscally integrated entities.*

Tax credits resulting on income from receivables and trading portfolios, when used to settle the tax on income due in the same period, are booked in the same accounts as the income they are linked to. The corresponding tax charge is maintained in the account "Tax expense", explaining the transfer in the net banking result.

Tax impact on non-taxable income is mainly explained through various income received from fully taxable resident or non-resident participations held by the Group. As all conditions for participation exemption regime are met (EU parent directive and article 166 LITL), the Group avoids double taxation by using these provisions.

2. TAX ASSETS AND LIABILITIES

TAX ASSETS

(in EUR thousand)	12.31.2021	12.31.2020
Current tax assets	1 543	4 781
Deferred tax assets	17	-
o/w deferred tax assets on tax loss carryforward	*-*	-
o/w deferred tax assets on temporary differences	*17*	-
Total	**1 560**	**4 781**

TAX LIABILITIES

(in EUR thousand)	12.31.2021	12.31.2020
Current tax liabilities	23 149	16 783
Deferred tax liabilities and provision from income tax adjustments [1]	97 608	139 285
Total	**120 757**	**156 068**

Each year, the Group performs a review of tax loss carryforward, 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.

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.

3. CHANGE IN DEFERRED TAX

The change in deferred taxes is analysed as follows:

ASSETS

(in EUR thousand)	12.31.2021	12.31.2020
Net opening balance	**-**	**6 595**
Items taken directly to net profit or loss	17	(6 595)
Items taken directly to equity	-	-
Impact change in accounting policy	-	-
Closing balance	**17**	**-**

LIABILITIES

(in EUR thousand)	12.31.2021	12.31.2020
Net opening balance	**139 285**	**163 943**
Items taken directly to net profit or loss	(44 167)	(26 129)
Items taken directly to equity	2 334	1 386
Others movements	156	85
Closing balance	**97 608**	**139 285**

4. DEFERRED TAX ASSETS RECOGNIZED ON TAX LOSS CARRIED FORWARD

As at December 31, 2021, and December 31, 2020 the Group has no Deferred Tax Asset recognized on tax loss carried forward.

NOTE 7 – SHAREHOLDERS' EQUITY

MAKING IT SIMPLE

Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments (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. – Shareholders' equity

(in EUR thousand)	12.31.2021	12.31.2020
Share capital	1 389 043	1 389 043
Share premium	2 817	2 817
Consolidation reserve	516 634	513 239
Revaluation reserve	46 695	35 314
Legal reserve	138 905	138 905
Special reserve for Net Wealth Tax reduction	239 022	247 708
Retained earnings	709 419	755 639
Net income for the year	303 907	229 774
Total	**3 346 442**	**3 312 439**

1. SHARE CAPITAL

As at December 31, 2021 and December 31, 2020, the fully subscribed share capital amounted to EUR 1 389 042 648 divided into 11 024 148 registered shares with a nominal value of EUR 126 each.

2. CONSOLIDATION RESERVE

Consolidation reserves represent the contribution of the subsidiaries to the reserves of the Group.

3. REVALUATION RESERVE

Revaluation reserve is composed of translation reserves, change in fair value of assets available-for-sale, change in fair value of hedging derivatives, change in fair-value of debt instruments at fair value through other comprehensive income, change in gains and losses on entities accounted for using the equity method and actuarial gains and losses on post-employment defined benefits plans. 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.

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Translation reserve	(4 381)	(2 160)
Revaluation of debt instruments at fair value through other comprehensive income	29 716	34 647
Revaluation reserve of available-for-sale financial assets	21 677	30 505
Revaluation of hedging derivatives	(5 902)	(19 737)
Unrealized gains and losses of entities accounted for using the equity method	3 952	7 412
Tax related	(12 334)	(12 927)
Unrealized or deferred gains (losses) that may be reclassified subsequently to profit or loss	**32 728**	**37 740**
Actuarial gains (losses) on defined benefits plans	16 223	(2 889)
Unrealised gains and losses of entities accounted for using the equity method	-	77
Revaluation of equity instruments at fair value through other comprehensive income	-	-
Tax related	(2 256)	386
Unrealized or deferred gains (losses) that will not be reclassified subsequently to profit or loss	**13 967**	**(2 426)**
Total Revaluation reserve	**46 695**	**35 314**

4. LEGAL RESERVE

In accordance with legal requirements, 5% of the net income for the year must be allocated to a legal reserve. This allocation is no longer required once this reserve reaches 10% of the subscribed and paid-up share capital. The legal reserve cannot be used for dividend payments.

As at December 31, 2021 and December 31,2020, the legal reserve reached 10% of the capital and amounted to EUR thousand 138 905.

5. SPECIAL RESERVE FOR NET WEALTH TAX REDUCTION

For the reporting periods ended December 31, 2014 to 2021, the Group reduced its Net Wealth Tax charge in accordance with the tax legislation; i.e. by setting up an unavailable reserve in an amount equal to five times the amount of the Net Wealth Tax reduction. The lock-in period on this reserve is five years starting on January 1, of the year following the year in which the Net Wealth Tax has been reduced.

(in EUR thousand)	**12.31.2021**	**12.31.2020**
2014	-	49 939
2015	-	1 485
2016	30 981	30 981
2017	41 356	41 356
2018	42 525	42 525
2019	41 283	41 283
2020	40 139	40 139
2021	42 738	-
Total	**239 022**	**247 708**

Note 7.2. – Gains and losses recognised in other comprehensive income

BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES

	01.01.2021		
(in EUR thousand)	**Gross value**	**Tax**	**Net value**
Translation differences	(2 160)	-	(2 160)
Revaluation of debt instruments at fair value through other comprehensive income	34 647	(8 402)	26 245
Revaluation of available-for-sale financial assets [(1)]	30 505	(7 608)	22 897
Revaluation of hedging derivatives	(19 737)	4 913	(14 824)
Unrealised gains and losses of entities accounted for using the equity method	7 412	(1 830)	5 582
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	**50 667**	**(12 927)**	**37 740**
Actuarial gains and losses on defined benefit plans	(2 889)	386	(2 503)
Unrealised gains and losses of entities accounted for using the equity method	77	-	77
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	**(2 812)**	**386**	**(2 426)**
Total of unrealised gains and losses	**47 855**	**(12 541)**	**35 314**

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

	01.01.2020		
(in EUR thousand)	**Gross value**	**Tax**	**Net value**
Translation differences	(2 237)	-	(2 237)
Revaluation of debt instruments at fair value through other comprehensive income	38 449	(9 341)	29 108
Revaluation of available-for-sale financial assets [(1)]	30 281	(7 552)	22 729
Revaluation of hedging derivatives	(30 341)	7 568	(22 773)
Unrealised gains and losses of entities accounted for using the equity method	5 844	(1 399)	4 445
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	**41 996**	**(10 724)**	**31 272**
Actuarial gains and losses on defined benefit plans	(8 836)	2 313	(6 523)
Unrealised gains and losses of entities accounted for using the equity method	(105)	28	(77)
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	**(8 941)**	**2 341**	**(6 600)**
Total of unrealised gains and losses	**33 055**	**(8 383)**	**24 672**

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

	Variation				12.31.2021			
Net Group share	**Gross value**	**Tax**	**Net value**	**Net Group share**	**Gross value**	**Tax**	**Net value**	**Net Group share**
-	(2 221)	-	(2 221)	–	(4 381)	-	(4 381)	–
-	(4 931)	997	(3 934)	–	29 716	(7 405)	22 311	–
-	(8 828)	2 202	(6 626)	–	21 677	(5 406)	16 271	–
-	13 835	(3 436)	10 399	–	(5 902)	1 477	(4 425)	–
-	(3 460)	830	(2 630)	–	3 952	(1 000)	2 952	–
-	**(5 605)**	**593**	**(5 012)**	–	**45 062**	**(12 334)**	**32 728**	–
-	19 112	(2 665)	16 447	–	16 223	(2 279)	13 944	–
-	(77)	23	(54)	–	-	23	23	–
-	**19 035**	**(2 642)**	**16 393**	–	**16 223**	**(2 256)**	**13 967**	–
-	**13 430**	**(2 049)**	**11 381**	**-**	**61 285**	**(14 590)**	**46 695**	**-**

	Variation				12.31.2020			
Net Group share	**Gross value**	**Tax**	**Net value**	**Net Group share**	**Gross value**	**Tax**	**Net value**	**Net Group share**
-	77	-	77	–	(2 160)	-	(2 160)	–
-	(3 802)	939	(2 863)	–	34 647	(8 402)	26 245	–
-	224	(56)	168	–	30 505	(7 608)	22 897	–
-	10 604	(2 655)	7 949	–	(19 737)	4 913	(14 824)	–
-	1 568	(431)	1 137	–	7 412	(1 830)	5 582	–
-	**8 671**	**(2 203)**	**6 468**	**–**	**50 667**	**(12 927)**	**37 740**	**–**
-	5 947	(1 927)	4 020	–	(2 889)	386	(2 503)	–
-	182	(28)	154	–	77	-	77	–
-	**6 129**	**(1 955)**	**4 174**	**–**	**(2 812)**	**386**	**(2 426)**	**–**
–	**14 800**	**(4 158)**	**10 642**	**–**	**47 855**	**(12 541)**	**35 314**	**–**

NOTE 8 – ADDITIONAL DISCLOSURES

Note 8.1. – Segment reporting

1. DEFINITION OF SEGMENT REPORTING

The Group includes in the results of each segment all operating income and expenses directly related to its activity. Income for each segment, except for the Corporate Center, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. Transactions between segments are carried out under the same terms and conditions as those applying to non-Group customers, while these transactions are eliminated from segment assets and liabilities.

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.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2021 or 2020.

In 2021 and 2020, the Group's core businesses are managed through the following strategic segments of activity that are regrouped into five segments:

1. PRIVATE BANKING

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

2. SECURITIES SERVICES

The Securities Services (SGSS) business in Luxembourg offers a comprehensive and complete range of Assets and Securities services to Corporate and Financial Institutions as well as Institutional Investors, including:

- custody and depository bank activities, covering all asset classes;
- fund administration services for investment managers on all asset classes including complex financial products;
- private asset services for alternative investment managers covering real estate, private equity and infrastructure funds;
- issuer services, including issuing and paying agency services to large international corporate bond programs;
- transfer agent activities, providing a comprehensive array of services to support fund distribution;
- middle office and trade execution services.

3. CORPORATE AND INVESTMENT BANKING THAT INCLUDES

The Corporate Banking and Cash Management teams in Luxembourg are geared to economic and financial operators and sparticularly domestic and international financial institutions, medium and large companies with international and multinational activities that require flow management assistance for their banking, commercial, corporate flows and/or payment flow assistance. The business line offers a full and integrated range of solutions and services, leveraging the expertise of the Transaction Banking business lines. It houses five banking activities:

- cash management;
- short & medium term financing;
- financial & commercial guarantees issuance;
- foreign exchange services and interest rate hedging;
- financial assets custody

The Global Banking & Advisory (GLBA) platform in Luxembourg contributes to Group worldwide platform composed by expert teams located in Europe, the CEEMEA region, the Americas and in Asia region, whose knowledge of customers and local regulations are key to conducting domestic, international and crossborder activities due to the international dimension of customers. Leveraging this global expertise and sectoral knowledge, the Financing Banking teams provide issuer clients with a full range of products and integrated solutions, products and advisory, and are housed in three divisions:

- The Asset Finance division, which consists of five businesses: export finance, aircraft finance, shipping finance, real estate finance, and structured solutions and leasing. Through a wide range of products, experienced professionals design tailor-made solutions for customers, financial companies and public institutions, combining financial knowledge and industry expertise;
- The Natural Resources and Infrastructures division is tasked with developing a global activity in the natural resources, energy and infrastructure sector by providing clients with financing solutions, as well as advisory services. The customers of this division are producers, operators, refinery groups, traders, commodity service providers, commodity and distributor logistics companies, as well as public and private institutions;
- The Asset Backed Product division, which combines GLBA's expertise in the primary markets, blends sectoral skills, securitisation and structuring with know-how in secondary market trading, distribution channels and debt security refinancing, making it possible to capitalise on credit capacities and act as the single entry point for ABS-type products and structured loans, and assist the development of our issuer clients and investors.

Within the Global Markets Business Unit, the Issuing activity is performed through the "SOGEIS" framework based on Luxembourg's fiduciary legal framework and provides investors

(1) See note 7.2 Actuarial gains and losses on defined benefits plans gross value 01.01.2020
(2) See note 7.2 Actuarial gains and losses on defined benefits plans gross value 31.12.2020

with access to the entire range of financial engineering services (Asset and Liability Management – portfolio management, securitisation, risk policy management and Capital Management – strategic management of shareholdings, equity-linked products, and employee savings plans). SOGEIS issues secured notes. The securities issued by SG Luxembourg via SOGEIS are also backed by a guarantee from the Societe Generale Group.

4. INSURANCES ACTIVITIES

The Insurance activities develop the Group's Insurance business through the integrated bank-insurance model.

5. CORPORATE CENTER

It includes Treasury and Assets Liabilities Management functions which are responsible for monitoring, managing and hedging structural risks (liquidity, interest rate and forex) arising from all the active business units within SG Luxembourg namely Securities Services, Private Banking, Corporate Banking and Cash Management. This team is also in charge of the oversight of similar activities in Monaco and Switzerland SG Luxembourg's affiliates devoted to the Private Banking area, and operates under the functional oversight of the Group central departments.

It recognises too 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 Center.

2. SEGMENT REPORTING BY OPERATING SEGMENTS

Amounts by division incorporate the organizational structure of Group activities.

	12.31.2021					
(in EUR thousand)	**Private Banking**	**Securities Services**	**Corporate and Investment Banking**	**Insurance activities**	**Corporate center**	**Total**
Interest margin	135 683	29 923	176 723	(2 326)	(12 393)	**327 610**
Net fees income	120 052	97 492	80 279	(1 091)	(3 112)	**293 620**
Net income from other activity	198	(571)	(462)	-	34	**(801)**
Total income on financial instruments	18 863	343	10 797	-	19 090	**49 093**
Net income of insurance activities	-	-	-	34 158	-	**34 158**
Internal remuneration	2 769	828	7 278	-	(10 875)	**-**
Net banking income	**277 565**	**128 015**	**274 615**	**30 741**	**(7 256)**	**703 680**
Operating expenses	(244 201)	(114 004)	(64 370)	(869)	(6 099)	**(429 543)**
Gross operating income	**33 364**	**14 011**	**210 245**	**29 872**	**(13 355)**	**274 137**
Cost of risk	(8 562)	(40)	10 558	-	89	**2 045**
Operating income	**24 802**	**13 971**	**220 803**	**29 872**	**(13 266)**	**276 182**
Net income from investments accounted for using the equity method	-	-	27 842	11 363	-	**39 205**
Net income/expense from other assets	(1 069)	-	3	-	-	**(1 066)**
Consolidated Net Income before tax	**23 733**	**13 971**	**248 648**	**41 235**	**(13 266)**	**314 321**

(in EUR thousand)	**Private Banking**	**Securities Services**	**Corporate and Investment Banking**	**Insurance activities**	**Corporate center**	**Total**
Total assets	**45 213 253**	**1 094 376**	**19 894 259**	**359 471**	**280 424**	**66 841 783**
o/w customer loans and securities at amortised cost (Note 3.6)	*15 552 104*	*270 986*	*14 977 588*	*-*	*68 769*	*30 869 447*
Total liabilities and equity	**37 231 047**	**7 745 830**	**17 111 119**	**359 471**	**4 394 316**	**66 841 783**
o/w customer deposits (Note 3.7)	*18 963 159*	*6 316 604*	*10 432 234*	*-*	*2 294 511*	*38 006 508*

	12.31.2020					
(in EUR thousand)	**Private Banking**	**Securities Services**	**Corporate and Investment Banking**	**Insurance activities**	**Corporate center**	**Total**
Interest margin	129 147	26 081	154 935	(2 882)	(1 842)	**305 439**
Net fees income	119 337	99 724	74 267	(1 148)	(2 545)	**289 635**
Net income from other activity	596	(1 439)	(132)	-	28 461	**27 486**
Total income on financial instruments	9 033	942	3 755	-	26 644	**40 374**
Net income of insurance activities	-	-	-	23 637	-	**23 637**
Internal remuneration	2 926	1 087	6 164	-	(10 177)	**-**
Net banking income	**261 039**	**126 395**	**238 989**	**19 607**	**40 541**	**686 571**
Operating expenses	(206 280)	(116 864)	(50 920)	(584)	(21 690)	(396 338)
Gross operating income	**54 759**	**9 531**	**188 069**	**19 023**	**18 851**	**290 233**
Cost of risk	(24 321)	280	(39 098)	-	(795)	(63 934)
Operating income	**30 438**	**9 811**	**148 971**	**19 023**	**18 056**	**226 299**
Net income from investments accounted for using the equity method	-	-	5 592	10 509	-	**16 101**
Net income/expense from other assets	(2 381)	-	12	-	-	**(2 369)**
Consolidated Net Income before tax	**28 057**	**9 811**	**154 575**	**29 532**	**18 056**	**240 031**

(in EUR thousand)	**Private Banking**	**Securities Services**	**Corporate and Investment Banking**	**Insurance activities**	**Corporate center**	**Total**
Total assets	**39 042 324**	**38 460**	**16 146 307**	**483 646**	**338 915**	**56 049 652**
o/w customer loans and securities at amortised cost (Note 3.6)	*16 333 206*	*12 562*	*13 607 918*	*-*	*113 272*	*30 066 958*
Total liabilities and equity	**32 599 388**	**1 337 247**	**15 960 406**	**483 646**	**5 668 965**	**56 049 652**
o/w customer deposits (Note 3.7)	*14 222 902*	*456 429*	*8 380 544*	*-*	*1 936 018*	*24 995 893*

3. SEGMENT REPORTING BY GEOGRAPHICAL REGION

	12.31.2021				
(in EUR thousand)	Luxembourg	Monaco	Switzerland	Other	**Total**
Net banking income	551 319	53 738	97 880	743	703 680
Total assets	**58 536 702**	**3 216 205**	**3 757 034**	**1 331 842**	**66 841 783**
Total liabilities	**58 536 702**	**3 216 205**	**3 757 034**	**1 331 842**	**66 841 783**

	12.31.2020				
(in EUR thousand)	Luxembourg	Monaco	Switzerland	Other	**Total**
Net banking income	479 487	44 204	84 586	78 294	686 571
Total assets	**47 676 433**	**3 026 245**	**3 082 789**	**2 264 185**	**56 049 652**
Total liabilities	**47 676 433**	**3 026 245**	**3 082 789**	**2 264 185**	**56 049 652**

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.

This type of services mainly includes recharge fees, IT expenses, professional fees and other taxes charges.

Other operating expenses mainly include lease payments, building maintenance and other costs, travel and business expenses, outsourcing and advisory fees and marketing and advertising expenses.

(in EUR thousand)	12.31.2021	12.31.2020
Recharge fees [1]	(56 095)	(48 740)
IT expenses	(35 562)	(28 859)
Professional fees	(28 809)	(20 679)
VAT and other taxes[2]	(27 794)	(21 931)
Service and maintenance	(8 701)	(10 059)
Data provider fees	(6 423)	(6 543)
Telecommunication expenses	(3 737)	(3 738)
Other fees	(3 079)	(2 775)
Marketing, advertising and public relations	(2 359)	(2 032)
Premises and equipment leases	(1 115)	(1 635)
Insurance fees	(1 233)	(993)
Training	(944)	(196)
Administrative expenses	(922)	(1 150)
Total	**(176 773)**	**(149 330)**

(1) *Mainly reinvoiced personal fees from SG Group and allocated share of headquarter expenses.*

(2) *Other taxes include the contribution to bank resolution mechanisms paid by the Group.*

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European Regulation UE n°806/2014 of July 15, 2014 determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF), represented in Luxembourg by the "Fonds de Résolution Luxembourgeois" (Luxembourg Resolution Fund, or FRL). In addition to this instrument, the "Fonds Nationaux de Résolution" (National Resolution Funds) exists for institutions subject to this resolution mechanisms, but that have no SRF.

SG Luxembourg also made its contribution to the "Fonds de Garantie des Dépôts Luxembourgeois" (FGDL) over the course of 2021. For the financial year of 2021, the contribution to the FGDL is included in the same account than the FRL amouting EUR 28 thousand.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments (IPC).

Please find below the detailed amount paid by the Bank for the resolution mechanisms contribution:

(in EUR thousand)	2021	2020
Net contribution paid	25 219	18 613
IPC deposit (15% of net contribution)	(3 783)	(2 792)
Total	**21 436**	**15 821**

Note 8.3. – Provisions

ACCOUNTING PRINCIPLES

Under statement of financial liabilities, Provisions are comprised of provisions for financial instruments, disputes, employee benefits and income tax adjustments (only for 2018).

Provisions, other than those for credit risk or employee benefits, are recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions. Provisions are discounted when the effect of the time value of money is material, using a discount rate that reflects current market assessments of the time value of money. Provisions are booked in profit and loss accounts according to the nature of the expenses.

Provisions include provisions for credit risk related to guarantee commitments granted to third parties by the Group and to contingent liabilities whose timing or amount cannot be precisely determined (primarily legal disputes and restructuring).

Probable losses incurred by the Group in identifying objective evidence of credit risk related to loan and guarantee commitments are recorded in the consolidated income statement of under cost of risk against a liability booked under Provision in the consolidated statement of financial position.

Provisions are presented in Note 5.7. Information relating to the nature and the amount of the relevant risks is not disclosed if the Group considers that it could cause the Group serious harm in a dispute with third parties on the matter covered by the provision.

1. BREAKDOWN OF PROVISIONS

(in EUR thousand)	Provisions at 01.01.2021	Allocations	Reversals available	Net allocation	Actuarial Gain and Losses	Currency and others	Provisions at 12.31.2021
Provisions for credit of risk on off statement of financial commitments (see Note 3.9)	4 011	1 454	(3 096)	(1 642)	-	136	2 505
Provisions for employee benefits (see Note 5.2)	71 606	10 467	(7 570)	2 897	(16 223)	(105)	58 175
Other provisions (1)	6 063	50	(513)	(463)	-	(270)	5 330
Total	**81 680**	**11 971**	**(11 179)**	**792**	**(16 223)**	**(239)**	**66 010**

(1) Other provisions include provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

(in EUR thousand)	Provisions at 01.01.2020	Allocations	Reversals available	Net allocation	Acturial gains and losses	Currency and others	Provisions at 12.31.2020
Provisions for credit of risk on off statement of financial statements commitments (see Note 3.9)	1 137	4 534	(1 586)	2 948	-	(74)	4 011
Provisions for employee benefits (see Note 5.2)	70 666	6 906	(7 345)	(439)	2 889	(1 510)	71 606
Other provisions (1)	5 729	2 238	(2 180)	58	-	275	6 063
Total	**77 532**	**13 678**	**(11 111)**	**2 567**	**2 889**	**(1 309)**	**81 680**

(1) Other provisions include provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions

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.

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.

In August 2009, Societe Generale Private Banking Suisse S.A ("SGPB Suisse"), along with several other financial institutions, was named as a defendant in a putative class action that was ultimately transferred to the US District Court for the Northern District of Texas. The plaintiffs sought to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of February 16, 2009. The plaintiffs alleged that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants were responsible for those alleged losses. The plaintiffs further sought to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they were alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against SGPB Suisse and the other defendants seeking similar relief. Following motions to dismiss, the Court ultimately in April 2015 permitted the substantial majority of the claims to proceed.

On November 7, 2017, the District Court denied the plaintiffs' motion for class certification. On May 3, 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. By order of September 18, 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, which was rejected by the court of appeal on February 3 2021, and the remaining group of plaintiffs initiated a separate action in Texas state court in Houston in November 2019, now pending in the Southern District of Texas.

On February 12, 2021, all parties in the litigation filed motions for summary judgment. SGPB Suisse seeks dismissal of all pending claims, and OSIC, renewing a prior unsuccessful motion for summary judgement seeks return of a USD 95 million transfer to SGPB Suisse in 2008. Discovery has been completed.

On January 19, 2022, the US District Court for the Northern District of Texas asked the Judicial Panel for Multidistrict Litigation to remand the case to US District Court for the Southern District of Texas in Houston, where it was originally filed, for further proceedings, including trial. The following day, on January 20, 2022, the US District Court for the Northern District of Texas ruled on the pending motions for summary judgment denying SGPB Suisse's and OSIC's motions.

Societe Generale and certain of its subsidiaries (including Societe Generale Luxembourg and Societe Generale Private Banking (Switzerland) are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through socalled "feeder funds" that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated November 22, 2016 and October 3 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated February 25, 2019, the Second Circuit vacated the judgements and remanded for further proceedings. On June 1, 2020, the United States Supreme Court denied Defendant-Appellees' petition for a writ of certiorari. The case is now before the Bankruptcy Court for further proceedings.

Note 8.4. – Tangible and intangible fixed assets

ACCOUNTING PRINCIPLES

Tangible and intangible fixed assets include operating and investment fixed assets.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the statement of financial position, less depreciation, amortisation and impairment.

Software developed internally is recorded under fixed asset, on the asset side of the statement of financial position in the amount of the direct cost of development.

Depreciation and amortization expenses are recognized in consolidated income statement under *"Amortization, depreciation and impairment of property, plant and equipment and other intangible assets"*.

The range of the useful life of assets used by the Group is as follows:

Intangible assets are amortised using the straight-line method based on their estimated useful lives; the amortization rates used range from 20% to 33.33%.

Property, plant and equipment are depreciated using the straight-line method based on their estimated useful lives; the depreciation rates used are:

- other facilities, office furniture and equipment: 10 - 33.33%
- computer hardware: 20 - 33.33%

Land with an indefinite life is not depreciated.

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*.

RIGHTS-OF-USE FOR ASSETS LEASED BY THE GROUP

LEASE

DEFINITION OF THE LEASE

A contract is, or contains, a lease if it conveys to the lessor the right to control the use of an identified asset for a period of time in exchange for consideration:

- Control is conveyed when the customer has both the right to direct the identified asset's use, and to obtain substantially all the economic benefits from that use throughout the lease period.
- The existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset; this condition is measured with regard to the facts and circumstances existing at the commencement of the contract. If the lessor has the option of freely substituting the leased asset, the contract can not be qualified as a lease, since its purpose is the provision of a capacity and not an asset.
- A capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (e.g. the lease of coworking area within a unit with no predefined location inside that unit).

SEPARATION OF LEASE AND NON-LEASE COMPONENTS

A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract must be separated between the lease components and the non-lease components based on their individual prices (as directly indicated in the contract or estimated on the basis on all of the observable information). If the lessee cannot separate the lease components from the non-lease components (or services), the entire contract is treated as a lease.

LEASE TERM

DEFINITION OF THE LEASE TERM

The lease period to be applied in determining the rental payments to be discounted matches the non-cancellable period of the lease adjusted for:

- options to extend the contract that the lessee is reasonably certain to exercise,
- and early termination options that the lessee is reasonably certain not to exercise.

LEASE TERM = **Non-cancellable period of the lease** + **Periods covered by an option to extend the lease*** + **Periods cov-ered by an option to ter-minate the lease****

* *if the lessee is reasonably certain to exercise that option*
** *if the lessee is reasonably certain not to exercise that option*

Following the decision of IFRIC consultation in November 2019, the measurement of the reasonable certainty of exercising or not exercising the extension or early termination options shall take into account all the facts and circumstances that may create an economic incentive to exercise or not these options, specifically:

- the conditions for exercising these options (including measurement of the amount of the rental payments in case of an extension, or of the amount of penalties that may be imposed for early termination),
- substantial changes made to the leased premises (specific layouts, such as a bank vault),
- the costs associated with terminating the contract (negotiation costs, moving costs, research costs for a new asset that meets the lessee's requirements, etc.),
- the importance of the leased asset for the lessee, in view of its specific nature, its location, or the availability of substitute assets (specifically for branches located in commercially strategic sites, given their accessibility, expected traffic, or the prestige of the location),
- the history of renewals of similar contracts, as well as the strategy for the future use of the assets (based on the prospect of redeployment or rearrangement of a commercial branch network, for example).

CHANGING THE LEASE TERM

In the event of a change of circumstances of the lessee which has an impact on the certainty of exercise of an option that the lessee has or has not included in its calculation of the lease term, the term must be reestimated.

The entity must also revise the term of the lease contract in any one of the following situations:

- the lessee exercises an option that had not been included when calculating the term of the lease;
- the lessee does not exercise an option that had been included when calculating the term of the lease;
- the lessee is contractually obliged, due to an event, to exercise an option that had not been included when calculating the term of the lease;
- the lessee is contractually prevented, due to an event, from exercising an option that had been included when calculating the term of the lease.

Following a change in the lease term (reestimate or revision), the lease obligation must be reassessed to reflect those changes.

The revised rate is the interest rate implicit in the lease for the remaining term of the contract if it is possible to calculate this rate, otherwise the lessee must use its incremental borrowing rate on the date of modification of the lease term.

ACCOUNTING TREATMENT BY THE GROUP AS A LESSEE

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

In the income statement, the lessee must recognise an interest expense (see Note 3.8) calculated on the lease liability under *Net banking income* and a depreciation of the right-of-use under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

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

EXEMPTIONS AND EXCLUSIONS

Lessee may choose not to apply the new lease treatment to contracts on low-value items by applying the exemption threshold of EUR 5,000 determined by the Group (the threshold should be measured against the replacement cost per unit of the leased asset). This last simplification applies specifically to small equipment such as personal computers, tablets, telephones, and small items of office furniture.

The Group has chosen to apply this exemption permitted. Related expenses are disclosed in the table below, and classified under other operating expenses (Note 8.2) .

RENTAL PAYMENT AMOUNTS

The payments to be considered for the measurement of the lease liability include fixed and variable rental payments based on an index (e.g. consumer price index or construction cost index) 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 on the use of the leased asset (indexed on revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexes fluctuations.

SG Luxembourg does not have variable rental payments.

Rental payments have to be considered based on their amount net of valueadded 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. The liability initial amount is equal to the discounted value of the rental payments that will be payable over the lease period.

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

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

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

RECOGNITION OF A LEASE LIABILITY

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 statement of financial position.

The lease liability is recorded under *Other liabilities* (see Note 4.4).

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

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

RECOGNITION OF A 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 statement of financial position, 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.

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

Rights-of-use is presented on the lessee's statement of financial position under the items of fixed assets where properties of the same type that are held in full ownership are entered. If the lease stipulates the initial payment of a leasehold right to the former tenant of the premises, the amount of that right is stated as a separate component of the right of use and presented under the same heading as the latter.

LEASE DISCOUNT RATES

The 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 determined through a function of three factors specific to each contract:

- the duration of the contract and the currency of the lessee entity, which together define the risk-free rate;
- the country of the lessee, which defines the liquidity spread.

The liquidity spread by country is defined centrally by the Group on basis of macroeconomic observations.

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

December 31, 2021

(in EUR thousand)	Gross book value as at January 1, 2021	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications
Intangible assets				
Software, EDP development costs	43 173	4 039	(2 363)	3 321
Internally generated assets	38 948	-	-	8 618
Assets under development	15 504	6 381	-	(11 956)
Others	1 500	-	-	-
Sub-total	**99 125**	**10 420**	**(2 363)**	**(17)**
Property and Equipment				
Land and buildings	9 492	-	-	-
Assets under development	5 846	14 241	-	1
Others	66 327	202	(4 368)	626
Sub-total	**81 665**	**14 443**	**(4 368)**	**627**
Real estate	131 050	2 684	-	399
IT	5 394	3 491	(4 234)	(1)
Others	1 389	437	(80)	(5)
Right-of-use	**137 833**	**6 612**	**(4 314)**	**393**
Property and equipment, other intangible and right-of-use assets	**318 623**	**31 475**	**(11 045)**	**1 003**

December 31, 2020

(in EUR thousand)	Gross book value as at January 1, 2020	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications
Intangible assets				
Software, EDP development costs	42 141	1 017	-	15
Internally generated assets	30 692	-	(124)	8 380
Assets under development	14 029	9 861	-	(8 386)
Others	1 500	-	-	-
Sub-total	**88 362**	**10 878**	**(124)**	**9**
Property and Equipment				
Land and buildings	22 240	-	(12 748)	-
Assets under development	5 816	2 395	(2 398)	33
Others	66 815	622	(1 186)	76
Sub-total	**94 871**	**3 017**	**(16 332)**	**109**
Real estate	122 896	13 201	(4 847)	(200)
IT	5 394	-	-	-
Others	1 082	307	-	-
Right-of-use	**129 372**	**13 508**	**(4 847)**	**(200)**
Property and equipment, other intangible and right-of-use assets	**312 605**	**27 403**	**(21 303)**	**(82)**

Gross value as at December 31, 2021	Accumulated deprecia-tion and amortisation of assets at January 1	Allocations to amortisation and depreciation in the year	Impairment of assets in the year	Reversals from amortisation and depreciation in the year	Other	Net book value as at December 31, 2021
48 170	(34 163)	(8 864)	-	1 294	(455)	5 982
47 566	(27 181)	(9 325)	-	-	529	11 589
9 929	(2 126)	-	-	-	-	7 803
1 500	(1 500)	-	-	-	-	-
107 165	**(64 970)**	**(18 189)**	**-**	**1 294**	**74**	**25 374**
9 492	(6 256)	(385)	-	-	-	2 851
20 088	-	-	-	-	-	20 088
62 787	(50 025)	(5 606)	-	4 368	(1 289)	10 235
92 367	**(56 281)**	**(5 991)**	**-**	**4 368**	**(1 289)**	**33 174**
134 133	(37 574)	(17 849)	-	372	(832)	78 250
4 650	(4 524)	(1 764)	-	4 225	-	2 587
1 741	(816)	(458)	-	80	13	560
140 524	**(42 914)**	**(20 071)**	**-**	**4 677**	**(819)**	**81 397**
340 056	**(164 165)**	**(44 251)**	**-**	**10 339**	**(2 034)**	**139 945**

Gross value as at December 31, 2020	Accumulated depreciation and amortisation of assets at January 1y	Allocations to amortisation and depreciation in the year	Impairment of assets in the year	Reversals from amortisation and depreciation in the year	Other	Net book value as at December 31, 2020
43 173	(27 426)	(6 700)	-	-	(37)	9 010
38 948	(21 046)	(5 635)	-	-	(500)	11 767
15 504	-	(2 126)	-	-	-	13 378
1 500	(1 500)	-	-	-	-	-
99 125	**(49 972)**	**(14 461)**	**-**	**-**	**(537)**	**34 155**
9 492	(18 321)	(683)	-	12 748	-	3 236
5 846	-	-	-	-	-	5 846
66 327	(45 362)	(6 407)	-	-	1 744	16 302
81 665	**(63 683)**	**(7 090)**	-	**12 748**	**1 744**	**25 384**
131 050	(19 984)	(19 394)	-	-	1 804	93 476
5 394	(2 311)	(2 212)	-	-	(1)	870
1 389	(393)	(422)	-	-	(1)	573
137 833	**(22 688)**	**(22 028)**	**-**	**-**	**1 802**	**94 919**
318 623	**(136 343)**	**(43 579)**	**-**	**12 748**	**3 009**	**154 457**

The Group's tangible assets are classified as follows:

Property Leases

Most of the leases (>90%) involve building leases contracted for the lease of commercial and office space:

The concerned buildings consist in office buildings leased to the Group and its subsidiaries at Luxembourg level or the local head offices of foreign representation desks.

Equipment Leases

Other leases (<10%) are mainly related to the lease of vehicles.

DETAILS OF THE EXPENSES ON LEASES

	12.31.2021			
(in EUR thousand)	**Real estate**	**Computer equipment**	**Others**	**Total**
Lease	**(20 184)**	**(1 903)**	**(466)**	**(22 553)**
Interest expenses on lease liabilities	(418)	(10)	(1)	**(429)**
Depreciation charge for right-of-use assets	(18 409)	(1 764)	(458)	**(20 631)**
Expense relating to short-term leases	(1 357)	(129)	(7)	**(1 493)**
Expense relating to leases of low-value assets	-	-	-	**-**
Expense relating to variable lease payments	-	-	-	**-**

	12.31.2020			
(in EUR thousand)	**Real estate**	**Computer equipment**	**Others**	**Total**
Lease	**(22 539)**	**(2 376)**	**(423)**	**(25 338)**
Interest expenses on lease liabilities	(456)	(3)	(1)	**(460)**
Depreciation charge for right-of-use assets	(19 958)	(2 212)	(422)	**(22 592)**
Expense relating to short-term leases	(2 125)	(161)	-	**(2 286)**
Expense relating to leases of low-value assets	-	-	-	**-**
Expense relating to variable lease payments	-	-	-	**-**

Note 8.5. – Foreign exchange transactions

ACCOUNTING PRINCIPLES

At the consolidated statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated into Euro at the prevailing spot exchange rate. Realized or unrealized foreign exchange losses or gains are recognized in the consolidated income statement.

Forward foreign exchange transactions are recognized 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. Unrealized gains and losses are recognized in the consolidated income statement under Net gains and losses on financial instruments at fair value through profit or loss (see Note 7.3), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign currency operation (see Note 3.5).

Non-monetary financial assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio, are converted into the entity's functional currency at the spot exchange rate prevailing at the end of the period.

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.

The main spot exchange rates used December 31, 2021 are described in the Note 1.

BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

The table presents the split of assets and liabilities by currency, countervalued in Euro as at December 31, 2021 and December 31, 2020.

	12.31.2021		12.31.2020	
(in EUR thousand)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
EUR	44 226 646	42 468 531	40 835 284	40 502 646
USD	13 334 864	15 801 149	8 303 164	11 222 886
GBP	3 003 348	3 260 000	2 090 611	2 643 419
JPY	2 605 776	2 623 543	43 459	67 390
AUD	130 403	90 454	117 948	82 662
CZK	3 071	4 338	2 499	5 479
RUB	20 562	41 300	3 710	6 336
RON	166	155	5	2
CHF	1 968 645	1 168 103	3 303 010	627 869
SEK	312 657	193 105	411 629	103 529
DKK	323 627	139 171	363 327	118 962
Other currencies	912 018	1 051 934	575 006	668 472
Total	**66 841 783**	**66 841 783**	**56 049 652**	**56 049 652**

Note 8.6. – Fees paid to statutory auditors

In accordance with the requirements of article 107 (15) of the banking law dated June 17, 1992, as amended, and of article 10 (2) g) of the EU Regulation 537-2014, the fees paid to the Bank's independent auditors, Ernst & Young, during 2021 and 2020 fiscal years in relation with Societe Generale Luxembourg Group were as follows :

(in EUR thousand)	**12.31.2021**	**12.31.2020**
Statutory audit of the consolidated financial statements	(1 138)	(1 175)
Other assurance services	(361)	(362)
Tax consulting services	-	-
Other services	-	-
Total	**(1 499)**	**(1 537)**

Note 8.7. – Transactions with related parties

In addition to transactions with key management, the Group enters into transactions with non-consolidated entities on which the Societe Generale Group controls exclusively or jointly or has significant influence over. Other related parties refer to entities part of Group Societe Generale other than headquarter (the ultimate parent Societe Generale) and subsidiaries (which referd to entities accounting for using equity method). The following table shows the outstanding balance at year end:

OUTSTANDING ASSETS AND LIABILITIES WITH RELATED PARTIES

	As at 12.31.2021			
(in EUR thousand)	**Headquarter**	**Subsidiaries**	**Other related parties**	**Total**
ASSETS				
Financial assets at fair value though profit or loss	47 131	48 033	300 659	**395 823**
Hedging derivatives	5 445	-	38	**5 483**
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets at amortised cost	16 338 089	44 413	9 336 083	25 718 585
Others	173 851	704	5 214	179 769
TOTAL	**16 564 516**	**93 150**	**9 641 994**	**26 299 660**
LIABILITIES				
Financial liabilities at fair value through profit or loss	43 949	-	-	43 949
Hedging derivatives	98 483	-	-	98 483
Customer deposits	7 599	221 375	9 377 816	9 606 790
Financial liabilities at amortised cost	23 334 481	3	70 953	23 405 437
Others	86 764	-	8 480	95 244
TOTAL	**23 571 276**	**221 378**	**9 457 249**	**33 249 903**

	As at 12.31.2020			
(in EUR thousand)	**Headquarter**	**Subsidiaries**	**Other related parties**	**Total**
ASSETS				
Financial assets at fair value though profit or loss	105 579	48 000	345 841	**499 420**
Hedging derivatives	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets at amortised cost	8 130 023	40 407	10 087 963	18 258 393
Others	372 749	447	4 576	377 772
TOTAL	**8 608 351**	**88 854**	**10 438 380**	**19 135 585**

(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 since 01.01.2019. "Variation of the period" is cumulated variation for reclassification to Reserves (EUR 4 785 thousands as of 01.01.19) and the actuarial gains and losses of the period net for deferred taxes (EUR (6 600) thousands as of 31.12.19)

	As at 12.31.2020			
(in EUR thousand)	**Headquarter**	**Subsidiaries**	**Other related parties**	**Total**
LIABILITIES				
Financial liabilities at fair value through profit or loss	119 854	-	-	**119 854**
Hedging derivatives	193 296	-	391	**193 687**
Customer deposits	104 243	153 595	6 988 555	**7 246 393**
Financial liabilities at amortised cost	25 041 049	-	14 115	**25 055 164**
Others	76 216	-	4 771	**80 987**
Total	**25 534 658**	**153 595**	**7 007 832**	**32 696 085**

NET BANKING INCOME FROM RELATED PARTIES

2021

(in EUR thousand)	**Headquarter**	**Subsidiaries from SG Group**	**Other related parties**	**Total**
Interest and similar income	(22 803)	977	39 823	**17 997**
Fees	(9 112)	15 861	(12 057)	**(5 308)**
Net gains and losses from financial transactions	81 043	374	113 539	**194 956**
Income from other activities	3 252	-	-	**3 252**
Net banking income	**52 380**	**17 212**	**141 305**	**210 897**
General Administrative expense	(46 098)	1 953	(8 922)	**(53 067)**
Gross operating income	**6 282**	**19 165**	**132 383**	**157 830**
Cost of risk	-	-	-	**-**
Operating income	**6 282**	**19 165**	**132 383**	**157 830**
Net income from investments accounted for using the equity method	-	-	-	**-**
Consolidated Net Income before tax	**6 282**	**19 165**	**132 383**	**157 830**
Tax expenses	-	-	-	**-**
Consolidated Net Income	**6 282**	**19 165**	**132 383**	**157 830**

2020

(in EUR thousand)	**Headquarter**	**Subsidiaries from SG Group**	**Other related parties**	**Total**
Interest and similar income	(67 405)	1 022	56 190	**(10 193)**
Fees	(15 054)	20 658	(28 642)	**(23 038)**
Net gains and losses from financial transactions	27 571	-	71 517	**99 088**
Income from other activities	5 259	-	(47)	**5 212**
Net banking income	**(49 629)**	**21 680**	**99 018**	**71 069**
General Administrative expense	(42 686)	2 174	(7 553)	**(48 065)**
Gross operating income	**(92 315)**	**23 854**	**91 465**	**23 004**
Cost of risk	-	-	-	**-**
Operating income	**(92 315)**	**23 854**	**91 465**	**23 004**
Consolidated Net Income before tax	**-**	**16 101**	**-**	**16 101**
Tax expenses	**(92 315)**	**39 955**	**91 465**	**39 105**
Consolidated Net Income	**-**	**-**	**-**	**-**

COMMITMENTS TO RELATED PARTIES

(in EUR thousand)	12.31.2021 Headquarter (1)	Subsidiaries	Other related parties	Total
Commitments granted	10 442 914	-	95 375	**10 538 289**
Commitments received	13 663 377	-	1 594 239	**15 257 616**
Derivative financial assets commitments	10 484 256	-	691	**10 484 948**
Derivative financial liabilities commitments	10 548 998	-	-	**10 548 998**
TOTAL	**45 139 545**	**-**	**1 690 305**	**46 829 851**

(1) The commitments towards Headquarters include the fiduciary notes issued by the Bank and disclosed in Note 3.10.

(in EUR thousand)	12.31.2020 Headquarter (1)	Subsidiaries	Other related parties	Total
Commitments granted	8 077 102	-	965 928	**9 043 030**
Commitments received	13 810 576	-	1 247 105	**15 057 681**
Derivative financial assets commitments	12 264 513	-	1 095	**12 265 608**
Derivative financial liabilities commitments	12 183 757	-	376	**12 184 133**
TOTAL	**46 335 948**	**-**	**2 214 504**	**48 550 452**

(1) The commitments towards Headquarters include the fiduciary notes issued by the Bank and disclosed in Note 3.10.

EMPLOYEE BENEFITS FOR KEY MANAGEMENT PERSONNEL

Key management personnel include the authorized management of the Group, their respective spouses and any children residing in the family home, subsidiaries which are controlled either exclusively or jointly by the Group, and companies over which the Group exercises significant influence.

(in EUR thousand)	12.31.2021	12.31.2020
Short-term benefits	1 149	1 067
Post-employment benefits	30	32
Long-term benefits	61	47
Share-based payments	258	83
Total	**1 498**	**1 229**

Share-based payments are deffered payments in actions from Societe Generale Group.

Note 8.8. – Dividends paid and proposed

(in EUR thousand)	12.31.2021	12.31.2020
Declared and paid during the year		
Dividends on ordinary shares	279 000	-
Dividends per share (in EUR)	25	-
Proposed for approval at Annual General Meeting (not recognized as a liability as at December 31)		
Dividends on ordinary shares	300 000	279 000
Dividends per share (in EUR)	27	25

In accordance with ECB and CSSF recommendations, no dividend was paid by SG Luxembourg during the year 2020.

For the year 2021, a dividend of EUR 300 million will be proposed for approval at the Annual General Meeting.

NOTE 9 – NOTE ON RISK EXPOSURES

The understanding, identification, mitigation and management of risk are essential elements for the successful management of the Group. The Group deployed a strategy to ensure the implementation of robust and efficient risk management and monitoring organization where the main objective is:

- to contribute to the development of the Group's business lines by optimizing the overall profitability in consideration of assumed risks;
- to ensure the Group's sustainability by rolling out a high-performance organization for the analysis, valuation and monitoring of risks: global risk policies and procedures define the framework for controlling all types of risks by describing the methods used, defining limits, as well as setting escalation procedures;
- to provide the Management Board and the Board of Directors with a comprehensive, objective and relevant overview of the risks;
- to design dedicated risk monitoring reports sent and presented to the Chief Risk Officer (CRO) on a regular basis;
- to ensure that the risk limits are compatible with the Group's strategy, business model and structure through an effective risk appetite framework, which defines the level of risk the Group is willing to take in order to achieve its strategic and financial goals;
- to ensure compliance with banking regulation requirements by submitting regular reports to the regulators (CSSF, ECB, EBA and BCL), taking part in regulatory discussions and analyzing all new requirements related to risk management that could affect the regulatory monitoring of the Group's activities.

The governance of risk management relies on an active involvement from all the company's managers, a clearly defined internal rules and procedures, and monitoring performed by independent operational management teams to structure the underwriting of new risks in order to ensure regular monitoring and proper implementation of rules and procedures.

SG Luxembourg's Risk Committee, chaired by the Chief Executive Officer, meets quarterly to review risk management and, if necessary, to determine whether to accept or manage risks. It aims to:

- inform Executive Management about the nature and magnitude of the risks to which the Group is exposed and, accordingly, to provide analyses of the credit portfolio on a periodic basis;
- identify possible remedial measures for identified risks;
- examine provisions from a prudential perspective;
- report on the progress of any initiatives initiated by the Risk Department in terms of managing counterparty, market, credit and operational risk.

To reflect a sound management of risk and develop an integrated risk culture, the Group has set up an effective Risk Management organization, in adequacy with its activities, encompassing the relevant risks resulting from the activities:

At the Management Board level, the overall Risk Management framework remains under the CRO's responsibility, and the CRO is responsible for providing any relevant information on risks to the Management Board, enabling the Group's overall risk profile to be defined and managed.

The CRO delegates the day-to-day supervision of the department to the Head of the Group's Risk Management.

Note 9.1. – Credit risk

Credit risk is defined by the Group as the risk of loss resulting from the inability of the Group's customers, sovereign issuers or other counterparties to honor their financial commitments. It also includes the counterparty risk relating to the market activities conducted by the Group entities.

In 2013, the Group adopted a Group-wide credit risk policy covering all of its activities that specified the risk tolerance of the various business lines and established a number of common principles relating to the acceptance and monitoring of risk. This policy has been validated by the Group's Board of Directors.

The approval of risks complies with rules common to all business lines:

- all transactions resulting in a counterparty risk are subject to a prior analysis by a unit monitoring credit risk and to an authorization process;
- the Group's internal organization makes appropriate arrangements to monitor clients' creditworthiness. This approach primarily concerns large exposures to "corporations" or financial institutions and limits concentration risk;
- with support from their associated risk departments, the business lines are responsible for analyzing and approving risk insofar as their delegations of authority permit;
- the comparison of the commercial interest, driven by a profitability/risk pairing on the one hand, and the independent opinion of the risk departments on the other hand, supports the decision-making. In the event of a disagreement between the parties, an arbitration process for the decision exists, with limits on the amount;
- all decisions in respect of the granting of credit must automatically take into account the risk ratings attributed internally to the counterparties, such as were communicated by the business lines and approved by the SG Luxembourg Group's risk management team.

Loans extended by the Private Banking division are offered only to clients with assets on the Group's books. Credit policy is based, in particular, on the nature of the collateral. This policy is underpinned by a market "stress test" approach with application of the appropriate discounts to the value of the collateral based on its quality, liquidity, volatility and degree of asset diversification. Exposures and collateral are monitored daily for risk.

For corporate and institutional credit risks, the Group has a strong governance system covering its credit approval process, which relies on case-by-case analysis of exposure and the financial soundness of the counterparties. This analysis is geared towards assessing the ability of the counterparty to meet its obligations.

The credit policy focuses on the quality of the counterparty, as assessed by an internal rating, and the financing structure, which enables the Group to calculate the loss in the event of default.

With regard to financial engineering, any risk-taking sought by the business line is reviewed on a case-by-case basis for structural, contractual and counterparty quality. The review may lead to the conducting of “stress tests” to validate the counterparty’s ability to pay back loans under deteriorated conditions or the profitability of the assets financed.

A Credit Committee, chaired by an approved member from SG Luxembourg’s General Management, approves the Group’s main exposures within the limits of the Committee’s delegated responsibilities. The Risk Department is responsible for monitoring exposure, compiling reports and issuing alerts accordingly as well as for the regular updating of analyses. Regarding counterparty banks and brokers, the Group’s Risk Department relies on the analytical capabilities of the SG Luxembourg Group, which validates the internal counterparty credit rating. The level of outstanding loans is assessed locally allowing to the special needs of the Treasury. The Group strives to establish master netting agreements and collateralization contracts with most of the Group counterparties with which it trades on the markets.

1. CREDIT RISK CONSIDERATIONS UNDER IFRS 9

ESTIMATING EXPECTED CREDIT LOSSES

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.

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 reevaluation 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 1, January 2018, the Group has been recording provisions on performing loans under the IFRS 9 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 procyclical 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.

Accounting policies having to do with determining the outstandings to be provisioned as well as the principles for classification in stages of provisioning are described in Note 3.9.

2. RISK MEASUREMENT AND INTERNAL RATINGS

To calculate its capital requirements under the IRB method, The Group 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, the Group 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 statement of financial position (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 Group 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 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.

ANALYSIS OF GROSS OUTSTANDINGS AND PROVISIONS FOR CREDIT RISK

The following tables detail the provisioned outstandings (balance sheet and offbalance sheet) subject to impairment and provisions in accordance with the model for estimating expected credit losses introduced by IFRS 9 and the impairment and provisions by stage.

The scope of these tables includes:

- securities (excluding securities received under repurchase agreements), customer loans and due from banks measured at amortised cost;
- financing and guarantee commitments.

TABLE 1: BASEL PORTFOLIO BREAKDOWN OF PROVISIONED OUTSTANDINGS

	12.31.2021				12.31.2020			
(in EUR thousand)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	8 188	-	-	**8 188**	12 034	-	-	**12 034**
Institutions	20 371 008	-	-	**20 371 008**	11 275 930	-	-	**11 275 930**
Corporates	29 629 945	517 777	359 082	**30 506 804**	29 082 234	1 064 057	404 410	**30 550 701**
Retail	3 522 773	46 307	67 896	**3 636 976**	3 064 241	22 765	134 224	**3 221 230**
Total	**53 531 914**	**564 084**	**426 978**	**54 522 976**	**43 434 439**	**1 086 822**	**538 634**	**45 059 895**

Institutions are credit institutions (such as banks) or an investment firms (professional entities of financial sector)

Sovereign means nations and governments as well as agencies and entities owned by governments and central banks.

Corporates are companies and entities with legal personality and a defined purpose among various activity sectors, and different from institutions

Retail are single persons, group of persons or small or medium size entreprise acting for their own.

TABLE 2: GEOGRAPHICAL BREAKDOWN OF PROVISIONED OUTSTANDINGS BASED ON THE TAX RESIDENCY

	12.31.2021				12.31.2020			
(in EUR thousand)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Luxembourg	10 414 562	43 632	238 381	**10 696 575**	12 035 414	74 270	248 688	**12 358 372**
Africa and Middle East	2 170 088	136 295	14 792	**2 321 175**	1 495 558	203 502	14 962	**1 714 022**
Asia Pacific	626 994	-	-	**626 994**	403 550	-	-	**403 550**
Eastern Europe (excluding EU)	701 119	4 802	-	**705 921**	865 892	-	-	**865 892**
Eastern Europe EU	22 818	11 001	-	**33 819**	110 826	65	-	**110 891**
Latin America and Caribbean	2 538 719	83 273	1	**2 621 993**	1 029 824	90 218	32 952	**1 152 994**
North America	1 671 386	-	-	**1 671 386**	2 379 249	-	-	**2 379 249**
Western Europe (excluding Luxembourg)	35 386 228	285 081	173 804	**35 845 113**	25 114 126	718 767	242 032	**26 074 925**
Total	**53 531 914**	**564 084**	**426 978**	**54 522 976**	**43 434 439**	**1 086 822**	**538 634**	**45 059 895**

TABLE 3: BASEL PORTFOLIO BREAKDOWN OF PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

	12.31.2021				12.31.2020			
(in EUR thousand)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	1	-	-	1	1	-	-	**1**
Institutions	1 556	-	-	**1 556**	731	-	-	**731**
Corporates	12 859	3 322	51 779	**67 960**	13 580	11 272	49 131	**73 983**
Retail	4 469	139	14 256	**18 864**	4 076	256	10 711	**15 043**
Total	**18 885**	**3 461**	**66 035**	**88 381**	**18 388**	**11 528**	**59 842**	**89 758**

TABLE 4: GEOGRAPHICAL BREAKDOWN OF PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BASED ON THE TAX RESIDENCY

	12.31.2021				12.31.2020			
(in EUR thousand)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Luxembourg	2 789	614	28 356	**31 759**	2 006	1 391	28 016	**31 413**
Africa and Middle East	844	242	7 145	**8 231**	1 118	709	6 606	**8 432**
Asia Pacific	146	-	-	**146**	223	-	-	**223**
Eastern Europe (excluding EU)	556	3	-	**559**	1 050	-	-	**1 050**
Eastern Europe EU	34	-	-	**34**	102	-	-	**102**
Latin America and Caribbean	548	44	-	**592**	1 109	152	-	**1 260**
North America	373	-	-	**373**	240	-	-	**240**
Western Europe (excluding Luxembourg)	13 595	2 558	30 534	**46 687**	12 540	9 276	25 220	**47 038**
Total	**18 885**	**3 461**	**66 035**	**88 381**	**18 388**	**11 528**	**59 842**	**89 758**

TABLE 5: PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BY RATING OF COUNTERPARTY

	12.31.2021							
	Provisioned outstandings				Impairment and Provisions			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	-	-	-	**-**	-	-	-	**-**
2	1 034 937	-	-	**1 034 937**	17	-	-	**17**
3	25 068 906	-	-	**25 068 906**	517	-	-	**517**
4	3 549 346	41 504	-	**3 590 850**	931	37	-	**968**
5	2 751 059	139 502	-	**2 890 561**	3 073	484	-	**3 557**
6	87 360	193 748	-	**281 108**	84	2 281	-	**2 365**
7	262 283	2 784	-	**265 067**	26	155	-	**181**
Default (8,9,10)	-	-	426 978	**426 978**	-	-	66 035	**66 035**
Other method [(1)]	20 778 023	186 546	-	**20 964 569**	14 237	504	-	**14 741**
Total	**53 531 914**	**564 084**	**426 978**	**54 522 976**	**18 885**	**3 461**	**66 035**	**88 381**

(1) Other method corresponds to the retail methodology described in Note 9.1 and the rest is non retail methodology.

	12.31.2020							
	Provisioned outstandings				Impairment and Provisions			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	-	-	-	**-**	-	-	-	**-**
2	511 028	-	-	**511 028**	7	-	-	**7**
3	17 964 492	124 932	-	**18 089 424**	1 341	275	-	**1 616**
4	4 043 235	117 994	-	**4 161 229**	2 208	351	-	**2 559**
5	2 404 130	347 145	-	**2 751 275**	2 900	5 391	-	**8 291**
6	141 437	199 185	-	**340 622**	435	2 891	-	**3 326**
7	201	22 073	-	**22 274**	-	2 165	-	**2 165**
Default (8,9,10)	-	-	538 635	**538 635**	-	-	59 842	**59 842**
Other method [(1)]	18 369 916	275 492	-	**18 645 408**	11 496	455	-	**11 951**
Total	**43 434 439**	**1 086 821**	**538 635**	**45 059 895**	**18 388**	**11 528**	**59 842**	**89 758**

TABLE 6: PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BY SECTOR

	12.31.2021							
	Provisioned outstandings				Impairment and Provisions			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central administrations	8 188	-	-	**8 188**	1	-	-	**1**
Credit institutions	20 371 008	-	-	**20 371 008**	1 556	-	-	**1 556**
Other financial corporations	12 789 807	1 692	11 793	**12 803 292**	1 543	29	589	**2 161**
Non-financial corporations[(1)]	16 840 138	516 085	347 288	**17 703 511**	11 316	3 293	51 190	**65 799**
Retail customers	3 522 773	46 307	67 897	**3 636 977**	4 469	139	14 256	**18 864**
Total	**53 531 914**	**564 084**	**426 978**	**54 522 976**	**18 885**	**3 461**	**66 035**	**88 381**

(1) Detail of non-financial corporations :

(in EUR thousand)	12.31.2021
Mining and quarrying	654 941
Manufacturing	1 648 235
Electricity, gas, steam and air conditioning suply	382 382
Water suply	2
Construction	58 331
Wholesale and retail trade	595 245
Transport and storage	1 319 503
Accomadation and food service activities	263 429
Information and communication	168 383
Real estate activities	565 146
Professional, scientific and technical activities	197 819
Administrative and support service activities	7 557 566
Others services	4 292 529
Total	**17 703 511**

	12.31.2020							
	Provisioned outstandings				**Impairment and Provisions**			
(in EUR thousand)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Central administrations	12 034	-	-	**12 034**	2	-	-	**2**
Credit institutions	11 435 573	-	-	**11 435 573**	730	-	-	**730**
Other financial corporations	10 518 903	198 307	20 628	**10 737 838**	1 653	231	280	**2 164**
Non-financial corporations(1)	18 403 688	865 750	383 782	**19 653 220**	11 927	11 041	48 851	**71 819**
Retail customers	3 064 241	22 765	134 224	**3 221 230**	4 076	256	10 711	**15 043**
Total	**43 434 439**	**1 086 822**	**538 634**	**45 059 895**	**18 388**	**11 528**	**59 842**	**89 758**

(1) Detail of non-financial corporations :

(in EUR thousand)	**12.31.2020**
Mining and quarrying	372 492
Manufacturing	2 835 031
Electricity, gas, steam and air conditioning suply	309 857
Water suply	13 346
Construction	219 261
Wholesale and retail trade	605 640
Transport and storage	838 277
Accomodation and food service activities	282 082
Information and communication	87 231
Real estate activities	703 277
Professional, scientific and technical activities	376 113
Administrative and support service activities	8 772 716
Others services	4 237 897
Total	**19 653 220**

TABLE 7: PROVISIONING OF DOUBTFUL LOANS

(in EUR thousand)	12.31.2021	12.31.2020
Gross book outstandings	54 522 977	45 059 895
Doutbful loans	426 978	538 634
GROSS DOUBTFUL LOANS RATIO	**0.8%**	**1.2%**
Stage 1 provisions	18 885	18 388
Stage 2 provisions	3 461	11 424
Stage 3 provisions	66 035	59 946
GROUP GROSS DOUBTFUL LOANS COVERAGE RATIO (STAGE 3 PROVISIONS / DOUBTFUL LOANS)	**15%**	**11%**

Scope: customer loans, amounts due from banks, operating leases, lease financing and similar agreements.

3. ANALYSIS OF MAXIMUM CREDIT RISK EXPOSURE

The following table shows the maximum exposure to credit risk by class of financial asset and commitment. It also shows the total fair value of collateral.

Any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates) is not presented.

	12.31.2021		12.31.2020	
(in EUR thousand)	**Credit risk exposures**	**Collateral**	**Credit risk exposures**	**Collateral**
Financial assets at fair value through profit or loss	-	-	-	-
Hedging derivatives	5 625	-	-	-
Financial assets at fair value through other comprehensive income	2 815 004	171 937	3 205 031	169 597
Securities at amortised cost	8 051 597	7 395 550	7 086 422	5 816 043
Due from banks at amortised cost (1)	19 840 378	3 184 143	10 498 243	-
Customer loans at amortised cost (2)	22 817 851	19 525 420	22 980 536	21 139 454
Other assets	195 824	-	158 891	-
Total	**53 726 279**	**30 277 050**	**43 929 123**	**27 125 094**
Loan commitments	2 796 693	816 911	3 290 339	952 672
Financial guarantees	930 580	314 011	1 118 609	451 312
Other commitments	229 965	-	387 127	-
Total	**3 957 238**	**1 130 922**	**4 796 075**	**1 403 984**

(1) Below is detailed as at December 31, the financial effect of the collateral related to due from banks at amortised cost:

(2) Below are detailed as at December 31, the financial effect of the collateral related to customers loans at amortised cost:

DUE FROM BANKS AT AMORTISED COST

(in EUR thousand)	12.31.2021	12.31.2020
Other collateralized loans	**2 867 476**	**-**
Cash	*2 123 170*	-
Other	*744 306*	-
Financial guarantees received	**316 668**	**-**

CUSTOMERS LOANS AT AMORTISED COST

(in EUR thousand)	12.31.2021	12.31.2020
Mortgage loans	**3 135 892**	**3 270 121**
Residential	*2 827 155*	*2 908 053*
Commercial	*308 737*	*362 068*
Other collateralized loans	**6 434 205**	**8 678 740**
Cash	*1 692 600*	*4 432 394*
Others	*4 741 605*	*4 246 346*
Financial guarantees received	**9 955 323**	**9 190 593**
Total	**19 525 420**	**21 139 454**

COLLATERAL AND OTHER CREDIT ENHANCEMENT

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- for securities lending and reverse repurchase transactions, cash or securities;
- for commercial lending, charges over real estate properties, inventory and trade receivables;
- for retail lending, mortgages over residential properties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

For securities collateral, a loan to Value is determined by applying discounts to the value of the surety based on its quality, liquidity, volatility, and the diversity of its assets.

The Risk department monitors the market value and the loanable value of collateral and will request additional collateral in accordance with the underlying agreement.

For real estate, the Group obtains a detailed real estate expert appraisal with a study of the market by an independent company for all financing of more than 2.5 M€. A loan to value is also determined, generally between 50 and 65% depending the type of credit. The location of the assets is limited to the following countries: France, Belgium, Luxembourg, Italy, Monaco, Switzerland and the UK.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds generally at auctions to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position and treated as non-current held for sale.

CREDIT QUALITY OF FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR INDIVIDUALLY IMPAIRED

The Group records Expected Credit Losses on financial assets, financial guarantees and other financial commitments on basis of Group calculation rules defined in Note 3.9. The Group determines that "individually impaired" financial assets refer mainly to financial assets classified in Stage 3 under IFRS 9.

ANALYSIS OF RISK EXPOSURE BY RATING

The Group manages the credit quality of financial assets using internal risk ratings. It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk.

All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy.

Internal rating is based on a detailed analysis of qualitative and financial information of the counterparty, the economic, sector or juridical background, etc.

The internal ratings are regularly assessed and reviewed by the Risk Division, at least once a year.

The rating determines the level of probability of default of the counterparty and is directly influenced by the level of risk weight. There's a correspondence between internal and external ratings (see table hereafter).

Counterparty internal rating	Indicative equivalent Fitch Ratings	Indicative equivalent Moody's	Indicative equivalent S&P	Probability of Default (one year)
1	AAA	AAA	AAA	0.01%
2	AA+ à AA-	AA1 à AA3	AA+ à AA-	[0.01% -0.03%]
3	A+ à A-	A1 à A3	A+ à A-	[0.03% -0.09%]
4	BBB+ à BBB-	BAA1 à BAA3	BBB+ à BBB-	[0.09% -0.74%]
5	BB+ à BB-	BA1 à BA3	BB+ à BB-	[0.74% -3.88%]
6	B+ à B-	B1 à B3	B+ à B-	[3.88% -12.79%]
7	CCC+ à CCC-	CAA1 à CAA3	CCC+ à CCC-	[12.79% -100%]
8, 9 and 10	CC and below	CA and below	D and below	100%

For private banking, the approach is based on the collateral and the Group's operational capacity to track changes in each loan's collateral. Loan to Value is determined by applying discounts to the value of the surety based on its quality, liquidity, volatility, and the diversity of its assets. The Group implemented a monitoring mechanism for detecting collateral downgrading and defining, with its clients, measures for making up insufficient margins.

As at December 31, 2021 and December 31,2020 the breakdown of EAD by the Basel method is as follows:

	12.31.2021	12.31.2020*
IRBA	97%	96%
Standard	3%	4%
Total	**100%**	**100%**

**Restated figures*

4. QUALITY OF FINANCIAL ASSETS

PAST DUE AND IMPAIRED LOANS AND ADVANCES

12.31.2021

	Past due but not impaired assets		
(in EUR thousand)	≤ 30 days	> 30 days ≤ 90 days	Unlikely to pay or ≤ 90 days
Credit Institutions	-	-	-
Other financial corporations	1 956	49	10 041
Non financial Corporations	22 860	24 381	238 020
Households	56 900	9 439	33 628
Total	**81 716**	**33 869**	**281 689**

12.31.2020

	Past due but not impaired assets		
(in EUR thousand)	≤ 30 days	> 30 days ≤ 90 days	Unlikely to pay or ≤ 90 days
Credit Institutions	-	-	-
Other financial corporations	1 438	-	19 653
Non financial Corporations	39 381	8 054	268 789
Households	10 328	21 253	9 699
Total	**51 147**	**29 307**	**298 141**

GUARANTEES HELD FOR PAST DUE OR INDIVIDUALLY IMPAIRED ASSETS AND DEBT INSTRUMENTS

(in EUR thousand)	12.31.2021	12.31.2020
Past due	115 586	80 454
Impaired	426 428	533 857
Total	**542 014**	**614 312**

Credit impaired assets						
> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total Past Due but not impaired and Credit Impaired Assets	Gross carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
-	-	-	-	**-**	-	-
1 752	-	-	-	**13 798**	11 793	13 099
1 502	9 284	81 557	16 676	**394 280**	347 039	342 228
7 323	6 296	9 742	10 608	**133 936**	67 596	117 400
10 577	**15 580**	**91 299**	**27 284**	**542 014**	**426 428**	**472 727**

Credit impaired assets						
> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total Past Due but not impaired and Credit Impaired Assets	Gross carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
-	-	-	-	**-**	-	-
-	-	975	-	**22 066**	20 629	8 252
45 106	15 398	37 675	16 813	**431 216**	383 781	174 302
22 048	20 860	75 415	1 426	**161 029**	129 447	149 762
67 154	**36 258**	**114 065**	**18 239**	**614 311**	**533 857**	**332 316**

5. COLLATERAL OR OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF THE GUARANTEE HELD

The carrying value of assets obtained during the period by taking possession of the guarantees held is:

(in EUR thousand)	12.31.2021	12.31.2020
Cash	-	-
Securities	-	-
Mortgage	92 886	-
Total	**92 886**	**-**

6. RESTRUCTURED DEBT

For the 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). The Group aligned its definition of restructured loans with the EBA definition.

Restructured debt does not include commercial renegotiations involving customers for which the Group has agreed to renegotiate the debt in order to retain or develop a business relationship in accordance with credit approval rules in force and without giving up any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the customers 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 Group remains uncertain of their ability to meet their future commitments and for a minimum of one year.

(in EUR thousand)	12.31.2021	12.31.2020
Non-performing restructured debt	231 772	12 604
Performing restructured debt	96 699	127 421
Total	**328 471**	**140 025**

Note 9.2. – Market risk

1. GENERAL

Market risk is defined as the risk of loss due to unfavorable movements in market factors such as interest rates share prices or currency exchange rates impacting the value of the Group's proprietary positions.

Although the primary responsibility of the monitoring of risks lies down with the managers of the trading rooms (Front Office) the organization of the supervision relies on the independent structures which in particular are in charge of:

- the calculation on a daily basis of market risks based on a formal and secure procedure;
- the daily monitoring of compliance with the limits notified for each activity;
- the preparation of a daily report on the use of the limits sent to the general management of the entities concerned to the front office and to the SG Luxembourg Group's market risk department.

The Group's market risk assessment is based on daily indicators which are used to define exposure limits:

- **99% Value at Risk (VaR) and Stressed Value-at-Risk (SVaR)** in accordance with the internal regulatory model used to calculate capital: synthetic indicator for day-to-day monitoring of market risks incurred by SG Luxembourg as part of its trading activities. The "historical simulation" method is used, which takes into account shocks and correlations between various markets using a one-day horizon calculated on a rolling one-year basis (for the VaR) and on a stresses annual window chosen a long-term period (for the SVaR);
- **the stress testing** based on ten-year risk indicators. Stress testing makes it possible to limit exposure to systemic risks and to cases of exceptional market shock. A stress test estimates the loss resulting from an extreme shift in market prices over a period corresponding to the time required to unwind or hedge the positions affected (5 to 20 days for most trading positions). This estimate uses historical scenarios as well as theoretical scenarios that are regularly reviewed and updated by the SG Luxembourg Group Risk Division. At the end of the most recent review the stress test used 11 scenarios (4 historical and 7 theoretical);
- **additional indicators** (in sensitivity nominal holding or modify duration etc.) enable to ensure consistency between the overall risk limits and the operational thresholds used by the Front Office. These limits also allow mitigating the risks which would only partially be caught by the "VaR" or stress testing.

MEASUREMENT OF MARKET RISK AND DEFINITION OF LIMITS

Market risk is managed through procedures that explain how and when to activate and monitor limits for SG Luxembourg independently and for its subsidiaries.

Although primary responsibility for risk monitoring naturally falls into front office managers the oversight mechanism also relies on independent structures.

From an organizational viewpoint responsibility for managing market risk within SG Luxembourg Group is distributed as follows:

- Societe Generale Group's Market Risk Department establishes the risk measurement methods and control procedures centrally, handles Societe Generale Group's market risk reporting, examines and validates the limits requests from the various activities.
- The entities of SG Luxembourg Group bearing market risk (SG Luxembourg and SGPB Switzerland) have a dedicated risk team independent from the business lines in charge of managing risks resulting from market activities. Within SG Luxembourg in order to come into alignment with the organisational model adopted by SG Group an organisation change has been initiated. From November 2018 the daily market risk calculation and monitoring and the limits and methodologies validation are under the accountability of the Risk department.

The supervision of market risk primarily covers:

- The daily calculation of market risks based on a formal and secured procedure;
- The daily monitoring of compliance with the limits notified for each activity;
- The preparation of a daily report on the use of the limits sent to the general management of the entities concerned to the front office and to Societe Generale Group's market risk department.

Market risk management is based on a combination of several types of indicators:

- 99% Value at Risk (VaR) in accordance with the internal regulatory model used to calculate capital: synthetic indicator for day-to-day monitoring of market risks incurred by SG Luxembourg as part of its trading activities. 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 the Bank'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;
    - 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.

Within the framework described above the one-day 99% Value-at-Risk corresponds to the average of the second and third largest losses computed. The relevance of the model is checked through ongoing backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval.

- The Market Stress Test which consists of a series of historical (scenarios already observed in the past) and hypothetical (scenarios defined with bank economists) multi-factor stress tests allows to take into account extraordinary market disruptions with a 10-year occurrence. These indicators estimate the loss resulting from a severe change in market parameters over a time horizon corresponding to the time needed to unwind or cover the positions in question. The Market Stress Test limit covers the most impaired of these scenarios.
    - historical stress tests: this method consists of an analysis of the major economic crises that have affected the financial markets since 1995 (date from which the financial markets have become global and subject to increased regulatory requirements): the 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 risk factors which when applied to the Group's trading positions could generate significant losses;
    - 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;
    - risks are calculated daily for each market activity of the Group all products included. A limit in "stress-test" is set for the global activity of the Group;
    - different stress test scenarios are subject to regular review and improvements from teams of economists of the Societe Generale Group.
- An "Emerging Countries" stress test combining shocks calibrated to the history of fluctuations observed in the past. The calibration is created from the 99% quantile of the shock distribution by risk factor for each country. An aggregation by country region and worldwide is used to quantify the risk by geographical area. The Stress Test limit relates to the most sensitive area.
- These scenarios are supplemented by a set of adverse stress tests calculated by activity or risk factor to take extreme risks on a specific market into account (dislocation liquidity concentration etc.).
- "Sensitivity" and "nominal" indicators control position size: sensibilities are calculated using the major valuation risk factors (e.g. sensitivity of an option to changes in underlying asset prices); nominal values are used for significant positions in terms of risk.

2021 METRICS

SG Luxembourg	Limit (€k)	Average use (€k)	Number of overruns observed	Maximum use (€k)	Maximum period of overrun
VaR	250	4.24	-	31.30	N/A
SVaR	400	16.07	-	97.91	N/A
Stress Test	500	11.91	-	183.15	N/A
Emerging Stress Test	500	4.35	-	291.08	N/A
10bp sensitivity	15	-0.75	-	2.19	N/A
Nominal FX Postion	2 000	53.10	-	252.24	N/A

2020 METRICS

SG Luxembourg	Limit (€k)	Average use (€k)	Number of overruns observed	Maximum use (€k)	Maximum period of overrun
VaR	250	5.51	-	77.10	N/A
SVaR	400	15.84	-	173.49	N/A
Stress Test	500	49.98	-	497.60	N/A
Emerging Stress Test	500	3.65	-	120.29	N/A
10bp sensitivity	15	-0.07	-	0.20	N/A
Nominal FX Position	2 000	0.00	-	0.01	N/A

Over 2021, the principal metrics levels, VaR, SVaR and Stress Test, remained low overall, way under the limits validated by the head office. These indicators never reached their limit over 2021.

2. INTEREST RATE RISK

Structural interest rate risk (also referred to as Interest Rate Risk in the Banking Book – "IRRBB") refers to the risk – whether current or prospective – to SG Luxembourg Group's equity and earnings (hence for the Net Present Value ("NPV") and the Net Interest Margin ("NIM")) posed by adverse movements in interest rates affecting the items comprising its banking book.

There are four main types of risk:

- rates level risk;
- curve risk, related to the term structure of the instruments in the banking book;
- optional risk arises from automatic options (typically caps and floors on the floating rate of a loan) and behavioral options (typically the right for a customer to prepay a fixed rate loan with no or fixed penalty);
- basis risk, related to the impact of relative changes in interest rates indices in statement of financial position and off-balance sheet items.

All four types of IRRBB may potentially affect the value or yield of interestrate sensitive assets, liabilities and offbalance sheet items. Assets, liabilities and off-balance sheet items are analyzed without prior allocation of the liabilities to the assets. Instalments on the outstanding are calculated considering the contractual characteristics of the transactions and the results of modelling of client behavior (in particular for sight accounts, special savings plans and loan prepayments), as well as assumptions based on conventional scenarios for certain aggregates).

Main internal amortization standards are:

- For the SG Luxembourg Group's own funds, the retained internal standard for amortization is based on the assumption that such items constitute long term fixed rate resources. The standard has been built on the assumption of a reinvestment every year of one tenth of the amount, on 10 year fixed rate instruments. The expected average replacement rate will then converge to the moving average over 10 years of 10 year rates.
- In connection with the above, this standard also applies to the subsidiaries own funds and the corresponding investment in such subsidiaries, as well as to provisions, intangible assets and goodwill. For intangible assets, the retained maturity is nevertheless capped to the remaining IFRS amortization schedule.

SG Luxembourg Group structural interest rate risk management primarily relies on the sensitivity of Net Present Value ("NPV") of fixedrate residual positions (excesses or shortfalls) to interest rate changes according to several interest rate scenarios.

Such NPV sensitivity captures the rates level risk, the curve risk and the optional risk:

- when automatic options are identified, their NPV is calculated with standard pricing tools;

- when behavioral options are modeled, the risk metrics include either their intrinsic values calculated as the NPV of the expected amortization modeled profile or the marked to market value calculated with specific pricing tools, thus including also the time value of the option.

The NPV is calculated by discounting actual principal cash flows as well as either actual or estimated coupons flows. When estimated, the coupons proxy is based on the interest rates levels as of the NPV calculation date. In any case, the coupons do not include any sales margin.

Thresholds/limits are declined on:

- Global (all currencies)
- Four Group steering scenarios (2 business-as-usual and 2 under stress):
  - an immediate and parallel 10 bps rise in the yield curve;
  - an immediate and parallel 10 bps fall in the yield curve;
  - an immediate and parallel 100 bps rise in the yield curve
  - an immediate and parallel 100 bps fall in the yield curve.

Societe Generale Group Finance Committee sets and approves, on a yearly basis, the NPV sensitivity thresholds/limits applicable for SG Luxembourg on a solo basis (as a main entity of the Group). For the others entities within the consolidated perimeter of SG Luxembourg Group, the NPV sensitivity threshold and limits are set and approved by their respective BU ALCOs.

IRRBB risks being concentrated at SG Luxembourg standalone entity, the risk appetite at the consolidated level is identical to the NPV thresholds/limits notified at solo level and focus on the global (all currencies) NPV sensitivity. The sensitivity on a currency basis is however monitored on a monthly basis and discussed during SG Luxembourg ALM Committee.

The current limits applicable to SG Luxembourg and the entities of its consolidated perimeter are presented in the table below (including limits as of Q4-21):

			Q4 2021			
			+10bps	-10bps	+100bps	-100bps
BU	Entity name	Currency	[0;end[	[0;end[	[0;end[	[0;end[
SG Lux	SG Luxembourg including SIA & Coparer Holding	EUR	-8.63	-10.48	-86.30	-104.80
		USD	-1.25	-2.40	- 12.50	-24.00
		CHF	-1.25	-1.25	- 12.50	-12.50
		Aggregate	-6.47	-6.47	-64.70	-64.70
		Global	-17.60	-17.60	-176.00	-176.00
WAAM	SG Private Banking Switzerland	EUR	-0.45	-0.45	-4.50	-4.50
		USD	-0.45	-0.45	-4.50	-4.50
		CHF	-0.45	-0.45	-4.50	-4.50
		Aggregate	-0.34	-0.34	-3.40	-3.40
	SG Private Banking Monaco	EUR	-0.14	-0.14	-1.40	-1.40
		USD	-0.14	-0.14	-1.40	-1.40
		Aggregate	-0.10	-0.10	-1.00	-1.00
	SG Private Wealth Management	-	Not monitored			
	SG Life Insurance Broker	-	Not monitored			
MARK	Montalis Investment	EUR	Not monitored			
GLBA	SG Capital Market Finance	EUR	-0.45	-0.45	-4.50	-4.50
	SG Financing and Distribution	-	Not monitored			
	SGBT Credit International	EUR	-0.13	-0.13	-1.30	-1.30
		USD	-0.06	-0.06	-0.65	-0.65
	SGBT Asset Based Funding	EUR	-0.06	-0.06	-0.65	-0.65
	SGBT Finance Ireland	EUR	Not monitored			
	SG Hedging Limited	EUR	Not monitored			
	IVEFI	EUR	-0.06	-0.06	-0.65	-0.65
SEGL	SGL Ré	EUR	-0.56	-0.56	-5.60	-5.60
ASSU	Sogelife	EUR	-0.61	-0.61	-6.13	-6.13

SG Luxembourg Finance Committee and the Board of Directors are notified on each statement of financial position date of the results of the "Supervisory Outlier Test" ("SOT") as defined in articles 113 and 114 of the EBA guidelines dated 19 July 2018. These tests are based on EVE sensibility (the EVE being the NPV after exclusion of own funds, investments in subsidiaries and intangible assets):

- According to article 113, the EVE sensitivity to +/- 200bp interest rates shocks shall remain below 20% of the SG Luxembourg regulatory capital Tier 1 and Tier 2.
- According to article 114, the EVE sensitivity to interest rates shocks corresponding to the 6 scenarios detailed in Appendix III of the EBA Guidelines shall remain below 15% of the SG Luxembourg Tier 1 capital.

3. CURRENCY RISK

Structural exchange risk is the risk that a loss occurs due to an unfavourable movement of the exchange rate that would affect the Group due to existing opened positions in foreign currencies.

Structural exchange rate risk is mainly caused by:

- foreign currency denominated capital contributions and equity investments financed through the purchase of foreign currencies;
- retained earnings in foreign subsidiaries;
- investments made by certain foreign subsidiaries in a currency other than that used for their equity funding for regulatory reasons.

OBJECTIVE OF THE GROUP

The Group's policy consists in calibrating the hedging of its net investments in foreign entities in such a way as to reduce the sensitivity of its Common Equity Tier 1 ratio to fluctuations in exchange rates as far as possible. To this end, it enters into hedging transactions to maintain a currency exposure reducing such sensitivity to within limits. The Group quantifies its exposure to structural foreign exchange rate risks by analyzing all assets and liabilities denominated in foreign currencies.

4. MEASUREMENT AND MONITORING OF STRUCTURAL FOREIGN EXCHANGE RATE RISKS

The Group settles many forward foreign exchange transactions that are systematically backed by spot transactions. The residual position on those operations corresponds to interests of the currency in which the forward operation has been concluded and therefore represents an interest rate position monitored by the treasury desk.

The structural currency risk is monitored through monitoring process of the market currency risk. Those monitoring processes cover both natures of currency risks. Please refer to Note 9.2 for more details on those risk monitoring processes.

5. SENSITIVITY OF THE PROFIT OF THE GROUP TO A 10% CURRENCY CHANGE

The table below presents the impact on the Group profit of a 10% currency depreciation or appreciation as at December 31, 2021 and December 31, 2020:

	12.31.2021		12.31.2020	
(in EUR thousand)	Effect on the profit of a 10% currency appreciation	Effect on the profit of a 10% currency depreciation	Effect on the profit of a 10% currency appreciation	Effect on the profit of a 10% currency depreciation
EUR	-	-	-	-
USD	(51)	62	45	(55)
GBP	59	(72)	5	(6)
JPY	(7)	9	2	(3)
AUD	(2)	2	-	-
CZK	(1)	1	2	(2)
RUB	(2)	3	-	1
RON	(1)	1	-	-
Others	(5)	6	9	(12)
Total	**(10)**	**12**	**63**	**(77)**

MONITORING OF FOREIGN CURRENCY RISK EXPOSURE

The Group sets an overnight global limit to EUR 2 million that breaks down as follows: the global limit and all specifics limits have been globally maintained compared to 2020. Currencies have been allocated by zones.

Currency	Limit
AUD	+/-1 MEUR
CHF	
GBP	
JPY	
USD	
CAD	+/-0.5 MEUR
DKK	
NOK	
NZD	
SEK	
SGD	

Currency	Limit
BRL	+/-0.5 MEUR
CNY	
CZK	
HKD	
KRW	
MXN	
PLN	
RMB	
RUB	
TRY	

Currency	Limit
COP	+/-0.2 MEUR
EGP	
HUF	
IDR	
ILS	
INR	
MYR	
OMR	
PEN	
PHP	
RON	
RSD	
THB	
TWD	
ZAR	

Currency	Limit
AED	+/-0.2 MEUR
ARS	
BGN	
BHD	
ISK	
QAR	
SAR	
ARS	+/-0.1 MEUR

The FX position is monitored on a daily basis on the Trading Book perimeter only, which explains why the FX levels were closed to 0 as at December 31, 2020. As at December 31, 2021 the opened positions of SG Luxembourg Group are as follows:

Currency	Position (in EUR)
CHF	7 642
USD	-167 875
GBP	-1 966
AUD	-6 122
JPY	-1 415
CAD	3 492
SGD	-100
DKK	-117
HKD	-2 921
CZK	-106
PLN	-147

IMPACT OF CURRENCY RATE DEPRECIATION ON EQUITY TIER 1 RATIO AND PROFIT

The foreign exchange position is hedged on a daily basis with marginal overnight open positions and no structural FX position remaining at SG LUXEMBOURG level. Considering this no additional capital charge is deemed necessary to cover this risk and no significant impact is to be considered on profit.

OTHER ENTITIES SIGNIFICANTLY EXPOSED TO MARKET RISK

SOCIETE GENERALE PRIVATE BANKING SUISSE S.A.

Societe Generale Private banking Suisse S.A. manages all of its positions through a system based on limits. Those limits are mainly set in terms of positions. On an accounting level the evaluation of the trading portfolio positions is performed daily at the market price.

- Risk management

Monitoring of market risk of Societe Generale Private banking Suisse S.A. is the responsibility of the Risk management the control of the forex activity and of the bonds positions is managed daily in relation to the overnight limits. Such control is performed by the department responsible for market and counterparties risk who then reports daily to the Chief Executive Officer the Chief Operating Officer and the Chief Risk Officer. The Societe Generale Group is informed on those exposures on a weekly basis. Such report contains the market value of the bond positions the forex positions and the commodities positions the utilization the limits applied and the result.

- Risk monitoring and management

Positions for own account are limited to:

- some forex operations and on forex derivatives (spot swap forwards) and on commodities. Daily limits are as follows: Forex: EUR 5 million Commodities: EUR 1 million;
- long positions towards head office (Paris) or other credit institutions allowed by Group policy;
- overnight placings;
- positions from client portfolios following execution errors or commercial gestures from Societe Generale Private Banking Suisse S.A.

Follow-up of client bonds positions in the trading portfolio is performed jointly by the investment and risk teams.

When shares or shares of funds are taken in the trading portfolio Management is informed.

Limits definition is evaluated following a risk appetite estimate from the business line and validated by the Management.

Exposure towards those limits as at December 31, 2021 and December 31, 2020 are as follows:

	2021			2020		
SGPB Switzerland	**Limit (€k)**	**Average use (€k)**	**% use**	**Limit (€k)**	**Average use (€k)**	**% use**
Stress Test	9000	-	-	9000	-	-
10bp sensitivity	35	0.22	0.61%	35	0.53	1.52%
Nominal FX Postion	5000	220	4.41%	5000	262	5.23%
Precious metal position	1000	1.44	0.14%	1000	1.29	0.13%

There is no stress test consumption in 2021 due to the revision of the Bank regarding the market risk limits framework for “Out of Global Tools” entities at the beginning of 2021. Those entities, including SGPB Suisse, are not able to produce Hypo/Histo stress test. Therefore, they are no longer obliged to produce Stress test metrics.

SOCIETE GENERALE PRIVATE BANKING MONACO S.A.

Societe Generale Private Banking Monaco S.A. does not have any management and monitoring capability in relation to market risk. It backs systematically each operation with its head office SG Luxembourg. It therefore does not manage any open position on derivatives. Clients of Societe Generale Private Banking Monaco S.A. perform operations on derivatives. Even though the market risk does not exist the counterparty risk exists on such operation.

For those operations clients systematically sign a derivative product convention. If the maturity of the positions is short the potential risk is collateralized by the client investment portfolio. Otherwise a cash collateral is systematically required to cover the position. Such position is accounted for 25 to 30% of the position representing the extreme volatility risk of the position.

Note 9.3. – Liquidity Risk

The Group measures and oversees liquidity risk using gaps (static and stressed) based on “asset-liability” scenarios and using regulatory liquidity ratios (“LCR”). As of June 30 2021, SG Luxembourg Group is also subject to NSFR requirement.

Liquidity risks reflect a mismatch between statement of financial position’s assets and liabilities over the short medium or long term.

Funding requirements or surpluses are measured by the liquidity gap governed by thresholds and limits defined by the Societe Generale Group Finance Committee.

Threshold breaches are subject to action plans aimed at resolving and preventing the recurrence of the breach.

The Group oversees its cash management within this framework. Changes in the structure of the statement of financial position and its run-off are managed by the ALM (Asset and Liability Management) unit and monitored by the ALM Committee which in turn determines the refinancing requirements of the Group's entities.

SG Luxembourg Group is required to report the liquidity ratios defined by the CRD4. The Finance Division is responsible for producing and analysing the CRD4 liquidity ratios (LCR and NSFR) of SG Luxembourg Group and subgroup via a process coordinated with Societe Generale Group.

It submits the LCR monthly and the NSFR quarterly to the CSSF and BCL. The Finance Division unit is also in charge of oversight and projections of the short-term LCR.

The ALM Committee chaired by SG Luxembourg CEO, meets once a month and supervise and validate the Group's liquidity position based on the associated metrics produced.

1. BREAKDOWN OF FINANCIAL ASSETS BY RESIDUAL MATURITY

	12.31.2021				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash, due from central banks	10 966 851	-	-	-	**10 966 851**
Financial assets at fair value through profit or loss	849 439	-	64 071	327 072	**1 240 582**
Hedging derivatives	5 625	-	-	-	**5 625**
Financial assets at fair value through other comprehensive income	-	279 469	1 859 015	676 520	**2 815 004**
Securities at amortized cost	7 998 136	5 879	45 976	1 606	**8 051 597**
Due from banks at amortised cost	14 632 426	1 185 202	2 365 806	1 656 944	**19 840 378**
Customer loans at amortised cost	5 447 888	3 956 189	10 817 029	2 596 745	**22 817 851**
Investments of insurance activities	22 423	29 510	182 228	137 710	**371 871**
Total	**39 922 788**	**5 456 249**	**15 334 125**	**5 396 597**	**66 109 759**

	12.31.2020				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Cash, due from central banks	9 871 682	-	-	-	**9 871 682**
Financial assets at fair value through profit or loss	1 017 414	-	-	40 177	**1 057 591**
Hedging derivatives	-	-	-	-	**-**
Financial assets at fair value through other comprehensive income	-	353 082	1 916 837	935 112	**3 205 031**
Securities at amortised cost	7 046 173	1 560	34 495	4 194	**7 086 422**
Due from banks at amortised cost	5 403 763	998 861	2 608 035	1 487 584	**10 498 243**
Customer loans at amortised cost	4 962 736	4 240 819	10 690 291	3 086 690	**22 980 536**
Investments of insurance activities	39 466	14 486	198 763	189 936	**442 651**
Total	**28 341 234**	**5 608 808**	**15 448 421**	**5 743 693**	**55 142 156**

2. BREAKDOWN OF FINANCIAL LIABILITIES BY RESIDUAL MATURITY

	12.31.2021				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Financial liabilities at fair value through profit or loss	425 053	607	24 391	-	**450 051**
Hedging derivatives	98 483	-	-	-	**98 483**
Due to banks	2 978 370	5 430 333	13 307 026	2 431 559	**24 147 288**
Customer deposits	24 040 154	3 469 866	6 566 991	3 929 497	**38 006 508**
Debt securities issued	45 084	-	-	-	**45 084**
Subordinated debts	-	-	-	-	**-**
Insurance contracts related liabilities	-	6 611	26 444	46 271	**79 326**
Total	**27 587 144**	**8 907 417**	**19 924 852**	**6 407 327**	**62 826 740**

	12.31.2020				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Financial liabilities at fair value through profit or loss	493 761	-	-	41 144	**534 905**
Hedging derivatives	193 687	-	-	-	**193 687**
Due to banks	5 476 306	7 600 066	8 618 702	3 631 193	**25 326 267**
Customer deposits	16 499 740	2 340 492	3 958 760	2 196 901	**24 995 893**
Debt securities issued	63 867	742	-	-	**64 609**
Subordinated debts	-	-	-	-	**-**
Insurance contracts related liabilities	-	7 635	30 540	53 448	**91 623**
Total	**22 727 361**	**9 948 935**	**12 608 002**	**5 922 686**	**51 206 984**

3. BREAKDOWN OF COMMITMENTS BY RESIDUAL MATURITY

COMMITMENTS GRANTED

	12.31.2021				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Loan commitments	1 843 540	28 739	769 542	154 872	**2 796 693**
Guarantee commitments	738 549	136 783	52 313	2 935	**930 580**
Securities commitments	229 965	-	-	-	**229 965**
Total	**2 812 054**	**165 522**	**821 855**	**157 807**	**3 957 238**

	12.31.2020				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Loan commitments	1 980 359	-	1 169 606	140 374	**3 290 339**
Guarantee commitments	1 044 631	49 127	14 771	10 080	**1 118 609**
Securities commitments	387 127	-	-	-	**387 127**
Total	**3 412 117**	**49 127**	**1 184 377**	**150 454**	**4 796 075**

COMMITMENTS RECEIVED

	12.31.2021				
(in EUR thousand)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Financing commitments	1 823 458	-	-	-	**1 823 458**
Guarantee commitments	1 803 002	139 704	705 062	11 698 579	**14 346 347**
From banks	*112 176*	*128 344*	*268 874*	*11 502 703*	***12 012 097***
Other guarantee commitments	*1 690 826*	*11 360*	*436 188*	*195 876*	***2 334 250***
Securities commitments	16 732	-	-	-	**16 732**
Other commitments	3 518 801	-	-	-	**3 518 801**
Total	**7 161 993**	**139 704**	**705 062**	**11 698 579**	**19 705 338**

	12.31.2020				
(in EUR thousand)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Financing commitments	1 527 703	16 425	110 089	16 330	**1 670 547**
Guarantee commitments	1 656 850	137 695	481 070	11 686 266	**13 961 881**
From banks	*514 088*	*133 960*	*2 301*	*11 609 524*	***12 259 873***
Other guarantee commitments	*1 142 762*	*3 735*	*478 769*	*76 742*	***1 702 008***
Securities commitments	21 661	-	-	-	**21 661**
Other commitments	3 847 502	12 575	1 611 941	258 379	**5 730 397**
Total	**7 053 716**	**166 695**	**2 203 100**	**11 960 975**	**21 384 486**

Note 9.4. – Operational risk

Operational risk is defined as the risk of loss or fraud as a result of defects in or failure of internal systems and procedures human error or external events including IT risk and management risk. Particular attention is paid to the risk of compliance which is the subject of enhanced structural organization.

The Group is engaged in the process of strengthening the control and steering the operational risks implemented. This approach is steered by the operational risks department attached to the Group's risk management division and is relayed by the different units monitoring operational risks responsible for implementing the Group's policies and directives and for monitoring and steering the operational risks.

The valuation of operational risk is based on the advanced assessment approaches deployed under the Basel II reforms. The AMA (Advanced Measurement Approach) method is used to calculate the regulatory capital requirement for operational risk.

Although the primary responsibility for controlling operational risks lays down with all department managers within the business lines and support functions who must promote the culture of operational risks within their teams on a daily basis the follow-up organization relies mainly on 3 processes supervised by the operational risk departments and consolidated within the SG Luxembourg Group:

i. the periodic self-assessment of the risks and controls (Risk and Control Self-Assessment- RCSA) which aims to:
   - identify and measure the operational risks inherent in each activities and department of all entities of SG Luxembourg Group;
   - assess the quality of prevention and control systems in place to reduce these risks and thereby measure exposure to the latent risks with which each activities/ department must contend;
   - implement corrective action plans.

ii. the gathering of internal data relating to losses associated with operational risks with a comprehensive declaration and on a specific tool providing all the information necessary for analysis and monitoring this data being relayed to the senior management. The approach closely follows the formulation and follow-up of corrective actions that have to be subject to a degree of criticality a deadline and the appointment of a manager;

iii. analyses of scenarios targeting particularly sensitive functions and processes within the Group. These are assessments of severe operational risks which the Group may face under certain conditions. These analyses aim to assess rarely occurring but extremely severe potential losses.

NOTE 10 – CAPITAL

The Group maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor. The adequacy of the Group's capital is monitored using among other measures the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios).

SG Luxembourg Group has fully complied with all its externally imposed capital requirements over the reported period.

Note 10.1. – Capital management

As part of managing its capital 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;
- adequate allocation of capital to the various business lines 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.

The Group has fully complied with all its externally imposed over the reported period.

1. LEVERAGE RATIO MANAGEMENT

The Group steers its leverage effect according to the CRR leverage ratio rules as amended by the delegated act of October 10, 2014.

Steering 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 business lines is contained under the Finance Division's control.

The group fully complied with all its externally imposed capital requirements over the reported period.

Return on assets (i.e. Net Income divided by the total consolidated statement of financial position per consolidated financial statements) for the Group stood at 0.45% as at December 31, 2021 (2020: 0.41%).

2. LARGE EXPOSURES

The CRR (European Capital Requirements Regulation) incorporates the provisions regulating large exposures. As such the SG Luxembourg 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%).

Note 10.2. – Regulatory capital

Reported according to international financial reporting standards (IFRS) Societe Generale's regulatory capital consists of the following components.

1. COMMON EQUITY TIER 1 CAPITAL

TIER 1 CAPITAL

According to CRR 2/CRD5 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.

Deductions from Common Equity Tier 1 capital essentially involve the following:

- estimated dividend payment;
- goodwill and intangible assets net of associated deferred tax liabilities;
- unrealized capital gains and losses on cash flow hedging;
- 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;
- value adjustments resulting from the requirements of prudent valuation;
- excess of deduction from T2 items in CET1 capital.
- insufficient coverage for non-performing exposures.

ADDITIONAL TIER 1 CAPITAL

SG Luxembourg has no Additional Tier 1 capital.

2. TIER 2 CAPITAL

SG Luxembourg Group has no Tier 2 capital as the excess of deduction is reported in CET1 capital:

- IRB Excess of provisions over expected losses eligible;
- Deduction of T2 instruments of financial sector entities where the institution has a significant investment

SG Luxembourg is benefiting from a favorable assessment by the rating agency Standard & Poor's with regard to the Group's financial stability: A-1 in the short term A in the long term (confirmed in December 2021).

The Group's capital on a consolidated basis is composed of:

- Common Equity Tier 1 capital: EUR 2 681 million (2020: EUR 2 736 million)

The Group has not issued any hybrid securities or subordinated borrowings not eligible for prudential capital.

NOTE 11 – EVENTS AFTER THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation.

Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities.

The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Board of Directors has performed an analysis towards the Bank's potential exposure to the above.

The Board of Directors regards these events as non-adjusting events after the reporting period. The situation including the possible impact of changing micro- and macroeconomic conditions will continue to be closely monitored by the Group.

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