SOCIETE GENERALE

30.06.2021 | CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In EUR m)		30.06.2021	31.12.2020
Cash, due from central banks		160,801	168,179
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	440,774	429,458
Hedging derivatives	Notes 3.2 and 3.4	15,306	20,667
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	49,068	52,060
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	18,922	15,635
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	61,733	53,380
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	464,622	448,761
Revaluation differences on portfolios hedged against interest rate risk		222	378
Investments of insurance companies	Note 4.3	172,016	166,854
Tax assets	Note 6	4,601	5,001
Other assets	Note 4.4	69,473	67,341
Non-current assets held for sale	Note 2.2	368	6
Investments accounted for using the equity method		96	100
Tangible and intangible fixed assets		30,786	30,088
Goodwill	Note 2.2	3,821	4,044
Total		**1,492,609**	**1,461,952**

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)		30.06.2021	31.12.2020
Due to central banks		5,515	1,489
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	376,762	390,247
Hedging derivatives	Notes 3.2 and 3.4	10,170	12,461
Debt securities issued	Notes 3.6 and 3.9	137,938	138,957
Due to banks	Notes 3.6 and 3.9	147,938	135,571
Customer deposits	Notes 3.6 and 3.9	478,774	456,059
Revaluation differences on portfolios hedged against interest rate risk		5,214	7,696
Tax liabilities	Note 6	1,365	1,223
Other liabilities	Note 4.4	87,805	84,937
Non-current liabilities held for sale	Note 2.2	104	-
Insurance contracts related liabilities	Note 4.3	151,119	146,126
Provisions	Note 8.3	4,595	4,775
Subordinated debts	Note 3.9	16,673	15,432
Total liabilities		**1,423,972**	**1,394,973**
Shareholders' equity			
Shareholders' equity, Group share			
Issued common stocks and capital reserves		22,354	22,333
Other equity instruments		8,931	9,295
Retained earnings		30,961	32,076
Net income		2,253	(258)
Sub-total		**64,499**	**63,446**
Unrealised or deferred capital gains and losses		(1,363)	(1,762)
Sub-total equity, Group share		**63,136**	**61,684**
Non-controlling interests		5,501	5,295
Total equity		**68,637**	**66,979**
Total		**1,492,609**	**1,461,952**

CONSOLIDATED INCOME STATEMENT

(In EUR m)		1st half of 2021	2020	1st half of 2020
Interest and similar income	Note 3.7	9,746	20,721	10,833
Interest and similar expense	Note 3.7	(4,745)	(10,248)	(5,366)
Fee income	Note 4.1	4,377	8,529	4,290
Fee expense	Note 4.1	(1,896)	(3,612)	(1,917)
Net gains and losses on financial transactions		3,017	2,851	779
o/w net gains and losses on financial instruments at fair value through profit or loss		*3,027*	*2,785*	*765*
o/w net gains and losses on financial instruments at fair value through other comprehensive income		*15*	69	25
o/w net gains and losses from the derecognition of financial instruments at amortised cost		*(25)*	(3)	(11)
Net income from insurance activities	Note 4.3	1,128	2,124	1,038
Income from other activities	Note 4.2	6,060	11,471	5,403
Expenses from other activities	Note 4.2	(5,181)	(9,723)	(4,594)
Net banking income		**12,506**	**22,113**	**10,466**
Personnel expenses	Note 5	(4,791)	(9,289)	(4,497)
Other operating expenses *	Note 8.2	(3,269)	(5,821)	(3,274)
Amortisation, depreciation and impairment of tangible and intangible fixed assets *		(795)	(1,604)	(767)
Gross operating income		**3,651**	**5,399**	**1,928**
Cost of risk	Note 3.8	(418)	(3,306)	(2,099)
Operating income		**3,233**	**2,093**	**(171)**
Net income from investments accounted for using the equity method		5	3	5
Net income / expense from other assets		11	(12)	84
Value adjustments on goodwill	Note 2.2	-	(684)	(684)
Earnings before tax		**3,249**	**1,400**	**(766)**
Income tax	Note 6	(687)	(1,204)	(612)
Consolidated net income		**2,562**	**196**	**(1,378)**
Non-controlling interests		309	454	212
Net income, Group share		**2,253**	**(258)**	**(1,590)**
Earnings per ordinary share	Note 7.2	**2.29**	**(1.02)**	**(2.25)**
Diluted earnings per ordinary share	Note 7.2	**2.29**	**(1.02)**	**(2.25)**

* *The amounts have been restated compared with the published financial statements for the period ended 30 June 2020 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16 (see Note 8.2).*

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	1st half of 2021	2020	1st half of 2020
Consolidated net income	**2,562**	**196**	**(1,378)**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**356**	**(1,353)**	**(449)**
Translation differences	611	(1,776)	(708)
Revaluation of debt instruments at fair value through other comprehensive income	(114)	247	23
Revaluation differences for the period	*(100)*	*317*	*47*
Reclassified into income	*(14)*	*(70)*	*(24)*
Revaluation of available-for-sale financial assets	(193)	117	70
Revaluation differences for the period	*(182)*	*123*	*71*
Reclassified into income	*(11)*	*(6)*	*(1)*
Revaluation of hedging derivatives	(10)	154	216
Revaluation differences of the period	*11*	*138*	*206*
Reclassified into income	*(21)*	*16*	*10*
Related tax	62	(95)	(50)
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**102**	**(79)**	**403**
Actuarial gains and losses on defined benefit plans	114	(53)	(48)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	13	(79)	570
Revaluation of equity instruments at fair value through other comprehensive income	9	16	16
Related tax	(34)	37	(135)
Total unrealised or deferred gains and losses	**458**	**(1,432)**	**(46)**
Net income and unrealised or deferred gains and losses	**3,020**	**(1,236)**	**(1,424)**
o/w Group share	*2,652*	*(1,640)*	*(1,532)*
o/w non-controlling interests	*368*	*404*	*108*

CHANGES IN SHAREHOLDERS' EQUITY

(In EUR m)	Shareholders' equity, Group share Issued common stocks and capital reserves	Other equity instruments	Retained earnings	Net income, Group share	Unrealised and deferred gains and losses	Total	Non-controlling interests	Total consolidated shareholder's equity
At 1 January 2020	**21,975**	**9,133**	**32,787**	**-**	**(368)**	**63,527**	**5,043**	**68,570**
Increase in common stock and issuance / redemption and remuneration of equity instruments	-	(1,102)	(340)	-	-	(1,442)	(33)	(1,475)
Elimination of treasury stock	91	-	(59)	-	-	32	-	32
Equity component of share-based payment plans	18	-	-	-	-	18	-	18
1st half of 2020 dividends paid (see Note 7.2)	-	-	-	-	-	-	(79)	(79)
Effect of changes of the consolidation scope	-	-	91	-	-	91	(13)	78
Sub-total of changes linked to relations with shareholders	***109***	***(1,102)***	***(308)***	***-***	***-***	***(1,301)***	***(125)***	***(1,426)***
1st half of 2020 Net income	-	-	-	(1,590)	-	(1,590)	212	(1,378)
Change in unrealised or deferred gains and losses	-	-	-	-	45	45	(110)	(65)
Other changes	-	-	(22)	-	-	(22)	-	(22)
Sub-total	***-***	***-***	***(22)***	***(1,590)***	***45***	***(1,567)***	***102***	***(1,465)***
At 30 June 2020	**22,084**	**8,031**	**32,457**	**(1,590)**	**(323)**	**60,659**	**5,020**	**65,679**
Increase in common stock and issuance / redemption and remuneration of equity instruments	-	1,264	(288)	-	-	976	-	976
Elimination of treasury stock	225	-	2	-	-	227	-	227
Equity component of share-based payment plans	24	-	-	-	-	24	-	24
2nd half of 2020 dividends paid (see Note 7.2)	-	-	-	-	-	-	(12)	(12)
Effect of changes of the consolidation scope	-	-	(11)	-	-	(11)	(8)	(19)
Sub-total of changes linked to relations with shareholders	***249***	***1,264***	***(297)***	***-***	***-***	***1,216***	***(20)***	***1,196***
2nd half of 2020 Net income	-	-	-	1,332	-	1,332	242	1,574
Change in unrealised or deferred gains and losses	-	-	-	-	(1,439)	(1,439)	53	(1,386)
Other changes	-	-	(84)	-	-	(84)	-	(84)
Sub-total	***-***	***-***	***(84)***	***1,332***	***(1,439)***	***(191)***	***295***	***104***
At 31 December 2020	**22,333**	**9,295**	**32,076**	**(258)**	**(1,762)**	**61,684**	**5,295**	**66,979**
Allocation to retained earnings	-	-	(290)	258	32	-	-	-
At 1 January 2021	**22,333**	**9,295**	**31,786**	**-**	**(1,730)**	**61,684**	**5,295**	**66,979**
Increase in common stock and issuance / redemption and remuneration of equity instruments (see Note 7.1)	-	(364)	(317)	-	-	(681)	(33)	(714)
Elimination of treasury stock (see Note 7.1)	5	-	(39)	-	-	(34)	-	(34)
Equity component of share-based payment plans	16	-	-	-	-	16	-	16
1st half of 2021 dividends paid (see Note 7.2)	-	-	(468)	-	-	(468)	(109)	(577)
Effect of changes of the consolidation scope	-	-	11	-	-	11	(12)	(1)
Sub-total of changes linked to relations with shareholders	***21***	***(364)***	***(813)***	***-***	***-***	***(1,156)***	***(154)***	***(1,310)***
1st half of 2021 Net income	-	-	-	2,253	-	2,253	309	2,562
Change in unrealised or deferred gains and losses	-	-	-	-	367	367	51	418
Other changes	-	-	(12)	-	-	(12)	-	(12)
Sub-total	***-***	***-***	***(12)***	***2,253***	***367***	***2,608***	***360***	***2,968***
At 30 June 2021	**22,354**	**8,931**	**30,961**	**2,253**	**(1,363)**	**63,136**	**5,501**	**68,637**

CASH FLOW STATEMENT

(In EUR m)	1st half of 2021	2020	1st half of 2020
Consolidated net income (I)	**2,562**	**196**	**(1,378)**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	2,652	5,263	2,640
Depreciation and net allocation to provisions	241	1,937	2,979
Net income/loss from investments accounted for using the equity method	(5)	(3)	(6)
Change in deferred taxes	236	496	232
Net income from the sale of long-term assets and subsidiaries	(20)	(74)	(27)
Other changes	1,766	(757)	(377)
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	**4,870**	**6,862**	**5,441**
Income on financial instruments at fair value through profit or loss	2,922	6,077	5,468
Interbank transactions	5,044	42,149	21,847
Customers transactions	9,600	43,790	26,664
Transactions related to other financial assets and liabilities	(35,747)	(21,347)	(802)
Transactions related to other non-financial assets and liabilities	6,723	3,064	(2,296)
Net increase/decrease in cash related to operating assets and liabilities (III)	**(11,458)**	**73,733**	**50,881**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**(4,026)**	**80,791**	**54,944**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(2,940)	(1,275)	(2,607)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(3,440)	(5,588)	(2,022)
Net cash inflow (outflow) related to investment activities (B)	**(6,380)**	**(6,863)**	**(4,629)**
Cash flow from/to shareholders	(1,719)	24	(1,580)
Other net cash flow arising from financing activities	2,068	2,109	1,249
Net cash inflow (outflow) related to financing activities (C)	**349**	**2,133**	**(331)**
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	(93)	(2,596)	222
Net inflow (outflow) of cash and cash equivalents (A) + (B) + (C) + (D)	**(10,150)**	**73,465**	**50,206**
Cash, due from central banks (assets)	168,179	102,311	102,311
Due to central banks (liabilities)	(1,489)	(4,097)	(4,097)
Current accounts with banks (see Notes 3.5 and 4.3)	26,609	21,843	21,843
Demand deposits and current accounts with banks (see Note 3.6)	(11,354)	(11,577)	(11,577)
Cash and cash equivalents at the start of the year	**181,945**	**108,480**	**108,480**
Cash, due from central banks (assets)	160,801	168,179	144,417
Due to central banks (liabilities)	(5,515)	(1,489)	(2,980)
Current accounts with banks (see Notes 3.5 and 4.3)	28,147	26,609	27,266
Demand deposits and current accounts with banks (see Note 3.6)	(11,638)	(11,354)	(10,017)
Cash and cash equivalents at the end of the year	**171,795**	**181,945**	**158,686**
Net inflow (outflow) of cash and cash equivalents	**(10,150)**	**73,465**	**50,206**

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

ACCOUNTING STANDARDS

The half-yearly consolidated financial statements of the Societe Generale group ("the Group") regarding the intermediate situation as at 30 June 2021 have been prepared in accordance with International Accounting Standard 34 (IAS) "Interim Financial Report". The Group includes the parent company Societe Generale (including the Societe Generale foreign branches) and all of the entities in France and abroad that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates).

The notes annexed to the half-yearly consolidated financial statements should be read in conjunction with the audited consolidated statements of the financial year ending on 31 December 2020 as contained in the 2021 Universal Registration Document. Furthermore, as the Group's activities are neither seasonal nor cyclical in nature, its first half 2021 results were not affected by these factors.

FINANCIAL STATEMENTS PRESENTATION

As the IFRS (International Financial Reporting Standards) accounting framework does not specify a standard model, the format used for the 2021 half-year consolidated financial statements is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017.

The notes annexed to the half-yearly consolidated financial statements describe the events and transactions that are significant for understanding the changes in the Group situation and financial performance during the first half of 2021. These appendices focus on the information that is both relevant and material to the financial statements of the Societe Generale group, its activities and the circumstances in which it conducted its operations over the period.

PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

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

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS OF 1 JANUARY 2021

Amendments to IFRS 16, IFRS 4, IFRS 7, IFRS 9 and IAS 39 (Interest Rate Benchmark reform - Phase 2)

Amendments to IFRS 4 – Extension of the temporary exemption from applying IFRS 9

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

Applied early by the Group as at 31 December 2020.

In the context of the interest rate reform – or IBOR reform – currently being implemented (see Note 10), the accounting standards applicable have been amended by the IASB. The purpose of Phase 1 of these amendments, implemented by the Group since 31 December 2019, has been to enable the continued application of hedge accounting treatments despite uncertainties regarding the timetable and specifics regarding the transition from current interest rate benchmarks to new ones. These amendments will remain applicable until the uncertainties have been resolved.

Phase 2 of these amendments addresses the treatment of the changes to financial instruments in the context of the IBOR reform. Adopted by the European Union on 14 January 2021, they were early applied by the Group in its financial statements as at 31 December 2020. These supplementary amendments have provided for the application of the following treatments:

- the changes brought about by the IBOR reform in the determination of the contractual cash flows, when performed on an economically equivalent basis, should be booked as the revision of a variable interest rate when measuring financial assets and liabilities at amortised cost, financial assets at fair value through other comprehensive income and lease liabilities;
- continuation of the hedging relationship when changes are made, in the context of the IBOR reform, to the hedged item and/or the hedging instrument and lead to a re-documentation of the hedge.

In view of the provisions introduced by the IBOR – Phase 2 amendments, the changes to contractual cash flows expected in the context of this rate transition should not generate any significant impact on the Group's consolidated financial statements. Indeed, the Group, in line with the recommendations issued by the regulatory authorities and market working groups on the rate reform, has planned to migrate all IBOR-based contracts on an economically equivalent basis. This is most often done by replacing the historical reference rate with an alternative reference rate plus a fixed spread compensating for the difference between these two rates.

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

The amendments to IFRS 17 and IFRS 4 published by the IASB on 25 June 2020 as well as Regulation (EU) 2020/2097 published by the European Commission on 15 December 2020 allow financial conglomerates as defined by Directive 2002/87/CE to defer, until 1 January 2023, the application of IFRS 9 by their legal entities in the insurance sector. Regarding its insurance subsidiaries, the Group has thus upheld the decision to differ the application of IFRS 9 and continue applying the processes specified under IAS 39 in the form adopted in the European Union.

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

At its meeting on 20 April 2021, the IFRS IC specified the method for determining the vesting period of a defined-benefit plan with the following characteristics: staff members are entitled to a lump-sum benefit payment, depending on their length of employee service, when they reach retirement age; and this length is capped at a specified number of consecutive years of service.

The IFRS IC specified that, pursuant to IAS 19, the vesting period should be the period of employee service immediately before the retirement age, capped to the number of consecutive years of service specified in the pension plan.

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

The possible consequences of this decision on the Group's financial statements is currently being analysed, and the work will continue during the second half of 2021. As at 30 June 2021, the terms and conditions chosen by the Group to determine the vesting period for a defined-benefit plan remain unchanged.

3. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT THE GROUP WILL APPLY IN THE FUTURE

Some of the standards and amendments published by the IASB have not yet been adopted by the European Union as at 30 June 2021. They will enter into mandatory application force for fiscal years beginning on 1 January 2022 at the earliest or from their adoption by the European Union. They have not been applied to the Group as at 30 June 2021.

The provisional timetable for application of these standards is as follows:

2021	• Amendments to IFRS 16 "Leases" - Covid-19 related rent concessions beyond 30 June 2021
2022	• Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts — Cost of Fulfilling a Contract" • Annual improvements to IFRS (2018-2020 cycle)
2023	• IFRS 17 "Insurance contracts" • Amendments to IAS 1 "Disclosure of Accounting Policies " • Amendments to IAS 8 "Definition of Accounting Estimates" • Amendments to IAS 12 "Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

AMENDMENTS TO IFRS 16 "LEASES” - COVID-19 RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021

Published by the IASB on 31 March 2021.

These amendments extend by one year the application period of the Covid-19 related amendments to IFRS 16 “Leases” published by the IASB on 28 May 2020. These amendments are intended to optionally enable lessees who receive rent reliefs in the context of the Covid-19 pandemic not to analyse whether the granted concessions should be accounted for as changes to leases (which would imply a spreading into the income statement of the effects of the granted benefit over the term of the contract) but to account for these reliefs as negative variable leases (generating an immediate gain in the income statement).

Consequently, this simplification may apply to rent reliefs on payments due up to 30 June 2022.

During the first semester 2021, as in 2020, the Group did not benefit from any Covid-19 related rent reliefs.

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

Adopted by the European Union on 2 July 2021.

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

ANNUAL IMPROVEMENTS TO IFRS STANDARDS (2018-2020 CYCLE)

Adopted by the European Union on 2 July 2021.

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

IFRS 17 “INSURANCE CONTRACTS”

Issued by IASB on 18 May 2017.

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

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

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

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

In 2020, the work of the project structure set up at Group level under the joint governance of the Group’s Finance Division and the Insurance business line focused on reviewing the different types of contracts, analysing their accounting treatment under IFRS 17 and their presentation in the consolidated financial statements and finally study and select solutions in terms of information systems and processes.

Work continued during the first half of 2021, notably with the first testing and approval of tools and processes.

AMENDMENTS TO IAS 1 “DISCLOSURE OF ACCOUNTING POLICIES”

Published by the IASB on 12 February 2021.

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

AMENDMENTS TO IAS 8 “DEFINITION OF ACCOUNTING ESTIMATES”

Published by the IASB on 12 February 2021.

The aim of these amendments is to facilitate distinguishing between changes in accounting policies and changes in accounting estimates.

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

Published by the IASB on 7 May 2021.

These amendments clarify and narrow the scope of the exemption provided by the IAS 12 standard allowing institutions to not recognise any differed 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 differed taxes.

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

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, no differed tax is recognised since 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 results in the recognition of a deferred tax. This amendment thus has no impact on the Group consolidated financial statements.

4. USE OF ESTIMATES AND JUDGMENT

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group consolidated financial statements, the Top Management makes assumptions and estimates that may have an impact on the figures recorded in the income statement, on the Unrealised or deferred gains and losses, on the valuation of assets and liabilities in the balance sheet, and on the information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Top Management uses the information available at the date of preparation of the consolidated financial statements and can exercise its judgment. By nature, valuations based on estimates involve risks and uncertainties concerning their occurrence in the future. Consequently, the actual future results may differ from these estimates and have a significant impact on the financial statements.

The assumptions and the estimates made for the preparation of these half-yearly consolidated financial statements reflect the remaining uncertainties about the consequences of the economic crisis generated by the Covid-19 pandemic as well as the ones relating to the conditions and prospects for an economic upswing. The effects of this crisis on the assumptions and estimates used are specified in the 5th part of this note.

The use of estimates concerns in particular the fair value measurement of financial instruments, the measurement of the depreciation of assets and provisions recorded on the liability side of the balance sheet, as well as the one of the tax assets and liabilities recognised on the balance sheet and the goodwill. It also applies to the analysis of the characteristics of the contractual cash flows of financial assets, the determination of the effective interest rate of financial instruments measured at amortised cost as well as the assessment of the control for determining the scope of the consolidated entities. The Group also uses judgement to estimate the duration of the leases to be used for the recognition of rights of use and lease debts.

To assess the amount of impairment and provisions for credit risk, the use of judgement and estimates 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. Transition risk is gradually being integrated into credit risk analysis through the development of a Climate Vulnerability Index (CVI) for the sectors most sensitive to this transition.

BREXIT

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

The Group has been granted a transitional authorisation to continue its activities in London for two years, subject to compliance with local regulatory standards, and is currently in the process of obtaining its permanent licence. The Group thus ensures continued service to its customers notably through the restructuring and migration of some customer accounts between the two platforms in Paris and London.

The Group continues to monitor the negotiations between the United Kingdom and the European Union regarding financial services. As at 30 June 2021, an 18-month, European-only, equivalence for the use of the clearing houses has been recognised from 1 January 2021.

The Group remains vigilant about the possible future differences between the local and European regulations and takes into account the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates selected to prepare the consolidated accounts.

5. COVID-19

One year and a half after the outbreak of Covid-19 pandemic, the global environment remains impacted by an unprecedented crisis. The deployment of vaccines fuels the hope for a reopening of the economy during the year 2021, which, combined with large scale stimulus packages and the accumulated savings, offer the prospect of an upturn. The latter will also depend on the capability of economic policies to support the sectoral changes resulting both from the impacts of the pandemic and the speeding up of the green and digital transitions.

Uncertainties regarding the sanitary crisis remain high. The multi-scenario approach selected for the preparation of the consolidated financial statements as at 31 December 2020 is maintained. The Group presents a central scenario, that assumes that the social distancing measures will be lifted during the first quarter of 2022, and an alternate, protracted crisis scenario in which the sanitary precautions remain in force for one additional year.

To apply the principles for assessing expected credit losses, the Group has continued using methodological adjustments to take account of the support packages decided upon since 2020 by public authorities.

These different elements, consequent to the Covid-19 crisis, are developed hereafter to shed light on the financial consequences of the crisis and their integration in the preparation of the consolidated financial statements.

MACROECONOMIC SCENARIOS

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

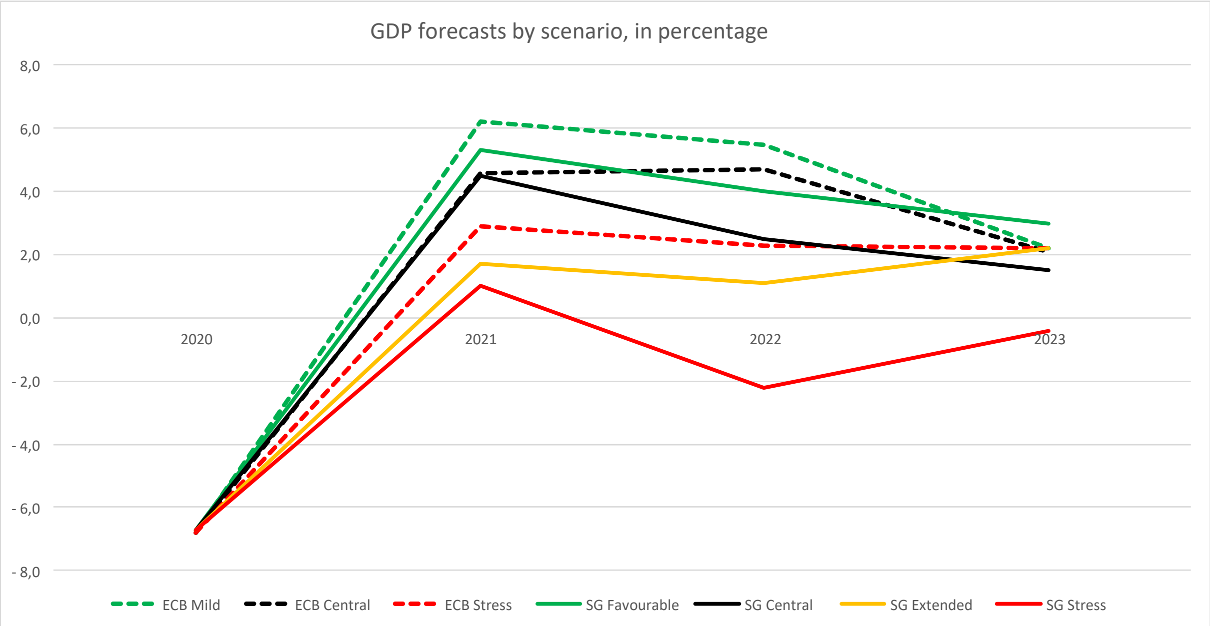
These scenarios are developed by the Societe Generale Department of Economic and Sector Studies for all the Group entities. A weighting ratio is attributed to each scenario and the outputs from the models correspond to a weighted average of these scenarios.

The scenarios provided by the economists of the Group have been incorporated into the models over a 3-year horizon, followed by a 2-year period to come back in the 5th year to the average GDP level observed over the calibration period (minimum 10 years). The assumptions made by the Group for the determination of these macroeconomic scenarios have been updated to take into account the remaining uncertainties about the consequences of the economic crisis generated by the Covid-19 pandemic as well as the ones relating to the conditions and prospects for an economic upswing. They do not show significant changes compared to those used on 31 December 2020.

As at 30 June 2021, the Group has maintained the coexistence of four scenarios:

- the central scenario (SG Central) expects, after the significant fall in GDP observed in the countries where the Group operates, a gradual economic upturn during 2021, considering in particular that the social distancing measures will end at the beginning of 2022;
- a scenario of prolonged health crisis (SG Extended) expects that the sanitary crisis extends for another year and the social distancing measures will be lifted only at the beginning of 2023;
- lastly, two additional scenarios, one favourable (SG Favourable) and one stress (SG Stress), supplement these two scenarios.

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



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

SG Favourable scenario	**2021**	**2022**	**2023**	**2024**	**2025**
France GDP	7.0	3.6	3.0	2.8	2.4
Profit margin of French companies	33.8	32.6	32.7	32.9	32.7
Euro area GDP	5.3	4.0	3.0	2.7	2.3
United States GDP	7.3	5.3	3.8	3.2	2.5
China GDP	9.2	6.5	6.1	5.5	4.9
Czech Republic GDP	4.6	4.5	3.5	3.5	3.0
Romania GDP	5.3	5.0	3.5	4.0	3.5

SG Central scenario	**2021**	**2022**	**2023**	**2024**	**2025**
France GDP	6.0	2.0	1.5	1.8	1.9
Profit margin of French companies	33.4	32.2	32.3	32.4	32.4
Euro area GDP	4.5	2.5	1.5	1.7	1.8
United States GDP	6.7	3.7	2.3	2.2	2.0
China GDP	8.0	4.9	4.6	4.5	4.4
Czech Republic GDP	4.1	3.0	2.0	2.5	2.5
Romania GDP	4.8	3.5	2.0	3.0	3.0

SG Extended scenario	**2021**	**2022**	**2023**	**2024**	**2025**
France GDP	3.0	1.0	2.5	1.8	1.9
Profit margin of French companies	33.1	30.9	32.1	32.0	31.9
Euro area GDP	1.7	1.1	2.2	1.7	1.8
United States GDP	3.5	3.2	3.0	2.2	2.0
China GDP	6.6	4.5	5.2	4.5	4.4
Czech Republic GDP	2.0	0.5	1.5	2.3	2.5
Romania GDP	1.8	1.7	2.0	3.0	3.0

SG Stress scenario	**2021**	**2022**	**2023**	**2024**	**2025**
France GDP	2.6	(2.5)	(0.3)	0.8	1.7
Profit margin of French companies	32.2	29.3	30.0	30.0	30.9
Euro area GDP	1.0	(2.2)	(0.4)	0.7	1.5
United States GDP	2.9	(0.5)	0.4	1.2	1.7
China GDP	5.6	0.7	2.7	3.5	4.1
Czech Republic GDP	0.5	(2.3)	(0.5)	1.4	2.3
Romania GDP	0.8	(1.4)	(0.3)	2.0	2.8

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

WEIGHTING OF THE MACROECONOMIC SCENARIOS

In accordance with the assumptions defined by the Group to determine the macroeconomic scenarios, the weightings used as at 30 June 2021 remain the same as those used as at 31 December 2020.

	30 June 2021
SG Central	65%
SG Extended	10%
SG Stress	15%
SG Favourable	10%

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

CALCULATION OF EXPECTED CREDIT LOSSES

Based on the scenarios and weightings mentioned above, and after taking into account the methodological adjustments (see Note 3.8) and support measures, the Cost of risk for the first half of 2021 amounts to a net expense of 418 million euros, decreasing by 1,681 million euros (80%) compared to the first half of 2020.

Using weighting of 10% for the scenario SG Central, 65% for the scenario SG Extended, 10% for the scenario SG Favourable and 15% for the scenario SG Stress*,* the impact would be an extra allocation of 168 million euros.

COVID-19 SUPPORT MEASURES

Moratoriums

In France, the moratoriums took the form of a six-month payment deferment on loans (until twelve months for the tourism moratoriums) granted to corporates and professionals (principal and interests), with interests on the deferral charged only on the principal. Abroad, various cases have been observed, both over the duration of the moratorium, and over its terms (interest charged or not for the deferment). Nearly all of them have now expired, with a resumption of reimbursements without incident for most customers.

As recommended by the prudential and supervisory authorities, the granting of moratoriums directly related to the cash flow difficulties generated by the occurrence of the Covid-19 crisis had not lead to the automatic transfer of these credit outstandings into Stage 2 (under-performing assets), nor into Stage 3 (credit-impaired assets). A case-by-case analysis had been conducted on the most significant exposures, and on those with increased risks particularly due to their ante-crisis Basel scoring. As at the end of June, out of a total of 28.5 billion euros expired and non-expired moratoriums, 7.0 billion euros of these outstandings are classified in Stage 2 (compared to 7.5 billion euros as at 31 December 2020) and 1.0 billion euros have been downgraded to Stage 3 (compared to 0.7 billion euros as at 31 December 2020). The evolution of outstandings classified in Stage 3 (without a predominant sector) remains consistent with the level of doubtful outstandings of the Group.

Loans supported by the government

In France, in addition to the moratoriums, the Group entities have contributed to the implementation of support measures decided by the authorities through the examination and allocation of State Guaranteed Loan facilities ("*Prêts Garantis par l'Etat*" (*PGE*) in French) and Participatory Recovery Loans ("*Prêts Participatifs Relance*" (*PPR*)).

State Guaranteed Loans ("*Prêts Garantis par l'Etat" (PGE*))

Thus, the Group offers, until 31 December 2021, to its customers affected by the crisis (professionals and corporate customers), the allocation of State Guaranteed Loan facilities (*PGE*) within the framework of the 2020 French Amending Finance Act and the conditions set by the decree of 23 March 2020. These are financings granted at cost price and guaranteed by the government up to 90% (with a waiting period of two months after the disbursement at the end of which the guarantee period begins). With a maximum amount corresponding, in the general case, to three months of turnover before taxes, these loans come with a one-year repayment exemption. At the end of this year, the customer can either repay the loan or amortise it over one to five more years, with the possibility of extending the grace period for repayment of capital for one year (in line with the announcements made by the French "Ministre de l'Économie, des Finances et de la Relance" on 14 January 2021) without extending the total duration of the loan. The remuneration conditions of the guarantee are set by the State and are applicable by all French banking institutions: the bank keeps only one share of the guarantee premium paid by the borrower (the amount of which depends on the size of the company and the maturity of the loan) remunerating the risk it bears, which corresponds to the part of the loan not guaranteed by the State (i.e. between 10% and 30% of the loan depending on the size of the borrowing company).

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

As at 30 June 2021, based on respondents representing 75% of the outstanding loans, nearly half of the state-guaranteed loans have benefited from a second year of grace period for repayment of capital and some 15% have been repaid at the end of the first year of grace period. The State Guaranteed Loans granted by the Group represent a credit outstanding of approximately 17.6 billion euros (of which 4.4 billion euros classified in Stage 2 and 0.6 billion euros in Stage 3). The State Guaranteed Loans granted by the French Retail Banking amount to 15.4 billion euros (of which 4.0 billion euros classified in Stage 2 and 0.5 billion euros in Stage 3), without predominance of a specific sector.

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

The amount of expected credit losses recorded as at 30 June 2021 for all of the State Guaranteed Loans is approximately 112 million euros of which 75 million euros from French Retail Banking (of which 36 million euros classified in Stage 2 and 22 million euros in Stage 3).

Participatory Recovery Loans *("Prêts Participatifs Relance" PRR*)

Established by the French 2021 Finance act and promoted by the authorities, this new mechanism has been implemented during the second quarter of 2021 and may be used until 30 June 2022. It aims at providing small and medium enterprises (SME) and mid-market companies with new long-term, quasi-equity-like, financing; (*PPR* are of a subordinate nature and their repayment, if the borrowing company is in financial difficulty, may take place only after all the other creditors have been paid off, just before shareholders). *PPR* are granted for 8 years, with a grace period of 4 years. Their maximum amount depends on the 2019 turnover of the borrowing company.

Within the Group, PPR are primarily distributed by the Societe Generale and Credit du Nord retail networks in France. They bear market-based interest rates and do not include the right to participate in the borrowing company's profits. 90% of the PPR thus granted are immediately transferred to a specialised investment fund whose shares are purchased mainly by insurance companies and which are guaranteed by the French government up to 30% of the amount of money invested.

NOTE 2 - CONSOLIDATION

NOTE 2.1 - CONSOLIDATION SCOPE

The consolidation scope includes subsidiaries and structured entities under the Group’s exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group’s consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

There is no significant change in the scope of consolidation at 30 June 2021 compared to the scope at 31 December 2020.

NOTE 2.2 - GOODWILL

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in the first half of 2021:

(In EUR m)	Net book value as at 31.12.2020	Acquisitions and other increases	Disposals and other decreases	Impairment loss	Net book value as at 30.06.2021
French Retail Banking	**797**	**-**	**-**	**-**	**797**
Societe Generale Network	286	-	-	-	286
Crédit du Nord	511	-	-	-	511
International Retail Banking & Financial Services	**2,730**	**-**	**-**	**-**	**2,730**
Europe	1,361	-	-	-	1,361
Russia	-	-	-	-	-
Africa, Mediterranean Basin and Overseas	228	-	-	-	228
Insurance	335	-	-	-	335
Equipment and Vendor Finance	228	-	-	-	228
Auto-Leasing Financial Services	578	-	-	-	578
Global Banking and Investor Solutions	**517**	**-**	**(223)**	**-**	**294**
Global Markets and Investor Services	-	-	-	-	-
Financing and Advisory	57	-	-	-	57
Asset and Wealth Management	460	-	(223)	-	237
Total	**4,044**	**-**	**(223)**	**-**	**3,821**

SALE OF ASSET MANAGEMENT ACTIVITES CARRIED OUT BY LYXOR

The Board of Directors of Société Générale meeting on 6 April 2021, approved the entry into exclusive negotiation with Amundi for the disposal of the asset management activities operated by Lyxor. This disposal project would cover the passive (ETF) and active (including alternative) management activities that Lyxor carries out for institutional clients in France and internationally. The scope of the operation would include the sales and support functions dedicated to these activities.

At 30 June 2021, the items Non-current assets intended for disposal (EUR 368 million) and Debts related to non-current assets intended for disposal (EUR 104 million) mainly include the assets and liabilities of the asset management activity operated by Lyxor.

The decrease in the Asset and Wealth Management CGU corresponds to the reclassification of goodwill relating to Lyxor into the Non-current assets to be sold.

IMPAIRMENT TEST OF CGU

The Group performed an annual impairment test as at 31 December for each CGU to which goodwill had been allocated.

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

As at 30 June 2021, following the announcement of the sale project of Lyxor business included in the "Asset and Wealth Management" CGU, the Group has calculated a new recoverable amount of the CGU using future distributable dividends adjusted by the consequences of this disposal project.

The discount rate and long-term growth rate specific for the "Asset and Wealth Management" CGU are respectively 9.6% and 2%. The test carried out shows that the recoverable amount remains higher than the book value corrected for the effects of the future disposal of Lyxor.

In the absence of any indication of impairment, the Group has not carried out new impairment tests for the other CGUs. These tests will be performed as at 31 December 2021.

NOTE 3 - FINANCIAL INSTRUMENTS

Data presented in Note 3 exclude financial instruments from insurance activities; for the latter, the information is presented in Note 4.3.

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

OVERVIEW

(In EUR m)	30.06.2021		31.12.2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio	415,612	308,656	404,338	319,812
Financial assets measured mandatorily at fair value through profit or loss	23,699		23,630	
Financial instruments measured using fair value option through profit or loss	1,463	68,106	1,490	70,435
Total	**440,774**	**376,762**	**429,458**	**390,247**
o/w securities purchased/sold under resale/repurchase agreements	*111,639*	*124,448*	*119,374*	*120,697*

1. TRADING PORTFOLIO

ASSETS

(In EUR m)	30.06.2021	31.12.2020
Bonds and other debt securities	37,009	30,322
Shares and other equity securities	130,561	92,780
Securities purchased under resale agreements	111,609	119,244
Trading derivatives (1)	130,816	151,536
Loans, receivables and other trading assets	5,617	10,456
Total	**415,612**	**404,338**
o/w securities lent	*15,814*	*11,066*

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In EUR m)	30.06.2021	31.12.2020
Amounts payable on borrowed securities	42,005	32,165
Bonds and other debt instruments sold short	5,911	5,385
Shares and other equity instruments sold short	988	1,253
Securities sold under resale agreements	124,447	120,696
Trading derivatives (1)	133,736	159,176
Borrowings and other trading liabilities	1,569	1,137
Total	**308,656**	**319,812**

(1) See Note 3.2 Financial derivatives.

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

(In EUR m)	30.06.2021	31.12.2020
Bonds and other debt securities	199	190
Shares and other equity securities	2,946	2,561
Loans, receivables and securities purchased under resale agreements	20,554	20,879
Total	**23,699**	**23,630**

The loans receivables and securities purchased under resale agreements recorded in the balance sheet under Financial assets mandatorily at fair value through profit or loss are mainly:

– loans that include prepayment features with compensation that does not reflect the effect of changes in the benchmark interest rate;

– loans that include indexation clauses that do not permit to recognise them as basic loans (SPPI).

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

ASSETS

(In EUR m)	30.06.2021	31.12.2020
Bonds and other debt securities	65	29
Loans, receivables and securities purchased under resale agreements	55	158
Separate assets for employee benefits plans	1,343	1,303
Total	**1,463**	**1,490**

LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale group.

	30.06.2021		31.12.2020	
(In EUR m)	Fair value	Amount redeemable at maturity	Fair value	Amount redeemable at maturity
Financial instruments measured using fair value option through profit or loss	68,106	69,066	70,435	70,941

The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale group's most recent financing terms and conditions on the markets and the residual maturity of the related liabilities.

Changes in fair value attributable to own credit risk generated a gain of EUR 13 million during the first half of 2021. Up to this date, the total losses attributable to own credit risk amounted to EUR 383 million recognised in equity.

NOTE 3.2 - FINANCIAL DERIVATIVES

1. TRADING DERIVATIVES

FAIR VALUE

(In EUR m)	30.06.2021		31.12.2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	84,657	80,909	99,873	98,406
Foreign exchange instruments	14,383	15,303	18,698	19,795
Equities and index Instruments	30,323	34,942	31,224	37,978
Commodities Instruments	264	371	413	392
Credit derivatives	1,175	1,205	1,297	1,434
Other forward financial instruments	14	1,006	31	1,171
Total	**130,816**	**133,736**	**151,536**	**159,176**

The Group uses credit derivatives in the management of its corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

COMMITMENTS (NOTIONAL AMOUNTS)

(In EUR m)	30.06.2021	31.12.2020
Interest rate instruments	**9,305,082**	**9,731,256**
Firm instruments	7,552,919	8,090,893
Swaps	*6,206,496*	*6,849,353*
FRAs	*1,346,423*	*1,241,540*
Options	1,752,163	1,640,363
Foreign exchange instruments	**3,360,187**	**3,155,455**
Firm instruments	2,493,840	2,349,313
Options	866,347	806,142
Equity and index instruments	**937,226**	**869,679**
Firm instruments	145,877	128,941
Options	791,349	740,738
Commodities instruments	**24,565**	**20,078**
Firm instruments	24,107	19,194
Options	458	884
Credit derivatives	**185,275**	**202,994**
Other forward financial instruments	**30,068**	**28,603**
Total	**13,842,403**	**14,008,065**

2. HEDGING DERIVATIVES

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

FAIR VALUE

	30.06.2021		31.12.2020	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge	**14,848**	**9,881**	**19,982**	**12,161**
Interest rate instruments	14,805	9,870	19,950	12,161
Foreign exchange instruments	29	10	32	-
Equity and index instruments	14	1	-	-
Cash flow hedge	**266**	**63**	**298**	**163**
Interest rate instruments	237	33	288	58
Foreign exchange instruments	21	10	10	34
Equity and index Instruments	8	20	-	71
Net investment hedge	**192**	**226**	**387**	**137**
Foreign exchange instruments	192	226	387	137
Total	**15,306**	**10,170**	**20,667**	**12,461**

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

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

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

COMMITMENTS (NOTIONAL AMOUNTS)

(In EUR m)	30.06.2021	31.12.2020
Interest rate instruments	**1,132,780**	**970,144**
Firm instruments	1,132,129	969,391
Swaps	*907,109*	*779,359*
FRAs	*225,020*	*190,032*
Options	651	753
Foreign exchange instruments	**9,921**	**8,604**
Firm instruments	9,921	8,604
Equity and index instruments	**269**	**169**
Total	**1,142,970**	**978,917**

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

OVERVIEW

(In EUR m)	30.06.2021	31.12.2020
Debt instruments	48,800	51,801
Bonds and other debt securities	*48,705*	*51,721*
Loans and receivables and securities purchased under resale agreements	*95*	*80*
Shares and other equity securities	268	259
Total	**49,068**	**52,060**
o/w securities lent	*153*	*173*

1. DEBT INSTRUMENTS

CHANGES OF THE PERIOD

(In EUR m)	2021
Balance as at 1 January	**51,801**
Acquisitions/disbursements	20,272
Disposals/redemptions	(23,531)
Transfers towards (or from) another accounting category	0
Change in scope and others	37
Changes in fair value during the period	(650)
Change in related receivables	9
Translation differences	862
Balance as at 30 June	**48,800**

ACCUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

(In EUR m)	30.06.2021	31.12.2020
Unrealised gains	488	714
Unrealised losses	(148)	(262)
Total	**340**	**452**

2. EQUITY INSTRUMENTS

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

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

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	30.06.2021				31.12.2020			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	**154,351**	**124,837**	**5,608**	**284,796**	**109,734**	**138,699**	**4,369**	**252,802**
Bonds and other debt securities	32,633	2,708	1,668	37,009	26,420	3,108	794	30,322
Shares and other equity securities	121,715	8,845	1	130,561	83,314	9,465	1	92,780
Securities purchased under resale agreements	-	108,200	3,409	111,609	-	116,009	3,235	119,244
Loans, receivables and other trading assets	3	5,084	530	5,617	-	10,117	339	10,456
Trading derivatives	**39**	**126,743**	**4,034**	**130,816**	**49**	**147,417**	**4,070**	**151,536**
Interest rate instruments	9	82,027	2,621	84,657	4	97,189	2,680	99,873
Foreign exchange instruments	30	14,156	197	14,383	38	18,484	176	18,698
Equity and index instruments	-	29,701	622	30,323	-	30,730	494	31,224
Commodity instruments	-	261	3	264	-	410	3	413
Credit derivatives	-	584	591	1,175	-	580	717	1,297
Other forward financial instruments	-	14	-	14	7	24	-	31
Financial assets measured mandatorily at fair value through profit or loss	**509**	**19,059**	**4,131**	**23,699**	**183**	**19,517**	**3,930**	**23,630**
Bonds and other debt securities	15	52	132	199	18	43	129	190
Shares and other equity securities	491	361	2,094	2,946	165	359	2,037	2,561
Loans, receivables and securities purchased under resale agreements	3	18,646	1,905	20,554	-	19,115	1,764	20,879
Financial assets measured using fair value option through profit or loss	**65**	**1,398**	**-**	**1,463**	**13**	**1,461**	**16**	**1,490**
Bonds and other debt securities	65	-	-	65	13	-	16	29
Loans, receivables and securities purchased under resale agreements	-	55	-	55	-	158	-	158
Separate assets for employee benefit plans	-	1,343	-	1,343	-	1,303	-	1,303
Hedging derivatives	**-**	**15,306**	**-**	**15,306**	**-**	**20,667**	**-**	**20,667**
Interest rate instruments	-	15,042	-	15,042	-	20,238	-	20,238
Foreign exchange instruments	-	242	-	242	-	429	-	429
Equity and index instruments	-	22	-	22	-	-	-	-
Financial assets measured at fair value through other comprehensive income	**48,291**	**507**	**270**	**49,068**	**51,090**	**708**	**262**	**52,060**
Bonds and other debt securities	48,291	412	2	48,705	51,090	628	3	51,721
Shares and other equity securities	-	-	268	268	-	-	259	259
Loans and receivables	-	95	-	95	-	80	-	80
Total	**203,255**	**287,850**	**14,043**	**505,148**	**161,069**	**328,469**	**12,647**	**502,185**

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	30.06.2021				31.12.2020			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	**6,904**	**166,625**	**1,391**	**174,920**	**6,666**	**152,939**	**1,031**	**160,636**
Amounts payable on borrowed securities	25	41,946	34	42,005	28	32,031	106	32,165
Bonds and other debt instruments sold short	5,891	20	-	5,911	5,385	-	-	5,385
Shares and other equity instruments sold short	988	-	-	988	1,253	-	-	1,253
Securities sold under repurchase agreements	-	123,101	1,346	124,447	-	119,772	924	120,696
Borrowings and other trading liabilities	-	1,558	11	1,569	-	1,136	1	1,137
Trading derivatives	**49**	**129,384**	**4,303**	**133,736**	**46**	**153,807**	**5,323**	**159,176**
Interest rate instruments	19	79,217	1,673	80,909	5	95,704	2,697	98,406
Foreign exchange instruments	30	15,053	220	15,303	40	19,599	156	19,795
Equity and index instruments	-	33,013	1,929	34,942	-	36,000	1,978	37,978
Commodity instruments	-	371	-	371	-	392	-	392
Credit derivatives	-	724	481	1,205	-	942	492	1,434
Other forward financial instruments	-	1,006	-	1,006	1	1,170	-	1,171
Financial liabilities measured using fair value option through profit or loss	**-**	**31,689**	**36,417**	**68,106**	**-**	**30,784**	**39,651**	**70,435**
Hedging derivatives	**-**	**10,170**	**-**	**10,170**	**-**	**12,461**	**-**	**12,461**
Interest rate instruments	-	9,903	-	9,903	-	12,219	-	12,219
Foreign exchange instruments	-	246	-	246	-	171	-	171
Equity and index instruments	-	21	-	21	-	71	-	71
Total	**6,953**	**337,868**	**42,111**	**386,932**	**6,712**	**349,991**	**46,005**	**402,708**

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

(In EUR m)	Balance as at 31 December 2020	Acquisitions	Disposals / redemp-tions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 30 June 2021
Trading portfolio (excluding derivatives)	**4,369**	**4,476**	**(2,532)**	**(1,057)**	**18**	**276**	**60**	**(2)**	**5,608**
Bonds and other debt securities	794	2,596	(1,617)	(116)	18	(22)	17	(2)	1,668
Shares and other equity securities	1	-	-	-	-	-	-	-	1
Securities purchased under resale agreements	3,235	1,689	(915)	(941)	-	292	49	-	3,409
Loans, receivables and other trading assets	339	191	-	-	-	6	(6)	-	530
Trading derivatives	**4,070**	**156**	**(50)**	**(238)**	**107**	**(121)**	**110**	**-**	**4,034**
Interest rate instruments	2,680	-	-	(126)	42	(62)	87	-	2,621
Foreign exchange instruments	176	1	-	(1)	-	17	4	-	197
Equity and index instruments	494	155	(50)	(44)	15	43	9	-	622
Commodity instruments	3	-	-	-	-	-	-	-	3
Credit derivatives	717	-	-	(67)	50	(119)	10	-	591
Financial assets measured mandatorily at fair value through profit or loss	**3,930**	**398**	**(31)**	**(191)**	**-**	**(23)**	**34**	**14**	**4,131**
Bonds and other debt securities	129	5	(3)	-	-	1	-	-	132
Shares and other equity securities	2,037	49	(28)	-	-	10	12	14	2,094
Loans, receivables and securities purchased under resale agreements	1,764	344	-	(191)	-	(34)	22	-	1,905
Financial assets measured using fair value option through profit or loss	**16**	**-**	**(17)**	**-**	**-**	**1**	**-**	**-**	**-**
Bonds and other debt securities	16	-	(17)	-	-	1	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets measured at fair value option through other comprehensive income	**262**	**-**	**(1)**	**-**	**-**	**9**	**-**	**-**	**270**
Bonds and other debt securities	3	-	(1)	-	-	-	-	-	2
Shares and other equity instruments	259	-	-	-	-	9	-	-	268
Total	**12,647**	**5,030**	**(2,631)**	**(1,486)**	**125**	**142**	**204**	**12**	**14,043**

FINANCIAL LIABILITIES

(In EUR m)	Balance as at 31 December 2020	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 30 June 2021
Trading portfolio (excluding derivatives)	**1,031**	**834**	**(438)**	**(83)**	**-**	**45**	**2**	**-**	**1,391**
Amounts payable on borrowed securities	106	-	-	(6)	-	(66)	-	-	34
Securities sold under repurchase agreements	924	834	(438)	(77)	-	101	2	-	1,346
Borrowings and other trading liabilities	1	-	-	-	-	10	-	-	11
Trading derivatives	**5,323**	**232**	**(58)**	**(1,059)**	**184**	**(321)**	**2**	**-**	**4,303**
Interest rate instruments	2,697	-	-	(724)	92	(345)	(47)	-	1,673
Foreign exchange instruments	156	-	-	-	5	63	(4)	-	220
Equity and index instruments	1,978	232	(58)	(288)	61	(42)	46	-	1,929
Credit derivatives	492	-	-	(47)	26	3	7	-	481
Financial liabilities measured using fair value option through profit or loss	**39,651**	**8,368**	**(11,666)**	**(1,811)**	**1,716**	**(272)**	**431**	**-**	**36,417**
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at fair value	**46,005**	**9,434**	**(12,162)**	**(2,953)**	**1,900**	**(548)**	**435**	**-**	**42,111**

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

For financial instruments measured at fair value on the balance sheet, the fair value is determined primarily based on quoted prices in an active market. These prices, when not available on the closing date, may be adjusted to take account of events that have an impact on prices and have occurred after the close of the stock markets but before the measurement date or in case of inactive market.

However, due in particular to the multiple characteristics of the financial instruments traded on over-the-counter financial markets, a large number of financial products dealt with by the Group does not have direct quoted prices in the markets.

For these products, fair value is determined using valuation techniques commonly practiced by market participants to measure financial instruments such as discounted future cash flows for swaps or the Black & Scholes formula for certain options, and using valuation inputs that reflect the current market conditions at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the inputs used in the valuation models, whether or not derived from observable market data, are checked by the Finance Division of Market Activities, in accordance with the methodologies defined by the Market Risk Department.

When necessary, these valuations are supplemented with additional reserves or adjustments (such as bid-ask or liquidity) determined reasonably and appropriately after examination of the available information.

Derivatives and securities financing (repo) transactions are subject to a Credit Valuation Adjustment (CVA) or a Debt Valuation Adjustment (DVA). The Group includes all the clients and clearing houses concerned in this adjustment, which also takes account of the individual characteristics of the netting agreements existing for each counterparty.

The CVA is determined based on the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, and favour the use of relevant and observable market data. Since 2021, a mechanism allows the identification of the new transactions with significant CVA / DVA adjustments. These transactions are then classified as Level 3.

Similarly, an adjustment is also made to take account of the costs or benefits associated with the financing of these transactions (FVA, « Funding Valuation Adjustment »).

Observable data must be independent, available, publicly distributed, based on a close consensus and 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 more rarely observable owing to the limited number of transactions. For instance, the observability horizon of the implied volatility used for the valuation of equity options is assessed for each unit. The instrument becomes sensitive to observable inputs when its residual maturity becomes shorter than this horizon.

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 have to revise the (bid-ask) adjustments or implement a new model in accordance with the pertinent available data, similarly to the methods used by the other market players.

SHARES AND OTHER EQUITY SECURITIES

The significant unlisted shareholdings and significant securities listed on a non-liquid market will be measured as a priority using a developed valuation method: Discounted Cash Flows (DCF) or Discounted Dividend Model (DDM) and / or market multiples, as the case may be.

An overriding valuation based on the share of IFRS net asset value is possible as long as it remains a good approximation of the fair value.

Non-significant unlisted shareholdings will be valued based on:

- a recent transaction relating to the company (recent acquisition of shareholding interests by a third-party, merger, capital injection, demerger… requiring an expert appraisal …); or
- a recent transaction in the sector in which the company operates (profit multiple, assets multiples, enterprise value); or
- the share of IFRS net asset value held.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the balance sheet amounts used include the impact of the Group’s issuer credit risk (see Note 3.1.3).

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).

LOANS AND RECEIVABLES

The fair value of loans and receivables is calculated, in the absence of an actively traded market for these loans, by discounting the expected cash flows to present value at a discount rate based on interest rates prevailing on the market at the reporting date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

5. ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

Cash instruments and derivatives [(1)]	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min	Range of inputs max
Equities / funds	Simple and complex instruments or derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	10.0%	190.7%
			Equity dividends	0%	13.6%
			Correlations	-95.3%	100%
			Hedge fund volatilities	7.1%	20.0%
			Mutual fund volatilities	1.7%	26.1%
Rates and / or Forex	Hybrid forex / interest rate, credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-45.99%	90%
	Forex derivatives	Forex option pricing models	Forex volatilities	0%	28.5%
	Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0%	20%
	Inflation derivatives	Inflation pricing models	Correlations	55.0%	88.9%
Credit	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%	100%
			Recovery rate variance for single name underlyings	0%	100%
	Other credit derivatives	Credit default models	Time to default correlations	0%	100%
			Quanto correlations	-50%	40%
			Credit spreads	0 bps	1 000 bps
Commodities	Derivatives on commodities baskets	Option models on commodities	Correlations	-	-
Long term equity investments	Securities held for strategic purposes	Net Book Value, Recent transactions	Non applicable	-	-

The table below shows the valuation of cash and derivative instruments on the balance sheet. When it comes to hybrid instruments, they are broken down according to the main unobservable inputs.

	30.06.2021	
(In EUR m)	Assets	Liabilities
Equities / funds	1,635	26,457
Rates and Forex	9,932	15,173
Credit	591	481
Commodities	3	-
Long term equity investments	1,882	-
Total	**14,043**	**42,111**

6. SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

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

To quantify this, fair value sensitivity was estimated at 31 December 2020 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a "standardised" variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The "standardised" variation corresponds to the standard deviation of consensus prices (TOTEM, etc.) 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.

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

	30.06.2021		31.12.2020	
(In EUR m)	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	**(28)**	**96**	**(49)**	**150**
Equity volatilities	0	21	0	27
Dividends	0	8	(18)	46
Correlations	(27)	61	(31)	69
Hedge Fund volatilities	0	0	0	0
Mutual Fund volatilities	(1)	6	0	8
Rates or Forex instruments and derivatives	**(7)**	**25**	**(6)**	**27**
Correlations between exchange rates and/or interest rates	(4)	23	(4)	26
Forex volatilities	(2)	2	(1)	1
Constant prepayment rates	0	0	0	0
Inflation / inflation correlations	(1)	0	(1)	0
Credit instruments and derivatives	**0**	**2**	**0**	**12**
Time to default correlations	0	1	0	1
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	0	1	0	8
Credit spreads	0	0	0	3
Commodity derivatives	**NA**	**NA**	**NA**	**NA**
Commodities correlations	NA	NA	NA	NA
Long term securities	**NA**	**NA**	**NA**	**NA**

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date on the basis of a standardised variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

7. DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

At initial recognition, financial assets and liabilities are measured at fair value, that is to say the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

(In EUR m)	2021
Deferred margin as at 1 January	**1,157**
Deferred margin on new transactions during the period	587
Margin recorded in the income statement during the period	(572)
o/w amortisation	*(309)*
o/w switch to observable inputs	*(15)*
o/w disposed, expired or terminated	*(248)*
Deferred margin as at 30 June	**1,172**

NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES AT AMORTISED COST

OVERVIEW

	30.06.2021		31.12.2020	
(In EUR m)	**Carrying amount**	*o/w impairment*	**Carrying amount**	*o/w impairment*
Due from banks	61,733	*(32)*	53,380	*(31)*
Customer loans	464,622	*(11,426)*	448,761	*(11,601)*
Securities	18,922	*(43)*	15,635	*(42)*
Total	**545,277**	***(11,501)***	**517,776**	***(11,674)***

1. DUE FROM BANKS

(In EUR m)	30.06.2021	31.12.2020
Current accounts	26,964	25,712
Deposits and loans	17,375	16,000
Securities purchased under resale agreements	16,827	11,264
Subordinated and participating loans	97	97
Related receivables	475	297
Due from banks before impairments (1)	**61,738**	**53,370**
Credit loss impairment	(32)	(31)
Revaluation of hedged items	27	41
Total	**61,733**	**53,380**

(1) At 30 June 2021, the amount due from banks classified as Stage 3 impairment (non-performing loans) was EUR 54 million compared to EUR 58 million at 31 December 2020. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the net carrying amount of the financial asset (see Note 3.7).

2. CUSTOMER LOANS

(In EUR m)	30.06.2021	31.12.2020
Overdrafts	20,937	16,381
Other customer loans	411,738	401,589
Lease financing agreements	30,251	30,086
Securities purchased under resale agreements	9,353	8,439
Related receivables	3,432	3,438
Customer loans before impairments (1)	**475,711**	**459,933**
Credit loss impairment	(11,426)	(11,601)
Revaluation of hedged items	337	429
Total	**464,622**	**448,761**

(1) At 30 June 2021, the amount due from customers classified as Stage 3 impairment (credit impaired) was EUR 16,491 million compared to EUR 16,807 million at 31 December 2020. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the carrying amount to the net carrying amount of the financial asset (see Note 3.7).

3. SECURITIES

(In EUR m)	30.06.2021	31.12.2020
Government securities	8,625	7,143
Negotiable certificates, bonds and other debt securities	10,220	8,390
Related receivables	127	101
Securities before impairments	**18,972**	**15,634**
Impairment	(43)	(42)
Revaluation of hedged items	(7)	43
Total	**18,922**	**15,635**

NOTE 3.6 - DEBTS

1. DUE TO BANKS

(In EUR m)	**30.06.2021**	**31.12.2020**
Demand deposits and current accounts	11,638	11,354
Overnight deposits and borrowings	3,725	3,221
Term deposits [(1)]	128,663	117,460
Related payables	43	61
Revaluation of hedged items	255	440
Securities sold under repurchase agreements	3,614	3,035
Total	**147,938**	**135,571**

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

The European Central Bank (ECB) launched in 2019 a third series of Targeted Longer-Term Refinancing Operations (TLTRO) with the aim of maintaining favourable credit conditions in the euro area. As in the two previous systems, the level of remuneration of the borrowings depends on the performance of the borrowing banking institutions in terms of loans granted to their household customers (excluding real estate loans) and business customers (excluding financial institutions). Depending on these performances, the borrowing institutions may benefit from a reduced interest rate and an additional temporary bonus applicable over the period from 24 June 2020 to 23 June 2021 (reduction by 50 basis points of the average rate of the deposit facility with a floor rate set at -1%). These TLTRO III operations are conducted on a quarterly basis between September 2019 and December 2021, for a possible total of 10 drawdowns. Each such operation has a three-year maturity and includes an early repayment option. Some terms and conditions were modified in March 2020, in particular the loan production objectives, rate conditions and drawdown limit, in order to further support the granting of loans in the face of the emergence of the Covid-19 crisis. In January 2021, the ECB decided to extend the temporary additional bonification over the period from 24 June 2021 to 23 June 2022 subject to performance in terms of number of granted loans observed over a new reference period from 1 October 2020 to 31 December 2021.

The entities of the Societe Generale group have subscribed to TLTRO III loans through quarterly drawings staggered between December 2019 and June 2021. As at 30 June 2021, the total outstanding amount drawn is 71,9 billion euros.

Once the Group has reasonable assurance of being eligible for the bonus rates provided for, the latter are taken into account to determine the amount of interest recognised in profit or loss for the TLTRO loans; this amount is then computed based on a weighted rate spreading the bonus over the expected life of the drawdowns concerned.

The Group has reached its objective of stability of the outstanding amount of eligible loans between 1 March 2020 and 31 March 2021, allowing it to benefit from the reduced interest rate as well as from the additional temporary bonus applied for the period from 24 June 2020 to 23 June 2021. As at 31 December 2020, the Group already had the reasonable assurance to be able to benefit from these bonuses and had taken them into account to calculate the amount of interest booked in 2020 on the basis of a weighted average rate of -0.67%; the confirmed achievement of the objectives required on 31 March 2021 has thus not changed the rhythm of booking of the interests on TLTRO loans during the first half of 2021. As these interests are negative, their amount is presented under Interest and similar income.

As at 30 June 2021, the Group does not yet consider it has the reasonable assurance of reaching the objectives allowing it, at this stage, to recognise the effects of the extension of the additional bonus planned over the period from 24 June 2021 to 23 June 2022.

2. CUSTOMER DEPOSITS

(In EUR m)	30.06.2021	31.12.2020
Regulated savings accounts	106,329	100,204
Demand	*80,761*	*74,617*
Term	*25,568*	*25,587*
Other demand deposits (1)	289,500	268,556
Other term deposits (1)	73,904	81,295
Related payables	584	299
Revaluation of hedged items	129	169
Total customer deposits	**470,446**	**450,523**
Securities sold to customers under repurchase agreements	8,328	5,536
Total	**478,774**	**456,059**

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

3. DEBT SECURITIES ISSUED

(In EUR m)	30.06.2021	31.12.2020
Term savings certificates	289	312
Bond borrowings	19,723	22,434
Interbank certificates and negotiable debt instruments	116,824	114,276
Related payables	447	672
Revaluation of hedged items	655	1,263
Total	**137,938**	**138,957**
o/w floating-rate securities	*58,248*	*59,475*

NOTE 3.7 - INTEREST INCOME AND EXPENSE

	1st half of 2021			2020			1st half of 2020		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Financial instruments at amortised cost	5,498	(2,189)	3,309	12,193	(5,449)	6,744	6,488	(2,968)	3,520
Central banks	*21*	*(154)*	*(133)*	*110*	*(153)*	*(43)*	*78*	*(39)*	*39*
Bonds and other debt securities	*214*	*(653)*	*(439)*	*470*	*(1,660)*	*(1,190)*	*174*	*(872)*	*(698)*
Due from/to banks	*486*	*(250)*	*236*	*943*	*(819)*	*124*	*498*	*(512)*	*(14)*
Customer loans and deposits	*4,694*	*(819)*	*3,875*	*10,257*	*(2,109)*	*8,148*	*5,438*	*(1,162)*	*4,276*
Subordinated debt	*-*	*(264)*	*(264)*	*-*	*(503)*	*(503)*	*-*	*(251)*	*(251)*
Securities lending/borrowing	*3*	*(2)*	*1*	*6*	*(4)*	*2*	*3*	*(6)*	*(3)*
Repo transactions	*80*	*(47)*	*33*	*407*	*(201)*	*206*	*297*	*(126)*	*171*
Hedging derivatives	3,410	(2,537)	873	6,550	(4,753)	1,797	3,312	(2,375)	937
Financial instruments at fair value through other comprehensive income	211	-	211	526	(2)	524	229	(2)	227
Lease agreements	436	(19)	417	991	(44)	947	578	(21)	557
Real estate lease agreements	*85*	*(19)*	*66*	*179*	*(43)*	*136*	*90*	*(21)*	*69*
Non-real estate lease agreements	*351*	*-*	*351*	*812*	*(1)*	*811*	*488*	*-*	*488*
Subtotal interest income/expense on financial instruments using the effective interest method	**9,555**	**(4,745)**	**4,810**	**20,260**	**(10,248)**	**10,012**	**10,607**	**(5,366)**	**5,241**
Financial instruments mandatorily at fair value through profit or loss	191	-	191	461	-	461	226	-	226
Total Interest income and expense	**9,746**	**(4,745)**	**5,001**	**20,721**	**(10,248)**	**10,473**	**10,833**	**(5,366)**	**5,467**
o/w interest income from impaired financial assets	*135*	*-*	*135*	*268*	*-*	*268*	*130*	*-*	*130*

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, the results of which are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

NOTE 3.8 - IMPAIRMENT AND PROVISIONS

COVID-19 CRISIS

As at 30 June 2021, the method used to determine the impairments and provisions for credit risk is similar to the one used to prepare the consolidated financial statements as at 31 December 2020.

As a reminder, in 2020, to address the Covid-19 crisis the models and parameters used to estimate the expected credit losses had been revised based on new economic scenarios. Sectoral adjustments used in the simplified models had been overhauled, supplementing the application of these models. A new criterion for reclassifying loans into Stage 2 under-performing loans had also been established.

These elements are described in the 2021 Universal Registration Document, Chapter 6, Notes 1 and 3.8.

These adjustments are taken into account to estimate expected credit losses (Stages 1 and 2), except for the Additional criterion of transfer to Stage 2 which covers the classification of loans outstanding.

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

GDP adjustments

- Years 2021- 2022

As done as at 31 December 2020, for each quarter of 2021 and 2022, the Group has chosen to use in its models the average of the changes in GDP over the past 8 quarters relative to a basis 100 in 2019. This adjustment has been applied to each of the four scenarios (SG Favourable, SG Central, SG Extended and SG Stress) for the series of GDP used in the expected credit risk models (see Note 1, paragraph 5).

The figures presented for 2021 and 2022 in the table below correspond to the weighted average of GDP growth rates in the four scenarios, adjusted in line with the methodology described above.

- Years 2023 to 2025

The figures presented for 2023 to 2025 in the table below correspond to the weighted average of GDP growth rates in the four scenarios.

	2021	2022	2023	2024	2025
Euro area	(5.2)	(3.7)	1.4	1.7	1.8
France	(5.7)	(3.8)	1.5	1.8	1.9
United States of America	(2.3)	1.1	2.2	2.1	2.0
China	2.7	4.4	4.5	4.5	4.4

Adjustment of the margin rate of French companies

For the preparation of the consolidated financial statements as at 31 December 2020, an add-on equivalent to 2.4 of the 2019 added value regarding the margin rate of French companies had been integrated into all the Group's scenarios for the year 2020 and the first half of 2021.

In the first half of 2021, the French National Institute of Statistics and Economic Studies (INSEE) increased the margin rate of companies, reckoning the effect of government supports in its forecasts. The Group therefore removed the 2.4 points add-on that had been incorporated into its models.

Thus, as at 30 June 2021, the adjustments in macroeconomic variables and probabilities of default have led to increase the amount of impairment and provisions for credit risk by 360 million euros (496 million euros as at 31 December 2020). The lower adjustment is due to the fact that the model mentioned above expects the crisis to gradually come to an end, and to the cancellation of the add-on on the margin rate.

ADJUSTMENTS MADE IN ADDITION TO THE APPLICATION OF MODELS

Sectoral adjustments

The different models used to estimate expected credit losses may be supplemented with sectoral adjustments that increase or decrease the amount of expected credit losses. These adjustments allow to better anticipate defaults or recoveries in certain cyclical sectors. These adjustments have been reviewed and tightened up to take account of the lessening of the effect of macroeconomic variables on the probabilities of default and to maintain a prudent coverage rate Covid-19 impacted sectors. The main sectors concerned are hospitality/restaurant/catering/leisure, oil and gas, commercial real estate, cruise companies and airlines.

The total sectoral adjustments amount to 574 million euros as at 30 June 2021 (406 million euros as at 31 December 2020).

Adjustments in the context of simplified models

For entities lacking developed models for estimating the correlations between the macroeconomic variables and the default rate, adjustments have also been performed to reflect the deterioration of credit risk on some portfolios when this deterioration could not be measured by a line by line analysis of the outstanding loans.

These adjustments amount to 434 million euros as at 30 June 2021 (424 million euros as at 31 December 2020).

ADDITIONAL CRITERIA OF TRANSFER TO STAGE 2

In addition to the criteria applied at the individual level to classify deteriorated loans as Stage 2 under-performing loans, an additional analysis has been made on the loan portfolios for which a significant increase in credit risk has been observed since their granting. This analysis resulted in additional transfers to Stage 2 (under-performing loans) of all the loans granted before the crisis to sectors considered by the Group to be particularly affected by the Covid-19 crisis. These transfers have decreased over the first half of 2021 as a result of a reduction in the outstanding stock concerned and the removal of the automotive and maritime transport sectors from the list of sectors concerned. For the outstanding amounts concerned, in addition to these transfers into Stage 2, the estimate of the provision is made taking into account the sectoral adjustments (described above).

These adjustments amount to 83 million euros as at 30 June 2021 (122 million euros as at 31 December 2020).

1. OVERVIEW

The tables of this note do not lay out the IAS 39 impairment related to financial instruments of insurance subsidiaries. This impairment is presented in the Note 4.3.

In this note, the unit of measurement selected is the outstanding amounts for which provisions can be booked. These outstanding amounts correspond to the outstanding stock subject to credit risk under IFRS 9:

- booked on the balance sheet:
  - (securities (excluding securities received under repurchase agreements) and loans and advances to customers and credit institutions and similar measured at amortised cost or at fair value through equity;
  - deposits with central banks;
  - operating and finance lease;
  - collateral deposits with the CCPs.
- booked off-balance sheet (financing and guarantee commitments),

excluding the assets bearing little or no risk, mainly the securities received under repurchase agreements and the guarantee deposits in relation with losing positions on derivatives.

RECONCILIATION BETWEEN ACCOUNTING OUTSTANDING AMOUNTS AND OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED

(In EUR m)		30.06.2021	31.12.2020 *
Debt instruments at fair value through other comprehensive income	Note 3.3	48,800	51,801
Securities at amortised cost	Note 3.5	18,922	15,635
Due from banks at amortised cost	Note 3.5	61,733	53,380
Due from central banks (1)		158,400	165,837
Customer loans at amortised cost	Note 3.5	464,622	448,761
Other assets (2)		54,877	53,930
Net value of accounting outstanding amounts (balance sheet)		**807,354**	**789,344**
Impairment of loans at amortised cost	Note 3.8	11,802	11,962
Gross value of accounting outstanding amounts (balance sheet)		**819,156**	**801,047**
Additional items included in the scope of outstanding amounts for which provisions can be booked		254,895	237,521
Financing and guarantee commitments (off-balance sheet)		*254,895*	*237,521*
Items excluded from the scope of outstanding amounts for which provisions can be booked		(47,477)	(38,141)
Gross value of accounting outstanding amounts after retreatments		**1,026,574**	**1,000,686**
Gross value of outstanding amounts for which provisions can be booked		**1,026,574**	**1,000,686**

* *Restated amounts, compared to the Financial Statements published for the fiscal year 2020, following the integration of Other Sundry debtors and property acquired by adjudication measured at amortised cost in Other assets and Impairment of loans at amortised cost.*

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

(2) Of which mainly 52,436 million euros of guarantee deposits paid and 924 million euros of operating lease payment amounts as at 30 June 2021(cf. Note 4.4).

OUTSTANDING AMOUNTS SUBJECT TO IMPAIRMENT AND PROVISIONS BY IMPAIRMENT STAGE AND BY ACCOUNTING CATEGORY

	30.06.2021		31.12.2020	
(In EUR m)	**Outstanding amounts subject to impairment and provisions**	**Impairment /provisions**	**Outstanding amounts subject to impairment and provisions**	**Impairment /provisions**
Financial assets at fair value through other comprehensive income	**48,801**	**8**	**51,801**	**9**
Performing outstandings (Stage 1)	48,799	2	51,792	1
Underperforming outstandings (Stage 2)	1	-	-	-
Doubtful outstandings (Stage 3)	1	6	9	8
Financial assets at amortised cost * (1)	**722,879**	**11,802**	**711,363**	**11,962**
Performing outstandings (Stage 1)	662,265	1,108	644,063	1,078
Underperforming outstandings (Stage 2)	43,502	1,923	49,905	1,951
Doubtful outstandings (Stage 3)	17,112	8,771	17,395	8,933
o/w lease financing	**30,252**	**876**	***30,086***	***888***
Performing outstandings (Stage 1)	24,612	109	*24,214*	*113*
Underperforming outstandings (Stage 2)	4,148	204	*4,490*	*210*
Doubtful outstandings (Stage 3)	1,492	563	*1,382*	*565*
Financing commitments	**196,462**	**410**	**183,671**	**433**
Performing outstandings (Stage 1)	181,536	130	161,840	119
Underperforming outstandings (Stage 2)	14,648	252	21,488	279
Doubtful outstandings (Stage 3)	278	28	343	35
Guarantee commitments	**58,432**	**441**	**53,851**	**495**
Performing outstandings (Stage 1)	51,677	46	46,169	44
Underperforming outstandings (Stage 2)	5,974	87	6,876	152
Doubtful outstandings (Stage 3)	781	308	806	299
Total	**1,026,574**	**12,661**	**1,000,686**	**12,899**

* *Restated amounts, compared to the Financial Statements published for the fiscal year 2020, following the integration of Other Sundry debtors and property acquired by adjudication measured at amortised cost.*

(1) Including Central Banks for EUR 158,400 million as at 30 June 2021 (versus 165,837 million euros as at 31 December 2020)

OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED / PROVISIONS BY BASEL PORTFOLIO

	30.06.2021							
	Oustanding amounts				Impairment and Provisions			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	231,364	394	103	**231,861**	4	1	68	**73**
Institutions	102,413	1,061	59	**103,533**	9	24	16	**49**
Corporates	362,264	42,816	10,157	**415,237**	628	1,530	4,979	**7,137**
SME	*52,382*	*7,296*	*4,139*	***63,817***	*212*	*436*	*2,221*	***2,869***
Retail	209,825	18,017	7,754	**235,596**	597	692	4,048	**5,337**
VSB	*25,158*	*4,998*	*2,349*	***32,505***	*131*	*270*	*1,349*	***1,750***
Others	38,411	1,837	99	**40,347**	49	10	6	**65**
Total	**944,277**	**64,125**	**18,172**	**1,026,574**	**1,287**	**2,257**	**9,117**	**12,661**

	31.12.2020 *							
	Outstanding amounts				Impairment and Provisions			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	232,976	483	121	**233,580**	4	1	69	**74**
Institutions	113,467	969	69	**114,505**	10	71	17	**98**
Corporates	315,638	54,984	10,189	**380,811**	590	1,517	5,082	**7,189**
SME	*48,517*	*7,255*	*4,148*	***59,920***	*179*	*449*	*2,200*	***2,828***
Retail	204,820	19,536	8,052	**232,408**	573	738	4,103	**5,414**
VSB	*27,453*	*5,139*	*2,409*	***35,001***	*136*	*274*	*1,394*	***1,804***
Others	36,964	2,297	121	**39,382**	65	55	4	**124**
Total	**903,865**	**78,269**	**18,552**	**1,000,686**	**1,242**	**2,382**	**9,275**	**12,899**

* *Restated amounts, compared to the Financial Statements published for the fiscal year 2020, following the integration of Other Sundry debtors and property acquired by adjudication measured at amortised cost.*

GEOGRAPHICAL BREAKDOWN OF OUTSTANDING AMOUNTS FOR WHICH PROVISIONS CAN BE BOOKED AND PROVISIONS

	30.06.2021							
	Outstanding amounts				Impairment and Provisions			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
France	437,072	32,763	8,789	**478,624**	544	1,296	3,845	**5,685**
Western European countries (excl. France)	204,370	9,548	2,597	**216,516**	246	292	986	**1,524**
Eastern European countries EU	52,684	4,586	1,241	**58,511**	128	290	731	**1,149**
Eastern Europe excluding EU	20,211	3,112	443	**23,766**	125	36	346	**507**
North America	124,998	6,622	266	**131,886**	38	150	84	**272**
Latin America and Caribbean	9,424	908	171	**10,503**	6	19	82	**107**
Asia-Pacific	52,923	1,746	752	**55,421**	15	14	388	**417**
Africa and Middle East	42,595	4,840	3,913	**51,348**	185	160	2,655	**3,000**
Total	**944,277**	**64,125**	**18,172**	**1,026,574**	**1,287**	**2,257**	**9,117**	**12,661**

	31.12.2020 *							
	Outstanding amounts				Impairment and Provisions			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
France	429,803	36,597	9,130	**475,530**	542	1 307	4 147	**5,996**
Western European countries (excl. France)	188,997	13,681	2,861	**205,539**	228	311	999	**1,538**
Eastern European countries EU	48,635	4,923	1,144	**54,702**	110	353	681	**1,144**
Eastern Europe excluding EU	20,046	3,163	425	**23,634**	110	40	355	**505**
North America	113,578	9,606	444	**123,628**	35	125	125	**285**
Latin America and Caribbean	8,518	1,902	262	**10,682**	10	23	80	**113**
Asia-Pacific	54,112	3,097	734	**57,943**	20	19	367	**406**
Africa and Middle East	40,176	5,300	3,552	**49,028**	187	204	2,521	**2,912**
Total	**903,865**	**78,269**	**18,552**	**1,000,686**	**1,242**	**2,382**	**9,275**	**12,899**

* *Restated amounts, compared to the Financial Statements published for the fiscal year 2020, following the integration of Other Sundry debtors and property acquired by adjudication measured at amortised cost.*

OUTSTANDING AMOUNTS SUBJECT TO IMPAIRMENT AND PROVISIONS BY RATING OF COUNTERPARTY [(1)]

	30.06.2021							
	Outstanding amounts				Impairment and Provisions			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	69,836	-	-	**69,836**	-	-	-	**-**
2	177,799	2,108	-	**179,907**	1	1	-	**2**
3	83,118	4,128	-	**87,246**	8	6	-	**14**
4	136,471	4,388	-	**140,859**	56	23	-	**79**
5	96,405	11,279	-	**107,684**	195	168	-	**363**
6	23,591	13,903	-	**37,494**	146	534	-	**680**
7	2,416	5,962	-	**8,378**	22	343	-	**365**
Default (8, 9, 10)	-	-	9,391	**9,391**	-	-	4,577	**4,571**
Other method	354,641	22,357	8,781	**385,779**	859	1,182	4,540	**6,581**
Total	**944,277**	**64,125**	**18,172**	**1,026,574**	**1,287**	**2,257**	**9,117**	**12,661**

	31.12.2020 *							
	Outstanding amounts				Impairment and Provisions			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	75,967	-	-	**75,967**	-	-	-	**-**
2	175,096	2,172	-	**177,268**	1	1	-	**2**
3	81,909	5,634	-	**87,543**	9	8	-	**17**
4	120,509	10,280	-	**130,789**	61	36	-	**97**
5	91,511	16,012	-	**107,523**	200	275	-	**475**
6	20,084	15,877	-	**35,961**	143	667	-	**810**
7	1,692	4,327	-	**6,019**	30	267	-	**297**
Default (8, 9, 10)	-	-	9,655	**9,655**	-	-	4,694	**4,694**
Other method	337,097	23,967	8,897	**369,961**	798	1,128	4,581	**6,507**
Total	**903,865**	**78,269**	**18,552**	**1,000,686**	**1,242**	**2,382**	**9,275**	**12,899**

* *Restated amounts, compared to the Financial Statements published for the fiscal year 2020, following the integration of Other Sundry debtors and property acquired by adjudication measured at amortised cost.*

(1) *The indicative corresponding between the Societe Generale's internal rating scale and the scales of rating agencies is presented in Chapter 4 of Universal Registration Document 2021 (table 15).*

2. IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN

(In EUR m)	**Amount as at 31.12.2020**	Allocations	Write-backs available	**Net impairment losses**	**Write-backs used**	**Currency and scope effects**	**Amount as at 30.06.2021**
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	1	1	-	1			2
Impairment on underperforming outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	8	-	(2)	(2)			6
Total	**9**	**1**	**(2)**	**(1)**	**-**		**8**
Financial assets measured at amortised cost							
Impairment on performing outstandings (Stage 1)	1,078	462	(443)	19		11	1,108
Impairment on underperforming outstandings (Stage 2)	1,951	900	(939)	(39)		11	1,923
Impairment on doubtful outstandings (Stage 3)	8,933	1,991	(1,564)	427	(636)	47	8,771
Total	**11,962**	**3,353**	**(2,946)**	**407**	**(636)**	**69**	**11,802**
o/w lease financing and similar agreements	***888***	***197***	***(182)***	***15***	***(24)***	***(3)***	***876***
Impairment on performing outstandings (Stage 1)	*113*	*27*	*(32)*	*(5)*		*1*	*109*
Impairment on underperforming outstandings (Stage 2)	*210*	*57*	*(64)*	*(7)*		*1*	*204*
Impairment on doubtful outstandings (Stage 3)	*565*	*113*	*(86)*	*27*	*(24)*	*(5)*	*563*

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

Due to lack of significant variations of depreciations on financial assets measured at fair value through other comprehensive income, this information is not presented in the table below.

(In EUR m)	Stage 1	*o/w lease financing*	Stage 2	*o/w lease financing*	Stage 3	*o/w lease financing*	**Total**
Amount as at 31.12.2020	1,078	*113*	1,951	*210*	8,933	*565*	**11,962**
Production & Acquisition (1)	206	*16*	55	*3*	68	*1*	**329**
Derecognition (2)	(77)	*(4)*	(135)	*(5)*	(856)	*(35)*	**(1,068)**
Transfer from stage 1 to stage 2 (3)	(48)	*(4)*	327	*24*	-	-	**279**
Transfer from stage 2 to stage 1 (3)	28	*6*	(211)	*(25)*	-	-	**(183)**
Transfer to stage 3 (3)	(5)	-	(100)	*(9)*	377	*54*	**272**
Transfer from stage 3 (3)	2	*1*	45	*10*	(109)	*(21)*	**(62)**
Allocations & Write-backs without stage transfer (3)	(92)	*(20)*	(15)	*(5)*	285	*(5)*	**178**
Currency effect	12	*1*	9	*1*	76	*4*	**97**
Scope effect	-	-	-	-	-	-	**-**
Other variations	4	-	(3)	-	(3)	-	**(2)**
Amount as at 30.06.2021	1,108	*109*	1,923	*204*	8,771	*563*	**11,802**

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

(2) Including repayments, disposals and debt waivers.

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

BREAKDOWN OF TRANSFERS BETWEEN STAGES FOR FINANCIAL ASSETS AT AMORTISED COST AS AT 30 JUNE 2021

	Stage 1		Stage 2		Stage 3			
(In EUR m)	Outstanding amounts subject to impairment and provisions	Impairment	Outstanding amounts subject to impairment and provisions	Impairment	Outstanding amounts subject to impairment and provisions	Impairment	**Total of transferred outstanding amounts subject to impairment**	**Total impact of transfers on impairment and provisions**
Transfer from Stage 1 to Stage 2	(10,960)	(48)	8,846	327	-	-	8,846	327
Transfer from Stage 2 to Stage 1	14,862	28	(11,391)	(211)	-	-	14,862	28
Transfer from Stage 3 to Stage 1	389	2	-	-	(327)	(25)	389	2
Transfer from Stage 3 to Stage 2	-	-	482	45	(473)	(84)	482	45
Transfer from Stage 1 to Stage 3	(795)	(5)	-	-	700	139	700	139
Transfer from Stage 2 to Stage 3	-	-	(1,477)	(100)	1,298	238	1,298	239
Currency effect on contracts that change Stage	58	0	111	2	4	1	173	3

3. CREDIT RISK PROVISIONS

BREAKDOWN

(In EUR m)	**Amount as at 31.12.2020**	Allocations	Write-backs available	**Net impairment losses**	**Currency and scope effects**	**Amount as at 30.06.2021**
Financing commitments						**-**
Provisions on performing outstandings (Stage 1)	119	78	(68)	10	1	130
Provisions on underperforming outstandings (Stage 2)	279	112	(142)	(30)	3	252
Provisions on doubtful outstandings (Stage 3)	35	22	(41)	(19)	12	28
Total	**433**	**212**	**(251)**	**(39)**	**16**	**410**
						-
Guarantee commitments						-
Provisions on performing outstandings (Stage 1)	44	21	(19)	2		46
Provisions on underperforming outstandings (Stage 2)	152	24	(42)	(18)	(47)	87
Provisions on doubtful outstandings (Stage 3)	299	73	(65)	8	1	308
Total	**495**	**118**	**(126)**	**(8)**	**(46)**	**441**

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

	Provisions								
	On financing commitments				On guarantee commitments				Total
(In EUR m)	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**	
Amount as at 31.12.2020	119	279	35	**433**	44	152	299	**495**	**928**
Production & Acquisition (1)	32	10	3	**45**	8	4	8	**20**	**65**
Derecognition (2)	(13)	(22)	(3)	**(38)**	(6)	(8)	(20)	**(34)**	**(72)**
Transfer from stage 1 to stage 2 (3)	(4)	18	-	**14**	(1)	8	-	**7**	**21**
Transfer from stage 2 to stage 1 (3)	6	(39)	-	**(33)**	2	(6)	-	**(4)**	**(37)**
Transfer to stage 3 (3)	-	(1)	4	**3**	-	(2)	20	**18**	**21**
Transfer from stage 3 (3)	-	1	(4)	**(3)**	-	-	(1)	**(1)**	**(4)**
Allocations & Write-backs without stage transfer (3)	(11)	2	(9)	**(18)**	(2)	(60)	(1)	**(63)**	**(81)**
Currency effect	2	3	-	**5**	-	-	3	**3**	**8**
Scope effect	-	-	-	**-**	-	-	-	**-**	**-**
Other variations	(1)	1	2	**2**	1	(1)	-	**-**	**2**
Amount as at 30.06.2021	130	252	28	**410**	46	87	308	**441**	**851**

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

(2) Including repayments, disposals and debt waivers.

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

BREAKDOWN OF TRANSFERS BETWEEN STAGES FOR OFF-BALANCE SHEET COMMITMENTS AS AT 30 JUNE 2021

	Financing commitments							
	Stage 1		Stage 2		Stage 3			
(In EUR m)	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions	**Total of transferred outstanding amounts subject to impairment**	**Total impact of transfers on provisions**
Transfer from Stage 1 to Stage 2	(1,062)	(4)	846	18	-	-	846	18
Transfer from Stage 2 to Stage 1	7,299	6	(6,532)	(39)	-	-	7,299	6
Transfer from Stage 3 to Stage 1	34	0	-	-	(46)	(0)	34	0
Transfer from Stage 3 to Stage 2	-	-	14	1	(14)	(4)	14	1
Transfer from Stage 1 to Stage 3	(16)	(0)	-	-	16	1	16	1
Transfer from Stage 2 to Stage 3	-	-	(21)	(1)	17	3	17	3
Currency effect on contracts that change Stage	18	0	111	1	0	0	129	1

(In EUR m)	Guarantee commitments						Total of transferred outstanding amounts subject to impairment	Total impact of transfers on provisions
	Stage 1		Stage 2		Stage 3			
	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions	Outstanding amounts subject to impairment and provisions	Provisions		
Transfer from Stage 1 to Stage 2	(885)	(1)	635	8	-	-	635	8
Transfer from Stage 2 to Stage 1	1,163	2	(783)	(6)	-	-	1,163	2
Transfer from Stage 3 to Stage 1	139	0	-	-	(94)	(0)	139	0
Transfer from Stage 3 to Stage 2	-	-	11	0	(11)	(1)	11	0
Transfer from Stage 1 to Stage 3	(29)	(0)	-	-	24	9	24	9
Transfer from Stage 2 to Stage 3	-	-	(63)	(2)	51	10	51	10
Currency effect on contracts that change Stage	15	0	14	0	0	0	29	0

4. QUALITATIVE INFORMATION OF CHANGES IN IMPAIRMENT/PROVISIONS ON CREDIT RISK

The variation in credit risk impairment and provisions since 31 December 2020 is mainly linked to:

– Covered losses on Stage 3 loans (EUR 636 million) included in the line derecognition, of which EUR 132 million of non-performing loans disposals on the Crédit du Nord perimeter. This is in line with the Group strategy of selling its portfolios of exposures in default situation.

  Uncovered losses amount to EUR 102 million.

– Transfer of loans to Stage 2 due to downgraded ratings, transfer to watch list and 30 days overdue for EUR 10.3 billion. This transfer was linked to the deteriorated economic environment and resulted in an increase in impairment and provisions of EUR 300 million including:

  - 52 % on Corporates portfolio, including 42 % on SME.
  - 47 % on Retail portfolio, including 33 % on VSB.

– Transfer of loans to Stage 3 due to default for EUR 2.1 billion of outstanding amounts. This transfer resulted in an increase in impairment and provisions of EUR 292 million including:

  - 40 % on Corporates portfolio, including 42 % on SME.
  - 60 % on Retail portfolio, including 34 % on VSB.

  Particularly, this variation concerns:

  - EUR 740 million of outstanding amounts for which the impairment and provisions amount to EUR 149 million as at 30 June 2021. These contracts were in Stage 1 as at 31 December 2020.
  - EUR 1.4 billion of outstanding amounts for which the impairment and provisions amount to EUR 252 million as at 30 June 2021. These contracts were in Stage 2 as at 31 December 2020.

– Transfer of loans from Stage 2 to Stage 1, particularly linked to the update of the list of sensitive sectors impacted by the Covid-19 crisis (notably the exclusion from this list of the automotive and sea freight transport sectors) for EUR 23.3 billion. This transfer resulted in a decrease in impairment and provisions of EUR 221 million including:

  - 56 % on Corporates portfolio, including 25 % on SME.
  - 44 % on Retail portfolio, including 32 % on VSB.

5. COST OF RISK

(In EUR m)	1st half of 2021	2020	1st half of 2020
Net allocation to impairment losses	(406)	(2,951)	(1,935)
On financial assets at fair value through other comprehensive income	*1*	-	-
On financial assets at amortised cost	*(407)*	*(2,951)*	*(1,935)*
Net allocations to provisions	47	(305)	(200)
On financing commitments	*39*	*(149)*	*(94)*
On guarantee commitments	*8*	*(156)*	*(106)*
Losses not covered on irrecoverable loans	(104)	(251)	(73)
Amounts recovered on irrecoverable loans	54	114	49
Effect of guarantees not taken into account for the calculation of impairment	(9)	87	60
Total	**(418)**	**(3,306)**	**(2,099)**
o/w cost of risk on performing outstandings (Stage 1)	*(36)*	*(237)*	*(323)*
o/w cost of risk on underperforming outstandings (Stage 2)	*83*	*(1,130)*	*(541)*
o/w cost of risk on doubtful outstandings (Stage 3)	*(465)*	*(1,939)*	*(1,235)*

NOTE 3.9 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30.06.2021	
(In EUR m)	Carrying amount	Fair value
Due from banks	61,733	61,734
Customer loans	464,622	464,924
Securities	18,922	18,935
Total	**545,277**	**545,593**

	31.12.2020	
(In EUR m)	Carrying amount	Fair value
Due from banks	53,380	53,394
Customer loans	448,761	450,923
Debt securities	15,635	15,767
Total	**517,776**	**520,084**

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	30.06.2021	
(In EUR m)	Carrying amount	Fair value
Due to banks	147,938	147,959
Customer deposits	478,774	478,837
Debt securities issued	137,938	137,960
Subordinated debt	16,673	16,675
Total	**781,323**	**781,431**

	31.12.2020	
(In EUR m)	Carrying amount	Fair value
Due to banks	135,571	135,608
Customer deposits	456,059	456,119
Debt securities issued	138,957	138,985
Subordinated debt	15,432	15,435
Total	**746,019**	**746,147**

NOTE 4 - OTHER ACTIVITIES

NOTE 4.1 - FEE INCOME AND EXPENSE

(In EUR m)	1st half of 2021			2020			1st half of 2020		
	Income	Expense	Net	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**75**	**(50)**	**25**	**159**	**(108)**	**51**	**80**	**(62)**	**18**
Transactions with customers	**1,421**	**-**	**1,421**	**2,820**	**-**	**2,820**	**1,402**	**-**	**1,402**
Financial instruments operations	**1,094**	**(1,175)**	**(81)**	**2,208**	**(2,215)**	**(7)**	**1,179**	**(1,230)**	**(51)**
Securities transactions	275	(559)	(284)	503	(1,042)	(539)	280	(558)	(278)
Primary market transactions	82	-	82	203	-	203	60	-	60
Foreign exchange transactions and financial derivatives	737	(616)	121	1,502	(1,173)	329	839	(672)	167
Loan and guarantee commitments	**421**	**(137)**	**284**	**795**	**(271)**	**524**	**379**	**(123)**	**256**
Various services	**1,366**	**(534)**	**832**	**2,547**	**(1,018)**	**1,529**	**1,250**	**(502)**	**748**
Asset management fees	305	-	305	613	-	613	294	-	294
Means of payment fees	424	-	424	795	-	795	385	-	385
Insurance product fees	132	-	132	260	-	260	128	-	128
Underwriting fees of UCITS	48	-	48	77	-	77	38	-	38
Other fees	457	(534)	(77)	802	(1,018)	(216)	405	(502)	(97)
Total	**4,377**	**(1,896)**	**2,481**	**8,529**	**(3,612)**	**4,917**	**4,290**	**(1,917)**	**2,373**

NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

	1st half of 2021			2020			1st half of 2020		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	42	-	42	65	(1)	64	25	(1)	24
Real estate leasing	17	(30)	(13)	37	(23)	14	24	(10)	14
Equipment leasing * (1)	5,778	(4,810)	968	10,933	(9,248)	1,685	5,125	(4,358)	767
Other activities *	223	(341)	(118)	436	(451)	(15)	229	(225)	4
Total	**6,060**	**(5,181)**	**879**	**11,471**	**(9,723)**	**1,748**	**5,403**	**(4,594)**	**809**

* *The amounts have been restated compared with the published financial statements for the period ended 30 June 2020, following the reclassification of expenses related to maintenance services associated with vehicle leasing activities from Other activities to Equipment leasing.*

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

NOTE 4.3 - INSURANCE ACTIVITIES

1. INSURANCE CONTRACTS RELATED LIABILITIES

BREAKDOWN

(In EUR m)	30.06.2021	31.12.2020
Underwriting reserves of insurance companies	147,140	142,106
Financial liabilities of insurance companies	3,979	4,020
Financial liabilities at fair value through profit or loss	471	583
Financial liabilities at fair value through profit or loss (fair value option)	3,508	3,437
Total	**151,119**	**146,126**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EUR m)	30.06.2021	31.12.2020
Life insurance underwriting reserves for unit-linked policies	40,888	35,794
Other life insurance underwriting reserves	93,115	92,620
Non-life insurance underwriting reserves	1,913	1,834
Deferred profit-sharing booked in liabilities	11,224	11,858
Total	**147,140**	**142,106**
Attributable to reinsurers	(723)	(749)
Underwriting reserves of insurance net of the share attributable to reinsurers	**146,417**	**141,357**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at 30 June 2021. This test assesses whether the carrying amount of insurance liabilities is adequate in the light of the estimated future cash flows of the contracts. The result of this test as at 30 June 2021 did not show any inadequacy in the technical liabilities.

2. INVESTMENTS OF THE INSURANCE ACTIVITIES

OVERVIEW

(In EUR m)	**30.06.2021**	**31.12.2020**
Financial assets at fair value through profit or loss (trading portfolio)	255	291
Shares and other equity instruments	*69*	*51*
Trading derivatives	*186*	*240*
Financial assets at fair value through profit or loss (fair value option)	76,292	70,422
Bonds and other debt instruments	*32,483*	*32,178*
Shares and other equity instruments	*43,259*	*37,942*
Loans, receivables and repo transactions	*550*	*302*
Hedging derivatives	389	438
Available-for-sale financial assets	89,296	89,755
Debt instruments	*74,166*	*75,662*
Equity instruments	*15,130*	*14,093*
Due from banks (2)	5,157	5,301
Customer loans	68	76
Held-to-maturity financial assets	28	32
Real estate investments	531	539
Total investments of insurance activities (1) (2)	**172,016**	**166,854**

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

(2) o/w EUR 1,183 million of current accounts as at 30 June 2021 (after elimination of intercompany operations) vs. EUR 897 million as at 31 December 2020.

ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying value of the financial assets included in Investments of the insurance activities, by distinguishing assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (basic instruments).

	30.06.2021					
	Carrying amount			Fair value		
(In EUR m)	Basic instruments	Other instruments	**Total**	Basic instruments	Other instruments	**Total**
Financial assets at fair value through profit or loss	-	76,547	76,547	-	76,547	76,547
Hedging derivatives	-	389	389	-	389	389
Available-for-sale financial assets	71,404	17,892	89,296	71,404	17,892	89,296
Due from banks	2,550	2,607	5,157	2,738	2,678	5,416
Customer loans	68	-	68	66	-	66
Held-to-maturity financial assets	28	-	28	28	-	28
Total financial investments	**74,050**	**97,435**	**171,485**	**74,236**	**97,506**	**171,742**

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

FAIR VALUE OF FINANCIAL ASSETS MEASURED AT FAIR VALUE

	30.06.2021			
(In EUR m)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss (trading portfolio)	69	185	1	255
Financial assets at fair value through profit or loss using the fair value option	65,776	8,583	1,933	76,292
Hedging derivatives	-	389	-	389
Available-for-sale financial assets	79,992	4,591	4,713	89,296
Total	**145,837**	**13,748**	**6,647**	**166,232**

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

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EUR m)	2021
Balance as at 1 January	**89,755**
Acquisitions	5,338
Disposals / redemptions	(4,835)
Transfers to held-to-maturity financial assets	(6)
Change in scope and others	(282)
Gains and losses on changes in fair value recognised directly in equity during the period	(756)
Net changes in impairment of debt instruments recorded in profit or loss	2
Impairment on equity instruments recognised in profit or loss	(4)
Translation differences	84
Balance as at 30 June	**89,296**

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

	30.06.2021		
(In EUR m)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**486**	**(36)**	**450**
On available-for-sale equity instruments	*2,664*	*(79)*	*2,585*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*6,919*	*(192)*	*6,727*
Deferred profit-sharing	*(9,097)*	*235*	*(8,862)*

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

3. NET INCOME FROM INSURANCE ACTIVITIES

The following table shows the breakdown (after eliminating intercompany transactions):

- income and expense from insurance activities and associated investments on a separate line under Net banking income: Net income from insurance activities;
- funding costs of insurance activities recorded under Interest and similar expense;
- impairment debt instruments of insurance activities and the deferred profit-sharing recorded under Cost of risk.

(In EUR m)	**1st half of 2021**	**2020**	**1st half of 2020**
Net premiums	7,866	10,970	5,388
Net income from investments	1,601	2,808	744
Cost of benefits (including changes in reserves) (1)	(8,303)	(11,377)	(5,185)
Other net technical income (expense)	(36)	(277)	91
Net income of insurance activities	**1,128**	**2,124**	**1,038**
Funding costs	(3)	(7)	(3)
Cost of risk	-	-	
o/w impairment of debt instruments	*2*	*(2)*	
o/w which deferred profit sharing	*(2)*	*2*	

(1) o/w EUR -1,258 million in respect of deferred profit-sharing at 30 June 2021.

NOTE 4.4 - OTHER ASSETS AND LIABILITIES

1. OTHER ASSETS

(In EUR m)	30.06.2021	31.12.2020
Guarantee deposits paid (1)	52,436	51,896
Settlement accounts on securities transactions	6,479	3,876
Prepaid expenses	1,166	1,019
Miscellaneous receivables (2)	8,024	9,193
Miscellaneous receivables - insurance	1,801	1,752
Gross amount	**69,906**	**67,736**
Impairments	(433)	(395)
Credit risk on operating lease receivables	*(185)*	*(187)*
Credit risk on assets acquired by adjudication and on sundry debtors	*(116)*	*(101)*
Other risks	*(132)*	*(107)*
Net amount	**69,473**	**67,341**

(1) Mainly relates to guarantee deposits paid on financial instruments, the fair value of which is taken to be the same as their book value net of impairment for credit risk.

(2) Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received. The operating leases receivables equal to EUR 924 million as of 30 June 2021.

2. OTHER LIABILITIES

(In EUR m)	30.06.2021	31.12.2020
Guarantee deposits received (1)	55,160	55,739
Settlement accounts on securities transactions	6,429	4,166
Expenses payable on employee benefits	2,235	2,022
Lease liability	2,197	2,207
Deferred income	1,630	1,527
Miscellaneous payables (2)	12,888	12,690
Miscellaneous payables - insurance	7,266	6,586
Total	**87,805**	**84,937**

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

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

NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

1. PERSONNEL EXPENSES

(In EUR m)	1st half of 2021	2020	1st half of 2020
Employee compensation	(3,361)	(6,715)	(3,268)
Social security charges and payroll taxes	(866)	(1,594)	(786)
Net pension expenses - defined contribution plans	(372)	(728)	(338)
Net pension expenses - defined benefit plans	(46)	(76)	(47)
Employee profit-sharing and incentives	(146)	(176)	(58)
Total	**(4,791)**	**(9,289)**	**(4,497)**
Including net expenses from share-based payments	*(49)*	*(150)*	*(60)*

2. DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EUR m)	Provisions as at 31.12.2020	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions as at 30.06.2021
Post-employment benefits	**1,761**	39	(10)	**29**	**(31)**	**(27)**	**(4)**	**1,728**
Other long-term benefits	**442**	24	(33)	**(9)**	**(38)**	**-**	**(2)**	**393**
Termination benefits	**378**	11	(55)	**(44)**	**(59)**	**-**	**2**	**277**
Total	**2,581**	**74**	**(98)**	**(24)**	**(128)**	**(27)**	**(4)**	**2,398**

3. DESCRIPTION OF THE 2021 SHARE-BASED PAYMENT PLANS

2021 SOCIETE GENERALE FREE SHARES PLAN

The table below shows the 2021 free shares plan. This plan excludes shares awarded within the framework of the specific retention and remuneration policy concerning employees working within activities considered as having significant impact on the Group's risk profile and as defined by the Directive CRD4 in effect since 1 January 2014 (i.e. regulated staff).

Date of shareholders' agreement	19.05.2020
Date of Board of Directors' decision	11.03.2021
Number of shares granted	2,206,191
Number of shares outstanding at 30.06.2021	2,204,793
Vesting period	11.03.2021 - 28.03.2024
Performance conditions (1)	yes
Fair value (% of the share price as at grant date)	87.63%
Method of valuation	Arbitrage

(1) For the Group, the performance conditions are based on the Net income, Group share.

2021 SOCIETE GENERALE PERFORMANCE SHARES PLAN

The table below shows the 2021 performance shares plan under the annual employee plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Management Committee members).

Date of General Meeting	19.05.2020	
Date of Board of Directors	11.03.2021	
Total number of shares granted	1,288,873	
Vesting dates		
Sub-plans 2/3 and 7	1st instalment	31.03.2023
	2nd instalment	28.03.2024
Sub-plan 4		28.03.2024
Sub-plan 5	1st instalment	31.03.2025
	2nd instalment	31.03.2026
Sub-plan 6	1st instalment	31.03.2025
	2nd instalment	31.03.2027
Holding period end dates		
Sub-plans 2/3 and 7	1st instalment	01.10.2023
	2nd instalment	01.10.2024
Sub-plan 4		01.10.2024
Sub-plan 5	1st instalment	01.10.2025
	2nd instalment	01.10.2026
Sub-plan 6	1st instalment	01.04.2026
	2nd instalment	01.04.2028
Performance conditions (1)	yes	
Fair value (in EUR) (2)		
Sub-plans 2/3 and 7	1st instalment	19.07
	2nd instalment	18.07
Sub-plan 4		18.07
Sub-plan 5	1st instalment	20.14
	2nd instalment	19.36
Sub-plan 6	1st instalment	14.6
	2nd instalment	13.3

(1) The performance conditions are based on the profitability level of Societe Generale group and its core business or business activity.

(2) The fair value is calculated using the arbitrage method of valuation.

NOTE 6 - INCOME TAX

1. BREAKDOWN OF THE EXPENSE

(In EUR m)	1st half of 2021	2020	1st half of 2020
Current taxes	(451)	(708)	(380)
Deferred taxes	(236)	(496)	(232)
Total	**(687)**	**(1,204)**	**(612)**

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

	1st half of 2021		2020		1st half of 2020	
	%	EUR m	%	EUR m	%	EUR m
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses		**3,244**		**2,081**		**(87)**
Group effective tax rate	**21.18%**		**57.87%**		**-700.25%**	
Permanent differences	3.54%	115	1.70%	35	-194.02%	169
Differential on securities with tax exemption or taxed at reduced rate	0.14%	5	-1.49%	(31)	15.15%	(13)
Tax rate differential on profits taxed outside France	3.87%	125	13.21%	275	-126.44%	111
Changes in the measurement of deferred tax assets / liabilities (1)	-0.32%	(10)	-39.27%	(817)	1,037.58%	(907)
Normal tax rate applicable to French companies (including 3.3% national contribution)	28.41%		32.02%		32.02%	

(1) *This amount includes in the first half of 2020, a EUR 650 million reduction in deferred tax assets for the French tax group.*

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

- for fiscal years opened as of 1 January 2021 to 31 December 2021, an ordinary tax rate of 27.5%, plus the existing national contribution *(CSB)* of 3.3%;
- for fiscal years opened as of 1 January 2022 to 31 December 2022, an ordinary tax rate of 25%, plus the existing national contribution *(CSB)* of 3.3%.

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

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

Long-term capital gains generated on the sale of equity investments are exempt from corporate tax, except for a portion of fees and expenses amounting to 12% of their gross amount.

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

2. TAX ASSETS AND LIABILITIES

TAX ASSETS

(In EUR m)	30.06.2021	31.12.2020
Current tax assets	601	895
Deferred tax assets	4,000	4,106
o/w deferred tax assets on tax loss carryforwards	*1,685*	*1,840*
o/w deferred tax assets on temporary differences	*2,315*	*2,266*
Total	**4,601**	**5,001**

TAX LIABILITIES

(In EUR m)	30.06.2021	31.12.2020
Current tax liabilities	521	440
Provisions for tax adjustments	87	90
Deferred tax liabilities	757	693
Total	**1,365**	**1,223**

Deferred tax assets are recognised only if the tax entity (or tax group) concerned has a likely prospect of recovering these assets over a given timeframe, in particular through the deduction of the deductible temporary differences and tax loss carry-forwards from future taxable profits. Tax loss carry-forwards are reviewed annually as at 31 December based on realistic projections of the tax results of the entities concerned. After completion of these tests, the carrying amount of the deferred tax assets already included on the balance sheet is reduced as soon as there is a risk of partial or total non-recovery of these assets.

This annual review is supplemented with a half-yearly review centred on the realisation, on this date, of the assumptions selected in the budget paths.

As at 30 June 2021, this half-yearly review confirms that there is no risk of partial or total non-recovery of the deferred tax assets already included on the balance sheet.

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

As at 30 June 2021, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EUR m)	30.06.2021	Statutory time limit on carry-forwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	**1,685**	**-**	**-**
o/w French tax group	*1,445*	*Unlimited (1)*	*9 years*
o/w US tax group	*188*	*20 years (2)*	*7 years*
Others	*52*	*-*	*-*

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

(2) Tax losses generated before 31 December 2011.

As at 30 June 2021, the main deferred taxes not recognised as assets on the balance sheet amount to EUR 1,151 million (compared to EUR 1,126 million as at 31 December 2020). These concern, in particular, the France tax group for EUR 650 million (compared to EUR 650 million as at 31 December 2020), the U.S.A tax group for EUR 315 million (compared to EUR 305 million as at 31 December 2020), the SG Singapore entity for EUR 75 million (compared to EUR 70 million as at 31 December 2020), SG Kleinwort Hambros Limited for EUR 32 million (compared to EUR 20 million as at 31 December 2020) as well as the SGBGE entity in Equatorial Guinea for EUR 39 million (including EUR 9 million for loss carry forward and EUR 30 million for temporary differences). These deferred tax assets may be recognised on the balance sheet when it will become probable that a future profit will allow them to be recovered.

NOTE 7 - SHAREHOLDERS' EQUITY

NOTE 7.1 - TREASURY SHARES AND SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

1. ORDINARY SHARES AND CAPITAL RESERVES

(In EUR m)	30.06.2021	31.12.2020
Issued capital	1,067	1,067
Issuing premiums and capital reserves	21,481	21,465
Elimination of treasury stock	(194)	(199)
Total	**22,354**	**22,333**

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	30.06.2021	31.12.2020
Ordinary shares	853,371,494	853,371,494
Including treasury stock with voting rights [(1)]	*2,942,977*	*4,512,000*
Including shares held by employees	*70,980,350*	*69,033,084*

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

As at 30 June 2021, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,066,714,367.50 and was made up of 853,371,494 shares with a nominal value of EUR 1.25.

2. TREASURY STOCK

As at 30 June 2021, the Group held 3,180,913 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 0.37% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 194 million, including EUR 123 million in shares held for trading purposes.

The change in treasury stock during the first half of year 2021 breaks down as follows:

(In EUR m)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	-	(50)	55	**5**
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	4	(43)	**(39)**

3. EQUITY INSTRUMENTS ISSUED

As at 30 June 2021, the amount of equity instruments issued by the Group is EUR 8,931 million. The EUR 364 million decrease in the first half of 2021 can be explained by:

- the issuance of a perpetual deeply subordinated note in US dollars for an amount of EUR 818 million;
- the repayment of a EUR 1,000 million perpetual deeply subordinated note;
- the repayment of a perpetual subordinated note in US dollars for an amount of EUR 182 million.

NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

1. EARNINGS PER SHARE

(In EUR m)	1st half of 2021	2020	1st half of 2020
Net income, Group share	2,253	(258)	(1,590)
Attributable remuneration to subordinated and deeply subordinated notes	(305)	(604)	(320)
Issuance fees related and deeply subordinated notes	(4)	(7)	-
Net income attributable to ordinary shareholders	**1,944**	**(869)**	**(1,910)**
Weighted average number of ordinary shares outstanding [(1)]	849,905,108	850,384,674	850,643,440
Earnings per ordinary share (in euros)	**2.29**	**(1.02)**	**(2.25)**
Average number of ordinary shares used in the dilution calculation	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	849,905,108	850,384,674	850,643,440
Diluted earnings per ordinary share (in euros)	**2.29**	**(1.02)**	**(2.25)**

(1) Excluding treasury shares.

2. DIVIDENDS PAID

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

	1st half of 2021			2020		
(In EUR m)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	-	-	-	-	-	-
Paid in cash	(468)	(109)	(577)	-	(91)	(91)
TOTAL	**(468)**	**(109)**	**(577)**	**-**	**(91)**	**(91)**

NOTE 8 - ADDITIONAL DISCLOSURES

NOTE 8.1 - SEGMENT REPORTING

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

	1st half of 2021										
	French Retail Banking	**International Retail Banking and Financial Services**				**Global Banking and Investor Solutions**				**Corporate Centre [1]**	**Total Group Société Générale**
(In EUR m)		International Retail Banking	Financial Services to Corporates	Insurance	Total	Global Markets and Investors Services	Financing and Advisory	Asset and Wealth Management	Total		
Net banking income	3,753	2,418	959	474	3,851	3,039	1,353	457	4,849	53	**12,506**
Operating expenses [2]	(2,750)	(1,451)	(449)	(200)	(2,100)	(2,404)	(896)	(399)	(3,699)	(306)	**(8,855)**
Gross operating income	**1,003**	**967**	**510**	**274**	**1,751**	**635**	**457**	**58**	**1,150**	**(253)**	**3,651**
Cost of risk	(129)	(228)	(35)	-	(263)	-	(18)	(8)	(26)	-	**(418)**
Operating income	**874**	**739**	**475**	**274**	**1,488**	**635**	**439**	**50**	**1,124**	**(253)**	**3,233**
Net income from investments accounted for using the equity method	3	-	-	-	-	2	-	-	2	-	**5**
Net income / expense from other assets	4	5	-	1	6	1	-	(1)	-	1	**11**
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	**-**
Earnings before Tax	**881**	**744**	**475**	**275**	**1,494**	**638**	**439**	**49**	**1,126**	**(252)**	**3,249**
Income tax	(244)	(183)	(110)	(77)	(370)	(146)	(76)	(11)	(233)	160	**(687)**
Consolidated Net income	**637**	**561**	**365**	**198**	**1,124**	**492**	**363**	**38**	**893**	**(92)**	**2,562**
Non-controlling interests	(4)	138	70	2	210	14	-	1	15	88	**309**
Net income, Group share	**641**	**423**	**295**	**196**	**914**	**478**	**363**	**37**	**878**	**(180)**	**2,253**
Segment assets	**256,455**	**134,394**	**39,729**	**174,216**	**348,339**	**569,138**	**137,535**	**36,578**	**743,251**	**144,564**	**1,492,609**
Segment liabilities [3]	**276,001**	**98,944**	**13,623**	**159,783**	**272,350**	**688,753**	**51,504**	**23,293**	**763,550**	**112,071**	**1,423,972**

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

	1st half of 2020										
	French Retail Banking	**International Retail Banking and Financial Services**				**Global Banking and Investor Solutions**				**Corporate Centre [1]**	**Total Group Société Générale**
(In EUR m)		International Retail Banking	Financial Services to Corporates	Insurance	Total	Global Markets and Investors Services	Financing and Advisory	Asset and Wealth Management	Total		
Net banking income	3,634	2,450	824	440	3,714	1,759	1,286	462	3,507	(389)	**10,466**
Operating expenses [2]	(2,683)	(1,473)	(460)	(192)	(2,125)	(2,303)	(843)	(401)	(3,547)	(183)	**(8,538)**
Gross operating income	**951**	**977**	**364**	**248**	**1,589**	**(544)**	**443**	**61**	**(40)**	**(572)**	**1,928**
Cost of risk	(691)	(532)	(115)	-	(647)	(29)	(715)	(17)	(761)	-	**(2,099)**
Operating income	**260**	**445**	**249**	**248**	**942**	**(573)**	**(272)**	**44**	**(801)**	**(572)**	**(171)**
Net income from investments accounted for using the equity method	2	(1)	-	1	-	4	(1)	-	3	-	**5**
Net income / expense from other assets [4]	136	1	10	-	11	14	-	-	14	(77)	**84**
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	(684)	**(684)**
Earnings before Tax	**398**	**445**	**259**	**249**	**953**	**(555)**	**(273)**	**44**	**(784)**	**(1 333)**	**(766)**
Income tax	(119)	(105)	(56)	(77)	(238)	113	91	(9)	195	(450)	**(612)**
Consolidated Net income	**279**	**340**	**203**	**172**	**715**	**(442)**	**(182)**	**35**	**(589)**	**(1 783)**	**(1,378)**
Non-controlling interests	-	85	37	2	124	14	-	1	15	73	**212**
Net income, Group share	**279**	**255**	**166**	**170**	**591**	**(456)**	**(182)**	**34**	**(604)**	**(1 856)**	**(1,590)**
Segment assets	**254,572**	**125,255**	**42,453**	**165,698**	**333,406**	**563,270**	**128,727**	**35,619**	**727,616**	**137,778**	**1,453,372**
Segment liabilities [3]	**254,056**	**92,062**	**13,698**	**152,777**	**258,537**	**687,826**	**45,254**	**24,506**	**757,586**	**117,514**	**1,387,693**

(1) Income and expenses, assets and liabilities not directly related to business line activities are recorded in the Corporate Centre income.

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(3) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(4) In 2020 the Net income/expense from other assets items includes a capital gain of EUR 153 million (of which EUR 132 million during the first half of 2020) from the Group's property disposal result, recognised in the French Retail Banking segment, as well as an expense amounting to EUR -169 million corresponding to the impact of Group's subsidiaries disposal program recognised in the Corporate Centre segment (of which EUR -69 million during the first half of 2020 corresponding to the completion of the disposal of Société Générale de Banque aux Antilles).

NOTE 8.2 - OTHER OPERATING EXPENSES

(In EUR m)	**1st half of 2021**	**2020**	**1st half of 2020**
Rentals *	(144)	(307)	(172)
Taxes and levies	(925)	(1,071)	(930)
Data & telecom (excluding rentals)	(1,113)	(2,087)	(1,071)
Consulting fees	(499)	(1,121)	(558)
Autres	(588)	(1,235)	(563)
Total	**(3,269)**	**(5,821)**	**(3,294)**

* *The amount has been restated compared with the published financial statements for the period ended 30 June 2020 following the IFRS Interpretations Committee (IFRS IC) decisions on 26 November 2019 related to IFRS 16.*

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/49/UE of 16 April 2014 on deposit guarantee schemes and the Directive 2014/59/UE of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE n°806/2014 of 15 July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF). In addition to this instrument, the National Resolution Fund (NRF) exists for institutions subject to this resolution mechanisms, but that have no SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the first half of 2021, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 586 million, of which EUR 544 million for the SRF and EUR 42 million for the NRF. These contributions are non-tax-deductible in France and have been recorded in the income statement in Other administrative expenses, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 96 million related to the SRF, recorded as an asset in the balance sheet, among Other assets.

NOTE 8.3 - PROVISIONS

OVERVIEW

(In EUR m)	**Provisions as at 31.12.2020**	Allocations	Write-backs available	**Net allocation**	**Write-backs used**	**Currency and others**	**Provisions as at 30.06.2021**
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	**928**	330	(377)	**(47)**	**-**	**(30)**	**851**
Provisions for employee benefits (see Note 5)	**2,581**	74	(98)	**(24)**	**(128)**	**(31)**	**2,398**
Provisions for mortgage savings plans and accounts commitments	**355**	7	-	**7**	**(11)**	**-**	**351**
Other provisions	**911**	125	(80)	**45**	**(8)**	**47**	**995**
Total	**4,775**	**536**	**(555)**	**(19)**	**(147)**	**(14)**	**4,595**

Other provisions include provisions for restructuring, provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

Each quarter the Group carries out a detailed examination of the outstanding disputes which present a significant risk. The description of those disputes is provided in Note 9 “Information on risks and litigation”.

NOTE 9 - INFORMATION ON RISKS AND LITIGATION

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

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

- On 24 October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to the bank. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23 September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d'Etat) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.

- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3 April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15 May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time-barred. On 18 December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

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

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

- In August 2009, Societe Generale Private Banking (Switzerland) ("SGPBS"), along with several other financial institutions, was named as a defendant in a putative class action that was ultimately transferred to the US District Court for the Northern District of Texas. The plaintiffs sought to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs alleged that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants were responsible for those alleged losses. The plaintiffs further sought to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they were alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against SGPBS 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 7 November 2017, the District Court denied the plaintiffs' motion for class certification. On 3 May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. By order of 18 September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, which was rejected by the court of appeal on 3 February 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 12 February 2021, all parties in the litigation filed motions for summary judgment. SGPBS 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 SGPBS in 2008. Discovery remains to be completed as to SGPBS.

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

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

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

On 13 January 2020, Societe Generale entered into a settlement agreement with the putative class of plaintiffs who purchased financial products tied to US Dollar Libor on an exchange. As part of that settlement, Societe Generale has agreed to pay USD 5.125 million. This settlement was finally approved by the District Court on 17 September 2020.

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

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs’ motion to file a proposed amended complaint. Plaintiffs have appealed those rulings to the United States Court of Appeals for the Second Circuit.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15 January 2019, Societe Generale and SG Americas Securities, LLC, along with other financial institutions, have been named in three putative antitrust class actions in the US District Court in Manhattan, which have since been consolidated. Plaintiffs allege that the USD ICE Libor panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE Libor. Plaintiffs seek to certify a class comprised of US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE Libor and received a payment at any time between 1 February 2014 to the present, regardless of when the instrument was purchased. By order dated 26 March 2020, the District Court dismissed the action. Plaintiffs have appealed that ruling. On 6 April 2021, the Second Circuit permitted a new proposed class representative to intervene as a plaintiff in the appeal and denied defendants’ motion which sought dismissal of the appeal because the original proposed class representatives withdraw from the action.

- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale reached a settlement of USD 18 million, which was approved by the Court on 6 August 2018. A separate putative class action on behalf of putative classes of indirect purchasers was also filed. SG reached a settlement of USD 975,000 to resolve that proceeding. The settlement was finally approved by the Court on 19 November 2020. On 7 November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC and several other financial institutions. SG Americas Securities, LLC was dismissed by order dated 28 May 2020. Discovery is proceeding as to SG and the other remaining defendants. On 11 November 2020, Societe Generale has been named, along with several other banks, in a UK action alleging collusion in the market for FX instruments. Societe Generale received the particulars of claim from plaintiffs and intends to defend the action.

- On 10 December 2012, the French Supreme Administrative Court (Conseil d'Etat) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1 February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

  Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 28 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale has continued to assert its rights with the competent courts and the tax authorities, which it expects to be treated diligently and in accordance with the law. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Societe Generale on our 2002 and 2003 Suez claims, followed by a mid-July enforcement in our favour. The judgment of Versailles held that the advance payment was not compatible with the Parent-Subsidiary Directive: the French Supreme Administrative Court, which had also received a request for a priority question of constitutionality, also pointed out that the advance payment was incompatible with Article 4 of the Parent-Subsidiary Directive but that a question should be referred to the ECJ for a preliminary ruling in order to ascertain this. It is therefore now appropriate to await the response of the Court of Luxembourg, which should not occur before the end of 2021.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4 October 2016, and fact discovery has now been completed. Societe Generale, along with other financial institutions, is also named as a defendant in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.

- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares.

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

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

- In May 2019, SGAS was named, along with other financial institutions, as a defendant in a putative class action in the US alleging anticompetitive behaviour in the pricing of "agency bonds" issued by US Government Sponsored Enterprises (GSEs), including Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). SGAS, along with several other defendants, filed a motion to dismiss on 13 June 2019 which was granted on 29 August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9 September 2019, and a motion to dismiss this amended complaint was filed on 17 September 2019. That motion was denied on 15 October 2019. On 16 December 2019, plaintiffs and twelve bank defendants, including SGAS, submitted for court approval a stipulation of settlement in the class action, for USD 250 million. Although SGAS's share of the settlement is not public, the amount was not material from a financial statement perspective. The class action settlement was finally approved by the court on 16 June 2020. SGAS was also named in four separate individual opt-out litigations by the following plaintiffs: the State of Louisiana (filed September 2019), the City of Baton Rouge/East Baton Rouge Parish and related entities (October 2019), Louisiana Asset Management Pool (April 2020), and the City of New Orleans and related entities (September 2020). These suits also asserted antitrust claims (and in some cases other related claims) against SGAS and multiple other bank defendants based on these plaintiffs' purchases of GSE bonds. As to the opt-out litigations, a settlement was reached involving all defendants, of which SGAS's share was immaterial, and these actions have been dismissed. SGAS also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS responded to these requests and is cooperating with the DOJ investigation.

- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called "feeder funds" that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22 November 2016 and 3 October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated 25 February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. On 1 June 2020, the United States Supreme Court denied Defendant-Appellees' petition for a writ of certiorari. The case is now before the District Court for further proceedings.

- On 10 July 2019, Societe Generale was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking compensation under the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on

24 September 2019 adding three other banks as defendants and adding several new factual allegations as to Societe Generale. Societe Generale filed a motion to dismiss, which was fully briefed as of 10 January 2020. While the motion to dismiss was pending, plaintiffs filed an unopposed motion on 29 January 2020, to transfer the case to federal court in Manhattan, which the court granted on 30 January 2020. Plaintiffs filed a second amended complaint on 11 September 2020, in which it dropped the three other banks as defendants, added a different bank as an additional defendant, and added as additional plaintiffs who purport to be heirs of the founders of Banco Nunez. A motion to dismiss has been filed.

- On 9 November 2020, Societe Generale was named as a defendant, together with another bank, in similar Helms-Burton litigation filed in the US District Court in Manhattan (Pujol I) by the purported heirs of former owners, and personal representatives of estates of heirs or former owners, of Banco Pujol, a Cuban bank alleged to have been confiscated by the Cuban government in 1960. On 27 January 2021, Societe Generale filed a motion to dismiss. In response, as permitted by the judge's rules, plaintiffs chose to file an amended complaint and did so on 26 February 2021. Societe Generale filed a motion to dismiss to dismiss the amended complaint on 19 March 2021. On 16 March 2021, Societe Generale was named as a defendant, together with another bank, in a nearly identical Helms-Burton litigation filed in the US District Court in Manhattan (Pujol II) by the personal representative of one of the purported heirs to Banco Pujol who is also a plaintiff in Pujol I. The deadline for the defendants to respond to the complaint in Pujol II is stayed through and including the date of the court's decision on the motion to dismiss in Pujol I.

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

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

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

- On June 1, 2021, a shareholder of Société Générale initiated an action designated by him as a "derivative action" ('action ut singuli') before the Commercial Court of Paris against the CEO of the company ('directeur general'), Mr. Frédéric Oudéa. The claimant alleges that Mr. Oudéa has committed so-called acts of mismanagement in connection with the business relationships established between 2007 and 2010 by Société Générale with Libyan financial institutions. Facts in connection with these business relationships have already led to the signing of (i) a convention judiciaire d'intérêt public on May 24, 2018 between Societe Generale and the Financial Public Prosecutor (the "CJIP") and (ii) a Deferred Prosecution Agreement on June 5, 2018 between Societe Generale and the United States Department of Justice (the "DPA").

Plaintiff is seeking an order that Mr. Oudéa pay to Societe Generale an amount equal to fines paid to the U.S. and French treasuries under the CJIP and the DPA.

Société Générale voluntarily joined these proceedings at the first procedural hearing. The company intends to seek the dismissal of the claims made by the plaintiff on a variety of grounds.

NOTE 10 - RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS

Note 10 is solely disclosed in the financial statements for the purpose of updating the exposures of the credit portfolio and the reform of interest rate benchmarks project.

The risks associated with financial instruments and the way in which the Group manages them are presented in chapter 3 of the Universal Registration Document update for the first half of 2021.

NOTE 10.1 – REFORM OF INTEREST RATE BENCHMARKS

The reform of interbank interest rate benchmarks (IBOR : *InterBank Offered Rates*), initiated by the Financial Stability Board in 2014, aims at replacing these benchmarks by alternative rates, in particular the Risk-Free Rates (RFR). This reform was accelerated on 5 March 2021, when the Financial Conduct Authority, which is in charge of supervising LIBOR, announced its end dates:

- USD LIBOR: The publication of the main settings should cease by the end of June 2023[1];
- GBP, CHF, JPY and EUR LIBOR: The publication of these benchmarks should cease at the end of 2021[2].

At the same time, regarding the major benchmarks of the euro area:

- EURIBOR: The EMMI (European Money Markets Institute), which administers the interest rates benchmark, does not contemplate discontinuing its publication. The EURIBOR will thus continue to be used in the coming years;
- EONIA: Since 1 October 2019, the EONIA is calculated using a methodology based on the €STR plus an adjustment spread of 0.085%. Its administrator, the EMMI, intends to cease its publication at the end of 2021. The replacement rate recommended by the working group on euro risk-free rates established by the European Central Bank is the €STR.

Other benchmark rates are being reformed, such as the benchmark rates reflecting the average mid-market swap rate based on LIBOR (ICE Swap Rate) or Asian interest rates benchmarks pegged to the USD LIBOR.

The Societe Generale group supports these reforms and takes an active part in the working groups set up by the central banks of the currencies concerned, and is actively preparing for these changes, through a specific transition programme put in place in Summer 2018 and supervised by General Management.

For this purpose, the Group has undertaken active awareness and communication campaigns for its customers, supplemented by a monthly newsletter and a question and answer kit on the IBOR transition publicly available on the Societe Generale website

In preparation for the announced LIBOR end dates, the financial authorities and working groups set up by central banks have issued recommendations to the market participants. The aim of these recommendations is:

- on the one hand, for the production of new transactions referencing LIBOR and EONIA to cease (at the latest on 31 December 2021), and
- on the other hand, for the legacy transactions referencing these benchmarks to switch to alternative reference rates by 31 December 2021 at the latest (except USD LIBOR: 30 June 2023 at the latest).

(1) The publication of the 1 week and 2-month settings of the USD LIBOR will cease as early as 31 December 2021.

(2) The 1, 3 and 6 months GBP and JPY LIBOR rates might continue to exist after that date according to a reformed methodology based on a RFR (synthetic LIBOR) for a limited period of time in order to facilitate the transition of products which cannot be renegotiated.

In order to be able to deal in RFR based products and, thereby, ensure its post-LIBOR and post-EONIA business continuity, the Societe Generale group has initiated an upgrade of its tools and processes which is already well advanced.

The Group has gradually ceased production of LIBOR referencing products in Spring 2021 and has been providing its clients with alternate solutions since 2020. In parallel, the Group has introduced robust fallback clauses, aligned on market standards, in the new agreements referencing an IBOR.

In 2021, the Group will focus its work on transitioning its agreements referencing GBP, CHF, JPY and EUR LIBOR, as well as EONIA. This will mainly be an issue for the clients of Capital Market, Financing and Advisory activities, and to a lesser extent for some clients of the French and international retail networks. Depending on the products, the switch will mainly occur in three major ways:

- Loans and revolving credit facilities will be renegotiated individually, together with the related hedge instruments (in order to uphold the hedge relationship).
- Most derivative products will either switch by application of their fallback provisions (ISDA protocol to which the Societe Generale group adhered in October 2020) or at the instigation of the CCPs (similar terms and conditions than the ISDA fallbacks). However, some transactions will be renegotiated bilaterally.
- Finally, for certain products (typically current accounts or similar), the migration will be done via a contract update.

At the same time, the Group is ensuring that transitional solutions will be provided for all of its LIBOR referencing bond debt.

The Societe Generale group provided guidelines to its business units with the purpose of helping them conduct the transition renegotiation in line with the standards developed by market authorities or regulators, and thus offer fair and homogeneous renegotiation terms to clients.

In June 2021, market participants were able to observe the gearing up of the preparation of the legacy LIBOR (excluding USD) and EONIA contracts to the transition to alternative reference rates. The preparation of this switch was initiated by the Societe Generale group in the first half of 2021, but most of the results of these renegotiations, as well as the transitions performed by the clearing houses) are expected only in the second half of the year. Furthermore, the fallback clauses will only be activated on the last day of the year, concomitantly with the disappearance of the LIBOR and EONIA rates. Therefore, the Group expects a significant shift of its LIBOR and EONIA referencing stock in the second half of 2021. The Group nonetheless strives to avoid a concentration of transactions in the last days of 2021.

The main risks associated with the reform of interest rate benchmarks are handled via various workstream of the Group Program and monitored within the framework of the governance dedicated to the IBOR transition. They have been identified as follows:

- Governance and programme execution risk, that could lead to delays and lost opportunities, is monitored as part of the regular Committee and arbitration bodies;
- Risk of legal documentation that could lead to post-transition litigation is managed by the introduction of fallback clauses in 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 indices, which is the subject of close monitoring and supervision;
- Operational risks in the execution of transaction migrations, depending on the willingness and preparedness of our customers, the volume of transactions to be migrated and their spread over time;

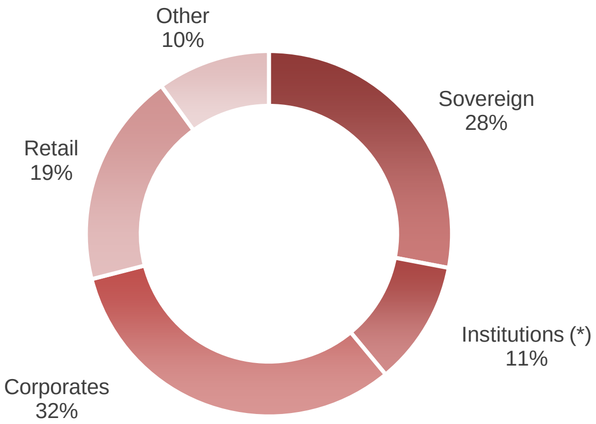
- Risk of “misconduct” in connection with the end of LIBORs, managed in particular through:
    - Specific lines of conduct broken down by business unit;
    - Team training;
    - Communication to clients (conferences, events, bilateral points, especially with less well-informed clients) are organised on the risks associated with the transition, the alternative solutions that can be deployed, and on how they could be affected.

NOTE 10.2 - EXPOSURE OF THE CREDIT PORTFOLIO

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

CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 30 JUNE 2021

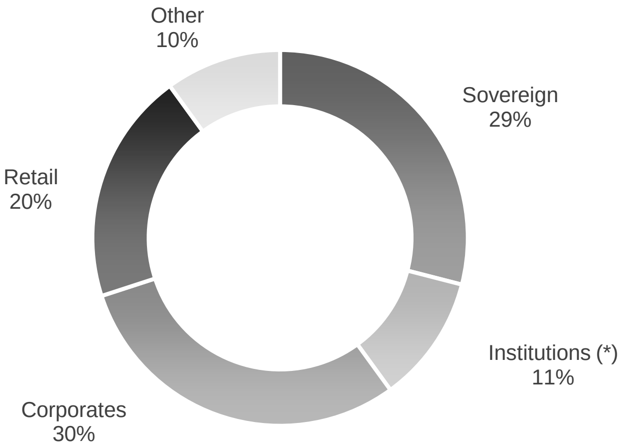
On- and off-balance sheet exposures (EUR 1,052 billion in EAD):



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

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

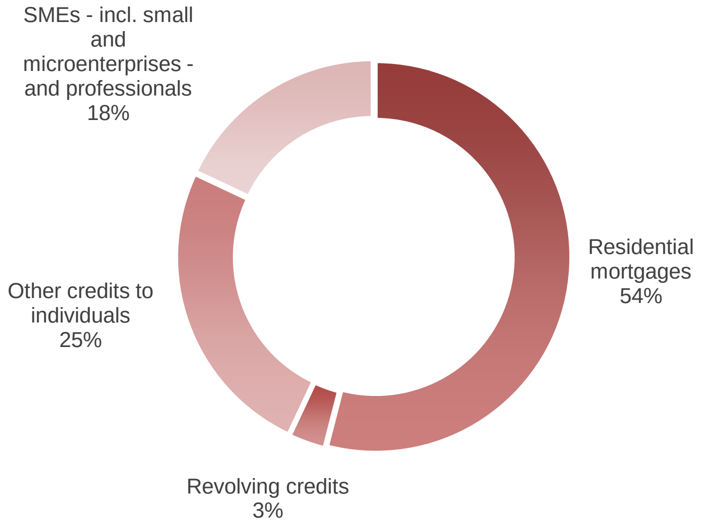
On- and off-balance sheet exposures (EUR 1,004 billion in EAD):



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

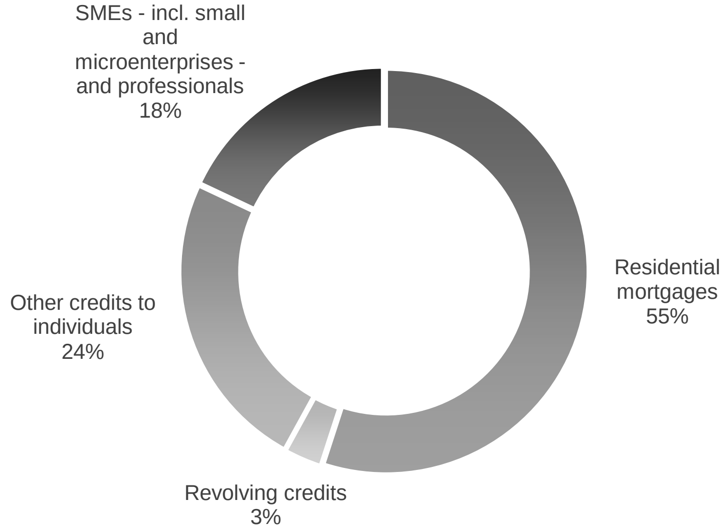
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AS AT 30 JUNE 2021

On- and off-balance sheet exposures (EUR 204 billion in EAD):

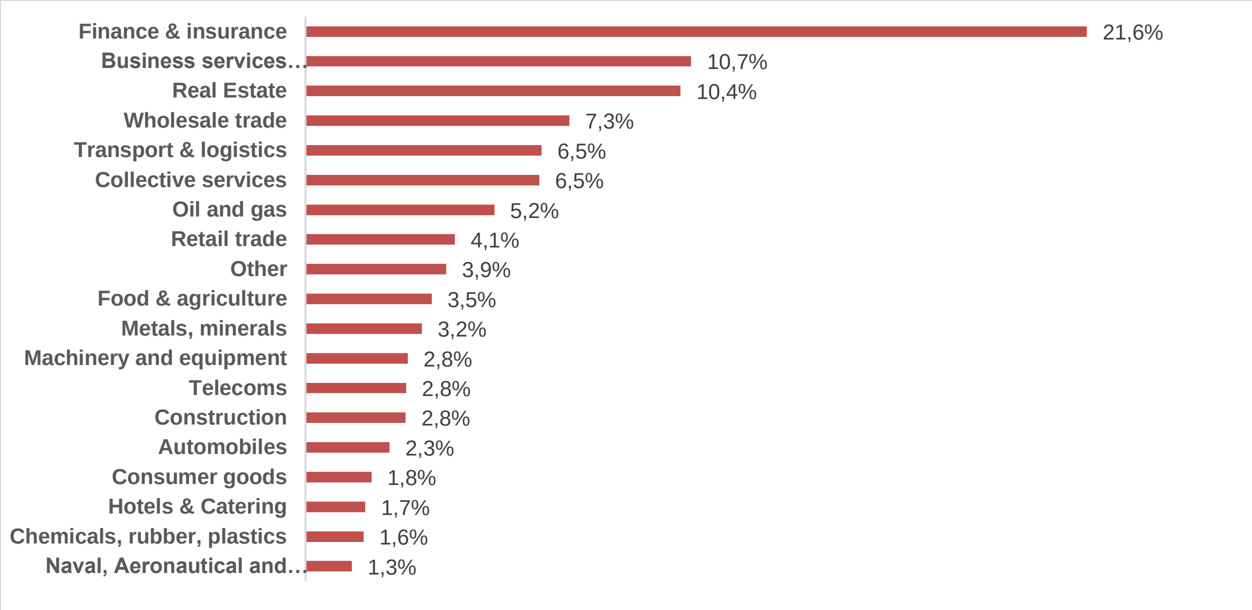


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AS AT 31 DECEMBER 2020

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



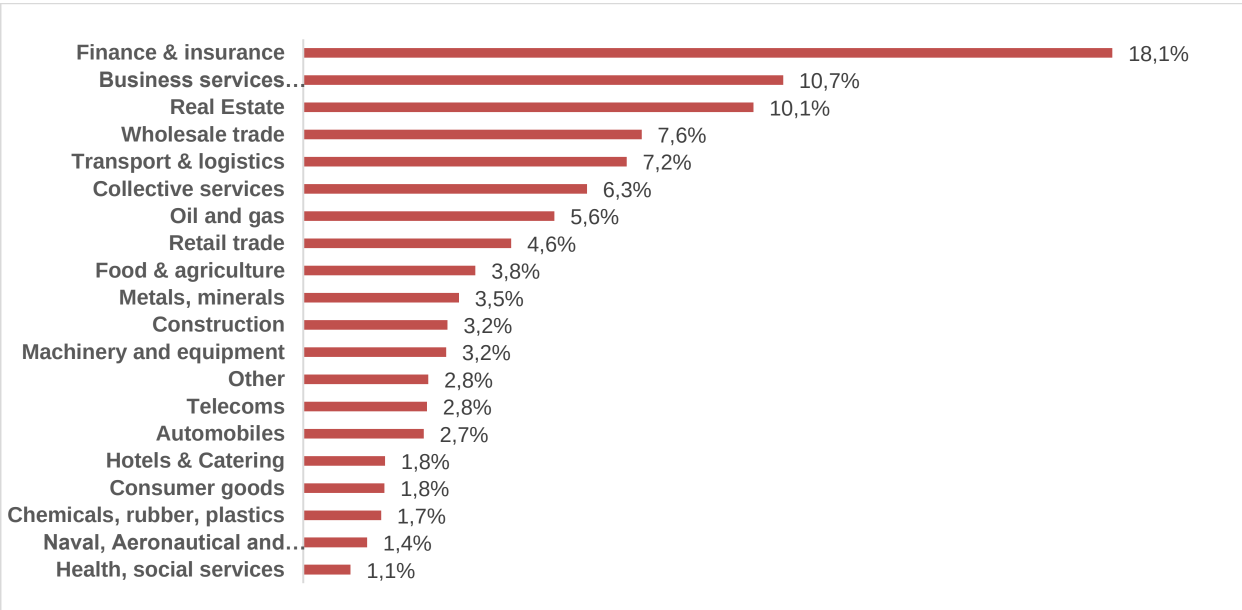
SECTOR BREAKDOWN OF "GROUP CORPORATE" EXPOSURE AS AT 30 JUIN 2021 (BASEL PORTFOLIO)



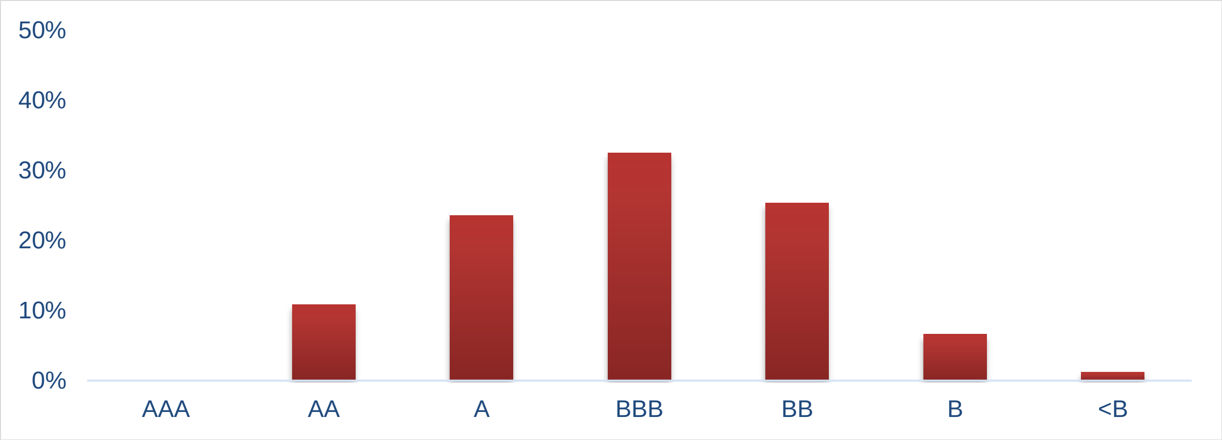
EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialised financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit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

As at 30 June 2021, the Corporate portfolio amounted to EUR 369 billion (on- and off-balance sheet exposures measured in EAD). Three sectors accounted for more than 10% of the portfolio each (Finance and Insurance, Business services, Real Estate). The Group's exposure to its ten largest Corporate counterparties accounted for 7% of this portfolio.

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



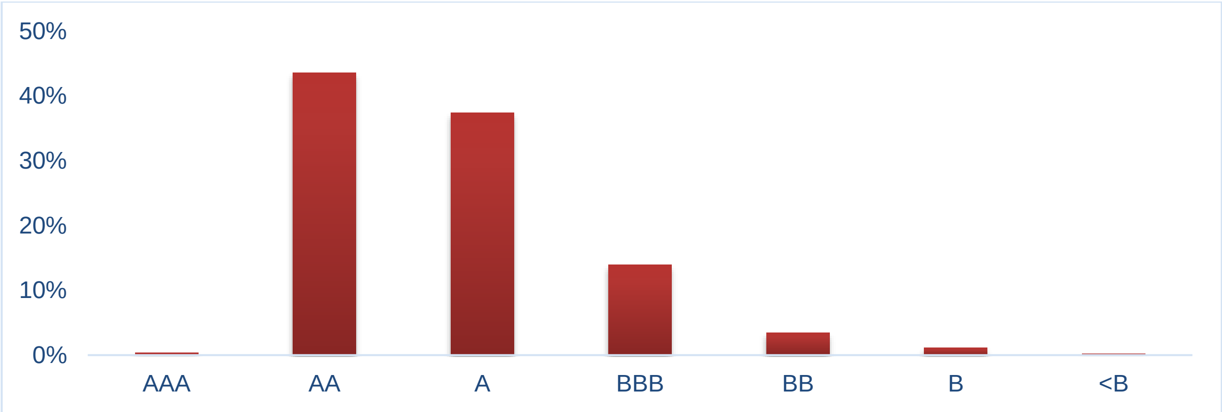
BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AS AT 30 JUNE 2021 (AS % OF EAD)



Regarding Corporate clients, the scope consists of performing loans recorded under the IRB approach (excluding prudential classification criteria, by weight, of specialised financing) over the entire Corporate clients portfolio, all divisions combined, and represents a EUR 290 billion EAD (out of a EUR 325 billion total EAD for the Corporate Basel portfolio, Standardised Approach included). The rating breakdown of Societe Generale Group's Corporate counterparty exposure reveals the sound quality of the portfolio. It is based on an internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

As at 30 June 2021, the majority of the portfolio had an Investment Grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB- (67% of Corporate clients). Transactions with non-Investment Grade counterparties were very often backed by guarantees and collaterals in order to mitigate the risk incurred.

BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AS AT 30 JUNE 2021 (AS % OF EAD)

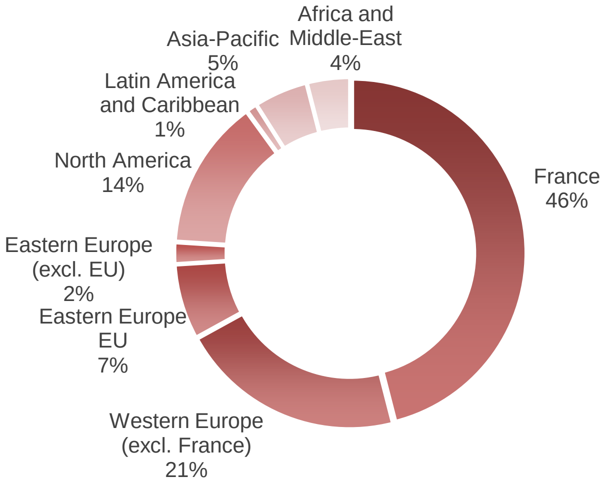


Regarding banking clients, the scope consists of performing loans recorded under the IRB approach over the entire banking clients portfolio, all divisions combined, and represents a EUR 62 billion EAD (out of a EUR 120 billion total EAD for the Institutions Basel portfolio, Standardised Approach included). The rating breakdown of Societe Generale Group's banking counterparty exposure reveals the sound quality of the portfolio. It is based on an internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

As at 30 June 2021, exposure on banking clients was concentrated on Investment Grade counterparties (95% of the exposure) and in developed countries (91%).

GEOGRAPHICAL BREAKDOWN OF GROUP CREDIT RISK EXPOSURES AS AT 30 JUNE 2021 (ALL CLIENT TYPES INCLUDED)

On- and off-balance sheet exposures (EUR 1,052 billion in EAD)

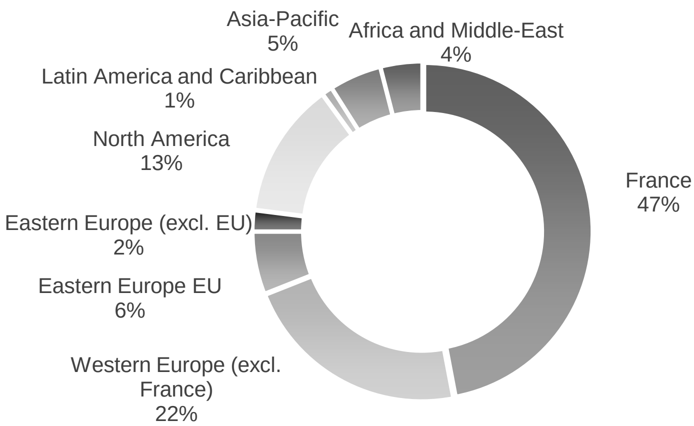


As at 30 June 2021, 91% of the Group's on- and off-balance sheet exposure was concentrated in the advanced economies[3].

Almost half of the overall amount of outstanding loans was towards French clients (32% exposure to the non-retail portfolio and 14% to the retail one).

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

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



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(1) As defined by the IMF in its World Economic Outlook document (April 2021).