2022

SOCIETE GENERALE LUXEMBOURG S.A.

CONSOLIDATED FINANCIAL STATEMENTS

SOCIETE GENERALE

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, 2022

R.C.S. Luxembourg: B 006.061

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TABLE OF CONTENTS

I. GENERAL INFORMATION **4**

II. CONSOLIDATED MANAGEMENT REPORT **6**

1. CHIEF EXECUTIVE OFFICER STATEMENT 6

2. CORPORATE GOVERNANCE 7
   - **2.1. Corporate Governance Structure and Main Bodies** **7**
   - **2.2. Corporate governance** **8**
   - **2.3. Remuneration policy** **8**

3. CONSOLIDATED MANAGEMENT REPORT 8
   - **3.1. Group main activities** **8**
   - **3.2. Group results** **10**
   - **3.3. Group's Own funds** **13**
   - **3.4. Post closing events** **13**

4. RISKS AND CAPITAL ADEQUACY 14
   - **4.1. Key figures** **14**
   - **4.2. Risk management** **15**
   - **4.3. Risks** **15**
   - **4.4. Risk Appetite** **15**
     - **4.4.3. Credit and counterparty risks** **15**
     - **4.4.4. Market risks** **17**
     - **4.4.5. Operational risks (other than compliance risk)** **17**
     - **4.4.6. Compliance risk** **17**

5. CORPORATE SOCIAL RESPONSIBILITY 17
   - **5.1. Our engagement as a Corporate** **17**
   - **5.2. Our commitment as a Group** **18**

6. OUTLOOK 19

III. INDEPENDENT AUDITOR'S REPORT **24**

Impairments on customer loans and provisions on financing commitments **24**

Mirroring of financial assets and financial liabilities related to issuance activity at SG Issuer S.A. **25**

IV. CONSOLIDATED FINANCIAL STATEMENTS **28**

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS 28
2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES AND SHAREHOLDERS' EQUITY 29
3. CONSOLIDATED INCOME STATEMENT 30
4. CONSOLIDATED STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES 31
5. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 32
6. CONSOLIDATED CASH FLOW STATEMENT 34

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **35**

NOTE 1 – CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING PRINCIPLES 35

NOTE 2 – CONSOLIDATION 50

Note 2.1. – Consolidation scope **52**
Note 2.2. – Material changes in consolidation scope **54**
Note 2.3. – Additional disclosure for consolidated entities and investments accounted for using the equity method **54**
Note 2.4. – Restrictions **56**
Note 2.5. – Unconsolidated structured entities **56**

NOTE 3 – FINANCIAL INSTRUMENTS 58

Note 3.1. – Cash, due from central banks **61**
Note 3.2. – Financial assets and liabilities at fair value through profit or loss **62**
Note 3.3. – Financial derivatives **64**
Note 3.4. – Financial assets at fair value through other comprehensive income **73**
Note 3.5. – Fair value of financial instruments **75**
Note 3.6. – Loans, receivables and securities at amortised cost **83**
Note 3.7. – Debts **85**
Note 3.8. – Interest income and expense **86**
Note 3.9. – Impairment and provisions **88**
Note 3.10. – Assets under management, commitments and assets pledged and received as securities **94**
Note 3.11. – Transferred financial assets **96**
Note 3.12. – Offsetting financial assets and financial liabilities **97**

NOTE 4 – OTHER ACTIVITIES 98
Note 4.1. – Fee income and expense **98**
Note 4.2. – Income and expenses from other activities **99**
Note 4.3. – Insurance activities **99**
Note 4.4. – Other Assets And Liabilities **108**

NOTE 5 – PERSONNEL EXPENSES AND EMPLOYEE BENEFITS 109
Note 5.1. – Personnel expenses and related party transactions **109**
Note 5.2. – Employee benefits **110**

NOTE 6 – INCOME TAX 118

NOTE 7 – SHAREHOLDERS' EQUITY 122
Note 7.1. – Shareholders' equity **122**
Note 7.2. – Dividends paid and proposed **123**
Note 7.3. – Gains and losses recognised in other comprehensive income **124**

NOTE 8 – ADDITIONAL DISCLOSURES 126
Note 8.1. – Segment reporting **126**
Note 8.2. – Other operating expenses **129**
Note 8.3. – Provisions **130**
Note 8.4. – Tangible and intangible fixed assets **131**
Note 8.5. – Foreign exchange transactions **136**
Note 8.6. – Fees paid to statutory auditors **137**
Note 8.7. – Transactions with related parties **138**

NOTE 9 – NOTE ON RISK EXPOSURES 140
Note 9.1. – Credit risk **141**
Note 9.2. – Market risk **152**
Note 9.3. – Liquidity Risk **158**
Note 9.4. – Operational risk **161**

NOTE 10 – CAPITAL 162
Note 10.1. – Capital management **162**
Note 10.2. – Regulatory capital **162**

NOTE 11 – EVENTS AFTER THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE 163

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

Marco Cameroni

Director representing employees

Marie Doucet

Independent 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

Christophe Lattuada

Chief Operating Officer of Global Banking & Investor Solutions (GBIS), 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.** Marco Cameroni. **4.** Marie Doucet. **5.** Patrick Folléa. **6.** Emmanuel Gaspard. **7.** Isabelle Goubin. **8.** Mathilde Guérin. **9.** Christophe Lattuada. **10.** Didier Mouget. **11.** Frédéric Roveda. **12.** Anne-Sophie Steiner. **13.** Frédéric Surdon. **14.** Arnaud Jacquemin. **15.** Olivier Blanc. **16.** Anne de Kouchkovsky.

AUTHORIZED MANAGEMENT

Arnaud Jacquemin

Chief Executive Officer

Olivier Blanc

Deputy CEO in charge of Resources

Anne de Kouchkovsky

Deputy CEO in charge of the General Secretary, Risks and Compliance supervision

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

II. CONSOLIDATED MANAGEMENT REPORT

1. CHIEF EXECUTIVE OFFICER STATEMENT

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 232 million in 2022, assets of EUR 68 billion at end 2022) and number of staff (close to 1 700 employees), 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.

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. 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.

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 Internal Control Committee ;
- the Risk and Compliance Committee ;
- the Remuneration Committee ;
- the Nomination and Corporate 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, 2022, the specialized committees of the Board were:

- Audit and Internal Control Committee: As of December 31, 2022, the Audit and Internal Control Committee comprised four members including three Independent Directors: 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 advice on such matters to the Board of Directors;
- Risk and Compliance Committee: As of December 31, 2022, 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, 2022, the Remuneration Committee comprised four Directors, two Group representatives, one Independent Director and one Director representing employees: Patrick FOLLEA, Christophe LATTUADA, Marie DOUCET 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 Corporate Governance Committee: As of December 31, 2022, the Nomination and Corporate Governance Committee comprised two Directors and one Independent Director: Patrick SUET, Christophe LATTUADA 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 Holders (Chief Risk Officer, Chief Compliance Officer, Chief Audit Officer and Chief Finance 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;
  - 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:
  - Business Committee: the mission of this committee is to elaborate the commercial strategy of Societe Generale Luxembourg and coordinate the commercial initiatives of the various businesses;

- 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 sub-committee 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 attractiveness, compensation, retention and HR regulatoryrelated subjects;
- Mobility Committee: the mission of this committee is to fluidify and pilot internal mobility by, highlighting specific profiles or talents and positions to be filled so as to find the best match between for employees on the move;
- 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;
- IS Strategy Steering Committee: this committee validates the Societe Generale Luxembourg's information system strategy, and is responsible for the follow-up of such strategy.

- Enterprise risk management committees:
  - Enterprise Risk Committee (ERC) : 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;

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 businesses 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 commercial branch in Italy and a representative office in Germany. 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 2022, Societe Generale Private Banking was nominated by the Wealth Briefing European

Awards in the European Private Bank category as the best Credit Provider, and by the Global Private Banking Innovation Awards as the Best Private Bank for Millennials and the Most Innovative ESG Offering by a Private Bank.

Locally, the Group's private banking teams were elected "Best Private Bank in Luxembourg" and "Best Private Bank in Monaco" by the Global Private Banking Innovation Awards and its Luxembourgish private wealth management company SGPWM was nominated as the "Asset Management Company of the Year", with the "Fund of the Year ESG" (Fonds Moorea Fund Sustainable Floating Rate Income). The group's private banking team in Switzerland was also recognized with the "Outstanding Private Bank for Sustainable and Ethical Investment awards" at the Swiss awards - Private Banker International.

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 providers given the size of its global activity and contributes to the development of SGSS globally as a leader in the industry.

In 2022, SGSS won the Best Sub-Custodian Bank award in Morocco, Czech Republic, Romania and Switzerland from the Global Finance magazine.

3.1.3. Corporate Banking & 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
- credit risk insurance.

Societe Generale group was named "Europe Bank of the Year" by the "Project Finance International 2022" and "Energy & Commodity Finance House of the Year" at the Energy Risk Awards 2022, as well as "Best Investment Bank for Sustainable Finance" at the Global Bank Award 2022.

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 capital marketbased financial engineering services and structured products. 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. Insurance

Through dedicated subsidiaries, the Group has insurance (life and credit) and reinsurance (reinsurance of certain Societe Generale group insurance contracts) activities.

3.1.7. 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)	12.31.2022	12.31.2021	Change in %	Change in value
Net interest margin	409 991	327 610	25%	82 381
Net fee margin	267 880	293 620	(9%)	(25 740)
Net gains and losses on financial transactions	113 202	49 093	131%	64 109
Net income from other activities	16 784	33 357	(50%)	(16 573)
Net banking income	**807 857**	**703 680**	**15%**	**104 177**
Operating expenses	(428 735)	(429 543)	0%	808
Gross operating income	**379 122**	**274 137**	**38%**	**104 985**
Cost of risk	(168 298)	2 045	(8 330%)	(170 343)
Operating income	**210 824**	**276 182**	**(24%)**	**(65 358)**
Net income from investments accounted for using the equity method	34 584	39 205	(12%)	(4 621)
Net income/expense from other assets	(3)	(1 066)	(100%)	1 063
Earnings before tax	**245 405**	**314 321**	**(22%)**	**(68 916)**
Income tax	(12 810)	(10 372)	24%	(2 438)
Consolidated Net Income	**232 595**	**303 949**	**(23%)**	**(71 354)**
Non-controlling interests	17	42	(60%)	(25)
Net income Group share	232 578	303 907	(23%)	(71 329)

In a year marked by geopolitical conflicts and tensions coupled with uncertain economic perspectives and challenging markets, Societe Generale Luxembourg group confirmed the quality of its franchises and the positive impact of the 2019-2023 strategy on its operating performance.

Overall, revenue generation was strong, fueled by the dynamism of the franchises as well as the significant positive impact of interest rate surge; while costs remained contained in a context of ongoing investments pursued at a significant level.

The **Net Banking Income** amounted to EUR 808 million, up by 15% compared to 2021. Such growth was driven by the commercial dynamism of Corporate Banking and Cash Management, Private Banking as well as Securities Services activities boosted by interest rate surges observed in particular in EUR and USD, whereas revenues of Global Banking & Advisory and Global Market activities were down compared to last year on the back of overall less favorable market dynamics.

- The **Private Banking** activities recorded a strong revenue growth (+15% vs 2021) driven by the excellent momentum in client inflows despite volatile capital markets, the asset under management (AuMs) growth (+12% vs 2021) reaching EUR 33 billion at end 2022 (vs EUR 31 billion at end 2021), as well as the positive effect of ECB & FED monetary policies.
- **Securities Services** activities showed a healthy commercial momentum on its Fund Administration & Custody segments in terms of new business acquisition ; at end 2022, Assets under Administration (AuA) and Assets under Custody (AuC) reached respectively EUR 231 billion and EUR 160 billion. Overall, revenues were up by 17% compared to 2021, including the positive effect of interest rate surges.
- The **Corporate Banking & Cash Management** commercial activity was particularly dynamic in particular in the area of cash management services for private equity and real estate funds, confirming the high quality of services well recognized by historical as well as new clients. This trend, compounded with the surge of interest rates in EUR and USD, resulted in a revenue growth of +159% vs 2021.
- **Global Banking & Advisory** as well as Global Markets activities were impacted by economic uncertainties, a challenging market and financing environment resulting notably from the Russian / Ukrainian war and the surge in interest rates. This affected structured financing activities as well as the issuance of structured products. Overall, the NBI of such two activities dropped by 25% compared to 2021 levels.
- **Reinsurance** activity Net income has decreased in 2022 compared to 2021 mainly related to Societe Generale Ré being in run-off.

- Finally, the **Corporate Center** financial performance was also positively impacted by interest rates which resulted in an exceptional revenue in 2022 related to the positive mark-to-market of economic hedges.

In a continuing costs discipline model, Societe Generale Luxembourg group maintained its investment strategy to transform its IT and operating models to prepare the future of its business, and its investment strategy into first tier premises for its Luxembourg-based teams to be delivered in 2023, while being able to absorb inflation impacts. Overall, costs were stable compared to 2021 at EUR 429 million.

Essentially because of exceptional provisions on a few Russian counterparties (essentially structured financing facilities to Russian exporters), prudently reflecting the uncertainty of the new geopolitical paradigm with Russia, Net cost of risk amounted to a historical high level in 2022 at EUR 168 million, compared to a EUR 2 million provision reversal in 2021.

Overall, the Group's **Net Income** stood at EUR 233 million in 2022, compared to EUR 304 million in 2021.

3.2.2. Group results – Statement of financial position

ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in EUR thousand)	**12.31.2022**	**12.31.2021**	**Change in %**	**Change in value**
Cash, due from central banks	12 535 411	10 966 851	14%	1 568 560
Financial assets at fair value through profit or loss	982 165	1 240 582	(21%)	(258 417)
Hedging derivatives	217 206	5 625	3 761%	211 581
Financial assets at fair value through other comprehensive income	2 067 407	2 815 004	(27%)	(747 597)
Securities at amortised cost	9 291 435	8 051 597	15%	1 239 838
Due from banks at amortised cost	21 990 338	19 840 378	11%	2 149 960
Customer loans at amortised cost	19 965 886	22 817 851	(12%)	(2 851 965)
Investments of insurance activities	230 693	371 871	(38%)	(141 178)
Tax assets	5 321	1 560	241%	3 761
Other assets	365 960	481 959	(24%)	(115 999)
Investments accounted for using the equity method	93 125	108 560	(14%)	(15 435)
Tangible and intangible fixed assets and right-of-use assets	144 089	139 945	3%	4 144
Total	**67 889 036**	**66 841 783**	**2%**	**1 047 253**

As of December 31, 2022, the Group's statement of financial position amounted EUR 67,9 billion, increasing by EUR 1 billion compared to December 31, 2021.

Cash, due from central banks increased by EUR 1,6 billion (+14%) compared to December 31, 2021, and **Financial assets at fair value through other comprehensive income** decreased by EUR 0,7 billion (-27%) over the period.

Due from banks at amortized cost increased by of EUR 2,1 billion (+11%) compared to December 31, 2021, mainly due to an increase in SGSS activity.

Customers loans at amortized cost slightly decreased by EUR 2,9 billion (-12%) compared to December 31, 2021.

Other assets decreased by EUR 0,1 billion (- 24%) compared to December 31, 2021.

Tangible and intangible fixed assets slightly increased by EUR 4 million (+3%) compared to December 31, 2021.

LIABILITIES

(in EUR thousand)	12.31.2022	12.31.2021	Change in %	Change in value
Financial liabilities at fair value through profit or loss	399 349	450 051	(11%)	(50 702)
Hedging derivatives	16 003	98 483	(84%)	(82 480)
Debt securities issued	22 394	45 084	(50%)	(22 690)
Due to banks	21 543 080	24 147 288	(11%)	(2 604 208)
Customer deposits	41 283 263	38 006 508	9%	3 276 755
Tax liabilities	122 629	120 757	2%	1 872
Other liabilities	790 338	481 724	64%	308 614
Insurance contracts related liabilities	77 041	79 326	(3%)	(2 285)
Provisions	56 697	66 010	(14%)	(9 313)
Total liabilities	**64 310 794**	**63 495 231**	**1%**	**815 563**
Shareholders' equity				
Shareholders' equity, Group share				
Issued capital	1 389 043	1 389 043	0%	-
Reserves and retained earnings	1 923 582	1 606 797	20%	316 785
Net income	232 578	303 907	(23%)	(71 329)
Sub-total	**3 545 203**	**3 299 747**	**7%**	**245 456**
Unrealised or deferred gains and losses	32 932	46 695	(29%)	(13 763)
Sub-total equity, Group share	**3 578 135**	**3 346 442**	**7%**	**231 693**
Non-controlling interests	107	110	(3%)	(3)
Total equity	**3 578 242**	**3 346 552**	**7%**	**231 690**
TOTAL LIABILITIES AND EQUITY	**67 889 036**	**66 841 783**	**2%**	**1 047 253**

Customer deposits increased by EUR 3,3 billion (+9%) compared to December 31, 2021.

Financial liabilities at fair value through profit and loss decreased by EUR 50,7 billion (-11%) compared to December 31, 2021.

Due to banks decreased by EUR 2,6 billion (-11%) compared to December 31, 2021.

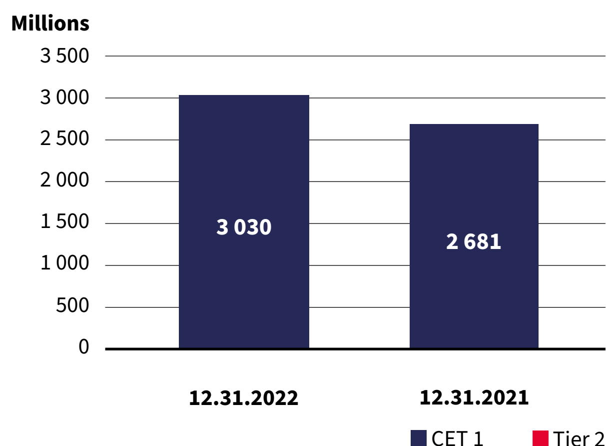
Debt securities issued decreased by EUR 22,7 million (- 50%) compared to December 31, 2021.

Other Liabilities increased by EUR 0,3 billion (+64%) compared to December 31, 2021.

Provisions decreased by EUR 9,3 million (-14%) compared to December 31, 2021.

Group shareholders' equity amounted to EUR 3,6 billion as of December 31, 2022, an increase of 7% compared to December 31, 2021. 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.

In 2022, the Group did not proceed with any buyback of its own shares. As of December 31, 2022, 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 3 030 million (2021: EUR 2 681 million);
- Tier II capital : EUR 8,34 million (2021 : nil).

3.4. POST CLOSING EVENTS

No significant event has been identified after the consolidated statement of financial position date.

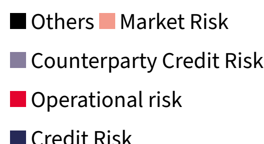
4. RISKS AND CAPITAL ADEQUACY

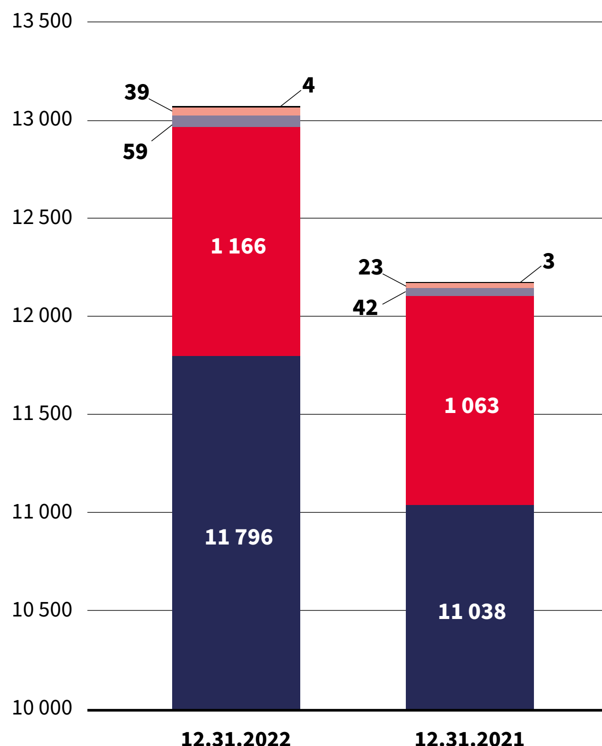
4.1. KEY FIGURES

4.1.1. Risk-Weighted Assets

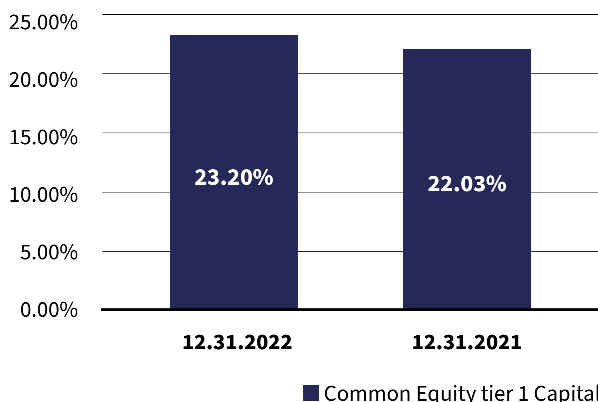
As at December, 31 2022, total Group Risk-Weighted Assets amounted to EUR 13 063 million (2021: EUR 12 169 million), composed of:

- EUR 11 855 million related to credit and counterparty credit risk (2021: EUR 11 080 million);
- EUR 1 166 million related to operational risk (2021: EUR 1 063 million);
- EUR 39 million related to market risk (2021: EUR 23 million);
- EUR 4 million related mainly to Credit Valuation Adjustment and Settlement risk (2021: EUR 3 million).





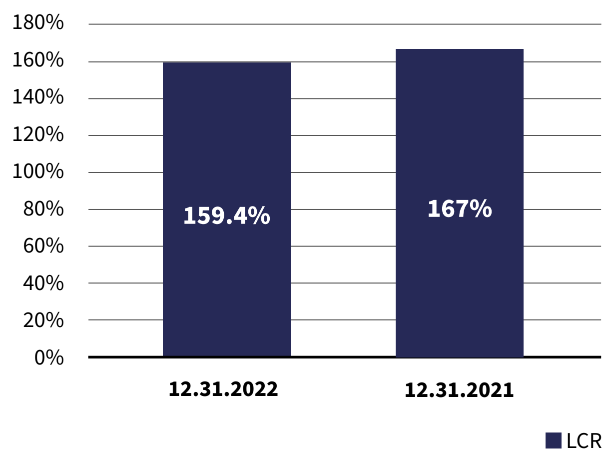
4.1.2. Capital ratios



As of December 31, 2022, the Group Common Equity Tier 1 ratio stood at 23.20% (2021: 22.03%) and the total capital ratio, including the Tier II Capital, at 23.26% (2021: 22.03%).

As of December 31, 2022, the Group capital ratios are significantly above minimum regulatory requirements.

4.1.3. Liquidity Coverage Ratio



As of December 31, 2022, the Group one-month Liquidity Coverage Ratio (LCR) stood at 159.4% (2021: 167%), 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 (other than 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

5.1. OUR ENGAGEMENT AS A CORPORATE

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 2022.

BE A RESPONSIBLE EMPLOYER

- Foster well-being at work :
  - launch of a package of training courses with themes adapted to each period of the year
  - launch of good practices on the right to disconnect, jointly with Staff Delegation
  - a leader in promotion work-from-home policies
  - pursue an innovative strategy to relocate our employees in two brand-new premises in Luxembourg in 2023
- Foster diversity: launch of a Diversity Committee with three main objectives:
  - Increase the proportion 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. Of note, the Group, which is a longstanding participant to the Diversity Day Lëtzebuerg, signed the Luxembourg Diversity Charter in 2013 and the Women in Finance Charter in March 2023.
  - 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 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, more than 10 years ago, to reduce its CO2 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 SuperDrecks-Këscht 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 COMMITMENT AS A GROUP

INTENSIFY SOCIALLY RESPONSIBLE INVESTMENTS

The Group is convinced that a strong environmental, social and governance (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 as part of Global Banking & Advisory activities include:

- Promoting SG Luxembourg as SG group’s main European positive impact financing hub: more than EUR 1,1 billion of assets already booked as at end of 2022 in sustainability linked loans and renewable energy finance with an ambition to grow to EUR 1,5 billion 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; and more globally, integrate natively the ESG dimension in the Group’s enterprise risk management framework and governance, in compliance with ECB requirements ;
- Train the stakeholders on this CSR dimension with general, as well as more specialized learning programs.

6. OUTLOOK

The uncertainty unleashed by the war in Ukraine continues to run rife and is fuelling supply chain disruptions in both goods and services, especially for energy and foodstuffs. In Europe, gas supply problems may continue even beyond 2023, with knock-on effects on electricity prices. A harsh winter and a decision by Russia to completely shut off the gas taps could make gas rationing a reality.

The coming quarters should see the remaining pandemic-related restrictions in China gradually lifted. Worldwide, the pandemic risk persists, however, necessitating investment in prevention and vaccines; but in emerging countries, this investment is likely to fall short of requirements, meaning that pandemic-related risks may continue to weigh on the global growth outlook.

Economic activity has slowed due to inflation and the resulting cost-of-living crisis, as well as economic policy tightening. Job markets and household savings are nonetheless holding up well in the more advanced economies, which should enable them to avoid slipping into deep recession. Technical recessions, on the other hand, are to be expected in both the US and Germany over 2023. We are likely to see a greater number of bankruptcy filings under the combined effects of the economic slowdown, tightening of financial conditions and higher debt levels.

Looking in 2023 and beyond, rising interest rates will hamper the recovery. Even after rates peak, the lag effects of monetary tightening will continue to feed through to the economy and the financial sphere. Financial conditions will also be affected by central banks continuing (the case of the Fed) or starting (the case of the ECB) to shrink their balance sheets.

Similarly, geopolitical divisions will remain a structural drag on global trade and capital flows.

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. We will also pursue 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.

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, 2022, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards ("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, 20 April 2023

Photo credit: Olivier Minaire

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, 2022, 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, 2022, 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 ("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 N° 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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, 2022, the gross amount of customer loans is EUR 20 203 million, and related impairments amount to EUR 238 million (see Note 3.6).

As at December 31, 2022, provisions relating to financing commitments amount to EUR 1 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:

- prepare, in an uncertain environment, macroeconomic projections which are embedded in the deterioration criteria and in the expected credit losses measurement;
- determine the loan classification criteria under stages 1, 2 or 3, taking account of the material increase in credit risk at loan portfolio level and the impact of measures to support the economy;
- estimate the amount of expected credit losses depending on the different stages;
- determine the adjustments to models and parameters, as well as the sector adjustments considered necessary to reflect the impact of economic scenarios on expected credit losses and anticipate the default or recovery cycle for certain sectors.

The qualitative information concerning in particular the recognition and procedure used to estimate ECL is mainly described in Note 1.5, Note 3.9 and Note 9.1 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 macro-economic forecasts are taken into account, particularly concerning the economic sectors and geographic areas most affected by the crisis;
- the assessment of individual ECL on defaulted loans and financing commitments (stage 3);
- the heightened difficulty to determine ECL during an uncertain geopolitical and economic situation with the sharp increase of interest rates.

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 geopolitical, sanitary and economic situation.

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, 2022, including the integration of macroeconomic projections with the support of economists from our firm;
- 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, 2022;
- 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, 2022, 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, 2022, SG Issuer S.A. ("SGIS") is accounted for using the equity method (see Note 2.3.2).

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, 2022.

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, 2022.

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.

The Board of Directors is also responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

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;

- Assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation;
- 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" by the Board of Directors on April 22, 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 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, included in the consolidated management report, is the responsibility of the Board of Directors. 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.

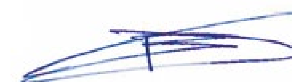
We have checked the compliance of the consolidated financial statements of the Group as at December 31, 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the consolidated financial statements. For the Group, it relates to:

- 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, 2022, identified as "Societe Generale Luxembourg S.A. consolidated financial statements 12312022 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



Dorian Rigaud

Luxembourg, April 27, 2023

IV. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

(in EUR thousand)	*Notes*	**12.31.2022**	**12.31.2021**
Cash, due from central banks	*3.1*	12 535 411	10 966 851
Financial assets at fair value through profit or loss	*3.2, 3.3 and 3.5*	982 165	1 240 582
Hedging derivatives	*3.3 and 3.5*	217 206	5 625
Financial assets at fair value through other comprehensive income	*3.4 and 3.5*	2 067 407	2 815 004
Securities at amortised cost	*3.6 and 9.1*	9 291 435	8 051 597
Due from banks at amortised cost	*3.6 and 9.1*	21 990 338	19 840 378
Customer loans at amortised cost	*3.6 and 9.1*	19 965 886	22 817 851
Investments of insurance activities	*4.3*	230 693	371 871
Tax assets	*6*	5 321	1 560
Other assets	*4.4*	365 960	481 959
Investments accounted for using the equity method		93 125	108 560
Tangible and intangible fixed assets and right-of-use assets	*8.4*	144 089	139 945
Total		**67 889 036**	**66 841 783**

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*	**12.31.2022**	**12.31.2021**
Financial liabilities at fair value through profit or loss	*3.2, 3.3 and 3.5*	399 349	450 051
Hedging derivatives	*3.3 and 3.5*	16 003	98 483
Debt securities issued	*3.7*	22 394	45 084
Due to banks	*3.7*	21 543 080	24 147 288
Customer deposits	*3.7*	41 283 263	38 006 508
Tax liabilities	*6*	122 629	120 757
Other liabilities	*4.4*	790 338	481 724
Insurance contracts related liabilities	*4.3*	77 041	79 326
Provisions	*8.3*	56 697	66 010
Total liabilities		**64 310 794**	**63 495 231**
Shareholders' equity			
Shareholders' equity, Group share			
Issued capital	*7.1*	1 389 043	1 389 043
Reserves, share premium and retained earnings	*7.1*	1 923 582	1 606 797
Net income	*7.1*	232 578	303 907
Sub-total		**3 545 203**	**3 299 747**
Unrealised or deferred gains and losses	*7.2*	32 932	46 695
Sub-total equity, Group share		**3 578 135**	**3 346 442**
Non-controlling interests	*2.3*	107	110
Total equity		**3 578 242**	**3 346 552**
Total liabilities and equity		**67 889 036**	**66 841 783**

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

3. CONSOLIDATED INCOME STATEMENT

(in EUR thousand)	*Notes*	**2022**	**2021**
Interest and similar income	*3.8*	961 747	555 316
Interest and similar expense	*3.8*	(551 756)	(227 706)
Fee income	*4.1*	426 726	445 349
Fee expense	*4.1*	(158 846)	(151 729)
Net gains and losses on financial transactions		113 202	49 093
o/w net gains and losses on financial instruments at fair value through profit or loss	*3.2 and 3.3*	*113 202*	*49 093*
o/w net gains and losses on financial instruments at fair value through other comprehensive income		-	-
o/w net gains and losses from the derecognition of financial assets at amortised cost		-	-
Net income of insurance activities	*4.3*	16 823	34 158
Income from other activities	*4.2*	6 050	8 186
Expenses from other activities	*4.2*	(6 089)	(8 987)
Net banking income		**807 857**	**703 680**
Personnel expenses	*5.1*	(211 350)	(208 519)
Other operating expenses	*8.2*	(178 867)	(176 773)
Amortisation, depreciation and impairment of tangible and intangible fixed assets and right-of-use assets	*8.4*	(38 518)	(44 251)
Gross operating income		**379 122**	**274 137**
Cost of risk	*3.9*	(168 298)	2 045
Operating income		**210 824**	**276 182**
Net income from investments accounted for using the equity method	*2.3*	34 584	39 205
Net income/expense from other assets		(3)	(1 066)
Earnings before tax		**245 405**	**314 321**
Income tax	*6*	(12 810)	(10 372)
Consolidated net income		**232 595**	**303 949**
Non-controlling interests	*2.3*	17	42
Net income, Group share		**232 578**	**303 907**

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*	**2022**	**2021**
Consolidated net income		**232 595**	**303 949**
Unrealised or deferred gains and losses that will be reclassified subsequently into income		**(10 476)**	**(5 012)**
Translation differences	*7.3*	(1 921)	(2 221)
Revaluation of debt instruments at fair value through other comprehensive income	*7.3*	(24 275)	(4 931)
Revaluation differences of the year		*157 084*	*75 800*
Reclassified into income		*(181 359)*	*(80 731)*
Revaluation of available-for-sale financial assets [1]	*4.3 and 7.3*	(26 901)	(8 828)
Revaluation differences of the year		*(26 198)*	*(2 919)*
Reclassified into income		*(703)*	*(5 909)*
Revaluation of hedging derivatives	*7.3*	52 336	13 835
Revaluation differences of the year		*52 336*	*13 835*
Reclassified into income		-	-
Unrealised gains and losses of entities accounted for using the equity method	*7.3*	(12 674)	(3 460)
Tax related	*7.3*	2 959	593
Unrealised or deferred gains and losses that will not be reclassified subsequently into income		**10 680**	**13 967**
Actuarial gains and losses on defined benefits plans	*7.1 and 7.3*	13 714	16 223
Unrealised gains and losses of entities accounted for using the equity method	*7.1 and 7.3*	-	-
Related tax	*7.1 and 7.3*	(3 034)	(2 256)
Total unrealised or deferred gains and losses		**204**	**8 955**
Net income and unrealised or deferred gains and losses		**232 799**	**312 904**
o/w Group share		*232 782*	*312 862*
o/w non-controlling interests	*2.3*	*17*	*42*

(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, 2021	**1 389 043**	**2 817**	**1 391 860**
Appropriation of net income	-	-	-
2021 dividends paid (see Note 7.2)	-	-	-
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**
Allocation to retained earnings	-	-	-
Shareholders' equity as at January 01, 2022	**1 389 043**	**2 817**	**1 391 860**
Appropriation of net income			
2022 dividends paid (see Note 7.2)	-	-	-
Effect of changes of the consolidation scope	-	-	-
Sub-total of changes linked to relations with shareholders	**-**	**-**	**-**
Change in unrealised or deferred gains and losses	-	-	-
2022 Net income	-	-	-
Change in accounting policy	-	-	-
Other changes	-	-	-
Sub-total	**-**	**-**	**-**
Shareholders' equity at December 31, 2022	**1 389 043**	**2 817**	**1 391 860**

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

		Unrealised gains and losses					
Retained earnings	Net income, Group share	that will be reclassified subsequently into income	that will not be reclassified subsequently into income	Total	Shareholders' equity, Group share	Non-controlling interests	Total consolidated shareholders equity
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**
-	-	-	-	-	-	-	**-**
(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**
317 874	(303 907)	-	(13 967)	(13 967)	-	-	**-**
1 921 854	**-**	**32 728**	**-**	**32 728**	**3 346 442**	**110**	**3 346 552**
-	-	-	-	-	-	(20)	**(20)**
-	-	-	-	-	-	-	**-**
-	**-**	**-**	**-**	**-**	**-**	***(20)***	***(20)***
-	-	(10 476)	10 680	204	204	-	**204**
-	232 578	-	-	-	232 578	17	**232 595**
-	-	-	-	-	-	-	**-**
(1 089)	-	-	-	-	(1 089)	-	**(1 089)**
(1 089)	***232 578***	***(10 476)***	***10 680***	***204***	***231 693***	***17***	***231 710***
1 920 765	**232 578**	**22 252**	**10 680**	**32 932**	**3 578 135**	**107**	**3 578 242**

6. CONSOLIDATED CASH FLOW STATEMENT

(in EUR thousand)	*Notes*	2022	2021
Consolidated net income (I)		**232 595**	**303 949**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	*8.4*	38 518	44 251
Depreciation and net allocation to provisions		145 787	(17 799)
Net income/loss from investments accounted for using the equity method		(34 584)	(39 205)
Change in deferred taxes	*6.1*	(11 718)	(43 103)
Net income from the sale of long-term assets and subsidiaries		-	-
Change in deferred income		7 030	(2 069)
Change in prepaid expense		(737)	1 258
Change in accrued income		8 655	(39 138)
Change in accrued expense		120 128	(774 626)
Other changes		58 210	205 974
Income tax paid		18 300	(47 109)
Non-cash items included in net income and others adjustments excluding income on financial instruments at fair value through profit or loss (II)		**349 588**	**(711 566)**
Income on financial instruments at fair value through profit or loss		81 477	111 085
Interbank transactions		(2 581 614)	(3 173 251)
Customers transactions		4 106 498	13 734 532
Transactions related to other financial assets and liabilities		1 057 915	114 054
Transactions related to other non financial assets and liabilities		(77 124)	(38 389)
Net increase/decrease in cash related to operating assets and liabilities (III)		**2 587 152**	**10 748 031**
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III)		**3 169 335**	**10 340 414**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments		(1 227 401)	(1 077 309)
Net cash inflow (outflow) related to tangible and intangible fixed assets		(43 115)	(31 475)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)		**(1 270 516)**	**(1 108 784)**
Dividend paid to equity holders of the parent	*7.2*	-	(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)		**1 898 819**	**8 952 630**
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 START OF THE YEAR		**20 449 974**	**11 497 344**
Cash due from central banks	*3.1*	12 535 411	10 966 851
Demand deposits and current accounts with banks	*3.6 and 3.7.1*	9 813 382	9 483 123
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**22 348 793**	**20 449 974**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS		**1 898 819**	**8 952 630**

Additonal information on operational cash flows from interest:

Interests paid	*3.8*	(450 567)	(232 608)
Interests received	*3.8*	892 050	558 077
Dividend received	*3.2*	90 231	139 547

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, 2022, 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 since January 2021 (former representation office opened in 2018 and transformed into a branch as at January 1, 2021).

These consolidated financial statements were approved by the Board of Directors of the Bank on April 20, 2023.

The official version of the accounts is the ESEF version available with the Officially Appointed Mechanism (OAM) tool.

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, 2022 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. IFRS 17 applies from January 1, 2023. On the same date, the Group subsidiaries operating in the insurance sector will apply IFRS 9 "Financial Instruments" for the first time.

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 publishes its consolidated financial statements as at December 31,2022, in European Single Electronic Format ("ESEF") format in accordance with European Regulation 2019/815 and modified by the delegated Regulation 2022/352.

PRESENTATION CURRENCY

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

Functional currency for SG Luxembourg and its subsidiaries 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, 2022 are as follows:

(in EUR thousand)	12.31.2022	12.31.2021
EUR1 =	USD 1,0666	USD 1,1326
EUR1 =	GBP 0,8869	GBP 0,8403
EUR1 =	CHF 0,9847	CHF 1,0331
EUR1 =	JPY 140,66	JPY 130,38

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS AT JANUARY 1, 2022

AMENDMENTS TO IAS 37 - "ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT"

These amendments clarify the costs be considered in order to assess whether a contract is onerous.

These amendments have no impact on the Group consolidated financial statements.

AMENDMENTS TO IAS 16 "PROPERTY, PLANT AND EQUIPMENT - PROCEEDS BEFORE INTENDED USE"

These amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds arising from selling items produced while bringing that asset to its operating location or preparing that asset for its intended use. The company must recognise such sales proceeds and related production cost in its profit or loss.

These amendments do not apply to the Group.

REFERENCE TO THE CONCEPTUAL FRAMEWORK – AMENDMENTS TO IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with the current version issued in March 2018 without significantly change its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations in order to avoid the issue of potential 'day 2' gains or losses, arising from liabilities and contingent liabilities (that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies), if incurred separately.

The exception requires entities to apply the criterias defined in IAS 37 or IFRIC 21, instead of the Conceptual Framework, in order to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 that aim to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments have no impact on the Group consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRS (2018-2020 CYCLE).

As part of the annual improvement to IFRS, the IASB published minor changes to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and IFRS 16 "Leases".

These changes have no significant impact on the Group financial statements.

AMENDMENTS TO IFRS 9 – FINANCIAL INSTRUMENTS ON INCLUSION OF FEES IN THE "10 PER CENT" TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

The amendment clarifies the fees to be considered in order to assess whether the terms of a new or modified financial liability are substantially different from the terms of the original one. These fees include only those paid or received between the borrower and the lender, including fees paid or received by them on other's behalf.

There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These changes have no significant impact on the Group financial statements.

FOLLOW-UP OF THE DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DATED 27 APRIL 2021 ON IAS 38

During its April 27, 2021 meeting, the IFRIC reiterated the accounting rules for a customer's costs of configuring or

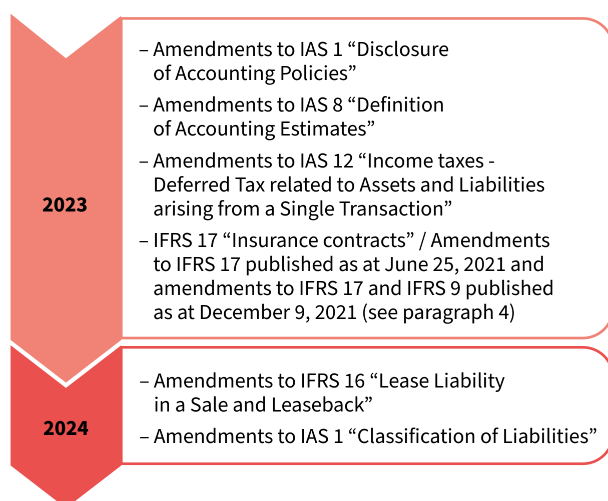
customizing the supplier's application in a 'Software as a Service' (SaaS) arrangement.

A study was conducted within the Group. The IFRS IC decision has no significant impact on the processing of the contracts existing as at December 31, 2022. The provisions of this decision will be applied in the Group to account for costs of configuring or customising any new application software in a SaaS arrangement.

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

The IASB published accounting standards and amendments, some of which have not been adopted by the European Union as at December 31, 2022. Their application is required for the financial years beginning on or after January 1, 2023 at the earliest or on the date of their adoption by the European Union. They have thus not been applied to the Group as at December 31, 2022.

The provisional application timeframe for the standards with the most impact on the Group is as follows :



AMENDMENTS TO IAS 1 "DISCLOSURE OF ACCOUNTING POLICIES" AND IFRS 2 PRACTICE STATEMENT

Adopted by the European Union on March 2, 2022.

The aim of these amendments is to help companies to improve the materiality of the information on accounting policies disclosed in the notes of the financial statements and the usefulness of that information for investors and financial statement readers. The amendments target to replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and to add guidance on how entities apply the concept of materiality in making decisions about accounting policies.

The impact analysis by the Group is ongoing on these amendments regarding the definition of material accounting policies.

AMENDMENTS TO IAS 8 "DEFINITION OF ACCOUNTING ESTIMATES"

Adopted by the European Union on March 2, 2022.

The aim of these amendments is to facilitate the distinguishing between changes in accounting policies and methods and changes in accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The Group will apply the amendments from January 1, 2023.

AMENDMENTS TO IAS 12 "INCOME TAXES" - DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

Adopted by the European Union on August 11, 2022.

These amendments clarify and narrow the scope of the exemption provided by the IAS 12 standard allowing institutions to not recognise any deferred tax during the initial recognition of an asset and a liability. Are excluded from the exemption scope all leases and decommissioning obligations for which companies recognise both an asset and a liability and will now have to recognise deferred taxes.

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

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the IASB expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

Since the date of first application of IFRS 16, the Group has been considering the rights of use and the lease-related debt as a single transaction. Consequently, on the initial recognition date, the amount of deferred tax asset offsets the amount of deferred tax liability. The net temporary differences resulting from later variations in the right of use and lease debt subsequently result in the recognition of a deferred tax.

This amendment has no impact on the Group's consolidated financial statements.

AMAMENDMENTS TO IAS 1 "CLASSIFICATION OF LIABILITIES"

Issued by the IASB on January 23, 2020.

On January 23, 2020 and October 2022, 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;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Disclosures.

The new guidance will be effective for annual periods starting on or after January 1, 2024.

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.

On November 23, 2021, the European Commission (EC) published in the Official Journal Regulation the regulation (EU) 2021/2036 of November 19, 2021 adopting IFRS 17 "Insurance contracts". This adoption included the possibility for European companies to not implement the requirement stated in the standard to group some insurance contracts by annual cohort for their measurement (see paragraph: "Grouping of contracts"); this exemption will be reassessed by the European Commission at the latest on December 31, 2027.

IFRS 17 applies from January 1, 2023. On the same date, the Group' subsidiaries operating in the insurance sector will apply IFRS 9 "Financial Instruments" for the first time; this application has been delayed as a result of the possibilities offered by the Amendments to IFRS 17 and to IFRS 4 issued by the IASB on June 25, 2020 and expanded by Regulations (EU) 2017/1988 and 2020/2097 of the European Commission.

On September 9, 2022, the European Union adopted the amendment to IFRS 17 published by the IASB on December 9, 2021 with the aim of improving the usefulness of the comparative information about financial assets presented on the initial application of IFRS 17 and IFRS 9.

The main consequences of the application of IFRS 17 are:

- the measurement of insurance contracts, materialised mainly as liabilities on the balance sheet: their value will be updated on each closing date based on a reestimate of the future cash flows related to their execution. This reestimate will take account, in particular, of market data in relation to financial elements and the behaviour of policyholders;
- the recognition of the margin: although the profitability of the insurance contracts remains unchanged, the pace of recognition in the income statement will be modified. Any expected profit will be deferred in the balance sheet and spread in the income statement over the coverage period of the insurance contracts. Conversely any expected loss will immediately be recognised in the income statement upon its initial recognition or in subsequent measurements;
- the presentation of the income statement: the operating expenses attributable to the execution of insurance contracts will hence be presented in reduction of the Net Banking Income as Insurance services expenses and will thus not impact the total operating expenses on the consolidated income statement anymore.

SCOPE OF THE CONTRACTS

The insurance contracts to which IFRS 17 applies, are the same ones to which IFRS 4 currently applies. These are the insurance contracts issued, the reinsurance contracts issued or held, as well as the investment contracts issued which include a discretionary participation feature provided they are issued by an entity which also issues insurance contracts. Like IFRS 4, IFRS 17 does not apply to the insurance contracts for which the Group is the insured beneficiary except for the contracts identified as reinsurance treaties.

GROUPING OF CONTRACTS

To assess the insurance contracts issued, IFRS 17 requires them to be grouped into homogeneous portfolios. Within these portfolios all contracts have to be exposed to similar risks and managed together.

In each portfolio, three groups of contracts shall be distinguished upon initial recognition: onerous contracts, contracts with no significant possibility of becoming subsequently onerous, and other contracts.

Furthermore, IFRS 17 states that each group of contracts has to be subdivided into annual cohorts (no more than twelve months interval between the dates of issue of the contracts). In the context of the adoption of IFRS 17, the European Commission offered to European companies the option not to apply this provision to the contracts with intergenerational mutualisation of the returns of the underlying assets in the countries where the Group markets insurance contracts.

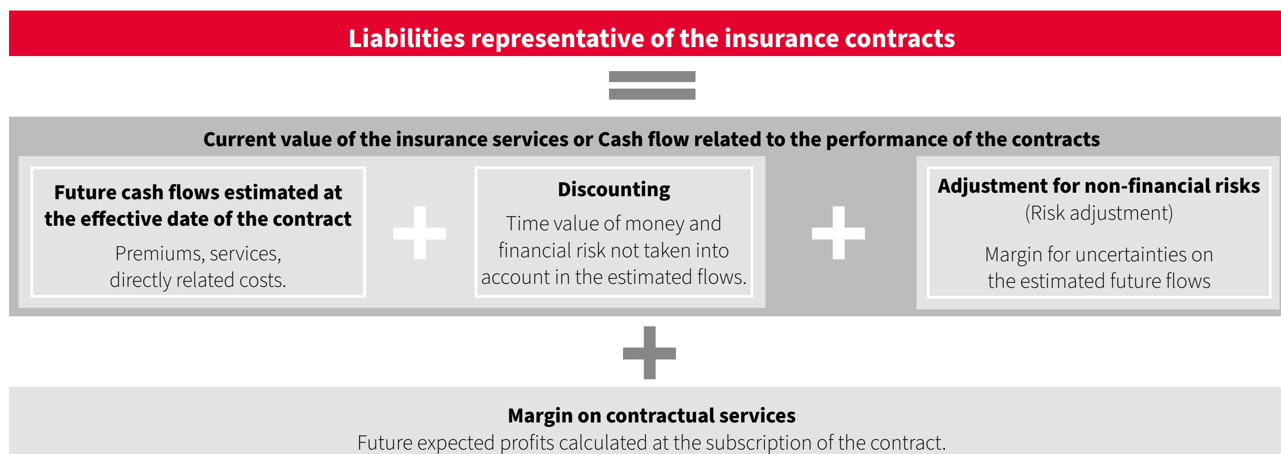
The Group will use this optional exemption for the life insurance contracts and pension savings contracts issued as they include direct or discretionary profit-sharing elements for which risks and cashflows are shared between different generations of policyholders. These life insurance contracts are also managed on an intergenerational basis in order to mitigate the exposure to interest rate and longevity risks.

MEASUREMENT MODELS

General Model applicable to the insurance contracts issued

Initial measurement

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



The contractual service margin (CSM) represents the unearned profit that the entity will recognise in the income statement as the insurance services are provided in the future. Its amount is determined at the time of initial recognition on the group of insurance contracts. Due to this, at that date, no income or expense is recorded, except in the particular case of groups of onerous contracts which loss, corresponding to the net expected cash outflow, has to be immediately recognised in profit or loss.

The yield curve used to discount the estimated future cash flows is determined through a bottom-up approach: this approach consists in adding to a risk-free yield curve (swap rate curve) an illiquidity premium to represent the differences in characteristics between liquid risk-free financial instruments and insurance contracts.

The adjustment for non-financial risk is determined from an approach by quantile based on a level of confidence of 90% for the Savings life insurance activity and 80% to 90% for the Protection activity. Accordingly, the calculation method of the adjustment for non-financial risk has not benefited from a diversification effect between these different insurance activities.

Subsequent measurement (excluding onerous contracts)

On each closing date, the carrying amount in the balance sheet of the group of contracts issued is remeasured. It is then equal to the sum of the following amounts:

- the liability for the remaining coverage, which encompasses the value of the fulfilment cash flows reestimated at that date (present value of the premiums receivable and of the cost of future insurance services over the remaining coverage period) and the contractual service margin reestimated at the same date as described above;
- the liability for incurred claims, for an amount equal to the present value of the estimated cash-flows necessary to settle the valid claims for past events.

On the same closing date, the amount of contractual service margin is reestimated for all contracts to take into account, of:

- the effect of the new contracts added to the group of contracts,
- the interest capitalised at the discount rate used to determine the initial margin value,
- the reestimate of the fulfilment cash flows (discounted value of the premiums receivable and of the cost of future insurance services on the remaining coverage period, excluding the estimated cashflows necessary to settle the valid claims for past events, that are measured separately).

To determine the amount of CSM for the time elapsed to be recognised in profit or loss for each IFRS 17 portfolio, it is necessary to define the coverage units. Coverage units correspond to the quantity of coverage provided by the contracts making up the group, taking account of the volume of services provided and of the expected coverage duration.

PROTECTION ACTIVITY

The Group will apply the General Model to measure its provident contracts. This approach will be applied on the reinsurance subsidiaries (Societe Generale Luxembourg Ré S.A. and Societe Generale Ré S.A.), as well as on credit insurance subsidiary (Societe Generale Luxembourg Credit Insurance S.A.).

For the Protection – provident activity, the insured value (for example the outstanding principal due in the context of a borrower contract) will be used to measure the quantity of service (or coverage units) provided or to be provided, with a view to allocate the CSM to the period net income.

General Model modified for the contracts with direct participation features (Variable Fee Approach)

To measure the insurance contracts issued with direct participation features, the General Model provided for IFRS 17 is adjusted to take into account the participation of policyholders to the returns on investments underlying the contracts.

This approach, known as the Variable Fee Approach (VFA), has to be used to measure the groups of insurance contracts for which:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items;
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Eligibility to this measurement model is analysed on the issuance date of the contracts and may subsequently be reassessed only in case of modification of said contracts.

The major modifications to the General Model concern:

- the portion of changes in the fair value of the underlying investments that is due to the insurer. At each closing date, this portion of changes during the period is incorporated into the contractual service margin in order to be recognised in profit or loss over the remaining coverage period provided for by the contracts;
- the interest on the contractual service margin whose changes are implicit in the periodic review of the contractual service margin.

SAVINGS LIFE INSURANCE ACTIVITIES

SG group has established that almost all the savings life insurance contracts issued by its insurance subsidiaries meet the definition of contracts with direct participation. These contracts, related to Sogelife business activity, will be assessed using the General Model adjusted for the Variable Fee Approach (VFA).

For the savings life insurance activity, the quantity of service (or coverage units) used to allocate the CSM to net income will be determined based on the stocks of future cash flows estimated over the period and at future periods. An adjustment will be made with a view to correct the socalled bow wave effect, using the financial performance expected over the forecast period.

Simplified approach (Premium Allocation Approach)

The standard also allows, under some conditions, the application of a simplified approach to contracts with an insurance coverage period lower or equal to 12 months or for which the measurement of the liability for remaining coverage of the group resulting from the application of this simplified method will not differ significantly from the measurement resulting from the application of the general model.

The premiums receivable during the contractual insurance period are recognised in profit on a straight-line basis over this contractual period (or according to the expected pattern of release of risk even if this pattern vastly differs from a straight-line pattern).

As in the General Model, claims are provisioned upon their occurrence through a profit or loss account for an amount equal to the estimated value of the cash flows necessary to settle the valid claims (it is however not necessary, in order to account for the time value of money, to discount the amount of indemnification if its payment is expected within one year after the date of the claim).

PROTECTION ACTIVITY

The Group has no activity for which the simplified approach (Premium Allocation Approach) is eligible.

PRESENTATION OF THE FINANCIAL PERFORMANCE

On the consolidated income statement, the income and expenses relating to the insurance contracts issued and the reinsurance contracts will be presented under Net banking income, distinguishing between, on one side:

- the income from the insurance and reinsurance contracts issued,
- the service expenses 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 service expenses relating to the insurance and reinsurance contracts issued as well as the expenses relating to the reinsurance contracts held will then include the share of operating expenses directly attributable to the fulfilment of the contracts which will then be deducted from the Net banking income.

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

The execution cash flows and the contractual service margin are recognised on a discounted basis that reflects the cash flow schedule.

For the insurance contracts issued, the impact of the time value of money decreases over time and this decrease is reflected in the comprehensive income statement as an insurance financial expense. To put it simply, insurance financial expenses are

similar to the interest paid on an early payment and reflect the fact that subscribers usually pay premiums from the start and receive services only at a later date.

The insurance financial expenses or income also include the impact on the carrying amount of insurance contracts of some changes in financial assumptions (i.e., the discounting rate and other financial variables)

The impacts of these changes in the discounting rate and other financial variables are recognised in the period when the changes occur.

The Group has chosen, as allowed in the standard, to break these impacts down in net income and equity for all of its groups of contracts. This choice allows the alignment of the accounting treatment of the contract portfolios with the accounting treatment of the assets held as coverage.

Application of IFRS 17

The initial application of IFRS 17 as at January 1, 2023 will be retrospective and the comparative data of 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 in equity.

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

- either a modified retrospective approach that will provide, based on reasonable information available at no cost or undue effort, 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 contracts portfolios as at January 1, 2022.

The assessment of the insurance contracts made on a current basis, taking into account the time value of money and the financial risks relating to future cash flows, will require the review of the modalities to measure some assets backing the contracts with a view of removing the possible accounting mismatch.

From the initial application of IFRS 17, the Group will measure at fair value the investment properties held by insurance companies regarded as backing the insurance contracts issued.

Transitioning to IFRS 17 requires including in the assessment of the insurance contracts the administrative costs (personnel expenses, amortisation expenses for fixed assets …) directly attributable to the fulfilment of contracts and present them as Insurance services expenses in the Net banking income.

The Group's insurance entities will systematically identify in the fulfilment cash flows of their contracts the amount of administrative costs they expect to bear. These administrative costs will be presented under the "Insurance services expenses in the Net banking income" item. Consequently, the administrative costs presented by nature on the income statement will be reduced by the amounts allocated to the fulfilment of the insurance contracts.

Application of the IFRS 9 by the Group's insurance entities

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

For the sake of consistency with the IFRS 17 transition arrangements, and in order to provide more relevant and useful information, the Group will restate the comparative data of the 2022 financial year relating to the relevant financial instruments of its insurance entities (including the financial instruments derecognised during the 2022 financial year).

Following the retrospective application of IFRS 9 as at January 1, 2022, differences resulting mainly from the measurement of the financial assets and liabilities concerned and of the impairment for credit risk will be recognised directly in equity.

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

- basic financial instruments – the cash flows of which correspond solely to repayments of principal and payment of interest on the principal due – (see Note 4.3.2)
  - held within a "Collect and sell" business model: these instruments, which correspond to investments negotiated in relation to the management of insurance contracts, will be reclassified as Financial assets at fair value through equity.
  - held within a "Collect" business model: these instruments, primarily held for the reinvestment of own funds, will be reclassified as Financial assets at amortised cost;
- non-basic financial instruments: these instruments will be reclassified as Financial assets at fair value through Profit or Loss. The unrealised Gains and losses recognised directly in equity will be reclassified under Retained earnings (with no impact on the Group's equity).

Owing to the credit quality of the assets held (see Note 4.3.4), the application of the IFRS 9 provisions to the recognition of expected credit losses should only result in a limited increase in their impairment.

Impacts on the Group's financial statements of the application of IFRS 17 and IFRS 9 by insurance entities

The retrospective application of IFRS 17 and IFRS 9 by the Group's insurance entities as at January 1, 2022 (transition date), results in a EUR 11 million decrease in the Group's consolidated equity and in the recording of a differed contractual service margin for EUR 77 million as liabilities on the balance sheet.

ORGANISATION OF THE IFRS 17 IMPLEMENTATION PROGRAMME

A project structure has been set up at the level of the Societe Generale group under the joint governance of the Societe Generale group's Finance Division and the Insurance Business Line.

SG Ré, SG Luxembourg Ré and Sogelife were included in this project structure.

With a view to implement IFRS 9 and IFRS 17 in the Group's insurance entities, this governance is articulated around the following main themes:

- accounting treatments and calculation models;
- presentation in the Financial statements, Notes and financial communication;
- adaptation of the closing process, selection and deployment at SG group level of the IT solution to support local accounting treatment.

The work processes were organized in time phases:

- 2019/2020: Review of the contract types, analysis of the accounting treatment under IFRS 17 and disclosures requirements and examination of solutions for information systems and processes.
- 2021: Implementation of new processes and the approval and deployment of the IT solution.
- 2022: Continuation of preparatory work with the validation of the tools and processes, finalisation of the accounting treatments and calculation models and the production (testing phase) of the opening data as at January 1, 2022 and of the comparative information on 2022 financial year.

AMENDMENTS TO IFRS 16 "LEASE LIABILITY IN A SALE AND LEASEBACK"

Published on September 22, 2022.

These amendments clarify the subsequent assessment of sale and leaseback transactions when the initial transfer of the property, plant or equipment meets the criteria of IFRS 15 for recognition as a sale. These amendments specify in particular how to subsequently assess the lease liability resulting from this sale and leaseback transactions, made of payments of variable leases that do not depend on an index or a rate.

The impact of these amendments is currently being analysed.

4. USE OF ESTIMATES AND JUDGMENTS

To prepare the Group's consolidated financial statements, in application of the accounting principles described in the Notes, the Board of Directors makes assumptions and estimates that may have an impact on the amounts recognised in the income statement as Unrealised or deferred capital gains and losses, on the valuation of assets and liabilities in the balance sheet, and on the information disclosed in the related notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Board of Directors uses the information available at the date of preparation of the consolidated financial statements and may exercise its judgment. Valuations based on estimates innately involve risks and uncertainties relating to their occurrence in the future. Consequently, the actual future results may differ from these estimates and have a significant impact on the financial statements.

The assumptions and estimates made for the preparation of these consolidated financial statements take into account the uncertainties about the economic consequences of the war in Ukraine. Those that remain with regard to the Covid-19 pandemic, as well as of the current macroeconomic conditions. The effects of these events on the assumptions and estimates used are specified in the 6th paragraph of this Note.

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:

- the fair value in the balance sheet of financial instruments not listed on an active market which are recognised as Financial assets and liabilities at fair value through profit or loss, Hedging derivatives, Financial assets at fair value through other comprehensive income or Investments of insurance companies (described in Notes 3.2, 3.3, 3.4, 3.5 and 4.3), as well as the fair value of the instruments measured at amortised cost for which this information must be disclosed in the Notes to the financial statements;
- the impairment and provisions for credit risk related to financial assets measured at amortised cost or at fair value through other comprehensive income and loan commitments and guarantee commitments granted measured using models or internal assumptions based on historical, current and prospective data (see Note 3.9, 8.3 and 9). The use of estimates and judgment relates in particular to the assessment of the deterioration in credit risk observed since the initial recognition of financial assets and the measurement of the amount of expected credit losses on these same financial assets;
- the provisions recorded under liabilities on the balance sheet, the underwriting reserves of insurance companies and the deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);
- the tax assets and liabilities recognised on balance sheet (see Note 6);
- the analysis of the characteristics of the contractual cash flows of financial assets (see Note 3);

- the assessment of control for the determination of the scope of consolidated entities, especially with regard to structured entities (see Note 2).

CLIMATE RISK

In line with the Societe Generale group approach, Societe Generale Luxembourg group continues its work to gradually integrate climate risks in the preparation of its consolidated accounts. Climate change-related risks are not a new risk category but rather an aggravating factor for categories already covered by the Societe Generale group's risk management system. In this regard, the impact of transitional risk on the credit risk of the corporate customers remains the primary climate risk for the Societe Generale group and its subsidiaries.

In addition, the Societe Generale group analyses the provisions of the draft ESRS (European Sustainability Reporting Standards) prepared and subjected to public consultation by the EFRAG (European Financial Reporting Advisory Group), in particular those relating to connectivity between these future disclosure requirements and the presentation of consolidated financial statements.

5. CRISES : COVID-19 AND WAR IN UKRAINE

The lifting of the Covid-19-related restrictions in several major economies has supported economic activity even if the lockdowns in Mainland China have hampered it.

However, 2022 has been marked by the war in Ukraine. The conflict, with its loss of human lifes and the suffering caused, significant economic costs and is accompanied by a very high degree of uncertainty.

In the euro area, the supply difficulties, the increase in energy costs, the decline in purchasing power together with high inflation and the tightening of economic policies are the main bottlenecks to growth. If pandemic-related risks have decreased significantly in the short-term, the strong uncertainties related to the war in Ukraine jeopardise these prospects and a more pronounced slowdown is anticipated in 2023.

Furthermore, the Societe Generale group announced in April 2022, the cessation of its banking and insurance business in Russia. In May 2022, the Societe Generale group completed the sale of Rosbank and its insurance subsidiaries in Russia.

In this context, the Societe Generale group has updated the macroeconomic scenarios selected to prepare the consolidated financial statements and has continued to apply certain adjustments to its models.

MACROECONOMIC SCENARIOS

SG Luxembourg group approach relies on the Societe Generale group's modelizations for macroeconomic scenario 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.

As of December 31, 2022, the Societe Generale group has selected three scenarios to factor in the uncertainties relating to the war in Ukraine, the ongoing Covid-19 pandemic and the current macroeconomic context. The SG Extended scenario, built specifically in the context of the sanitary crisis, has become obsolete owing to the evolution and to the management of the crisis during 2022.

The assumptions selected to draw up the scenarios are listed below:

- The central scenario (SG Central) simulates a sharp economic slowdown in 2023, and only a modest rebound in 2024 growth. In 2023, inflation will remain high, close to 5.5% before dropping below 3% in 2024 and returning to target in the midterm. The ECB will continue tightening its monetary policy in the short term; but a possible easing might start at the end of 2023.
- The favourable scenario (SG Favourable) describes an accelerated economic growth compared to the trajectory projected in the central scenario. This growth may result from improved supply conditions owing to a positive shock on productivity or from unexpectedly improved demand conditions (situation observed in several economies in 2021/2022 following releases from lock-downs). In both cases, stronger growth will have a positive impact on employment and/or the profitability of companies.
- The stressed scenario (SG Stress) corresponds to a crisis situation leading to a negative deviation in Gross Domestic Product (GDP hereafter) compared to the central scenario. This scenario may result from a financial crisis (2008 crisis, Euro area crisis…), an exogenous crisis (Covid-19-like pandemic) or a combination of both.

These scenarios are developed by Societe Generale Economic and Sector Research for all the entities of the Societe Generale group based on the information published by the statistical institutes in each country.

Forecasts from institutions (IMF, Global Bank, ECB, OECD…) and the consensus among market economists serve as a reference to challenge the Group's forecasts in order to ensure the relevance and consistency of the thus-constructed scenarios.

The scenarios provided by the Societe Generale group economists are incorporated into the credit loss provisioning models over a three-year horizon, followed by a two-year period to gradually return by the fifth year 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 macroeconomic scenarios are updated to account for the uncertainties about the economic consequences of the war in Ukraine and the remaining uncertainties regarding the Covid-19 pandemic.

VARIABLES

The GDP growth rate, the profit margin of businesses in France, the unemployment rates, the inflation rate in France and the yield on France 10-year government bonds are the main variables used in the expected credit losses valuation models.

The variables with the stronger impact on the determination of expected credit losses (GDP growth percentage for the major countries in which the Group operates and profit margin of businesses in France) for each scenario are detailed hereinafter:

(in percentage %)

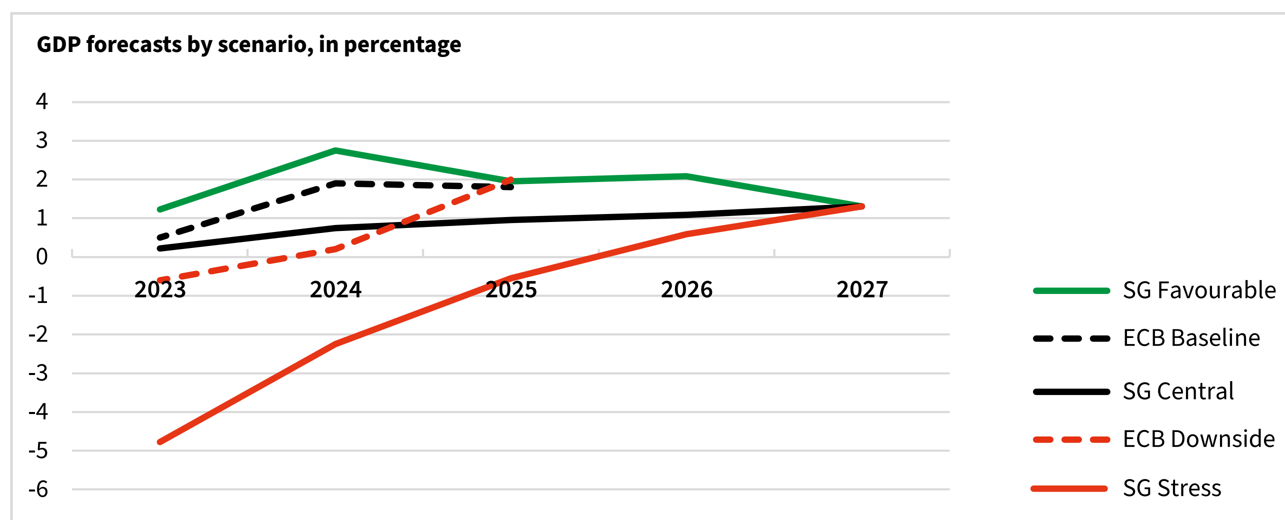
SG Favourable scenario (%)	2023	2024	2025	2026	2027
France GDP	1.5	2.8	2.0	2.1	1.3
Profit margin of French companies	32.7	32.7	32.9	32.9	32.3
Euro area GDP	1.2	2.7	2.0	2.1	1.3
United States GDP	1.0	2.6	2.8	2.8	2.3
China GDP	5.5	6.3	5.1	5.2	4.4

SG Central scenario (%)	2023	2024	2025	2026	2027
France GDP	0.5	0.8	1.0	1.1	1.3
Profit margin of French companies	32.1	32.4	32.4	32.4	32.3
Euro area GDP	0.2	0.7	1.0	1.1	1.3
United States GDP	0.0	0.6	1.8	1.8	2.3
China GDP	4.5	4.3	4.1	4.2	4.4

SG Stress scenario (%)	2023	2024	2025	2026	2027
France GDP	(4.5)	(2.2)	(0.5)	0.6	1.3
Profit margin of French companies	29.9	30.2	30.2	30.2	32.3
Euro area GDP	(4.8)	(2.3)	(0.5)	0.6	1.3
United States GDP	(5.0)	(2.4)	0.3	1.3	2.3
China GDP	(0.5)	1.3	2.6	3.7	4.4

These simulations assume that the historical relationships between the key economic variables and the risk parameters remain unchanged. In practice, these correlations may be impacted by geopolitical or climatic events, changes in behaviour, legal environment or granting policy.

The illustration below compares the GDP forecasts in the euro area used by the Societe Generale group for each scenario with the scenarios published by the ECB in December 2022.



WEIGHTING OF THE MACROECONOMIC SCENARIOS

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

In order to better account for a possible reversal of the cycle, the Societe Generale group applies a methodology for weighting scenarios and assigns a higher weight to the Central scenario when the economy is depressed. Conversely, the methodology provides for a higher weight to be assigned to the SG Stress scenario when the economy moves towards the peak of the cycle. Accordingly, the weighting applied to the Central scenario is set at 60% as of December 31, 2022 in relation to the cancellation of the SG Extended scenario.

Presentation of the changes in weightings:

	December 31, 2022	June 30, 2022	December 31, 2021
SG Central	60%	60%	50%
SG Extended	NA	NA	10%
SG Stress	30%	30%	30%
SG Favourable	10%	10%	10%

UPDATE AND ADJUSTMENTS TO TAKE INTO ACCOUNT UNCERTAINTIES: WAR IN UKRAINE, COVID-19 AND ECONOMIC CONSEQUENCES

To take into account the uncertainties relating to the Covid-19 crisis, the Societe Generale group updated as of December 31, 2022 the model and post-model adjustments set out since the beginning of the health crisis in line with 2021.

In 2022, the Societe Generale group reviewed the parameters used in the models on the basis of the new macroeconomic scenarios taking into account the specific conditions created by the war in Ukraine.

The impacts of the adjustments to models and post-models on the determination of expected credit losses are described hereinafter.

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

GDP adjustment

The containment measures taken by governments in the context of the Covid-19 crisis resulted in a sudden decline in economic activity reflected in high volatility in quarterly GDP growth rates (year-on-year) in the 2021 and 2022 forecasts in the countries where the Societe Generale group operates.

In order to account for this time-lag, Societe Generale revised its models in 2020, using, for each quarter between 2020 and 2022, an average of the changes in GDP over the last eight quarters compared to a base of 100 in 2019. This adjustment has not been used to determine the GDP rates for 2023 to 2026.

As of December 31, 2022, the GDP rates used in the models have been determined as follows:

- For each quarter of 2022, Societe Generale has used in its models an average of the changes in GDP over the last eight quarters compared to a base of 100 in 2019. This adjustment has been applied to each of the three scenarios (SG Favourable, SG Central and SG Stress) for the GDP series used in the modelling of expected credit losses.
- The data displayed for 2022 in the table below correspond to the weighted average of the GDP growth rates of the three scenarios, adjusted as described above.
- The data displayed for the years 2023 to 2026 in the table below correspond to the weighted average of the GDP growth rates of the three scenarios.

	2022	2023	2024	2025	2026
Euro area	(1,4)	(1,2)	0	0,6	1,0
France	(1,8)	(0,9)	0,1	0,6	1,0
United States of America	0,9	(1,4)	(0,1)	1,4	1,8
China	3,0	3,1	3,6	3,7	4,2

ADJUSTMENTS SUPPLEMENTING THE APPLICATION OF MODELS

Sectoral 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 of some sectors (with no impact on the classification of loans); the second, implemented since 2020 in relation with Covid-19 crisis, supplements the analysis of the increase in credit risk and may lead to additional transfers to Stage 2.

Estimate of the expected credit losses

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 some cyclical sectors that have known peaks of default in the past or that are particularly vulnerable to the current crisis and for which Societe Generale group exposure exceeds a threshold is reviewed yearly by the Risk division.

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

The main sectors impacted are the commercial realestate sector, as well as leisure, oil and gas, cruise operators and airline sectors.

The total sectoral adjustments amount to EUR 2,2 million as of December 31, 2022.

These specific adjustments aim to take into account the impact of the commodities supply issues resulting from the war in

Ukraine as well as the impact of a lasting stagflation on the most exposed sectors.

Additional criterion of transfer to stage 2

Since 2020 and the onset of the Covid-19 crisis, to supplement the criteria for the transfer to underperforming loans classified as Stage 2 applied at an individual level, an additional expert analysis on the outstanding portfolios for which the increase in credit risk has been deemed significantly since their granting had been conducted at the end of the year.

The subsequent productions are not affected by these provisions. As a result of this analysis, conducted half-yearly and in line with the governance set up during the Covid-19 crisis, additional transfers have been made to Stage 2 underperforming loans for all the outstanding loans granted prior to COVID crisis of the sectors considered by Societe Generale as the most affected.

As of December 31, 2022, the remaining affected sectors are Naval, aeronautical & railway construction, air and space transport, hotels, catering and leisure. For the concerned outstanding loans, in addition to these transfers to Stage 2, the provision has been estimated taking account of the sectoral adjustments (described above) that might have been applied.

OTHER CREDIT RISK ADJUSTMENTS RELATED TO THE WAR IN UKRAINE

ADDITIONAL CRITERION OF TRANSFER TO STAGE 2

On Corporate and Investment banking perimeter, the exposures to Russian counterparties have been transferred in stage 2.

On Private Banking perimeter, exposures to Russian clients have been transferred in stage 2 on a case-by-case basis.

ADDITIONAL CRITERION OF TRANSFER TO STAGE 3

On Corporate and Investment banking perimeter, in relation to the war in Ukraine, by precautionary principle, Societe Generale Luxembourg transferred in Stage 3, the Russian counterparties which have a sanctioned Ultimate Beneficial Owner (UBO) owning a participation upper to 50%.

On Private Banking perimeter, the Russian sanctioned clients have been transferred in Stage 3.

SPECIFIC ADJUSTMENTS

For Russian Investment banking clients, a specific adjustment has been computed based on multi-scenarios approach.

- **Business as usual scenario** (probable to 35%): PD and LGD remain unchanged.
- **Intermediate scenario** (probable to 40%): deepening of the crisis. The average rating of the portfolio decreases to 7. LGDs are downgraded, especially as financing is less secure. To date, this scenario is considered the most likely.
- **Extreme scenario** (probable to 25%): default by all counterparties. LGD downgraded, as in the intermediate scenario. This scenario is still considered to have a lower probability.

On Corporate and Investment banking perimeter, this overlay, impacting stage 2, is related to the increase of credit risk on Russian counterparties portfolio offshore exposures to take into account the specific risk linked to the current geopolitical situation.

On Private Banking perimeter, the Societe Generale group decided to provide a specific adjustment to consider the specific risk on the offshore credit portfolio to Russian clients (out of sanctioned or restricted PEP counterparties). This overlay impacted stage 1 as the Private banking exposures have a very good level of collateralization.

The total specific adjustments amount to EUR 109 million as at December 31, 2022.

IMPACTS ON CREDIT EXPOSURES

The tables below present the exposures (measured at amortised cost) booked by the Societe Generale Luxembourg group entities on Russian counterparties and clients (nationality and/or tax residence).

- **GLBA perimeter - corporate exposures**

(In EUR million)	12.31.2022 Gross outstanding	 Net outstanding*
Russia clients exposures	676	396

* The net outstanding column does not take into account the exposures covered by a specific credit insurance.

- **Private banking perimeter - retail exposures**

(In EUR million)	12.31.2022 EAD
Russia clients exposures	513
of which restricted clients*	47

*The restricted clients correspond to clients with Russian nationality and tax residence out of EU.

All the exposures related to corporates counterparties (726 million euros) have been classified as “sensitive” and transferred in Stage 2 and for 2 counterparties in Stage 3.

On the Private Banking perimeter, as the exposures are fully collateralized by real estate or financial collaterals, a case-by-case analysis has been performed to identify “sensitive” counterparties.

CALCULATION OF EXPECTED CREDIT LOSSES

The main evolutions that occurred over the year are the following at SG Luxembourg group level:

- The credit risk adjustments related to the war in Ukraine on Russian deals on Corporate and Investment Banking and Private banking perimeters;
- The expected credit losses model update to materialise the impact of the macroeconomic scenarios described above;

- The sectoral adjustment update on Corporate Banking perimeter to take into account the strong uncertainties related to the war in Ukraine.

Based on the scenarios and weightings mentioned above, and after taking into account the methodological adjustments, the calculation of expected credit losses led SG Luxembourg group to record a Net Cost of Risk of EUR 168,3 million as of December 31, 2022.

The sharp increase of interest rates had no significant impact on the Group's net cost of risk as of December 31, 2022.

SG Luxembourg group cost of risk as at December 31, 2022 split by business lines:

(in EUR million)	2022 NCR		
Business line	**Stage 1 & Stage 2**	**Stage 3**	**Global**
Private Banking	6,52	13,81	20,33
Securities services	0,03	-	0,03
Corporate and Investment Banking	128,6	19,88	148,48
Corporate center	(0,54)	-	(0,54)
SG Luxembourg group	**134,61**	**33,69**	**168,3**

COVID-19 SUPPORT MEASURES

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

The terms of the moratoriums granted by the Group to its clients is different 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 (principal and interests), with interests on the deferral charged only on the principal. During 2021, these moratoriums have been 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 deferment for SGPB Monaco, not charged for SGPB Switzerland).

As of December 31, 2022, the approved moratoriums amount a total commitment of EUR 28 million regarding 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 a classification as forbearance or in default of these loans. Given the low number of moratoriums, the loss relating to the moratoriums recorded in the interest margin amounts is non-material for Societe Generale Luxembourg group.

As recommended by the prudential and supervisory authorities and repeated over by the IASB in a press release of the March 27, 2020, the granting of moratoriums directly related to the cash flow difficulties generated by the occurrence of the Covid-19 crisis did not lead to the automatic transfer of these credit outstanding's neither into Stage 2, nor into Stage 3. A case-by-case analysis was conducted on the most significant exposures and on those with increased risks particularly due to their antecrisis 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.

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 were presented in 2021 financial statements and remaining impact is on USD contracts due to migration in June 2023.

MIGRATION OF THE CONTRACTS WITH AN IBOR INDEX – PHASE 2

The interest rate benchmark reform, in phase 2, aims to replace 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. In 2022, the Group transitioned the contracts referencing GBP LIBOR in preparation for cessation of the synthetic index by end March 2023 for terms one and six months and end March 2023 for term three months. This transition impacted 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.

As at end of December 2022, the Group remaining agreements to transition are the contracts with index GBP LIBOR term three months and USD LIBOR (cessation scheduled for end June 2023).

The Societe Generale group has initiated the migration of its stock of operations indexed on USD LIBOR and USD LIBOR ICE SWAP RATE aiming to finalise it by June 2023.

To perform this, the Group interacts with its customers to offer a transition to alternative solutions.

The Group’s customers most impacted by the transition of their contracts are, primarily, customers of the investment banking and financing and advisory activities.

The identification of those contracts and the strategy for transitioning the transactions indexed on USD LIBOR have been finalized for all products:

- loans and credit lines are migrated mostly through a bilateral negotiation, and so are the related hedging instruments, in order to maintain their effectiveness.
- the migration of interest rate derivatives is scheduled to be implemented in large part in the first half of 2023, in line with the key milestones set by the clearing houses or by the activation of fallback clauses (ISDA Protocol to which Societe Generale has been adhering since 2020, in particular for USD LIBOR). However, some derivatives contracts are renegotiated bilaterally; lastly
- current accounts and other similar cash products are migrated through an update of their general conditions.

The operational migration of the contracts referencing the USD LIBOR makes use of the processes and tools already developed for the migration of the contracts referencing IBOR interest rates ending at end 2021, as well as of the experience gained. The clearing houses’ transition plan is known in advance and based on the experience gained from previous migrations.

Risks associated with the benchmark rate reform

The risks related to the IBOR reform are now mainly limited to USD LIBOR for the period running until June 2023. They are managed and monitored within the governance framework dedicated to the IBOR transition. They have been identified as follows:

- program governance and execution risk, liable to cause delays and loss of opportunities, is monitored as part of the work of regular committees and arbitration bodies;
- legal documentation risk, liable to lead to post-transition litigations, is managed through fallback clauses inserted in the contracts depending on the availability of market standards;
- market risk, with the creation of a basis risk between the rate curves associated with the different indexes, is closely monitored and supervised;
- operational risks in the execution of the migration of transactions depend in particular on the willingness and preparedness of our counterparties, the volume of transactions to be migrated and their spread over time;
- regulatory risk is managed according to the Group guidelines in line with the recommendations of the regulators and working groups on the LIBOR transition;
- conduct risk, related to the end of LIBOR, is notably managed through:
  - specific guidelines on the appropriate conduct detailed by business line;
  - training of the teams;
  - communications to customers (conferences, events, bilateral discussions in particular with the less informed customers) are organised on the transition-related risks, the alternative solutions that may be implemented, and on how they might be affected.

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.

(In EUR thousand)		2022		
		Outstanding principal		Notional
Current interest rate benchmark[(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**
Indices whose listing ends on 12/31/2021 – Exposures as at December 31, 2022		1 523	-	-
EONIA - Euro OverNight Index Average	Euro Short-Term Rate (€STR)	-	-	-
LIBOR - London Interbank Offered Rate – GBP	Reformed Sterling Overnight IndexAverage (SONIA)	-	-	-
LIBOR - London Interbank Offered Rate - CHF	Swiss Average Rate Overnight (SARON)	1 523	-	-
LIBOR - London Interbank Offered Rate – JPY	Tokyo OverNight Average (TONA)	-	-	-
LIBOR - London Interbank Offered Rate – EUR	Euro Short-Term Rate (€STR)	-	-	-
Indices whose listing ends on 06/30/2023 – Exposures as at December 31, 2022		**2 620 558**	**69 189**	**-**
LIBOR - London Interbank Offered Rate - USD	Secured Overnight Financing Rate (SOFR)	2 620 558	69 189	-

(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).

(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.

(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**
Indices whose listing ends on 12/31/2021 – Exposures as at December 31, 2021		-	-	-
EONIA - Euro OverNight Index Average	Euro Short-Term Rate (€STR)	-	-	-
LIBOR - London Interbank Offered Rate – GBP	Reformed Sterling Overnight Index Average (SONIA)	138 754	-	-
LIBOR - London Interbank Offered Rate - CHF	Swiss Average Rate Overnight (SARON)	1 452	-	-
LIBOR - London Interbank Offered Rate – JPY	Tokyo OverNight Average (TONA)	-	-	12 272
LIBOR - London Interbank Offered Rate – EUR	Euro Short-Term Rate (€STR)	1 903	-	-
Indices whose listing ends on 06/30/2023 – Exposures as at December 31, 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).

(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 longerpresented 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 of December 31, 2022 and December 31, 2021.

CONSOLIDATED ENTITIES

Subsidiaries

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the three following conditions are met :

- the Group has power over the entity (ability to direct its relevant activities, i.e. the activities that significantly affect the entity's returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group's returns.

Power

When determining voting rights for the purpose of establishing the Group's degree of control over an entity and the appropriate consolidation 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

To assess the link between power and variable returns, if the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making power. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing. Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group. 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, 2022 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. All significant balances, profits and transactions between Group companies are eliminated.

The results of newly acquired subsidiaries are included in the consolidated financial statements from the date the acquisition became effective and results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

Consolidation methods

The subsidiaries, including the 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 in the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses.

Capital gains and losses generated on disposal of 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 balance sheet items of consolidated companies reporting in foreign currencies are translated into Euro at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros, at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under Unrealised or deferred gains and losses – Translation differences.

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 a

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
Luxembourg	Societe Generale Luxembourg Credit Insurance (formerly Nautika S.A.)	Credit insurance
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

are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

Consolidation method		Group ownership interest		Group voting interest	
2022	2021	2022	2021	2022	2021
Full	Full	100.00%	100.00%	100.00%	100.00%
Liquidated	Full	0.00%	100.00%	0.00%	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	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	95.00%	95.00%	95.00%	95.00%
Full	Non consolidated	100.00%	100.00%	100.00%	100.00%
Full	Full	100.00%	100.00%	100.00%	100.00%

Consolidation method		Group ownership interest		Group voting interest	
2022	2021	2022	2021	2022	2021
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

			2022		2021	
Country	**Company**	**Activity**	**Capital held**	**Reason for exclusion**	**Capital held**	**Reason for exclusion**
Luxembourg	Nethuns S.à r.l.	Financial services	0.00%	Disposed[2]	97.22%	No control[1]
Luxembourg	Regional Financing Company	Financial services	0.00%	Disposed[2]	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]
Luxembourg	Societe Generale Luxembourg Credit Insurance (formerly Nautika S.A.)	Credit insurance	100.00%	Full consolidation	100.00%	Insignificant
Luxembourg	Meribou Investments S.A.	Financial services	100.00%	Insignificant	100.00%	Insignificant
Luxembourg	Ischia Invesments	Financial services	100.00%	Insignificant	100.00%	Insignificant
Luxembourg	Vivara Investments S.A.	Financial services	100.00%	Insignificant	N/A	N/A
Luxembourg	Procida Investments S.A.	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 (previously held: Nethuns, Regional Financing Company).

(2) See Note 2.5.1.

Non-consolidated subsidiaries and participations are accounted in the consolidated accounts of SG Luxembourg as financial instruments at fair value through profit or loss (see Note 3.2).

Note 2.2. – Material changes in consolidation scope

The Group amended the consolidation perimeter as follows:

- companies consolidated for the first time in 2022:
  - Societe Generale Luxembourg Credit Insurance S.A. (formerly Nautika S.A.)
- companies no longer consolidated in 2023 and reason for exclusion:
  - Societe Generale Hedging Designated Activity Company, liquidated in April 2022.

1. COMPANIES CONSOLIDATED FOR THE FIRST TIME IN 2022

Societe Generale Luxembourg Credit Insurance S.A. (formerly Nautika S.A.) is a 100% SG Luxembourg subsidiary that aims to provide credit insurance to other entities granting funding to external clients in SG group.

2. NON CONSOLIDATED ENTITIES INCORPORATED IN 2022

In 2022, Procida Investments S.A. and Vivara Investments S.A. were incorporated as 100% SGLL subsidiaries in the context of the Group leasing activity.

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 107 thousand at December 31, 2022 and EUR 110 thousand at December 31, 2021.

December 31, 2022

(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%	17	107	20
Total			**17**	**107**	**20**

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**

2. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

(in EUR thousand)	12.31.2022	12.31.2021
Group share	-	-
Net income	34 584	39 205
Unrealized or deferred gains and losses (net of tax)	(9 422)	(2 684)
Net income and unrealized or deferred gains and losses	**25 162**	**36 521**

There were no guarantee, nor commitment provided to associates as of December 31, 2022 and December 31, 2021.

Societe Generale Luxembourg S.A. has a 99.8% interest in SG Issuer S.A., which 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 2022 and 2021 consolidated financial statements. The following table illustrates the summarised financial information of SG Luxembourg's investment in SG Issuer S.A.:

(in EUR thousand)	12.31.2022	12.31.2021
Financial assets at fair value	39 783 165	41 123 644
Other assets	327 426	497 267
Total assets	**40 110 591**	**41 620 911**
Financial liabilities at fair value	39 779 264	41 115 116
Other liabilities	328 775	503 809
Total liabilities	**40 108 039**	**41 618 925**
Equity	**2 552**	**1 986**
Group's share in equity – 99.80%	2 547	1 982
Group's carrying amount of the investment	**2 547**	**1 982**

The associate had no contingent liabilities or capital commitments as at December 31, 2022 and December 31, 2021.

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 recommendations, 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, 2022 and 2021.

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 3.1).

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)	**12.31.2022**	**12.31.2021**
Entities consolidated statement of financial position total	-	875 869
Net carrying amount of Group interests in unconsolidated structured entities:		
Assets:	**29 277**	**140 373**
Financial assets at fair value through profit or loss	25 707	19 594
Financial assets at fair value through other comprehensive income	-	-
Due from banks at amortised cost and customer loans at amortised cost	3 570	120 779
Liabilities:	**5 561**	**7 454**
Financial liabilities at fair value through profit or loss	-	-
Due to banks and customer deposits	5 561	7 454
Other liabilities	-	-

The variation of the consolidated statement of financial position for non-consolidated structured entities is due to interests disposed of :

- EUR 821 million NETHUNS S.A.R.L
- EUR 54 million REGIONAL FINANCING COMPANY S.A

The Group did not provide any financial support to these entities nor any binding contractual arrangement and, as of December 31, 2022 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.

(in EUR thousand)	Other interests	
	12.31.2022	12.31.2021
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	**29 277**	**140 373**
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	29 277	140 373

(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. INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a 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.

In 2022, no significant revenue has been recognised for theses structured entities.

(in EUR thousand)	Asset financing		Asset management		Others	
	12.31.2022	12.31.2021	12.31.2022	12.31.2021	12.31.2022	12.31.2021
Entity consolidated statement of financial position total[1]	-	-	2 469 830	2 425 367	329 080	155 164
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.

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.).

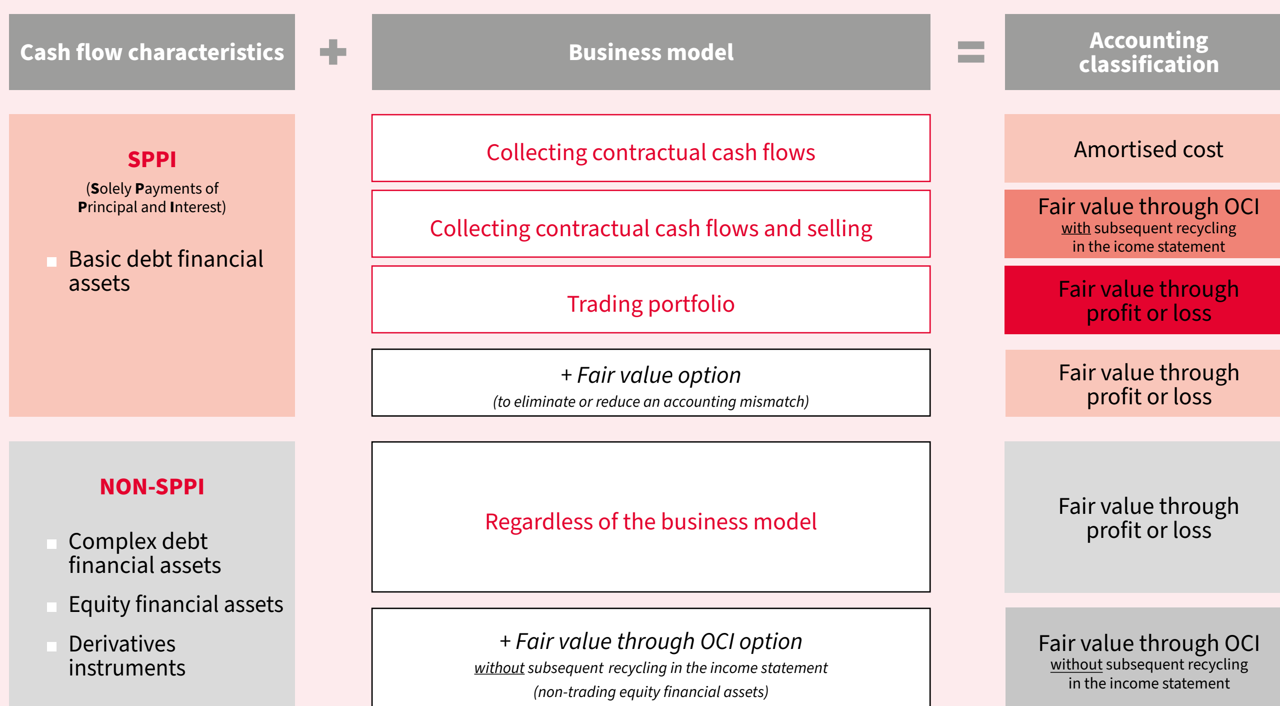
CASH DUE FROM CENTRAL BANKS

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.



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.

These reclassifications are applied prospectively (no restatement of previously recognised profits, losses or interests).

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.).

The basic financial assets (SPPI) held by the Group include instruments financing sustainable development projects (ESG labelled) in the form of Sustainability-linked loans.

The Non-basic financial assets (non-SPPI) include structured instruments the flows of which are indexed in full or in part on ESG related ratios (carbon emissions, or other ESG related Key Performance Indicators).

Impact loans have been granted by the Group to support the enterprises' sustainability approach through an incentive mechanism that reviews the margin according to ESG criteria specific to the borrower or to the achievement by the latter of sustainable development goals (Sustainability-linked loans). An analysis of these loans has allowed them to qualify as basic financial assets (SPPI) provided that their flows meet the Group internally defined de minimis criterion as well as the other SPPI criteria. This criterion is consistent with the Societe Generale group approach for ESG related loans, specifically the loans presenting a remuneration indexed on ESG related ratios. The criterion consist in determining the remuneration variation related to the compliance with some ESG ratios is below the Societe Generale group internal threshold.

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the

date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a "look-through approach" to identify the underlying instruments that are creating the cash flows.

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

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

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

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

This treatment depends on compliance with the following conditions:

- a change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.
- The cases giving rise to a new basis for determining the contractual cash flows considered economically equivalent to the former basis are, for example:
- the replacement of an existing reference interest rate used to determine the contractual cash flows of a financial asset or liability by:
  - an alternative reference interest rate (or by changing the method used to determine the reference interest rate in question), with
  - the addition of a fixed spread necessary to compensate for the difference in basis between the existing reference interest rate and the alternative one;
- changes in the determination of the amount of interest resulting from the use of a new reference interest rate (rate revision procedure, number of days between interest payment dates …); and
- the addition of a Fallback provision to the contractual terms and conditions of a financial asset or liability to allow for the implementation of the changes described above (replacement of the rate; changes in the determination of the interest).

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

Note 3.1. – Cash, due from central banks

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Cash	671	695
Balances with central banks	12 534 740	10 966 156
Total	**12 535 411**	**10 966 851**
o/w mandatory reserve	*482 043*	*389 946*

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

OVERVIEW

	12.31.2022		12.31.2021	
(in EUR thousand)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio	626 153	379 810	831 097	425 086
Financial instruments mandatorily at fair value through profit or loss	356 012	-	409 485	-
Financial instruments at fair value through profit or loss using the fair value option	-	19 539	-	24 965
Total	**982 165**	**399 349**	**1 240 582**	**450 051**

1. 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, 2022, 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)	12.31.2022	12.31.2021
Bonds and other debt securities	-	-
Shares and other equity securities	1 934	1 402
Loans and receivables and securities purchased under resale agreements	222 614	393 039
Trading derivatives	401 605	436 656
Total	**626 153**	**831 097**
o/w securities lent	–	–

LIABILITIES

(in EUR thousand)	12.31.2022	12.31.2021
Trading derivatives	379 810	425 086
Total	**379 810**	**425 086**

2. FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments).
- shares and share equivalents that are not classified in any other 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)	12.31.2022	12.31.2021
Bonds and other debt securities	48 154	48 003
Shares and other equity securities	90 666	84 973
Loans and receivables	217 192	276 509
Total	**356 012**	**409 485**

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

ACCOUNTING PRINCIPLES

In addition to financial assets and liabilities held for trading, and financial assets measured mandatorily at fair value through profit or loss, the same headings in the financial statements include non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments (including interest) are recorded in the income statement under Net gains or losses on financial instruments at fair value through profit or loss. 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 mis-matches that would otherwise arise from applying different accounting treatments to certain related fi-nancial 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 meas-ured at fair value.

Furthermore, in order to simplify their accounting treatment by avoiding the separate recognition of em-bedded derivatives, the Group applies the fair value option to convertible bonds that are not held for trading purposes.

ASSETS

As at December 31, 2022, as well as at December 31, 2021, 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, 2022, the Group holds structured deposits for EUR 19,5 million in liabilities at fair value through profit and loss using fair value option as compared to EUR 24,9 million as at December 31, 2021.

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

(in EUR thousand)	**2022**	**2021**
Net gain/loss on trading portfolio (excluding derivatives)	2 350	(967)
Net gain/loss on financial instruments mandatorily at fair value through profit or loss	9 317	39 613
o/w dividend income	*90 231*	*139 547*
Net gain/loss on financial instruments measured using fair value option	(322)	(53)
Net gain/loss on derivative instruments	57 500	(11 828)
Net gain/loss on hedging transactions	(11 295)	(371)
Net gain/loss on foreign exchange transactions	55 652	22 699
Total of net gains and losses on financial instruments at fair value through profit or loss	**113 202**	**49 093**

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, index-es, commodities, credit rating…), as well 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 con-cern individual items or transactions (micro-hedging relationships) or portfolios of finan-cial 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 activi-ties or hedging transactions). The fair value adjustments of trading derivatives are di-rectly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the re-valuation 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 or 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, 2022 and December 31, 2021, 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)	12.31.2022	12.31.2021
Interest rate instruments	**7 965 906**	**7 723 505**
Firm instruments	7 262 648	7 274 356
Swaps	*7 232 776*	*7 195 456*
FRAs	*29 872*	*78 900*
Options	703 258	449 149
Foreign exchange instruments	**21 674 296**	**23 260 983**
Firm instruments	12 779 638	12 486 642
Options	8 894 658	10 774 341
Equity and index instruments	**3 631 506**	**5 093 725**
Firm instruments	721 048	242 806
Options	2 910 458	4 850 919
Commodities instruments	**303**	**802**
Firm instruments	303	802
Options	-	-
Other trading instruments	**988 244**	**591 021**
Total	**34 260 255**	**36 670 036**

BREAKDOWN OF ASSETS AND LIABILITIES

(in EUR thousand)	12.31.2022		12.31.2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	62 951	50 427	35 218	25 636
Foreign exchange instruments	29 186	22 889	42 652	42 581
Equities & index Instruments	305 506	302 544	356 666	354 748
Other trading instruments[1]	3 962	3 950	2 120	2 121
Total	**401 605**	**379 810**	**436 656**	**425 086**

(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 and the sharp increase of interest rates, the Group has not observed any ineffectiveness outside the IAS 39 boundaries of 80-125% 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 125%.

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 – symmetrically 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 early-redeemed, the valuation adjustments are then immediately recognised in the income statement.

CASH FLOW HEDGES

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the 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. Cash flow hedges are applicable either to a single financial instrument or to a group of assets or liabilities with similar and homogeneous characteristics.

The group of financial instruments is defined as homogeneous if all the instruments included in such group display the same characteristics in terms of maturity, coupon or interest payment periodicity and interest rate.

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 and similar income and expense.

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). In case the hedging instrument value is above the hypothetical derivative value, ineffectiveness is recognized in profit or loss in the quarter it is assessed.

For cash flow hedge on group of financial instruments, additional efficiency tests are realized on a monthly basis for each class of maturity to assess adequacy between the considered volume of financial instruments hedged and the hypothetical derivative used to represent the group of financial instruments.

The gains or losses, realised or unrealised, accumulated directly in equity for the effective portion of these changes in value, are carried in equity to be recycled in the income statement when the expected hedged cash flows impact the income statement. With regard to the hedging flows related to a variablerate financial instrument recorded on the balance sheet, recycling is done as and when the hedged interest income or expenses are recognised in the income statement.

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

	12.31.2022		12.31.2021	
(in EUR thousand)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair Value Hedge				
Interest rate instruments				
Swaps	133 203	14 899	5 445	87 623
Equity and index instruments				
Equity and stock index options	-	-	-	-
Cash Flow Hedge				
Interest rate instruments				
Swaps	83 965	1 092	-	10 860
Other instruments				
Other forward financial instruments	38	12	180	-
Total	**217 206**	**16 003**	**5 625**	**98 483**

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)	12.31.2022	12.31.2021
Interest rate instruments	3 150 650	3 611 500
Foreign exchange instruments	-	-
Equity and index instruments	-	-
Commodity instruments	-	-
Credit derivatives	-	-
Other forward financial instruments	1 507	1 804
Total	**3 152 157**	**3 613 304**

DERIVATIVE LIABILITIES (NOTIONAL AMOUNT)

(in EUR thousand)	12.31.2022	12.31.2021
Interest rate instruments	3 150 650	3 611 500
Foreign exchange instruments	–	–
Equity and index instruments	–	–
Commodity instruments	–	–
Credit derivatives	–	–
Other forward financial instruments	–	–
Total	**3 150 650**	**3 611 500**

BREAKDOWN OF NET GAINS/LOSSES ON HEDGING TRANSACTIONS

(in EUR thousand)	2022	2021
Net gain/loss on hedging transactions		
Net gain/loss on fair value hedging derivatives	*192 579*	*80 459*
Revaluation of hedged items attributable to hedged risks	*(194 021)*	*(80 825)*
Ineffective portion of cash flow hedge	*(9 853)*	*(5)*
Total of net gains and losses on financial instruments at fair value through profit or loss from hedging transactions	**(11 295)**	**(371)**

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	12.31.2022
Interest rate instruments	21 000	558 000	2 196 150	375 500	**3 150 650**
Foreign exchange instruments	-	-	-	-	**-**
Equity and index instruments	-	-	-	-	**-**
Other forward financial instruments	-	-	1 507	-	**1 507**
Total	**21 000**	**558 000**	**2 197 657**	**375 500**	**3 152 157**

(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**

FAIR VALUE HEDGE : BREAKDOWN OF HEDGED ITEMS

	12.31.2022		
(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	**1 835 741**	**(124 470)**	**(218 297)**
Hedged assets	1 835 741	(124 470)	(218 297)
Due from banks, at amortised cost	-	-	-
Customer loans, at amortised cost	*42 338*	*(12 662)*	*(12 662)*
Securities at amortised cost	-	-	-
Financial assets at fair value through other comprehensive income	*1 793 403*	*(111 808)*	*(205 635)*
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	**1 835 741**	**(124 470)**	**(218 297)**

(in EUR thousand)	12.31.2021 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)**

FAIR VALUE HEDGE : BREAKDOWN OF HEDGING INSTRUMENTS

(in EUR thousand)	12.31.2022 Commitments (notional amounts)	Fair value (1) Assets	Fair value (1) Liabilities	Change in fair value booked during the year	Ineffectiveness recognised during the year
Hedge of interest rate risk	**1 965 650**	**133 203**	**14 899**	**192 882**	**(1 139)**
Firm instruments – Swaps	1 965 650	133 203	14 899	192 882	(1 139)
For hedged assets	*1 965 650*	*133 203*	*14 899*	*192 882*	*(1 139)*
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	**1 965 650**	**133 203**	**14 899**	**192 882**	**(1 139)**

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

	12.31.2021				
	Commitments (notional amounts)	**Fair value [1]**		**Change in fair value booked during the year**	**Ineffectiveness recognised during the year**
(in EUR thousand)		**Assets**	**Liabilities**		
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.

CASH FLOW HEDGE : BREAKDOWN OF HEDGED ITEMS

The following table describes the change of fair value of hedged items used to book the ineffective portion of the hedge during the current period. As at December 31, 2022 and 2021, hedged items are composed of customers deposits (Note 3.7.2) with floating interest rates mainly in EUR and USD. Regarding the cash flow hedges, the change in fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

	12.31.2022	12.31.2021
(in EUR thousand)	**Change in the fair value**	**Change in the fair value**
Hedge of interest rate risk		
Hedged assets		
Due from banks, at amortised cost		
Customer loans, at amortised cost		
Securities at amortised cost		
Financial assets at fair value through other comprehensive income		
Customer loans (macro hedged)		
Hedged liabilities		
Debt securities issued		
Due to banks		
Customer deposits		
Subordinated debts		
Customer deposits (macro hedged)	*(51 182)*	*(15 594)*
Forecast transactions		
Total	**(51 182)**	**(15 594)**

CASH FLOW HEDGE : BREAKDOWN OF HEDGING INSTRUMENTS

	12.31.2022					
		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	**1 185 000**	**83 965**	**1 092**	**52 369**	**(9 853)**	**46 429**
Firm instruments – Swaps	1 185 000	83 965	1 092	52 369	(9 853)	46 429
For hedged assets	*1 185 000*	*83 965*	*1 092*	*52 369*	*(9 853)*	*46 429*
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	**1 507**	**38**	**12**	**(33)**	-	**5**
Options	1 507	38	12	(33)	-	5
For hedged future transactions	*1 507*	*38*	*12*	*(33)*	-	*5*
Total	**1 186 507**	**84 003**	**1 104**	**52 336**	**(9 853)**	**46 434**

	12.31.2021					
		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	**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)**

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)	12.31.2022	12.31.2021
Bonds and other debt securities	2 067 407	2 815 004
Shares and other equity securities	-	-
Total	**2 067 407**	**2 815 004**
o/w unrealized gain/loss through OCI, excluding deferred taxes and allowances for impairment losses	*5 439*	*29 713*
o/w allowances for impairment losses	*2*	*3*

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)	2022
Balance on January 1	**2 815 004**
Acquisitions / disbursements	108 873
Disposals / redemptions	(648 428)
Change in scope and others	-
Changes in fair value during the year	(205 635)
Changes in related receivables	(2 407)
Translation differences	-
Balance on December 31	**2 067 407**

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

	12.31.2022		
(in EUR thousand)	Cumulated unrealized gains and losses	"o.w. without adjustments for credit risk"	"o.w. adjustments for credit risk"
Unrealised gains	12 147	12 145	2
Unrealised losses	(6 706)	(6 706)	-
Total	**5 441**	**5 439**	**2**

	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**

The amounts as at December 31, 2022 and December 31, 2021 that were reclassified into income from financial instruments at fair value through other comprehensive income are presented in paragraph 3 below.

2. EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

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

These equity instruments are then measured at fair value and the changes in fair value are recognised under Unrealised or deferred gains and losses with no subsequent reclassification to profit or loss. If the instruments are sold, the realised gains and losses are reclassified to Retained earnings at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, is recorded in profit or loss under Net gains or losses on financial assets at fair value through other comprehensive income.

As at December 31, 2022 and December 31, 2021, 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)	2022	2021
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, 2022, the fair value hierarchy of financial assets by instrument type is as follows:

	12.31.2022			
(in EUR thousand)	**(L1)**	**(L2)**	**(L3)**	**Total**
Trading portfolio	**1 934**	**624 219**	**-**	**626 153**
Bonds and other debt securities	-	-	-	**-**
Shares and other equity instruments	1 934	-	-	**1 934**
Loans, receivables and repurchase agreements	-	222 614	-	**222 614**
Trading derivatives	-	401 605	-	**401 605**
o/w interest rate instruments	-	*62 951*	-	***62 951***
o/w foreign exchange instruments	-	*29 186*	-	***29 186***
o/w equity and index instruments	-	*305 506*	-	***305 506***
o/w commodity instruments	-	-	-	**-**
o/w other forward financial instruments	-	-	-	**-**
o/w other trading derivatives	-	*3 962*	-	***3 962***
Financial assets measured mandatorily at fair value through profit or loss	**8 562**	**6 304**	**341 146**	**356 012**
Bond and other debt securities	-	-	48 154	**48 154**
Shares and other equity instruments	8 562	6 304	75 800	**90 666**
Loans and receivables	-	-	217 192	**217 192**
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	-	-	*217 192*	***217 192***
Financial assets measured using fair value option through profit or loss	**-**	**-**	**-**	**-**
Hedging derivatives	**-**	**217 206**	**-**	**217 206**
Interest rate instruments	-	217 168	-	**217 168**
Equity and index instruments	-	-	-	**-**
Other financial assets	-	38	-	**38**
Financial assets at fair value through other comprehensive income	**2 067 407**	**-**	**-**	**2 067 407**
Debt instruments	2 067 407	-	-	**2 067 407**
Total financial assets at fair value	**2 077 903**	**847 729**	**341 146**	**3 266 778**

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 instruments	-	*2 120*	-	***2 120***
Financial assets measured mandatorily at fair value through profit or loss	**10 883**	**5 431**	**393 171**	**409 485**
Bonds 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**	-	-	-	-
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**	-	-	*276 509*	***276 509***
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**

** 2021 amounts were reclassified for comparability purposes*

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

As at December 31, 2022, the fair value hierarchy of financial liabilities by instrument type is as follows:

	12.31.2022			
(in EUR thousand)	**(L1)**	**(L2)**	**(L3)**	**Total**
Trading portfolio	**-**	**379 810**	**-**	**379 810**
Other trading liabilities	-	-	-	**-**
Transaction derivatives	**-**	**379 810**	**-**	**379 810**
o/w interest rate instruments	-	*50 427*	-	***50 427***
o/w foreign exchange instruments	-	*22 889*	-	***22 889***
o/w equity and index instruments	-	*302 544*	-	***302 544***
o/w commodity instruments	-	-	-	**-**
o/w other forward financial instruments	-	-	-	**-**
o/w other trading derivatives	-	3 950	-	3 950
Financial liabilities at fair value through profit or loss	**-**	**19 539**	**-**	**19 539**
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	-	*19 539*	-	***19 539***
o/w other financial instruments	-	-	-	-
Hedging derivatives	**-**	**16 003**	**-**	**16 003**
Interest rate instruments	-	15 991	-	**15 991**
Other financial instruments	-	12	-	**12**
Total financial liabilities at fair value	**-**	**415 352**	**-**	**415 352**

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 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	-	*24 965*	-	***24 965***
o/w interest rate instruments/securities	-	-	-	**-**
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**

There have been no transfer of financial assets or liabilities measured at fair value from Level 2 to Level 1 in 2022, as well as in 2021

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 analyzed the main variations in fair value of financial instruments measured at amortised cost and assessed the following:

- Interest rate risk impacts mainly loans and deposits with fixed rates with maturities above 1 year. Regarding the other financial instruments at amortised cost such as debt securities and loans and deposits with variable rates or fixed rates with maturities below 1 year, the Group considers the interest rate risk impact as non material;
- At Group level, the loans and deposits with fixed rates with maturities above 1 year and sensitive to interest rate risk represent a limited volume in terms of amount and number, considering the loans and deposits from the Private Banking subsidiaries are fully hedged back-to-back by the Bank.

With the above described approach, the fair value assessment of financial instruments measured at amortised cost is reported below as at December 31, 2022.

ASSETS

	12.31.2022				
(in EUR thousand)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due from banks	21 990 338	21 629 373	-	21 629 373	-
Customer loans	19 965 886	19 620 928	-	19 620 928	-
Debt securities	9 291 435	9 291 435	-	9 291 435	-
Total	**51 247 658**	**50 541 736**	**-**	**50 541 736**	**-**

Analysis of fair value related to debt securities is described in Note 3.6. paragraph Securities

LIABILITIES

	12.31.2022				
(in EUR thousand)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	21 543 080	21 366 416	-	21 366 416	-
Customer deposits	41 283 263	41 268 812	-	41 268 812	-
Debt securities issued	22 394	22 394	-	22 394	-
Total	**62 848 737**	**62 657 622**	**-**	**62 657 622**	**-**

4. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

During the year of 2022, 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.

FINANCIAL ASSETS

	12.31.2022								
(in EUR thousand)	Balance at 01.01.2022	Issuances	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses due to changes in fair value	Translation differences	Other changes	Balance at 12.31.2022
Financial assets measured mandatorily at fair value through profit or loss	**393 171**	**200**	**(1 000)**	**-**	**-**	**(52 322)**	**1 097**	**-**	**341 146**
Bonds and other debt securities	48 003	-	-	-	-	151	-	-	**48 154**
Shares and other equity instruments	68 659	200	(1 000)	-	-	6 844	1 097	-	**75 800**
Loans and receivables	276 509	-	-	-	-	(59 317)	-	-	**217 192**
o/w other financial instruments	*276 509*	-	-	-	-	*(59 317)*	-	-	***217 192***
Financial assets measured using fair value option through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate instruments	-	-	-	-	-	-	-	-	**-**
Total financial assets at fair value	**393 171**	**200**	**(1 000)**	**-**	**-**	**(52 322)**	**1 097**	**172**	**341 146**

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 determined 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 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, 2022 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	75 800	–	Equity shares	Discounted cash flows or dividend distribution models	Equity dividends	0%; 11.4%
					Correlations	-81% ; 100%
					Illiquidity discount	0% ; 20%
Credit	265 346	-	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	**341 146**	**-**				

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.

7. SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at December 31, 2022 on instruments whose valuation requires certain unobservable inputs.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A "STANDARDISED*" VARIATION IN UNOBSERVABLE INPUTS

	12.31.2022		12.31.2021	
(in EUR thousand)	**Negative impact**	**Positive impact**	**Negative impact**	**Positive impact**
Shares and other equity instruments and derivatives	**(1 067)**	**1 159**	**(807)**	**884**
Equity volatilities	(1 067)	1 159	(807)	884
Rates or Forex instruments and derivatives	**(256)**	**248**	**(330)**	**314**
Correlations between exchange rates and/or interest rates	(256)	248	(330)	314

*The "standardised" variation corresponds to the standard deviation of consensus prices used to measure an input nevertheless considered as unobservable. In cases of unavailability of these data, the standard deviation of historical data is then used to assess the input.

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 applicable renegociation on loans rules are described in Note 3.9.

	12.31.2022		12.31.2021	
(in EUR thousand)	**Carrying amount**	*o/w impairment*	**Carrying amount**	*o/w impairment*
Due from banks	21 990 338	*(755)*	19 840 378	*(1 429)*
Customer loans	19 965 886	*(237 531)*	22 817 851	*(84 247)*
Securities	9 291 435	*(62)*	8 051 597	*(200)*
Total	**51 247 659**	***(238 348)***	**50 709 826**	***(85 876)***

DUE FROM BANKS

(in EUR thousand)	12.31.2022	12.31.2021
Deposits and loans		
Demand and overnights		
Current accounts	7 718 310	7 000 540
Overnight deposits and loans and others	2 193 405	2 554 887
Term		
Term deposits and loans	12 008 832	10 266 716
Subordinated and participating loans	-	-
Loans secured by notes and securities	70 546	19 438
Gross amount	**21 991 093**	**19 841 581**
Impairment		
Allowances for impairment losses	(755)	(1 429)
Revaluation of hedged items		-
Net amount	**21 990 338**	**19 840 152**
Securities purchased under resale agreements		226
Total	**21 990 338**	**19 840 378**

CUSTOMER LOANS

(in EUR thousand)	12.31.2022	12.31.2021*
Unsecured loans[1]	8 329 089	11 140 474
Other collaterized loans	6 502 711	6 698 116
Housing loans	3 118 662	3 075 058
Overdrafts	1 499 943	1 127 422
Lease Financing agreements	189 355	353 161
Subordinated loans	37 000	37 000
Related receivables	67 094	44 438
Doubtful loans	472 225	426 429
Customer loans before impairment	**20 216 079**	**22 902 098**
Impairment	(237 531)	(84 247)
Revaluation of hedged items	**(12 662)**	**-**
Net customer loans	**19 965 886**	**22 817 851**

** Reclassified figures.*

[1] Unsecured loans include exposures with related parties, which are guaranteed by Societe Generale group, amounting EUR 5 153 million at as December 31, 2022 (December 31, 2021: EUR 7 223 million).

SECURITIES

(in EUR thousand)	12.31.2022	12.31.2021
Negociable certificates, bonds and other debt securities	9 286 897	8 050 198
Related receivables	4 600	1 599
Securities before impairment	**9 291 497**	**8 051 797**
Impairment	(62)	(200)
Total	**9 291 435**	**8 051 597**

Securities at amortized cost are mainly composed of Notes of securitization vehicles purchased by a subsidiary of the Bank.

The above mentioned Notes are variable rate instruments held in a specific activity of securities purchasing financed by limited recourse deposits from related parties entities from Societe Generale group. The variable rates considered are similar to standard generally accepted rates (such as ESTER or Euribor rate). Please also refer to Note 9.2 Market Risk for Interest Rate risk analysis for the Group.

Consequently, the fair value of securities at amortized cost is considered approximately equal to their amortized cost net of credit risk impairment.

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)	12.31.2022	12.31.2021
Term deposits	20 975 055	23 164 612
Securities sold under repurchase agreements	386 998	890 136
Demand deposits and current accounts	98 333	72 304
Related payables	67 844	6 778
Overnight deposits and borrowings and others	14 850	13 458
Total	**21 543 080**	**24 147 288**

2. CUSTOMER DEPOSITS

(in EUR thousand)	12.31.2022	12.31.2021
Demand deposits [1]	20 079 519	23 785 664
Term deposits [1]	21 162 463	14 219 578
Related payables	41 281	1 266
Total customer deposits	**41 283 263**	**38 006 508**
Securities sold to customers under repurchase agreements	-	-
Total	**41 283 263**	**38 006 508**

(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)	12.31.2022	12.31.2021
Non financial corporations	1 060 929	1 951 329
Individual customers	1 513 757	3 348 668
Financial customers	17 504 241	18 485 667
Others [1]	592	-
Total	**20 079 519**	**23 785 664**

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

3. DEBT SECURITIES ISSUED

(in EUR thousand)	12.31.2022	12.31.2021
Interbank certificates and negotiable debt instruments	22 241	44 779
Related payables	153	305
Total	**22 394**	**45 084**

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 recognized in profit or loss by applying the effective interest rate to the net amount calculated by deducting the credit risk impairment applicable from the net carrying amount of the financial asset.

	2022			2021		
(in EUR thousand)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Financial instruments at amortised cost	911 779	(513 020)	398 759	512 521	(167 963)	344 558
Central banks	*45 611*	*(23 241)*	*22 370*	-	*(39 565)*	*(39 565)*
Bonds and other debt securities	*183 975*	*(431)*	*183 544*	*86 629*	*(5 413)*	*81 216*
Due from/to banks	*280 850*	*(223 954)*	*56 896*	*114 184*	*(82 039)*	*32 145*
Customer loans and deposits	*400 235*	*(265 294)*	*134 941*	*303 973*	*(40 946)*	*263 027*
Subordinated debt	-	-	-	-	-	-
Securities lending/borrowing	-	*(100)*	*(100)*	*2 837*	-	*2 837*
Securities purchased/sold under resale/purchase agreements and borrowings secured by notes and securities	*1 108*	-	*1 108*	*4 898*	-	*4 898*
Hedging derivatives	14 578	(38 346)	(23 768)	1 689	(59 314)	(57 625)
Financial instruments at fair value through other comprehensive income	32 104	-	32 104	38 817	-	38 817
Lease agreement	37	(390)	(353)	72	(429)	(357)
Real estate lease agreements	-	*(385)*	*(385)*	-	*(418)*	*(418)*
Non-real estate lease agreements	*37*	*(5)*	*32*	*72*	*(11)*	*61*
Subtotal interest income/expense on financial instruments using the effective interest method	**958 498**	**(551 756)**	**406 742**	**553 099**	**(227 706)**	**325 393**
Financial instruments at fair value through profit or loss	3 249	-	3 249	2 217	-	2 217
Total Interest income and expense	**961 747**	**(551 756)**	**409 991**	**555 316**	**(227 706)**	**327 610**
o/w interest income from impaired financial assets	*10 704*	-	*10 704*	*8 954*	-	*8 954*

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 meas-ured at amortised cost. Impairments 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 DOWNGRATED 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, unless they are purchased or originated credit-impaired instruments.

EXPOSURES CLASSIFIED IN STAGE 2

To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Group using all available past and forward-looking data (behavioral scores, loan to value indicators, 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-months 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-months/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 3 macroeconomic scenarios, established by Societe Generale group economists for all entities of Societe Generale 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 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)	12.31.2022	12.31.2021
Impairment of financial assets at fair value through other comprehensive income	**2**	**3**
Impairment of financial assets at amortised cost	**238 556**	**86 062**
Loans and receivables at amortised cost, including debt securities	*238 348*	*85 876*
Other assets at amortised cost	*208*	*186*
Total impairment of financial assets	**238 558**	**86 065**
Provisions on Financing commitments	1 383	1 610
Provisions on Guarantee commitments	588	895
Total credit risk provisions	**1 971**	**2 505**

1. IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(in EUR thousand)	Amounts at 01.01.2022	Allocations	Reversals available*	Net allocations	Reversals used**	Currency	Amounts at 12.31.2022
Financial assets at fair value through other comprehensive income	**3**	**22**	**(23)**	**(1)**	**-**	**-**	**2**
Impairment on performing outstandings (Stage 1)	3	22	(23)	(1)	-	-	2
Impairment on under-performing outstandings (Stage 2)	-	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	-	-	-	-	-	-	-
Financial assets at amortised cost	**86 062**	**207 655**	**(46 887)**	**160 768**	**(9 888)**	**1 614**	**238 556**
Impairment on performing outstandings (Stage 1)	17 411	15 514	(10 876)	4 638	-	270	22 319
Impairment on under-performing outstandings (Stage 2)	2 820	133 013	(2 796)	130 217	-	184	133 221
Impairment on doubtful outstandings (Stage 3)	65 831	59 128	(33 215)	25 913	(9 888)	1 160	83 016
Total	**86 065**	**207 677**	**(46 910)**	**160 767**	**(9 888)**	**1 614**	**238 558**

**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 01.01.2022	Production, Acquisition	Derecognition (among which write-offs) and repayments	Transfer between stages of impairment and model update	Other variations	Amounts at 12.31.2022
Financial assets at fair value through other comprehensive income	**3**	**22**	**(23)**	**-**	-	**2**
Impairment on performing outstandings (Stage 1)	3	22	(23)	-	-	2
Impairment on under-performing outstandings (Stage 2)	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	-	-	-	-	-	-
Sub-Total	**3**	**22**	**(23)**	**-**	**-**	**2**
Financial assets at amortised cost	**86 062**	**3 368**	**(19 115)**	**56 025**	**112 216**	**238 556**
Impairment on performing outstandings (Stage 1)*	17 411	3 297	(4 274)	(5 261)	11 146	22 319
Impairment of under-performing outstandings (Stage 2)*	2 820	71	(71)	29 581	100 820	133 221
Impairment on doubtful outstandings (Stage 3)	65 831	-	(14 770)	31 705	250	83 016
Sub-Total	**86 062**	**3 368**	**(19 115)**	**56 025**	**112 216**	**238 556**
Total	**86 065**	**3 390**	**(19 138)**	**56 025**	**112 216**	**238 558**

*Variations mainly linked to overlays explained in note 3.9.3

The contractual amount outstanding on financial assets that have been written off by the Bank as at December 31, 2022 and that were still subject to enforcement activity amounts was nil (2021: nil).

2. CREDIT RISK PROVISIONS

BREAKDOWN OF PROVISIONS

(in EUR thousand)	Amounts at 01.01.2022	Allocations	Reversals available	Net impairment losses	Currency	Amounts at 12.31.2022
Financing commitments	**1 610**	**1 074**	**(1 315)**	**(241)**	**14**	**1 383**
Provisions on performing outstandings (Stage 1)	1 119	975	(818)	157	14	1 290
Provisions on under-performing outstandings (Stage 2)	477	99	(483)	(384)	-	93
Provisions on doubtful outstandings (Stage 3)	14	-	(14)	(14)	-	-
Guarantee commitments	**895**	**683**	**(999)**	**(316)**	**9**	**588**
Provisions on performing outstandings (Stage 1)	354	642	(499)	143	5	502
Provisions on under-performing outstandings (Stage 2)	241	41	(200)	(159)	4	86
Provisions on doubtful outstandings (Stage 3)	300	-	(300)	(300)	-	-
Total	**2 505**	**1 757**	**(2 314)**	**(557)**	**23**	**1 971**

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

(in EUR thousand)	Amounts at 01.01.2022	Production, Acquisition	Derecognition (among which write-offs) and repayments	Transfer between stages of impairment	Other variations	Amounts at 12.31.2022
Financing and Guarantee commitments						
Provisions on performing outstandings (Stage 1)	1 473	1 392	(598)	(451)	(24)	1 792
Provisions on under-performing outstandings (Stage 2)	718	94	(566)	(93)	26	179
Provisions on doubtful outstandings (Stage 3)	314	-	(300)	-	(14)	-
Total	**2 505**	**1 486**	**(1 464)**	**(544)**	**(12)**	**1 971**

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)	2022	2021
Cost of risk		
Net allocation to impairment losses	(160 767)	462
On financial assets at fair value through other comprehensive income	*1*	*4*
On financial assets at amortised cost	*(160 768)*	*458*
Net allocations to provisions	557	1 642
On financing commitments	*241*	*2 115*
On guarantee commitments	*316*	*(473)*
Losses not covered on irrecoverable loans	(8 088)	(59)
Amounts recovered on irrecoverable loans	-	-
Income from guarantee not taken into account for the calculation of impairment	-	-
Other risks	-	-
Total	**(168 298)**	**2 045**

The negative net cost of risk of EUR 168,3 million is explained by:

- Stage 1: An increase of EUR 4,9 million mainly linked to:
  - Two specific overlays on Private banking perimeter for (i) EUR 7,7 million to consider the specific risk on the Russian counterparties offshore credit portfolio and (ii) EUR 3,3 million to take into account the current financial market instability;
  - A PD recalibration on Private banking perimeter with an ECL decrease impact of EUR -4,9 million.
- Stage 2: An increase of EUR 129,7 million mainly due to:

- An overlay on non-retail perimeter for EUR 101 million to take into account the current geopolitical context and the uncertainties linked to the war in Ukraine;
- The transfer from stage 3 to stage 2 of one corporate banking counterparty following the recovery of one specific sector for an ECL impact of EUR 25,6 million;
- EUR 2,2 million due to a sectorial adjustment.

- Stage 3: A doubtful loan provision for EUR 33,7 as follows:
  - EUR 45,4 million due to the transfer to stage 3 exposures of two Russian counterparties following the EU sanctions as a consequence of the current geopolitical context;
  - A EUR -25,6 million decrease generated by a corporate counterparty transfer from stage 3 to stage 2;
  - The cost of the doubtful loans sell-off program on Private Banking activities for EUR 6,5 million;
  - New default exposures on SGPB Monaco perimeter for EUR 8,4 million.

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 fiduciary trust 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)	12.31.2022	12.31.2021
Loan commitments	**4 045 213**	**2 796 693**
To banks	306 157	198 246
To customers	*3 739 056*	*2 598 447*
Issuance facilities	-	-
Confirmed credit lines	*3 739 056*	*2 598 198*
Others	-	*249*
Guarantee commitments	**1 021 584**	**930 580**
On behalf of banks	*321 403*	*260 149*
On behalf of customers	*700 181*	*670 431*
Securities commitments	**68 162**	**229 965**
Securities to be delivered	*68 162*	*229 965*

COMMITMENTS RECEIVED

(in EUR thousand)	12.31.2022	12.31.2021
Loan commitments	**1 347 814**	**1 823 458**
From banks	*1 347 814*	*1 823 458*
Guarantee commitments	**13 717 919**	**14 346 347**
From banks	*11 980 935*	*12 012 097*
Other guarantee commitments	*1 736 984*	*2 334 250*
Securities commitments	**68 747**	**16 732**
Securities to be received	*68 747*	*16 732*
Other commitments	**2 187 568**	**3 518 801**

2. FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(in EUR thousand)	12.31.2022	12.31.2021
Book value of assets pledged as cash for transactions in financial instruments (1)	520 417	1 024 766
Book value of assets pledged as deposit for off-balance sheet commitments	209 766	209 766
Total	**730 183**	**1 234 532**

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

As of December 31, 2022, the Group has pledged:

- No collateral asset for secured issuances (December 31, 2021: nil);
- collateral for derivative transactions for EUR 133 735 thousand (December 31, 2021: EUR 134 360 thousand) and;
- collateral for repurchase agreements for EUR 386 682 thousand (December 31, 2021: EUR 890 136 thousand).

FINANCIAL LIABILITIES RECEIVED AS PLEDGE

(in EUR thousand)	12.31.2022	12.31.2021
Book value of liabilities received as pledged security for transactions in financial instruments	14 606 947	15 233 941
Book value of liabilities received as pledged security for off-balance sheet commitments	1 094 472	1 561 650
Total	**15 701 419**	**16 795 591**

3. ASSETS UNDER MANAGEMENT

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Custody assets	287 236 195	318 316 044
Fiduciary transactions	8 057 337	11 004 365
Asset management	18 651 513	21 326 330
Total	**313 945 045**	**350 646 739**

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 March 27, 2003 on fiduciary operations.

During 2022, the Bank issued 5 fiduciary notes in EUR for a nominal amount of EUR 1,56 billion, 1 fiduciary note in CHF for an amount of CHF 308 million, 1 fiduciary note in GBP for an amount of GBP 15,6 million, 1 fiduciary note in SGD for an amount of SGD 15,6 million and 1 fiduciary note in USD for an amount of USD 417 million.

As at December 31, 2022, the Bank had 71 outstanding notes (December 31, 2021: 85), listed on the Luxembourg Stock Exchange, amounting to EUR 7,57 billion (December 31, 2021: EUR 9,64 billion):

- 20 notes in JPY for a nominal amount of JPY 351,62 billion (December 31, 2021 : 22 notes in JPY for a nominal amount of JPY 451.74 billion);
- 47 notes in EUR for a nominal amount of EUR 4,33 billion (December 31, 2021: 63 notes in EUR for a nominal amount of EUR 6,18 billion);
- 1 note in CHF for a nominal amount of CHF 308 million (December 31, 2021 : 0 notes in CHF);
- 1 note in GBP for a nominal amount of GBP 15,6 million (December 31, 2021 : 0 notes in GBP);
- 1 note in SGD for a nominal amount of SGD 15,6 million (December 31, 2021 : 0 notes in SGD);
- 1 note in USD for a nominal amount of USD 417 million (December 31, 2021 : 0 notes in USD);

The Group fiduciary issuance with the Parent Company Societe Generale represents EUR 500 million as of December 31, 2022 (December 31, 2021: EUR 466 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

	12.31.2022	
(in EUR thousand)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Financial assets at fair value through profit or loss	381 618	386 998
Financial assets at fair value through other comprehensive income	-	-
Total	**381 618**	**386 998**

	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**

2. TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

As at December 31, 2022 and December 31, 2021, 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, 2022, and December 31, 2021, 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.

	2022			2021		
(in EUR thousand)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**339**	**(6 341)**	**(6 002)**	**1 244**	**(4 508)**	**(3 264)**
Transactions with customers	**76 375**	**-**	**76 375**	**101 378**	**-**	**101 378**
Financial instruments operations	**115 595**	**(59 197)**	**56 398**	**116 968**	**(60 514)**	**56 454**
Securities transactions	69 731	(56 037)	13 694	82 281	(56 520)	25 761
Primary market transactions	33 468	-	33 468	24 918	-	24 918
Foreign exchange transactions and financial derivatives	12 396	(3 160)	9 236	9 769	(3 994)	5 775
Loan and guarantee commitments	**70 290**	**(53 130)**	**17 160**	**64 616**	**(45 745)**	**18 871**
Sundry service	**140 969**	**-**	**140 969**	**123 068**	**-**	**123 068**
Fund administration fees and custody fees	*63 095*	*-*	*63 095*	*50 210*	*-*	*50 210*
Asset management fees	*67 021*	*-*	*67 021*	*62 711*	*-*	*62 711*
Means of payment fees	*4 511*	*-*	*4 511*	*3 909*	*-*	*3 909*
Insurance products fees	*2 591*	*-*	*2 591*	*2 504*	*-*	*2 504*
Underwriting fees of UCITS	*3 751*	*-*	*3 751*	*3 734*	*-*	*3 734*
Others	**23 158**	**(40 178)**	**(17 020)**	**38 075**	**(40 962)**	**(2 887)**
Total	**426 726**	**(158 846)**	**267 880**	**445 349**	**(151 729)**	**293 620**

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)	2022	2021
Income from other activities	6 050	8 186
Expenses from other activities	(6 089)	(8 987)
Total	**(39)**	**(801)**

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.

ACCOUNTING PRINCIPLES

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, SGL Ré, SG Luxembourg Credit Insurance ("SG Lu-Ci"), 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 subsidiaries fully consolidated concerned are SG Ré, SGL Ré, SG LuCi. Sogelife is consolidated through equity method (cf Note 2.1). The regulatory status of the three subsidiaries include this activity under insurance activities the Group applies the exemption as presented above for this activity.

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)	12.31.2022	12.31.2021
Underwriting reserves of insurance companies	77 041	79 326
Total	**77 041**	**79 326**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(in EUR thousand)	12.31.2022	12.31.2021
Life insurance underwriting reserves	10 115	11 878
Other than life insurance underwriting reserves	66 926	67 448
Total	**77 041**	**79 326**
Attributable to reinsurers	(154)	(156)
Underwriting reserves of insurance net of the share attributable to reinsurers	**76 887**	**79 170**

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 January 1, 2022 (except provisions for deferred profit-sharing)	-	**11 878**	**67 448**
Allocation to insurance reserves	-	-	24 522
Revaluation of unit-linked policies	-	-	-
Charges deducted from unit-linked policies	-	-	-
Transfers and allocation adjustments	-	-	-
New customers	-	-	-
Profit-sharing	-	-	-
Others	-	(1 763)	(25 044)
Reserves at December 31, 2022 (except provisions for deferred profit-sharing)	**-**	**10 115**	**66 926**

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	12.31.2022
Underwriting reserves of insurance companies	-	6 099	28 251	42 691	**77 041**

(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**

2. INSURANCE ACTIVITIES INVESTMENTS

As at December 31, 2022, 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)	12.31.2022	12.31.2021
Financial assets at fair value trough profit or loss (1)	39 862	-
Available-for-sale financial assets	**190 831**	**371 125**
Debt instruments	*188 504*	*369 117*
Equity instruments	*2 327*	*2 008*
Due from banks	96 432	79 757
Customer loans	-	-
Real estate investments	-	-
Total investments of insurance activities before elimination of intercompany transactions	**327 125**	**450 882**
Elimination of intercompany transactions	(96 432)	(79 011)
Total investments of insurance activities after elimination of intercompany transactions (2)	**230 693**	**371 871**

(1) Purchased during 2022 for the amount of EUR 40 276 thousand. It has been revaluated during the period for the amount of - EUR 414 thousand.

(2) 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.

	12.31.2022			
(in EUR thousand)	**Basic debt instruments**	**Equity instruments**	**Total carrying amount**	**Fair value**
Financial assets at fair value through profit or loss	39 862	-	39 862	39 862
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	188 504	2 327	190 831	190 831
Due from banks	-	-	-	-
Customer loans	-	-	-	-
Total financial invesments	**228 366**	**2 327**	**230 693**	**230 693**

	12.31.2021			
(In EUR thousand)	**Basic debt instruments**	**Equity instruments**	**Total carrying amount**	**Fair value**
Instruments	-	-	-	-
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**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	12.31.2022			
(in EUR thousand)	**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	39 862	-	-	39 862
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	188 504	-	2 327	190 831
Total	**228 366**	**-**	**2 327**	**230 693**

	12.31.2021			
(in EUR thousand)	**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**

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in EUR thousand)	2022	2021
Balance as of January 1	**371 125**	**442 651**
Acquisitions	21 254	159 023
Disposals / redemptions	(172 012)	(218 852)
Transfers to held-to-maturity financial assets	-	-
Change in scope and others	(2 635)	(2 869)
Gains and losses on changes in fair value recognised directly in equity during the year	(26 901)	(8 828)
Impairment losses on equity instruments recognised in profit and loss	-	-
Translation differences	-	-
Balance as of December 31	**190 831**	**371 125**

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

	12.31.2022		
(in EUR thousand)	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**3 860**	**(9 084)**	**(5 224)**
On equity instruments available-for-sale	*2 195*	*(319)*	*1 876*
On debt instruments available-for-sale	*1 665*	*(8 765))*	*(7 100)*
Deferred profit-sharing	-	-	-

	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	-	-	-

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)	2022	2021
Net premiums	21 637	19 937
Net income from investments	1 532	10 610
Cost of benefits (including changes in reserves)	(2 773)	7 206
Other net technical income (expense)	(3 573)	(3 595)
Net income of insurance activities	**16 823**	**34 158**
Funding cost	-	(2 326)
Net banking income of insurance companies	**16 823**	**31 832**

NET INCOME FROM INVESTMENTS

(in EUR thousand)	2022	2021
Dividend income on equity instruments	400	308
Interest income		
On available-for-sale financial assets	*2 620*	*4 309*
On loans and receivables	-	-
Other net interest income	*(1 386)*	*147*
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	*(2 671)*	*2 586*
Capital gain or loss on sale of equity instruments	*2 569*	*3 260*
Impairment losses on equity instruments	-	-
Net gains or losses on real estate investments	-	-
Total net income from investments	**1 532**	**10 610**

4. MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, particularly risk through life insurance, individual personal protection and non-life insurance. This risk can be biometrical: disability, longevity, mortality, or related to policyholders' behaviour (risk of lapses). To a lesser extent, the Insurance business line is also exposed to non-life and health risks. Such risks can come from pricing, selection, claims management or catastrophic risk;
- risks related to financial markets and ALM: the Insurance business line, mainly through life insurance, is exposed to instabilities on the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks are monitored and regularly reported, they are guaranteed 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.

	12.31.2022			
(in EUR thousand)	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Due from banks**	**Total**
AAA	-	20 110	-	**20 110**
AA+ / AA / AA-	5 992	67 570	-	**73 562**
A+ / A / A-	15 488	34 257	96 432	**146 177**
BBB+ / BBB / BBB-	18 382	59 494	-	**77 876**
BB+ / BB / BB-	-	-	-	**-**
B+ / B / B-	-	-	-	**-**
CCC+ / CCC / CCC-	-	-	-	**-**
CC+ / CC / CC-	-	-	-	**-**
Lower than CC-	-	-	-	**-**
Not rated	-	9 400	-	**9 400**
Total before intercompany elimination	**39 862**	**190 831**	**96 432**	**327 125**
Intercompany amounts	-	-	(96 432)	**(96 432)**
Carrying amount	**39 862**	**190 831**	**-**	**230 693**

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.

	12.31.2021			
(in EUR thousand)	**Financial assets at fair value through profit or loss**	**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**

Note 4.4. – Other Assets And Liabilities

1. OTHER ASSETS

(in EUR thousand)	12.31.2022	12.31.2021
Guarantee deposits paid [1]	154 912	227 156
Settlement accounts on securities transactions	24 156	24 731
Prepaid expenses	7 230	6 493
Miscellaneous receivables	179 870	223 765
Amounts receivable and prepayments	*102 801*	*188 166*
Other	*77 069*	*35 599*
Gross amount	**366 168**	**482 145**
Impairment	(208)	(186)
Net amount	**365 960**	**481 959**

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

2. OTHER LIABILITIES

(in EUR thousand)	12.31.2022	12.31.2021
Guarantee deposits received	268 911	37 786
Settlement accounts on securities transactions	136 199	58 655
Expenses payable on employee benefits	27 928	29 625
Lease liability	71 088	81 911
Deferred income	23 787	16 757
Miscellaneous payables [1]	262 425	256 990
Amounts payables and sundry creditors	*24*	*23*
Other securities transactions	*262 401*	*256 967*
Total	**790 338**	**481 724**

(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 paid to employees or to external social security agencies,
- whether 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 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)	2022	2021
Employee compensation	(176 299)	(175 019)
Social security charges and payroll taxes	(17 304)	(16 951)
Net pension expenses - defined contribution plans	(5 819)	(6 343)
Net pension expenses - defined benefit plans	(11 928)	(10 206)
Total	**(211 350)**	**(208 519)**

Over the course of 2022, the Group employed an average of 1 726 employees (2021: 1 739 employees), including representive offices abroad.

Staff may be broken down as follows:

Average full time-equivalent employees over the year	12.31.2022	12.31.2021
General Management	32	31
Senior managers	417	406
Other employees	1 277	1 302
Total	**1 726**	**1 739**

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 01.01.2022	Allocations	Reversals/ utilization	Net allocation	Actuarial gains and losses	Other	Provisions at 12.31.2022
Provisions for employee benefits	**58 175**	**9 292**	**(12 047)**	**(2 755)**	**(13 714)**	**156**	**41 862**
Provisions for retiment plans	*45 355*	*8 315*	*(6 375)*	*1 940*	*(13 714)*	*91*	*33 672*
Provisions for other long-term benefits	*11 166*	*591*	*(5 421)*	*(4 830)*	*-*	*58*	*6 394*
Other provisions for employee benefits	*1 654*	*386*	*(251)*	*135*	*-*	*7*	*1 796*

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

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, 2022 and as at December 31, 2021 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:

	12.31.2022		12.31.2021	
Luxembourg				
SG Luxembourg				
Discount rate	3.65%		0.81%	
Inflation rate	2.42%		2.04%	
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		2.24%		0.05%
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)	12.31.2022	12.31.2021
Defined benefit obligation	171 152	212 400
Fair value of plan assets	(159 147)	(167 045)
Net defined benefit asset/ (liability)	**12 005**	**45 355**

BREAKDOWN OF FAIR VALUE OF PLAN ASSETS

(in EUR thousand)	12.31.2022	12.31.2021
Insurance contract	12 300	11 818
Equity	46 596	51 397
Bonds	49 353	60 286
Real Estate	32 695	25 249
Others	18 203	18 295
Total	**159 147**	**167 045**

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, 2022, 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, 2021	**2 731**
Net 2021 change [(1)]	(16 223)
Total at December 31, 2021	**(13 492)**
Net 2022 change [(2)]	(13 714)
Total at December 31, 2022	**(27 206)**

(1) See note 7.3 Actuarial gains and losses on defined benefits plans gross value 01.01.2021

(2) See note 7.3 Actuarial gains and losses on defined benefits plans gross value 12.31.2022

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(in EUR thousand)	**12.31.2022**	**12.31.2021**
A - Present value of funded defined benefit obligations	171 152	212 400
B - Fair value of plan assets and separate assets	(159 147)	(167 045)
C = A + B Deficit (surplus)	**12 005**	**45 355**
D - Present value of unfunded defined benefit obligations	-	-
E - Change in asset ceiling	-	-
C + D + E = Net balance recorded in the balance sheet	**12 005**	**45 355**

COMPONENTS OF THE COST OF DEFINED BENEFITS

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Current service cost including social security contributions	7 970	7 868
Employee contributions	-	-
Past service cost/curtailments	-	-
Settlements	-	-
Net interest	344	141
A - Components recognised in income statement	**8 314**	**8 009**
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	(29 214)	(6 342)
Actuarial gains and losses due to experience	153	2 515
Return on assets excluding amounts included in interest income	15 347	(12 396)
B - Components recognised in unrealised or deferred gains and losses	**(13 714)**	**(16 223)**
C = A + B Total components of the cost of defined benefits	**(5 400)**	**(8 214)**

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(in EUR thousand)	12.31.2022	12.31.2021
Balance at January 1	**212 400**	**216 508**
Current service cost including social security contributions	10 612	10 639
Past service cost / curtailments	-	(314)
Settlements	-	-
Net interest	426	276
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	(50 062)	(3 619)
Foreign exchange adjustment	7 699	7 196
Benefit payments	(1 309)	(2 280)
Change in consolidation scope	-	-
Payment from plan assets	(8 614)	(15 999)
Transfers and others	-	(7)
Balance at December, 31	**171 152**	**212 400**

CHANGES IN THE FAIR VALUE OF PLAN ASSETS

(in EUR thousand)	12.31.2022	12.31.2021
Balance at January 1	**167 045**	**155 983**
Interest income	87	135
Expected return on plan assets	-	-
Expected return on separate assets	-	-
Actuarial gains and losses due to assets	(14 924)	12 396
Foreign exchange adjustment	7 870	7 274
Employee contributions	2 633	2 484
Employer contributions to plan assets	5 052	4 772
Benefit payments	(8 616)	(15 999)
Change in consolidation scope	-	-
Return on assets excluding amounts included in interest income	-	-
Transfers and others	-	-
Balance at December, 31	**159 147**	**167 045**

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, 2022, 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, 2022:

2022

Luxembourg

SG Luxembourg

Sensitivity	Defined benefit obligation	Service cost	Expected expenses N+1
Discount rate -0.5%:	5.5%	4.8%	-1.3%
Discount rate +0.5%:	-5.1%	-4.5%	1.3%
Inflation rate -0.5%:	-3.6%	-4.3%	-4.0%
Inflation rate +0.5%:	3.8%	4.6%	4.3%
Salary increase +0.5%:	6.4%	8.0%	7.4%

Switzerland

Sensitivity	Defined benefit obligation	Service cost	Expected expenses N+1
Discount rate -0.5%:	5.4%	6.6%	10.2%
Discount rate +0.5%:	-4.9%	-6.0%	-9.4%
Inflation rate -0.5%:	-0.8%	0.6%	0.9%
Inflation rate +0.5%:	0.7%	-0.7%	-1.1%
Salary increase +0.5%:	0.8%	-0.7%	-1.1%

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		12.31.2022	12.31.2021
Luxembourg	SG Luxembourg	11,0	12,0
Switzerland	SGPB Suisse	10,0	13,0

Expected future benefit payments are as follows:

	Luxembourg	Switzerland
	12.31.2022	12.31.2022
Year	*(in EUR thousand)*	*(in EUR thousand)*
2024	1 132	10 376
2025	2 074	10 055
2026	2 016	10 134
2027	1 745	9 821
2028-2032	18 755	48 013

	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

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

Long-term employee benefits are benefits other than post-employment and termination benefits that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised 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:

	12.31.2022		12.31.2021	
SG Luxembourg				
Discount rate	3.77%		0.76%	
Inflation rate	N/A		2.02%	
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%		0.19%	
Inflation rate	1.00%		1.00%	
Expected rate of return on assets	N/A		N/A	
Compensation increase rate (excluding indexation)	1.2%		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)	12.31.2022	12.31.2021
Service cost	(4 983)	1 051
Financial cost	21	22
Actuarial gains and losses	-	-
Total	**(4 962)**	**1 073**

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)	12.31.2022	12.31.2021
Obligation in relation to defined benefits – Opening	**8 036**	**7 190**
Total (expense)/ revenue recognized in the income statement	(4 962)	1 073
Paid benefits	(79)	(280)
Other	-	-
Translation effect	58	53
Obligation in relation to defined benefits – Closing	**3 053**	**8 036**

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, 2022, 13 subsidiaries were included in the group filing a consolidated return (2021: 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)	12.31.2022	12.31.2021
Current taxes	(24 528)	(53 475)
Deferred taxes	11 718	43 103
Total taxes	**(12 810)**	**(10 372)**

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

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Income before tax excluding net income from companies accounted for using the equity method	210 821	275 116
Tax rate applicable at the end of the year	24.94%	24.94%
Theoretical income tax	**(52 579)**	**(68 614)**
Tax effect of non-taxable income	48 477	42 671
Tax effect of non-deductible expenses	(18 924)	(1 171)
Tax without basis *	13 007	17 559
Provisions for tax adjustments	-	-
Sub-consolidated results taxed at other rates	(3 665)	(1 201)
Previous year corrections	-	(48)
Other items	874	432
Total income tax	**(12 810)**	**(10 372)**

**mainly refers to tax expenses of tax 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)	**12.31.2022**	**12.31.2021**
Current tax assets	1 523	1 543
Deferred tax assets	3 798	17
o/w deferred tax assets on tax loss carryforward	-	-
o/w deferred tax assets on temporary differences	*3 798*	*17*
Total	**5 321**	**1 560**

TAX LIABILITIES

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Current tax liabilities	29 377	23 149
Deferred tax liabilities and provision from income tax adjustments	93 252	97 608
Total	**122 629**	**120 757**

3. BREAKDOWN OF DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The following table shows deferred tax recorded in the statement of financial position and changes recorded in the income tax expense:

	12.31.2022			
(in EUR thousand)	**Deferred Tax Asset**	**Deferred Tax Liability**	**Income Statement**	**OCI**
Provisions	-	45 524	10 076	(3 008)
Impairment allowance for loans and advances to customers	3 791	(11 293)	13 501	-
Fair value of financial instruments through profit or loss	-	7 695	(9)	-
Revaluation of hedging derivatives	-	11 580	-	(13 061)
Revaluation of debt instruments at fair value through other comprehensive income	-	53	-	12 763
Foreign currency translation reserve	-	-	-	-
Derivative financial instruments	-	-	-	-
Net gain on hedge of net investment	-	-	-	-
Consolidation treatments	-	39 629	(11 583)	-
Other temporary differences	7	64	(267)	5
Total	**3 798**	**93 252**	**11 718**	**(3 301)**

	12.31.2021			
(in EUR thousand)	**Deferred Tax Asset**	**Deferred Tax Liability**	**Income Statement**	**OCI**
Provisions	-	52 506	(42 617)	(2 295)
Impairment allowance for loans and advances to customers	-	(1 710)	(1 620)	-
Fair value of financial instruments through profit or loss	-	7 657	(547)	-
Revaluation of hedging derivatives	-	-	-	(3 421)
Revaluation of debt instruments at fair value through other comprehensive income	-	11 291	-	3 431
Foreign currency translation reserve	-	-	-	-
Derivative financial instruments	-	-	-	-
Net gain on hedge of net investment	-	-	-	-
Consolidation treatments	-	28 046	2 516	-
Other temporary differences	17	(182)	137	(49)
Total	**17**	**97 608**	**43 103**	**(2 334)**

4. CHANGE IN DEFERRED TAX

The change in deferred taxes is analysed as follows:

ASSETS

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Net opening balance	**17**	**-**
Items taken directly to net profit or loss	3 781	17
Items taken directly to equity	-	-
Impact change in accounting policy	-	-
Closing balance	**3 798**	**17**

LIABILITIES

(in EUR thousand)	12.31.2022	12.31.2021
Net opening balance	**97 608**	**139 285**
Items taken directly to net profit or loss	(7 937)	(44 167)
Items taken directly to equity	3 301	2 334
Others movements	280	156
Closing balance	**93 252**	**97 608**

5. DEFERRED TAX ASSETS RECOGNIZED ON TAX LOSS CARRIED FORWARD

As at December 31, 2022, and December 31, 2021 the Group has no Deferred Tax Asset recognized due to 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)	12.31.2022	12.31.2021
Share capital	1 389 043	1 389 043
Share premium	2 817	2 817
Consolidation reserve	570 552	516 634
Revaluation reserve	32 932	46 695
Legal reserve	138 905	138 905
Special reserve for Net Wealth Tax reduction	249 965	239 022
Retained earnings	961 343	709 419
Net income for the year	232 578	303 907
Total	**3 578 135**	**3 346 442**

1. SHARE CAPITAL

As of December 31, 2022 and December 31, 2021, 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)	12.31.2022	12.31.2021
Translation reserve	(6 302)	(4 381)
Revaluation of debt instruments at fair value through other comprehensive income	5 441	29 716
Revaluation reserve of available-for-sale financial assets	(5 224)	21 677
Revaluation of hedging derivatives	46 434	(5 902)
Unrealized gains and losses of entities accounted for using the equity method	(8 722)	3 952
Tax related	(9 375)	(12 334)
Unrealized or deferred gains (losses) that may be reclassified subsequently to profit or loss	**22 252**	**32 728**
Actuarial gains (losses) on defined benefits plans	13 714	16 223
Unrealised gains and losses of entities accounted for using the equity method	-	-
Revaluation of equity instruments at fair value through other comprehensive income	-	-
Tax related	(3 034)	(2 256)
Unrealized or deferred gains (losses) that will not be reclassified subsequently to profit or loss	**10 680**	**13 967**
Total Revaluation reserve	**32 932**	**46 695**

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, 2022 and December 31, 2021, 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 from December 31, 2016 to 2022, 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)	12.31.2022	12.31.2021
2016	-	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	42 738
2022	41 924	
Total	**249 965**	**239 022**

Note 7.2. – Dividends paid and proposed

(in EUR thousand)	12.31.2022	12.31.2021
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	200 000	-
Dividends per share (in EUR)	18	-

For the year 2022, a dividend of EUR 200 million will be proposed for approval at the Annual General Meeting.

Note 7.3. – Gains and losses recognised in other comprehensive income

BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES

	01.01.2022		
(in EUR thousand)	**Gross value**	**Tax**	**Net value**
Translation differences	(4 381)	-	(4 381)
Revaluation of debt instruments at fair value through other comprehensive income	29 716	(7 405)	22 311
Revaluation of available-for-sale financial assets[1]	21 677	(5 406)	16 271
Revaluation of hedging derivatives	(5 902)	1 477	(4 425)
Unrealised gains and losses of entities accounted for using the equity method	3 952	(1 000)	2 952
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	**45 062**	**(12 334)**	**32 728**
Actuarial gains and losses on defined benefit plans	16 223	(2 279)	13 944
Unrealised gains and losses of entities accounted for using the equity method	-	23	23
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	**16 223**	**(2 256)**	**13 967**
Total of unrealised gains and losses	**61 285**	**(14 590)**	**46 695**

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

	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.

	Variation				12.31.2022			
Net Group share	**Gross value**	**Tax**	**Net value**	**Net Group share**	**Gross value**	**Tax**	**Net value**	**Net Group share**
-	(1 921)	-	(1 921)	-	(6 302)	-	(6 302)	-
-	(24 275)	6 055	(18 220)	-	5 441	(1 350)	4 091	-
-	(26 901)	6 709	(20 192)	-	(5 224)	1 303	(3 921)	-
-	52 336	(13 057)	39 279	-	46 434	(11 580)	34 854	-
-	(12 674)	3 252	(9 422)	-	(8 722)	2 252	(6 470)	-
-	**(13 435)**	**2 959**	**(10 476)**	**-**	**31 627**	**(9 375)**	**22 252**	**-**
-	(2 509)	(778)	(3 287)	-	13 714	(3 057)	10 657	-
-	-	-	-	-	-	23	23	-
-	**(2 509)**	**(778)**	**(3 287)**	**-**	**13 714**	**(3 034)**	**10 680**	**-**
-	**(15 944)**	**2 181**	**(13 763)**	**-**	**45 341**	**(12 409)**	**32 932**	**-**

	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**	**-**

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 2022 or 2021.

In 2022 and 2021, 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 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.

	12.31.2022					
(in EUR thousand)	**Private Banking**	**Securities Services**	**Corporate and Investment Banking**	**Insurance activities**	**Corporate center**	**Total**
Interest margin	172 161	49 852	234 691	-	(46 713)	**409 991**
Net fees income	124 833	98 969	50 936	(541)	(6 317)	**267 880**
Net income from other activity	87	(1 368)	(933)	-	2 175	**(39)**
Total income on financial instruments	19 562	1 305	4 664	-	87 671	**113 202**
Net income of insurance activities	-	-	-	16 823	-	**16 823**
Internal remuneration	1 729	798	6 464	-	(8 991)	**-**
Net banking income	**318 372**	**149 556**	**295 822**	**16 282**	**27 825**	**807 857**
Operating expenses	(240 355)	(112 596)	(67 988)	(1 246)	(6 550)	**(428 735)**
Gross operating income	**78 017**	**36 960**	**227 834**	**15 036**	**21 275**	**379 122**
Cost of risk	(20 332)	(27)	(148 473)	-	534	**(168 298)**
Operating income	**57 685**	**36 933**	**79 361**	**15 036**	**21 809**	**210 824**
Net income from investments accounted for using the equity method	-	-	22 649	11 935	-	**34 584**
Net income/expense from other assets	-	-	(3)	-	-	**(3)**
Consolidated Net Income before tax	**57 685**	**36 933**	**102 007**	**26 971**	**21 809**	**245 405**

(in EUR thousand)	**Private Banking**	**Securities Services**	**Corporate and Investment Banking**	**Insurance activities**	**Corporate center**	**Total**
Total assets	**47 956 669**	**605 528**	**18 525 248**	**176 347**	**625 244**	**67 889 036**
o/w customer loans and securities at amortised cost (Note 3.6)	*13 640 947*	*116 216*	*15 380 115*	*-*	*120 043*	*29 257 321*
Total liabilities and equity	**38 599 623**	**7 249 576**	**17 651 262**	**176 347**	**4 212 228**	**67 889 036**
o/w customer deposits (Note 3.7)	*21 771 034*	*5 749 952*	*11 484 863*	*-*	*2 277 414*	*41 283 263*

	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*

3. SEGMENT REPORTING BY GEOGRAPHICAL REGION

	12.31.2022				
(in EUR thousand)	Luxembourg	Monaco	Switzerland	Other	**Total**
Net banking income	631 646	63 911	105 004	7 296	807 857
Total assets	**60 265 609**	**3 287 036**	**2 839 388**	**1 497 003**	**67 889 036**
Total liabilities	**60 265 609**	**3 287 036**	**2 839 388**	**1 497 003**	**67 889 036**

	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**

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)	12.31.2022	12.31.2021
Recharge fees [(1)]	(54 388)	(56 095)
IT expenses	(32 754)	(35 562)
Professional fees	(23 910)	(28 809)
VAT and other taxes[(2)]	(33 806)	(27 794)
Service and maintenance	(11 290)	(8 701)
Data provider fees	(6 693)	(6 423)
Telecommunication expenses	(4 104)	(3 737)
Other fees	(4 827)	(3 079)
Marketing, advertising and public relations	(2 641)	(2 359)
Premises and equipment leases	(1 526)	(1 115)
Insurance fees	(1 296)	(1 233)
Training	(784)	(944)
Administrative expenses	(848)	(922)
Total	**(178 867)**	**(176 773)**

(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 2022. For the financial year of 2022, the contribution to the FGDL is included in the same account than the FRL amouting EUR 352 thousand broken down as follows:

- 1st compartiment : EUR 95 thousand
- 2nd compartiment: EUR 239 thousand
- Administrative fee: EUR 18 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 Group for the resolution mechanisms contribution:

(in EUR thousand)	2022	2021
Net contribution paid	31 316	25 219
IPC deposit (15% of net contribution)	(4 697)	(3 783)
Total	**26 619**	**21 436**

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 01.01.2022	Allocations	Reversals available	Net allocation	Actuarial Gain and Losses	Currency and others	Provisions at 12.31.2022
Provisions for credit of risk on off statement of financial commitments (see Note 3.9)	2 505	1 757	(2 314)	(557)	-	23	1 971
Provisions for employee benefits (see Note 5.2)	58 175	9 292	(12 047)	(2 755)	(13 714)	156	41 862
Other provisions[(1)]	5 330	1 709	(120)	1 589	-	5 945	12 864
Total	**66 010**	**12 758**	**(14 481)**	**(1 723)**	**(13 714)**	**6 124**	**56 697**

(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 01.01.2021	Allocations	Reversals available	Net allocation	Acturial gains and losses	Currency and others	Provisions at 12.31.2021
Provisions for credit of risk on off statement of financial statements 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.

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. The case was formally remanded to the Southern District of Texas in Houston by order of 28 January 2022, and the trial as to all defendants is to commence on 27 February 2023. On 3 January 2023, SGPB Suisse entered into an agreement settling the litigation brought by OSIC as well as the pending intervenor claims brought by certain individual plaintiffs also pending in the Southern District of Texas, in an amount covered by reserves in Societe Generale S.A.'s accounts following a financial guarantee provided by Societe Generale S.A. to SGPB Suisse. This settlement is subject to review and approval by the US District Court for the Northern District of Texas, which oversees the wind-up of the Stanford estate.

In the same matter, a precontentious claim ("requête en conciliation") was initiated in Geneva in November 2022 by the Joint Liquidators of SIBL, appointed by the courts in Antigua, representing the same investors as those represented by the US plaintiffs. SGPB Suisse will defend against that claim in this proceeding, would it be notified of its continuation.

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

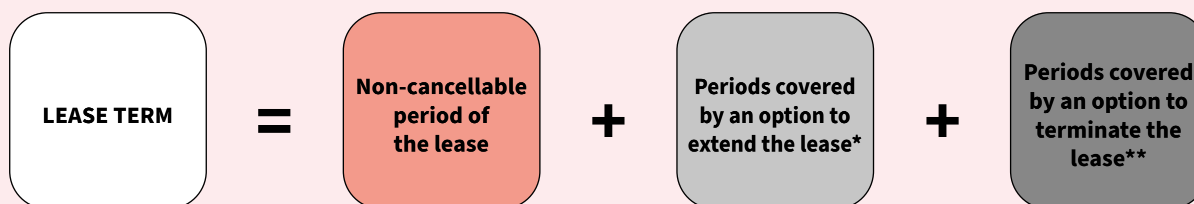
A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract 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.



** 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 re-estimated.

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 (re-estimate 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 starting 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 starting 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 starting 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, 2022

(in EUR thousand)	Gross book value as at January 1, 2022	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications
Intangible assets				
Software, EDP development costs	48 170	638		1 075
Internally generated assets	47 566	-		7 683
Assets under development	9 929	5 680		(8 127)
Others	1 500	4 604		-
Sub-total	**107 165**	**10 922**		**631**
Property and Equipment				
Land and buildings	9 492	-	(16)	-
Assets under development	20 088	18 318	(939)	(132)
Others	62 787	3 955	-	758
Sub-total	**92 367**	**22 273**	**(955)**	**626**
Real estate	134 133	9 310	-	1 312
IT	4 650	369	(519)	-
Others	1 741	241	(171)	-
Right-of-use	**140 524**	**9 920**	**(690)**	**1 312**
Property and equipment, other intangible and right-of-use assets	**340 056**	**43 115**	**(1 645)**	**2 569**

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**

Gross value as at December 31, 2022	Accumulated depreciation 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, 2022
49 883	(42 188)	(3 658)	-	-	(612)	3 425
55 249	(35 977)	(7 900)	-	-	-	11 372
7 482	(2 126)	-	-	-	-	5 356
6 104	(1 500)	(42)	-	-	-	4 562
118 718	**(81 791)**	**(11 600)**	**-**	**-**	**(612)**	**24 715**
9 476	(6 641)	(210)	-	-	-	2 625
37 335	-	-	-	-	-	37 335
67 500	(52 552)	(5 424)	-	-	(433)	9 091
114 311	**(59 193)**	**(5 634)**	**-**	**-**	**(433)**	**49 051**
144 755	(55 883)	(19 957)	-	-	(1 050)	67 865
4 500	(2 063)	(930)	-	519	1	2 027
1 811	(1 181)	(397)	-	171	27	431
151 066	**(59 127)**	**(21 284)**	**-**	**690**	**(1 022)**	**70 323**
384 095	**(200 111)**	**(38 518)**		**690**	**(2 067)**	**144 089**

Gross value as at December 31, 2021	Accumulated depreciation 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**

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

	12.31.2022			
(in EUR thousand)	**Real estate**	**Computer equipment**	**Others**	**Total**
Lease	**(22 292)**	**(1 085)**	**(806)**	**(24 183)**
Interest expenses on lease liabilities	(385)	(5)	(1)	**(391)**
Depreciation charge for right-of-use assets	(20 559)	(930)	(397)	**(21 886)**
Expense relating to short-term leases	(1 348)	(150)	(408)	**(1 906)**
Expense relating to leases of low-value assets	-	-	-	**-**
Expense relating to variable lease payments	-	-	-	

	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	-	-	-	**-**

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, 2022 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 of December 31, 2022 and December 31, 2021.

	12.31.2022		12.31.2021	
(in EUR thousand)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
EUR	45 593 927	43 943 387	44 226 646	42 468 531
USD	12 526 782	15 396 531	13 334 864	15 801 149
GBP	2 814 344	3 389 397	3 003 348	3 260 000
JPY	2 892 412	2 882 876	2 605 776	2 623 543
AUD	75 825	85 728	130 403	90 454
CZK	5 213	5 291	3 071	4 338
RUB	500	330	20 562	41 300
RON	115	93	166	155
CHF	2 846 906	1 212 461	1 968 645	1 168 103
SEK	161 738	123 722	312 657	193 105
DKK	224 938	120 524	323 627	139 171
Other currencies	746 336	728 696	912 018	1 051 934
Total	**67 889 036**	**67 889 036**	**66 841 783**	**66 841 783**

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 2022 and 2021 fiscal years in relation with Societe Generale Luxembourg group were as follows :

(in EUR thousand)	12.31.2022	12.31.2021
Statutory audit of the consolidated financial statements	(1 206)	(1 138)
Other assurance services	(354)	(361)
Tax consulting services	-	-
Other services	-	-
Total	**(1 560)**	**(1 499)**

Note 8.7. – Transactions with related parties

The Group enters into transactions with its parent company Societe Generale and Societe Generale subsidiaries. Other related parties refer to entities which are part of group Societe Generale with no direct equity link or with no full or joint control and with no significant influence from Societe Generale. The following table shows the outstanding balance at year end.

OUTSTANDING ASSETS AND LIABILITIES WITH RELATED PARTIES

	As at 12.31.2022			
(in EUR thousand)	**Headquarter**	**Subsidiaries**	**Other related parties**	**Total**
ASSETS				
Financial assets at fair value though profit or loss	116 130	39 816	249 141	**405 087**
Hedging derivatives	172 308	-	38	**172 346**
Financial assets at fair value through other comprehensive income	-	-	62 790	62 790
Financial assets at amortised cost	19 547 170	37 776	6 593 006	26 177 952
Others	10 038	2 265	4 176	16 479
TOTAL	**19 845 646**	**79 857**	**6 909 151**	**26 834 654**
LIABILITIES				
Financial liabilities at fair value through profit or loss	51 235	-	-	51 235
Hedging derivatives	14 899	-	12	14 911
Customer deposits	20 421	119 116	9 817 815	9 957 352
Financial liabilities at amortised cost	21 029 770	-	28 435	21 058 205
Others	309 810	-	9 069	318 879
TOTAL	**21 426 135**	**119 116**	**9 855 331**	**31 400 582**

	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**

NET BANKING INCOME FROM RELATED PARTIES

2022

(in EUR thousand)	Headquarter	Subsidiaries	Other related parties	Total
Interest and similar income	6 867	1 112	(60 358)	**(52 379)**
Fees	(16 516)	11 536	(18 446)	**(23 426)**
Net gains and losses from financial transactions	279 962	-	81 753	**361 715**
Income from other activities	1 716	2 601	-	**4 317**
Net banking income	**272 029**	**15 249**	**2 949**	**290 227**
General Administrative expense	(46 669)	2 035	(9 973)	**(54 607)**
Gross operating income	**225 360**	**17 284**	**(7 024)**	**235 620**
Cost of risk	-	-	-	-
Operating income	**225 360**	**17 284**	**(7 024)**	**235 620**
Net income from investments accounted for using the equity method	-	-	-	-
Consolidated Net Income before tax	**225 360**	**17 284**	**(7 024)**	**235 620**
Tax expenses	-	-	-	-
Consolidated Net Income	**225 360**	**17 284**	**(7 024)**	**235 620**

2021

(in EUR thousand)	Headquarter	Subsidiaries	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**
Consolidated Net Income before tax	**-**	**-**	**-**	**-**
Tax expenses	**6 282**	**19 165**	**132 383**	**157 830**
Consolidated Net Income	**-**	**-**	**-**	**-**
	6 282	**19 165**	**132 383**	**157 830**

COMMITMENTS TO RELATED PARTIES

	12.31.2022			
(in EUR thousand)	Headquarter (1)	Subsidiaries	Other related parties	Total
Commitments granted	8 277 375	-	225 815	**8 503 190**
Commitments received	13 094 368	-	1 033 034	**14 127 402**
Derivative financial assets commitments	9 425 849	-	394	**9 426 243**
Derivative financial liabilities commitments	9 876 688	-	-	**9 876 688**
TOTAL	**40 674 280**	**-**	**1 259 243**	**41 933 523**

(1) The commitments towards Headquarters include the fiduciary notes issued by the Bank and disclosed in Note 3.10.

	12.31.2021			
(in EUR thousand)	**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.

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)	**12.31.2022**	**12.31.2021**
Short-term benefits	1 146	1 149
Post-employment benefits	3	30
Long-term benefits	215	61
Share-based payments	159	258
Total	**1 523**	**1 498**

Share-based payments are deferred payments in actions from Societe Generale group.

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 Authorized Management 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 clear and well-defined structure of internal rules, procedures and, monitoring actions, performed by independent operational management teams, to structure the underwriting of new risks.

SG Luxembourg's Enterprise Risk Committee, chaired by the Chief Executive Officer, meets quarterly to review risk management and, if necessary, to determine whether to accept risks or to decide how to manage them.

It aims to:

- inform the Executive Management about the nature and magnitude of the risks to which the Group is exposed and to provide analyses of the credit portfolio on a periodic basis;
- find possible remedial measures for identified risks;
- examine provisions from a prudential perspective;

- report on the progresses of each Risk Department initiatives finalized to manage each counterparty, market, credit and operational risk.

To reflect a proper management of risk and develop an integrated risk culture, the Group has set up an effective Risk Management organization, encompassing the relevant risks coming from its activities.

The overall Risk Management framework remains under the CRO's responsibility, who is responsible for providing any relevant information on risks to the Authorized Management.

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. This risk may be further amplified by individual, country and sector concentration. It includes:

- the risk linked to securitisation activities;
- the underwriting risk which is the risk of loss arising from debt syndication activities where the bank fails to meet its final take target due to market conditions, inaccurate analysis of investor's demand, miscalculated credit profile or credit deterioration of the borrower during the syndication phase of the loan/the bond.

It also includes the counterparty risk relating to the market activities conducted by the Group entities.

The Group has established a Global credit risk policy covering all of its activities that specified the risk tolerance of the various business lines and establishes 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 risks approval complies with rules common to all business lines:

- all transactions resulting in a counterparty risk, are subject to a prior analysis, finalized to credit risk monitoring 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 helps to limit concentration risk;
- with the 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, the decision is subject to an arbitration process;
- all decisions in respect of the granting of credit must automatically take into account the risk ratings attributed internally to the counterparties, communicated by the business lines and approved by the SG Luxembourg group's risk management team.

Private Banking division loans are predominantly granted to Ultra High Networth clients who hold assets with this department, or prospect to have a significant potential development for Private Banking division target. The credit approach relies on the assessment of the ability of the debtor to repay on time (and more generally to meet its obligations under the credit documentation), on the economical rationale of the proposed transaction, on the appraisal of the collateral and finally on the bank's operational capacity to track changes in each loan's collateral. Loan to Value is determined by applying haircuts to the value of the collateral that are based on its quality, liquidity, volatility, and the diversity of its assets. The Bank implements a daily monitoring mechanism for detecting deterioration in collateral and defining, with its clients, measures for regularizing shortfalls.

For corporate and institutional clients, the acceptance of any credit commitment is based on a credit application including a detailed analysis of financial performance of the client and of the purpose, the structure and the sources of debt repayment.

In a credit transaction, risk acceptability is based, first, on the borrower's ability to meet its commitments and so to repay its debt, through the cash flows. For medium and long-term operations, the funding duration must remain compatible with the economic life of the financed asset and the visibility horizon of the borrower's cash flow.

The Group has specific credit policies and/or limits for sectors or types of credit transactions which have a specific or intrinsically higher concentration risk profile. In addition, certain types of transactions benefit from the expertise off specialized business line teams within Societe Generale group (in particular: LBOs, financing of real estate professionals, securitization, hedge fund transactions, commodities trade financing, aircraft and shipping, and project financing).

GTPS credit approach is in line with a comprehensive banking relationship that disallows the approval of credit lines in the absence of a business relationship with Societe Generale group.

GLBA (within SG Luxembourg and its specialized subsidiaries) is structuring and providing specialized financing and debt fund-raising, in order to propose integrated solutions to Societe Generale group corporate and institutional clients.

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 when necessary issuing alerts as well as for the regular update of analyses.

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, economic results 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.

In order to protect itself, the Group performs hedging activities and other risk management strategies also through 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 risk management strategies.

Following the financial crisis, regulators have encouraged or imposed the mandatory netting of certain financial instruments formerly traded over-the-counter. This has increased the exposure of the Group and of other financial market participants to 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.

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, could be insufficient or defective in preventing the concentration of credit risk. Such a concentration 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.

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 on its lending activities in order to anticipate as much as possible the occurrence of such losses and moderate the volatility of its results. The amount of loan provisions is based on the most accurate assessment to date of it's recoverability. 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 be based on the use of statistical models and of loss and historical data.

The Group could be required to substantially increase its loan provision, following an increase in defaults or a re-evaluation of recovery prospects.

Since January 1, 2018, the Group has been recording provisions on performing loans under the IFRS 9 accounting standard. This assessment is based on probabilities of default statistical models on default potential losses, 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 can generate 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 which govern 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 with regard 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 outstandings provisioned (balance sheet and off-balance sheet) subject to impairment in accordance with IFRS 9 provisions by stage.

The perimeter 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

	12.31.2022				12.31.2021			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	4 281	-	-	**4 281**	8 188	-	-	**8 188**
Institutions	22 606 459	-	-	**22 606 459**	20 371 008	-	-	**20 371 008**
Corporates	28 660 790	992 957	419 778	**30 073 525**	29 629 945	517 777	359 082	**30 506 804**
Retail	3 751 609	64 484	52 447	**3 868 540**	3 522 773	46 307	67 896	**3 636 976**
Total	**55 023 139**	**1 057 441**	**472 225**	**56 552 805**	**53 531 914**	**564 084**	**426 978**	**54 522 976**

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 enterprise acting for their own.

TABLE 2: GEOGRAPHICAL BREAKDOWN OF PROVISIONED OUTSTANDINGS BASED ON THE TAX RESIDENCY

	12.31.2022				12.31.2021			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Luxembourg	9 396 839	239 002	19 535	**9 655 376**	10 414 562	43 632	238 381	**10 696 575**
Africa and Middle East	1 912 386	99 138	5 801	**2 017 326**	2 170 088	136 295	14 792	**2 321 175**
Asia Pacific	616 780	-	-	**616 780**	626 994	-	-	**626 994**
Eastern Europe (excluding EU)	26 991	331 352	227 033	**585 375**	701 119	4 802	-	**705 921**
Eastern Europe EU	21 977	-	-	**21 977**	22 818	11 001	-	**33 819**
Latin America and Caribbean	1 922 311	24 583	51 538	**1 998 432**	2 538 719	83 273	1	**2 621 993**
North America	1 776 149	-	-	**1 776 149**	1 671 386	-	-	**1 671 386**
Western Europe (excluding Luxembourg)	39 349 706	363 365	168 319	**39 881 390**	35 386 228	285 081	173 804	**35 845 113**
Total	**55 023 139**	**1 057 441**	**472 225**	**56 552 805**	**53 531 914**	**564 084**	**426 978**	**54 522 976**

TABLE 3: BASEL PORTFOLIO BREAKDOWN OF PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

	12.31.2022				12.31.2021			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	1	-	-	**1**	1	-	-	**1**
Institutions	558	-	-	**558**	1 556	-	-	**1 556**
Corporates	17 505	133 072	70 808	**221 385**	12 859	3 322	51 779	**67 960**
Retail	6 050	232	12 095	**18 377**	4 469	139	14 256	**18 864**
Total	**24 114**	**133 304**	**82 903**	**240 321**	**18 885**	**3 461**	**66 035**	**88 381**

TABLE 4: GEOGRAPHICAL BREAKDOWN OF PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BASED ON THE TAX RESIDENCY

	12.31.2022				12.31.2021			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Luxembourg	2 706	26 013	4 362	**33 081**	2 789	614	28 356	**31 759**
Africa and Middle East	460	41	3 695	**4 196**	844	242	7 145	**8 231**
Asia Pacific	98	-	-	**98**	146	-	-	**146**
Eastern Europe (excluding EU)	16	69 132	46 101	**115 249**	556	3	-	**559**
Eastern Europe EU	8	-	-	**8**	34	-	-	**34**
Latin America and Caribbean	219	43	5 128	**5 390**	548	44	-	**592**
North America	367	-	-	**367**	373	-	-	**373**
Western Europe (excluding Luxembourg)	20 240	38 075	23 617	**81 932**	13 595	2 558	30 534	**46 687**
Total	**24 114**	**133 304**	**82 903**	**240 321**	**18 885**	**3 461**	**66 035**	**88 381**

TABLE 5: PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BY RATING OF COUNTERPARTY

	12.31.2022							
	Provisioned outstandings				Impairment and Provisions			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	622	-	-	**622**	-	-	-	**-**
2	898 724	-	-	**898 724**	25	-	-	**25**
3	26 851 506	-	-	**26 851 506**	634	45	-	**679**
4	3 117 769	159 470	-	**3 277 239**	706	412	-	**1 118**
5	1 853 773	72 312	-	**1 926 085**	2 206	14 625	-	**16 831**
6	69 259	689 900	-	**759 159**	1 083	116 906	-	**117 989**
7	272	6 432	-	**6 704**	-	655	-	**655**
Default (8,9,10)	-	-	472 225	**472 225**	-	-	82 903	**82 903**
Other method [1]	22 231 214	129 327	-	**22 360 541**	19 460	661	-	**20 121**
Total	**55 023 139**	**1 057 441**	**472 225**	**56 552 805**	**24 114**	**133 304**	**82 903**	**240 321**

(1) Other method corresponds mainly to the retail methodology described in Note 9.1.

	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 mainly to the retail methodology described in Note 9.1.

TABLE 6: PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BY SECTOR

	12.31.2022							
	Provisioned outstandings				Impairment and Provisions			
(in EUR thousand)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Central administrations	4 281	-	-	**4 281**	1	-	-	**1**
Credit institutions	22 606 459	-	-	**22 606 459**	558	-	-	**558**
Other financial corporations	14 804 461	11 428	10 535	**14 826 424**	2 191	715	756	**3 662**
Non-financial corporations[1]	13 856 329	981 529	409 243	**15 247 101**	15 314	132 357	70 052	**217 723**
Retail customers	3 751 609	64 484	52 447	**3 868 540**	6 050	232	12 095	**18 377**
Total	**55 023 139**	**1 057 441**	**472 225**	**56 552 805**	**24 114**	**133 304**	**82 903**	**240 321**

(1) Detail of non-financial corporations :

(in EUR thousand)	12.31.2022
Mining and quarrying	725 578
Manufacturing	1 469 288
Electricity, gas, steam and air conditioning suply	382 279
Water supply	-
Construction	153 027
Wholesale and retail trade	395 101
Transport and storage	1 192 127
Accomodation and food service activities	262 960
Information and communication	205 776
Real estate activities	564 168
Professional, scientific and technical activities	728 933
Administrative and support service activities	5 595 106
Others services	3 572 758
Total	**15 247 101**

	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
Accomodation 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**

TABLE 7: PROVISIONING OF DOUBTFUL LOANS

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Gross book outstandings	56 552 805	54 522 977
Doutbful loans	472 225	426 978
GROSS DOUBTFUL LOANS RATIO	**0,8%**	**0,8%**
Stage 1 provisions	24 114	18 885
Stage 2 provisions	133 304	3 461
Stage 3 provisions	82 903	66 035
GROUP GROSS DOUBTFUL LOANS COVERAGE RATIO (STAGE 3 PROVISIONS / DOUBTFUL LOANS)	**18%**	**15%**

Scope: customer loans, due from banks, operating leases, financial lease 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 collateral fair value.

Any collateral surplus (fair value of collateral held is greater than the exposure to which it relates) is not presented.

	12.31.2022		12.31.2021	
(in EUR thousand)	Credit risk exposures	Collateral	Credit risk exposures	Collateral
Financial assets at fair value through profit or loss	-	-	-	-
Hedging derivatives	217 206	-	5 625	-
Financial assets at fair value through other comprehensive income	2 067 407	158 321	2 815 004	171 937
Securities at amortised cost	9 291 435	8 697 121	8 051 597	7 395 550
Due from banks at amortised cost [1]	21 990 338	2 178 874	19 840 378	3 184 143
Customer loans at amortised cost [2]	19 965 886	17 043 806	22 817 851	19 525 420
Other assets	122 450	-	195 824	-
Total	**53 654 721**	**28 078 122**	**53 726 279**	**30 277 050**
Loan commitments	4 045 213	1 599 900	2 796 693	816 911
Financial guarantees	1 021 585	130 789	930 580	314 011
Other commitments	68 162	-	229 965	-
Total	**5 134 960**	**1 730 689**	**3 957 238**	**1 130 922**

(1) Below is detailed the financial effect of the collateral related to due from banks at amortised cost as of December 31:

DUE FROM BANKS AT AMORTISED COST

(in EUR thousand)	12.31.2022	12.31.2021
Other collateralized loans	**2 178 860**	**2 867 476**
Cash	*2 061 339*	*2 123 170*
Other	*117 521*	*744 306*
Financial guarantees received	**14**	**316 668**

(2) Below are detailed the financial effect of the collateral related to customers loans at amortised cost as of December 31:

CUSTOMERS LOANS AT AMORTISED COST

(in EUR thousand)	12.31.2022	12.31.2021
Mortgage loans	**3 044 988**	**3 135 892**
Residential	*2 745 841*	*2 827 155*
Commercial	*299 147*	*308 737*
Other collateralized loans	**6 140 244**	**6 434 205**
Cash	*2 179 743*	*1 692 600*
Others	*3 960 501*	*4 741 605*
Financial guarantees received	**7 858 574**	**9 955 323**
Total	**17 043 806**	**19 525 420**

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

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 the following:
- 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 can request additional collateral in accordance with the underlying agreement.

For real estate, the Group obtains a detailed real estate expert appraisal, including market analysis 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 on the type of credit. The location of the assets is limited to the following countries: France, Monaco, Switzerland, Luxembourg, Italy, Spain, Germany and the UK (punctual and on a case-by-case basis).

In its normal course of business, the Group does not physically retain properties or other assets in its retail portfolio, but engages external agents to recover funds generally at the auctions to settle out-standing 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 the 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 business lines, 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 FitchRatings	Indicative equivalent Moody’s	Indicative equivalent S&P	Probability of Default (one year)
1	AAA	Aaa	AAA	0.01%
2	AA+ à AA-	Aa1 à Aa3	AA+ à AA-	[0.01% -0.03%]
3	A+ à A-	A1 à A3	A+ à A-	[0.03% -0.09%]
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 of December 31, 2022 and December 31, 2021 the breakdown of EAD by the Basel method is as follows:

	12.31.2022	12.31.2021
IRBA	97%	97%
Standard	3%	3%
Total	**100%**	**100%**

4. QUALITY OF FINANCIAL ASSETS

PAST DUE AND IMPAIRED LOANS AND ADVANCES

12.31.2022

	Past due but not impaired assets		
(in EUR thousand)	**≤ 30 days**	**> 30 days ≤ 90 days**	**Unlikely to pay or ≤ 90 days**
Credit Institutions	-	-	4
Other financial corporations	243	4 000	-
Non financial Corporations	59 596	13 084	174 131
Households	7 632	12 337	18 542
Total	**67 471**	**29 421**	**192 677**

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**

GUARANTEES HELD FOR PAST DUE OR INDIVIDUALLY IMPAIRED ASSETS AND DEBT INSTRUMENTS

(in EUR thousand)	**12.31.2022**	**12.31.2021**
Past due	96 891	115 586
Impaired	472 225	426 428
Total	**569 116**	**542 014**

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)	**12.31.2022**	**12.31.2021**
Mortgage	25 983	92 886
Total	**25 983**	**92 886**

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
-	-	-	-	**4**	4	-
-	500	10 032	-	**14 775**	10 532	13 769
4	192 639	38 516	3 952	**481 922**	409 243	296 539
-	14 268	8 647	10 989	**72 415**	52 446	45 407
4	**207 407**	**57 195**	**14 941**	**569 116**	**472 225**	**355 715**

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**

6. RESTRUCTURED DEBT

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 customers commercial renegotiations done in order to retain or develop a business relationship 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 the time when the Group remains uncertain of their ability to meet their future commitments and for a minimum of one year.

(in EUR thousand)	12.31.2022	12.31.2021
Non-performing restructured debt	5 582	231 772
Performing restructured debt	327 072	96 699
Total	**332 654**	**328 471**

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 related 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 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 is 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 Suisse) have a dedicated risk, independent from the business lines, in charge of managing risks resulting from market activities. 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 analyzed in order to define scenarios for potential risk factors variations could generate significant losses to Group's trading positions;
- 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 risk significant.

2022 METRICS

SG Luxembourg	Limit (€k)	Average use (€k)	Number of overruns observed	Maximum use (€k)	Maximum period of overrun
VaR	250	5,43	-	16,84	N/A
SVaR	400	12,75	-	43,15	N/A
Stress Test	500	15,80	-	437,68	N/A
Emerging Stress Test	500	5,74	-	15,51	N/A
10bp sensitivity	15	0,51	-	0,86	N/A
Nominal FX Postion	2000	160,82	-	732,45	N/A

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 Position	2 000	53,10	-	252,24	N/A

In 2022, 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 in 2022.

2. INTEREST RATE RISK

Structural interest rate risk (also referred to as Interest Rate Risk in the Banking Book – "IRRBB") refers to the risk – 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 off-balance sheet items. Assets, liabilities and off-balance sheet items are analyzed through a static approach based on no commercial assumption. 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 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 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 defined 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 other 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 Q4-22):

			Q4 2022			
			+10bps	-10bps	+100bps	-100bps
BU	Entity name	Currency	[0;end[	[0;end[	[0;end[	[0;end[
SG Lux	SG Luxembourg	EUR	-7,88	-13,88	-78,75	-138,75
		USD	-1,66	-1,66	-16,56	-16,56
		CHF	-1,25	-1,25	-12,50	-12,50
		Aggregate	-6,47	-6,47	-64,70	-64,70
		Global	-14,60	-20,60	-146,00	-206,00
PRIV	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	-0,22	-0,22	-2,20	-2,20
		USD	-0,14	-0,14	-1,40	-1,40
		Aggregate	-0,10	-0,10	-1,60	-1,60
	SG Private Wealth Management	-	Not monitored			
	SSG Life Insurance Broker	-	Not monitored			
MARK	Montalis Investment	EUR	Not monitored			
GLBA	SG Capital Market Finance	EUR	-0,5	-0,5	-5,00	-5,00
		Aggregate	-0,05	-0,05	-0,50	-0,50
	SG Financing and Distribution	EUR	-0,09	-0,09	-0,9	-0,9
		Aggregate	-0,05	-0,05	-0,5	-0,5
	SGBT Credit International	EUR	-0,13	-0,13	-1,30	-1,30
		Aggregate	-0,015	-0,015	-0,15	-0,15
	SGBT Asset Based Funding	EUR	-0,065	-0,065	-0,65	-0,65
	SGBT Finance Ireland	EUR	Not monitored			
	SG Hedging Limited	EUR	Not monitored			
	IVEFI	EUR	-0,05	-0,05	-0,5	-0,5
	SG Luci S.A.*	EUR	Not monitored			
SEGL	SG Ré	EUR	Not monitored			
	SGL Ré	EUR	Not monitored			
ASSU	Sogelife	EUR	-0,34	-0,34	-3,35	-3,35
		Aggregate	-0,17	-0,17	-1,68	-1,68

**New entity as of Q4 22*

The "Supervisory Outlier Test" ("SOT") as defined in articles 113 and 114 of the EBA guidelines dated July 19, 2018 is calculated on a quarterly basis and presented to SG Luxembourg ALM committee. This test is based on Economic Value of Equity ("EVE") sensitivity (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.

The IRRBB is also measured by an income metric, the Net Interest Margin ("NIM") sensitivity. It measures the change in the net interest margin resulting from interest rate movements. The Net Interest Margin is computed as the difference between the interest revenues and expenses generated by assets and liabilities. Amortization profiles are applied to various positions.

NIM sensitivity is computed based on a parallel shift of the whole yield curve of +/-10bp, a parallel shift of the whole yield curve of +/-200bp as well as based on the 6 EBA scenarios. The limit framework has been enhanced with the introduction of a set of limits for the NIM sensitivity over 1 and 2 years (+/- 10 bps and +/- 200bps scenarios) for SG Luxembourg solo with a monthly monitoring.

The current limits applicable to SG Luxembourg is presented in the table below (including limits as of Q4-22):

NII - Limits in MEUR			+10bps		-10bps		+200bps		-200bps	
BU	**Entity name**	**Currency**	**Year 1**	**Year 2**	**Year 1**	**Year 2**	**Year 1**	**Year 2**	**Year 1**	**Year 2**
SG Lux	SG Luxembourg	Global	0.25	3.00	-7.75	-9.00	5.00	60.00	-155.00	-180.00

3. CURRENCY RISK

Structural exchange risk is the risk that a loss occurs due to an unfavorable movement of the exchange rate that would affect the Group on existing foreign currencies opened positions.

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 for regulatory reasons by certain foreign subsidiaries in a currency other than what used for their equity funding.

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, 2022 and December 31, 2021:

	12.31.2022		**12.31.2021**	
(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	(432)	528	(51)	62
GBP	50	(61)	59	(72)
JPY	(31)	38	(7)	9
AUD	(4)	5	(2)	2
CZK	(4)	5	(1)	1
RUB	(1)	1	(2)	3
RON	(2)	2	(1)	1
CHF	50	(61)	-	-
HKD	(6)	7	(1)	1
Others	(17)	21	(4)	5
Total	**(397)**	**485**	**(10)**	**12**

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 2021. Currencies have been allocated by zones.

Currency	Limit
AUD	
CHF	
GBP	+/-1 MEUR
JPY	
USD	
CAD	
DKK	
NOK	+/-0.5 MEUR
NZD	
SEK	
SGD	

Currency	Limit
BRL	
CNY	
CZK	
HKD	
KRW	+/-0.5 MEUR
MXN	
PLN	
RMB	
RUB	
TRY	

Currency	Limit
COP	
EGP	
HUF	
IDR	
ILS	
INR	
MYR	
OMR	+/-0.2 MEUR
PEN	
PHP	
RON	
RSD	
THB	
TWD	
ZAR	

Currency	Limit
AED	
ARS	
BGN	
BHD	+/-0.2 MEUR
ISK	
QAR	
SAR	
ARS	+/-0.1 MEUR

The Forex position on the Trading Book perimeter is monitored on a daily basis. As of December 31, 2022 the opened positions of SG Luxembourg group are as follows:

Currency	Position (in EUR)
CHF	-18 328
USD	-46 228
GBP	15 197
AUD	60
JPY	-79
CAD	17 487
NOK	787
NZD	675
SEK	616
SGD	-1 656
DKK	-188
HKD	-5 053
CNY	22 687
TRY	-10
PLN	-23
ZAR	-1
AED	167

IMPACT OF CURRENCY RATE DEPRECIATION ON EQUITY TIER 1 RATIO AND PROFIT

The foreign exchange positions are hedged on a daily basis (for some positions on a monthly basis), with no structural FX position remaining at SG LUXEMBOURG level. Considering this, is 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. Both SG Luxembourg and Societe Generale group are informed on those exposures on a daily 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 funds quotas are taken in the trading portfolio, Management is informed.

Limits definition is evaluated following a risk appetite estimate from the business line validated by the Management.

Exposure towards those limits as of December 31, 2022 and December 31, 2021 are as follows:

	2022			2021		
SGPB Switzerland	**Limit (€k)**	**Average use (€k)**	**% use**	**Limit (€k)**	**Average use (€k)**	**% use**
Stress Test	9000	-	-	9000	-	-
10bp sensitivity	35	0,23	1.14%	35	0,22	0.61%
Nominal FX Postion	5000	261	5.21%	5000	220	4.41%
Precious metal position	1000	0,21	0.04%	1000	1,44	0.14%

There is no stress test consumption in 2021 and 2022 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 “assetliability” scenarios and using regulatory liquidity ratios (“LCR”). Since 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.

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 sub-group via a process coordinated with Societe Generale group.

SG Luxembourg group submits the LCR monthly and the NSFR quarterly to the CSSF and BCL.

The ALM Committee chaired by SG Luxembourg CEO meets once a month and supervises the Group's liquidity position based on the associated metrics produced.

1. BREAKDOWN OF FINANCIAL ASSETS BY RESIDUAL MATURITY

	12.31.2022				
(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	12 535 411	-	-	-	**12 535 411**
Financial assets at fair value through profit or loss	739 274	-	-	242 891	**982 165**
Hedging derivatives	217 206	-	-	-	**217 206**
Financial assets at fair value through other comprehensive income	-	563 853	1 229 858	273 696	**2 067 407**
Securities at amortised cost	2 758 399	3 282 646	2 874 553	375 837	**9 291 435**
Due from banks at amortised cost	13 823 843	1 755 507	4 032 552	2 378 436	**21 990 338**
Customer loans at amortised cost	3 959 343	4 018 048	9 619 865	2 368 630	**19 965 886**
Investments of insurance activities	5 762	19 541	153 818	51 572	**230 693**
Total	**34 039 238**	**9 639 595**	**17 910 646**	**5 691 062**	**67 280 541**

	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 amortised 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**

2. BREAKDOWN OF FINANCIAL LIABILITIES BY RESIDUAL MATURITY

	12.31.2022				
(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	399 349	-	-	-	**399 349**
Hedging derivatives	16 003	-	-	-	**16 003**
Due to banks	2 316 480	4 037 765	13 429 770	1 759 065	**21 543 080**
Customer deposits	15 683 245	8 958 708	13 735 620	2 905 690	**41 283 263**
Debt securities issued	22 394	-	-	-	**22 394**
Subordinated debts	-	-	-	-	**-**
Insurance contracts related liabilities	3 855	6 099	24 396	42 691	**77 041**
Total	**18 441 326**	**13 002 572**	**27 189 786**	**4 707 446**	**63 341 130**

	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**

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	3 596 437	78 905	346 941	22 930	**4 045 213**
Guarantee commitments	932 575	56 844	28 210	3 955	**1 021 584**
Securities commitments	68 162	-	-	-	**68 162**
Total	**4 597 174**	**135 749**	**375 151**	**26 885**	**5 134 959**

	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**

COMMITMENTS RECEIVED

	12.31.2022				
(in EUR thousand)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Financing commitments	1 326 374	21 440	-	-	**1 347 814**
Guarantee commitments	2 085 771	122 696	4 073	11 505 379	**13 717 919**
From banks	*348 787*	*122 696*	*4 073*	*11 505 379*	***11 980 935***
Other guarantee commitments	*1 736 984*	-	-	-	***1 736 984***
Securities commitments	68 747	-	-	-	**68 747**
Other commitments	2 187 568	-	-	-	**2 187 568**
Total	**5 668 460**	**144 136**	**4 073**	**11 505 379**	**17 322 048**

	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**

Note 9.4. – Operational risk

Operational risk is defined as the risk of loss or fraud because of defects in or failure of internal systems, procedures human error or external events including legal, IT 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. This approach is steered by the operational risks department within the Group's risk management division.

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 except of SGCMF and SGFD for which standard method is applied.

Although the primary responsibility for controlling operational relays 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 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 activity and department of all entities of SG Luxembourg group;
   - assess the quality of the prevention and control systems in place to reduce these risks and thereby measure the exposure to the latent risks with which each activities/department must contend;
   - implement corrective action plans.

ii. the gathering of internal data relating to operational losses performed through a specific tool providing all the information necessary for their analysis and monitoring. The approach consists of the formulation and follow-up of corrective actions, with the determination of a degree of criticality, of a deadline and with 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 (rarely occurring but extremely severe in term of potential losses).

NOTE 10 – CAPITAL

The Group maintains an actively managed capital base to cover risks inherent to the business and meets the local banking supervisor capital adequacy requirements. 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:

- meeting its regulatory requirement,
- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth within SG group risk weighted assets allocation;
- maintaining the Group's resilience in the event of stress scenarios.

SG Luxembourg group Board of Directors approves its internal capital risk appetite thresholds and limits in accordance with these objectives and regulatory requirements.

The SG Luxembourg group has an internal process (Internal Adequacy Assessment Process "ICAAP") for assessing the adequacy of its capital that measures the adequacy of the Group's capital ratios in light of regulatory constraints and future regulatory changes. The assessment of this adequacy is based on a selection of key metrics that are relevant to the SG Luxembourg group in terms of risk and capital measurement, such as solvency ratios (CET1, Tier 1 and Total Capital), leverage ratio and MREL ratios. The capital regulatory indicators are supplemented by an assessment of the internal capital needs by available CET1 capital, thus confirming the relevance of the targets set in the risk appetite.

As of 31st December 2022, the Group's Common Equity Tier 1 ratio stood at 23,20% and the total capital ratio at 22,26%.

The Group fully complied with all its externally imposed capital requirements over the reported period.

1. LEVERAGE RATIO MANAGEMENT

The Group steers its leverage ratio according to the CRR 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 SG Luxembourg group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the SG Luxembourg group sets for itself. To this end the "leverage" exposure of the different business lines is contained under the Finance Division's control.

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 Tier 1 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.

On December 31, 2022, SGL group had no additional RWA requirements due to the large exposures framework.

Note 10.2. – Regulatory capital

Reported according to international financial reporting standards (IFRS) SG Luxembourg group'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 group has no Additional Tier 1 capital.

2. TIER 2 CAPITAL

According to CRR2/CRD5 regulations, Tier 2 capital is made up primarily of the following:

- IRB Excess of provisions over expected losses eligible;
- Deduction of T2 instruments of financial sector entities where the institution has a significant investment.

SGL group's capital on a consolidated basis is composed of:

- Common Equity Tier 1 capital: EUR 3 030 million (2021: EUR 2 681 million).
- Tier 2 capital : EUR 8 million (2021: EUR 0 million)

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 2022).

The SGL 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

No significant event after the consolidated statement of financial position date has been identified.

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