SOCIETE GENERALE

30.06.2023

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

The amounts for 2022 have been restated (identified by a "R") following the first retrospective application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" by the insurance subsidiaries (see Note 1).

CONSOLIDATED BALANCE SHEET - ASSETS

(In EUR m)		**30.06.2023**	**31.12.2022 R**	**01.01.2022 R**
Cash, due from central banks		215,376	207,013	179,969
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	496,362	427,151	446,717
Hedging derivatives	Notes 3.2 and 3.4	31,126	32,971	13,592
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	90,556	92,960	112,695
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	27,595	26,143	24,149
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	83,269	68,171	57,204
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	490,421	506,635	497,233
Revaluation differences on portfolios hedged against interest rate risk	Note 3.2	(1,925)	(2,262)	131
Insurance and reinsurance contracts assets	Note 4.3	616	353	380
Tax assets	Note 6	4,385	4,484	4,747
Other assets	Note 4.4	73,792	82,315	90,045
Non-current assets held for sale	Note 2.3	3,590	1,081	27
Investments accounted for using the equity method		209	146	95
Tangible and intangible fixed assets	Note 8.3	57,535	33,958	32,848
Goodwill	Note 2.2	5,523	3,781	3,741
Total		**1,578,430**	**1,484,900**	**1,463,573**

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)		30.06.2023	31.12.2022 R	01.01.2022 R (1)
Due to central banks		9,468	8,361	5,152
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	380,821	304,175	311,703
Hedging derivatives	Notes 3.2 and 3.4	44,156	46,164	10,425
Debt securities issued	Notes 3.6 and 3.9	151,320	133,176	135,324
Due to banks	Notes 3.6 and 3.9	119,923	133,011	139,177
Customer deposits	Notes 3.6 and 3.9	546,655	530,764	509,133
Revaluation differences on portfolios hedged against interest rate risk	Note 3.2	(8,367)	(9,659)	2,832
Tax liabilities	Note 6	2,356	1,645	1,573
Other liabilities	Note 4.4	93,421	107,315	105,973
Non-current liabilities held for sale	Note 2.3	2,212	220	1
Insurance contracts related liabilities	Note 4.3	138,746	135,875	150,562
Provisions	Note 8.2	4,577	4,579	4,850
Subordinated debts	Note 3.9	15,158	15,948	15,959
Total liabilities		**1,500,446**	**1,411,574**	**1,392,664**
Shareholders' equity				
Shareholders' equity, Group share				
Issued common stocks and capital reserves	Note 7.1	21,267	21,248	21,913
Other equity instruments		10,136	9,136	7,534
Retained earnings		34,485	34,479	30,843
Net income		1,768	1,825	5,641
Sub-total		**67,656**	**66,688**	**65,931**
Unrealised or deferred capital gains and losses		351	282	(833)
Sub-total equity, Group share		**68,007**	**66,970**	**65,098**
Non-controlling interests		9,977	6,356	5,811
Total equity		**77,984**	**73,326**	**70,909**
Total		**1,578,430**	**1,484,900**	**1,463,573**

(1) The balances as at 1 January 2022 are presented before allocation of income and of the gains and losses recognised directly in equity.

CONSOLIDATED INCOME STATEMENT

(In EUR m)		1st semester of 2023	2022 R	1st semester of 2022 R
Interest and similar income	Note 3.7	26,310	30,738	13,465
Interest and similar expense	Note 3.7	(20,621)	(17,897)	(7,206)
Fee income	Note 4.1	4,864	9,400	4,683
Fee expense	Note 4.1	(2,216)	(4,183)	(2,086)
Net gains and losses on financial transactions		5,831	866	(2,024)
o/w net gains and losses on financial instruments at fair value through profit or loss		*5,911*	*1,044*	*(1,983)*
o/w net gains and losses on financial instruments at fair value through other comprehensive income		*(61)*	*(152)*	*(28)*
o/w net gains and losses from the derecognition of financial instruments at amortised cost		*(19)*	*(26)*	*(13)*
Income from insurance activities	Note 4.3	1,682	3,104	1,616
Expenses from insurance services	Note 4.3	(859)	(1,606)	(806)
Income and expenses from reinsurance held	Note 4.3	(5)	(19)	(25)
Net Finance income or expenses from insurance contracts issued	Note 4.3	(3,679)	4,030	5,364
Net Finance income or expenses from reinsurance contracts held	Note 4.3	3	45	-
Cost of credit risk of financial assets from insurance activities	Note 3.8	3	1	(1)
Income from other activities	Note 4.2	7,936	13,301	6,634
Expenses from other activities	Note 4.2	(6,291)	(10,625)	(5,670)
Net banking income		**12,958**	**27,155**	**13,944**
Other operating expenses	Note 5	(8,668)	(16,425)	(8,686)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(830)	(1,569)	(770)
Gross operating income		**3,460**	**9,161**	**4,488**
Cost of credit risk	Note 3.8	(348)	(1,647)	(778)
Operating income		**3,112**	**7,514**	**3,710**
Net income from investments accounted for using the equity method		12	15	4
Net gains or losses on other assets		(98)	(3,290)	(3,290)
Earnings before tax		**3,026**	**4,239**	**424**
Income tax	Note 6	(753)	(1,483)	(660)
Consolidated net income		**2,273**	**2,756**	**(236)**
Non-controlling interests		505	931	454
Net income, Group share		**1,768**	**1,825**	**(690)**
Earnings per ordinary share	Note 7.2	**1.73**	**1.50**	**(1.17)**
Diluted earnings per ordinary share	Note 7.2	**1.73**	**1.50**	**(1.17)**

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	1st semester of 2023	2022 R	1st semester of 2022 R
Consolidated net income	**2,273**	**2,756**	**(236)**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**4**	**578**	**1,366**
Translation differences	(148)	1,820	2,418
Revaluation differences for the period	*(221)*	*1,278*	*1,876*
Reclassified into income	*73*	*542*	*542*
Revaluation of debt instruments at fair value through other comprehensive income (1)	418	(10,849)	(8,175)
Revaluation differences for the period	*338*	*(11,029)*	*(8,231)*
Reclassified into income	*80*	*180*	*56*
Revaluation of insurance contracts at fair value through other comprehensive income (2)	(238)	10,050	7,433
Revaluation of hedging derivatives	16	(610)	(474)
Revaluation differences of the period	*23*	*(482)*	*(397)*
Reclassified into income	*(7)*	*(128)*	*(77)*
Related tax	(44)	167	164
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**223**	**539**	**1,021**
Actuarial gains and losses on defined benefit plans	18	92	127
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	278	671	1,283
Revaluation of equity instruments at fair value through other comprehensive income	1	(26)	(26)
Related tax	(74)	(198)	(363)
Total unrealised or deferred gains and losses	**227**	**1,117**	**2,387**
Net income and unrealised or deferred gains and losses	**2,500**	**3,873**	**2,151**
o/w Group share	*1,893*	*3,080*	*1,837*
o/w non-controlling interests	*607*	*793*	*314*

(1) Including EUR +258 million for insurance sector subsidiaries as at 30 June 2023 (EUR -10,119 million as at 31 December 2022 and EUR -7,476 million as at 30 June 2022). This amount should be read together with the financial income and expenses recorded directly in equity as part of the measurement of the associated insurance contracts (see Note 4.3, table 4.3.C).

(2) The Revaluation of insurance contracts at fair value through other comprehensive income includes essentially the financial gains and losses that the Group has chosen to recognise in equity, before being reclassified as income, in the context of the measurement of insurance contracts (see Note 4.3).

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 shareholders' equity
At 1 January 2022	**21,913**	**7,534**	**36,412**	**-**	**(792)**	**65,067**	**5,796**	**70,863**
Effect of the application of IFRS 17 and IFRS 9 for insurance subsidiaries (see Note 1)	-	-	212	-	(181)	31	15	46
At 1 January 2022 R	**21,913**	**7,534**	**36,624**	**-**	**(973)**	**65,098**	**5,811**	**70,909**
Increase in common stock and issuance / redemption and remuneration of equity instruments	(467)	-	(282)	-	-	(749)	(33)	(782)
Elimination of treasury stock	231	-	(71)	-	-	160	-	160
Equity component of share-based payment plans	58	-	-	-	-	58	-	58
1st semester 2022 Dividends paid (see Note 7.2)	-	-	(1,371)	-	-	(1,371)	(574)	(1,945)
Effect of changes of the consolidation scope	-	-	(16)	-	-	(16)	34	18
Sub-total of changes linked to relations with shareholders	***(178)***	***-***	***(1,740)***	***-***	***-***	***(1,918)***	***(573)***	***(2,491)***
1st semester 2022 Net income	-	-	-	(690)	-	(690)	454	(236)
Change in unrealised or deferred gains and losses	-	-	-	-	2,527	2,527	(140)	2,387
Other changes	-	-	6	-	-	6	-	6
Sub-total	***-***	***-***	***6***	***(690)***	***2,527***	***1,843***	***314***	***2,157***
At 30 June 2022 R	**21,735**	**7,534**	**34,890**	**(690)**	**1,554**	**65,023**	**5,552**	**70,575**
Increase in common stock and issuance / redemption and remuneration of equity instruments	234	1,602	(308)	-	-	1,528	-	1,528
Elimination of treasury stock	(755)	-	5	-	-	(750)	-	(750)
Equity component of share-based payment plans	34	-	-	-	-	34	-	34
2nd semester 2022 Dividends paid (see Note 7.2)	-	-	-	-	-	-	(180)	(180)
Effect of changes of the consolidation scope	-	-	(72)	-	-	(72)	509	437
Sub-total of changes linked to relations with shareholders	***(487)***	***1,602***	***(375)***	***-***	***-***	***740***	***329***	***1,069***
2nd semester 2022 Net income	-	-	-	2,515	-	2,515	477	2,992
Change in unrealised or deferred gains and losses	-	-	-	-	(1,272)	(1,272)	2	(1,270)
Other changes	-	-	(36)	-	-	(36)	(4)	(40)
Sub-total	***-***	***-***	***(36)***	***2,515***	***(1,272)***	***1,207***	***475***	***1,682***
At 31 December 2022 R	**21,248**	**9,136**	**34,479**	**1,825**	**282**	**66,970**	**6,356**	**73,326**
Allocation to retained earnings	-	-	1,881	(1,825)	(56)	-	-	-
At 1 January 2023	**21,248**	**9,136**	**36,360**	**-**	**226**	**66,970**	**6,356**	**73,326**
Increase in common stock and issuance / redemption and remuneration of equity instruments (see Note 7.1)	(914)	1,000	(348)	-	-	(262)	(51)	(313)
Elimination of treasury stock (see Note 7.1)	862	-	(56)	-	-	806	-	806
Equity component of share-based payment plans	71	-	-	-	-	71	-	71
1st semester 2023 Dividends paid (see Note 7.2)	-	-	(1,362)	-	-	(1,362)	(434)	(1,796)
Effect of changes of the consolidation scope (see Note 7.1)	-	-	(20)	-	-	(20)	3,533	3,513
Sub-total of changes linked to relations with shareholders	***19***	***1,000***	***(1,786)***	***-***	***-***	***(767)***	***3,048***	***2,281***
1st semester 2023 Net income	-	-	-	1,768	-	1,768	505	2,273
Change in unrealised or deferred gains and losses	-	-	-	-	125	125	102	227
Other changes	-	-	(89)	-	-	(89)	(34)	(123)
Sub-total	***-***	***-***	***(89)***	***1,768***	***125***	***1,804***	***573***	***2,377***
At 30 June 2023	**21,267**	**10,136**	**34,485**	**1,768**	**351**	**68,007**	**9,977**	**77,984**

CASH FLOW STATEMENT

(In EUR m)	1st semester of 2023	2022 R	1st semester of 2022 R
Consolidated net income (I)	**2,273**	**2,756**	**(236)**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	3,020	5,342	2,731
Depreciation and net allocation to provisions	(93)	(18)	336
Net income/loss from investments accounted for using the equity method	(12)	(15)	(4)
Change in deferred taxes	10	209	(9)
Net income from the sale of long-term assets and subsidiaries	(23)	(168)	(206)
Other changes	2,760	5,368	10,767
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	**5,662**	**10,718**	**13,615**
Income on financial instruments at fair value through profit or loss	721	11,739	7,602
Interbank transactions	(21,838)	(11,795)	(13,865)
Customers transactions	22,066	3,632	(3,386)
Transactions related to other financial assets and liabilities	12,543	28,161	10,644
Transactions related to other non-financial assets and liabilities	778	(6,130)	(7,314)
Net increase/decrease in cash related to operating assets and liabilities (III)	**14,270**	**25,607**	**(6,319)**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**22,205**	**39,081**	**7,060**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments (1)	1,207	578	3,598
Net cash inflow (outflow) related to tangible and intangible fixed assets	(5,123)	(9,579)	(6,480)
Net cash inflow (outflow) related to investment activities (B)	**(3,916)**	**(9,001)**	**(2,882)**
Cash flow from/to shareholders	(1,573)	(712)	(2,706)
Other net cash flow arising from financing activities	(724)	498	2,421
Net cash inflow (outflow) related to financing activities (C)	**(2,297)**	**(214)**	**(285)**
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	(2,429)	2,354	2,292
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)	**13,563**	**32,220**	**6,185**
Cash, due from central banks (assets)	207,013	179,969	179,969
Due to central banks (liabilities)	(8,361)	(5,152)	(5,152)
Current accounts with banks (see Notes 3.5 and 4.3)	34,672	28,205	28,205
Demand deposits and current accounts with banks (see Note 3.6)	(10,455)	(12,373)	(12,373)
Cash and cash equivalents at the start of the year	**222,869**	**190,649**	**190,649**
Cash, due from central banks (assets)	215,376	207,013	183,203
Due to central banks (liabilities)	(9,468)	(8,361)	(9,868)
Current accounts with banks (see Notes 3.5 and 4.3)	41,943	34,672	37,540
Demand deposits and current accounts with banks (see Note 3.6)	(11,421)	(10,455)	(14,041)
Cash and cash equivalents at the end of the year	**236,430**	**222,869**	**196,834**
Net inflow (outflow) in cash and cash equivalents	**13,561**	**32,220**	**6,185**

(1) Of which EUR +1,958 million related to the acquisition of LeasePlan: EUR +3,786 million related to the cash contribution of the LeasePlan entities and EUR -1,828 million related to the cash component of the acquisition price (see Note 2.1).

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

ACCOUNTING STANDARDS

The condensed half-yearly interim consolidated financial statements of the Societe Generale group ("the Group") as at 30 June 2023 have been prepared and are presented in accordance with International Accounting Standard 34 (IAS) "Interim Financial Report". The Group comprises the Societe Generale parent company (including the Societe Generale foreign branches) and all of the entities, in France and abroad, under its direct or indirect control (subsidiaries and joint arrangements) or on which it exercises significant influence (associates).

The notes annexed to the interim consolidated financial statements should be read in conjunction with the audited consolidated statements of the financial year ending on 31 December 2022 as contained in the 2023 Universal Registration Document. However, the assumptions and estimates used in the preparation of these half-yearly consolidated financial statements have changed compared to those used for the previous yearly closing to take into account the uncertainties regarding the consequences of the geopolitical crises and the macroeconomic context. Furthermore, as the Group's activities are neither seasonal nor cyclical in nature, its first half results were not affected by these factors.

FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the primary financial statements used is consistent with the format proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2022-01 of 8 April 2022.

The notes annexed to the interim consolidated financial statements describe the events and transactions that are significant for understanding the changes in the situation and financial performance of the Group during the first half of 2023. The disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Societe Generale group, its businesses, and the circumstances in which it conducted its operations during this period.

PRESENTATION CURRENCY

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

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding may 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 2023

Amendments to IFRS 17 and IFRS 9 - 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”

IFRS 17 “INSURANCE CONTRACTS” – AMENDMENTS TO IFRS 17 PUBLISHED AS AT 25 JUNE 2020 AND AMENDMENTS TO IFRS 17 AND IFRS 9 PUBLISHED AS AT 9 DECEMBER 2021

The impacts of the first application of IFRS 17 and IFRS 9 by the insurance subsidiaries are presented in paragraph 4 below.

AMENDMENTS TO IAS 1 “DISCLOSURE OF ACCOUNTING POLICIES”

The aim of these amendments is to help companies improve the materiality of the information on accounting policies disclosed in the Notes to the financial statements and the usefulness of that information to investors and financial statement users.
The Group takes into account these amendments for the preparation of its consolidated financial statements.

AMENDMENTS TO IAS 8 “DEFINITION OF ACCOUNTING ESTIMATES”

The aim of these amendments is to facilitate distinguishing between changes in accounting methods and changes in accounting estimates.
The Group takes into account these amendments for the preparation of its consolidated financial statements.

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

These amendments clarify and narrow the scope of the exemption provided by the IAS 12 standard allowing institutions not to recognise any deferred tax at the initial recognition of an asset or a liability. Are excluded from the exemption scope all leases and decommissioning obligations for which companies recognise both an asset and a liability and will now have to recognise deferred taxes.
The aim of these amendments is to reduce heterogeneity in the recognition of the deferred taxes related to leases and to 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, the amount of deferred tax asset offsets the amount of deferred tax liability. The net temporary differences resulting from later variations in the right of use and lease debt subsequently result in the recognition of a deferred tax. This amendment thus has no impact on the Group’s consolidated financial statements.

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

The IASB published accounting standards and amendments, some of which have not been adopted by the European Union as at 30 June 2023. Their application is required for the financial years beginning on or after 1 January 2024 at the earliest or on the date of their adoption by the European Union. They have thus not been applied to the Group as at 30 June 2023.

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

2023

- Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

2024

- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

AMENDMENTS TO IAS 12 "INTERNATIONAL TAX REFORM - PILLAR TWO MODEL RULES"

Published by the IASB on 23 May 2023

These amendments introduce a mandatory and temporary exception to the recognition of the deferred taxes related to the supplementary taxation arising from the OECD Pillar 2 rules. This exception is accompanied by specific disclosure requirements in the annual accounts. However, it is not required to disclose this specific information in the 2023 interim accounts.
Subject to their adoption by the European Union expected by the end of the year, these amendments would apply retrospectively to fiscal years beginning on or after 1 January 2023.
The Group is monitoring the approval of these amendments and has set up a project structure to identify impacts and comply with the new accounting requirements of these amendments in relation to the OECD's "Pillar Two Model rules" international tax reform (see Note 6).

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

Published by the IASB on 22 September 2022.

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

The impact of these amendments is currently being analysed.

4. INITIAL APPLICATION OF IFRS 17 “INSURANCE CONTRACTS” AND OF IFRS 9 “FINANCIAL INSTRUMENTS” TO INSURANCE SUBSIDIARIES

IFRS 17 “Insurance Contracts”, issued on 18 May 2017 and modified by the 25 June 2020 and 9 December 2021 Amendments, replaces IFRS 4 “Insurance Contracts” which allowed, in particular, insurance contracts to be recognised using methods set out by the local accounting regulations.

On 23 November 2021, the European Commission (EC) published in the Official Journal, Commission Regulation (EU) 2021/2036 of 19 November 2021 adopting IFRS 17 “Insurance Contracts”. This adoption included the possibility for European companies not to apply the requirement laid out in the standard to group some insurance contracts by annual cohort for their measurement; this exemption will be reassessed by the European Commission by 31 December 2027 at the latest.

Since 1 January 2023, the Group has been applying IFRS17. On that same date, the Group’ insurance subsidiaries started applying IFRS 9 “Financial Instruments” for the first time; this application had been delayed as a result of the possibilities offered by the Amendments to IFRS 17 and to IFRS 4 issued by the IASB on 25 June 2020 and extended by Regulations (EU) 2017/1988 and 2020/2097 of the European Commission.

On 8 September 2022, the European Union adopted the amendments to IFRS 17 published by the IASB on 9 December 2021 with the aim of improving the usefulness of the comparative information about financial assets presented on the initial application of IFRS 17 and IFRS 9.

The main consequences of the application of IFRS 17 concern:

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

TRANSITIONAL AND INITIAL APPLICATION REQUIREMENTS

IFRS 17 standard

The initial application of IFRS 17 on 1 January 2023 is retrospective and the comparative data of the 2022 financial year have been restated.

The differences in measurement of the insurance assets and liabilities resulting from the retrospective application of IFRS 17 as at 1 January 2022 are presented directly in equity.

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

- either a modified retrospective approach that provides, based on reasonable information available at no cost or undue effort, measurements that are as close as possible to those that would result from the retrospective application of the standard;
- or an approach based on the fair value of the insurance contracts portfolios as at 1 January 2022.

The Group has applied a modified retrospective approach for the savings life insurance contracts and savings retirement contracts which represent the large majority of its contracts. Protection-Property and casualty contracts were subject to a full retrospective approach. For Protection-Provident contracts a retrospective approach, either full or modified, has been applied on a case-by-case basis.

The measurement of the insurance contracts made on a current basis, taking into account the time value of money and the financial risks related to future cash flows, required to adjust the measurement of some assets held to back the contracts in order to reduce the possible accounting mismatches.

Since 1 January 2023, initial application date of IFRS 17, the Group is measuring at fair value the investment properties held by insurance companies to back the insurance contracts issued. These are investment properties held as part of the management of insurance contracts with direct participations features.

IFRS 17 requires to include in the measurement of the insurance contracts general operating expenses (personnel expenses, amortisation expenses for fixed assets and other operating expenses) directly attributable to the fulfilment of contracts and to present them as Insurance service expenses in the Net banking income.

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

Furthermore, the Group's banking entities sell, through their retail networks, the insurance contracts issued by the Group's insurance subsidiaries and thus invoice fees to these entities. These fees cover the costs incurred by the banking entities plus a margin. As this invoicing takes place between Group-controlled entities, the internal margin received by the banking entity and incurred by the insurance entity is eliminated in the consolidated accounts. The administrative costs incurred by the banking entities for the distribution of contracts are regarded as expenses directly attributable to the fulfilment of the contracts and are thus incorporated into the measurement of the contracts and presented under the Insurance service expenses heading. The contractual service margin of the insurance contracts distributed by the Group's banking entities is thus determined by taking into account both the costs incurred by the distributing banking entity (excl. internal margin) and the other directly attributable costs incurred by the insurance entity.

IFRS 9 standard

The initial application of IFRS 9 by the Group's insurance subsidiaries as at 1 January 2023 is retrospective.

For the sake of consistency with the IFRS 17 transition arrangements, and in order to provide more relevant and useful information, the Group has restated the comparative figures of the 2022 financial year related to the relevant financial instruments of its insurance subsidiaries (including the financial instruments derecognised during the 2022 financial year in accordance with IFRS 17 amendment which allows the presentation of comparative information concerning a financial asset as if IFRS 9 had previously been applied to that asset).

Following the retrospective application of IFRS 9 as at 1 January 2022, the differences in measurement (including the impairment for credit risk) of the financial assets and liabilities impacted are recognised directly in equity.

New presentation of the financial statements

On the balance sheet, the accounting outstanding amounts related to insurance contracts, previously booked under Other assets, Insurance contracts related liabilities and Other liabilities are now presented under Insurance and reinsurance contracts assets and Insurance and reinsurance contracts liabilities.

The accounting outstanding amounts related to the financial instruments and investments properties of insurance activities, previously booked on the assets side under Investments of insurance companies and on the liabilities side under Insurance contracts related liabilities, are now presented under the different headings of the balance sheet according to their classification and valuation technique.

In the consolidated income statement, in the Net banking income, the income and expenses related to the insurance contracts issued and the reinsurance contracts were previously grouped under Net income from insurance activities. These income and expenses are now measured and recognised according to IFRS 17, and presented in the Net banking income under the following headings:

- Income from insurance contracts issued;
- Insurance service expenses;
- Income and expenses from reinsurance contracts held;
- Net finance income or expenses from insurance contracts issued; and
- Net finance income or expenses from reinsurance contracts held.

The incomes and expenses related to the financial instruments of insurance subsidiaries, previously presented under Net income from insurance activities, are now presented under the consolidated income statement headings dedicated to the valuation of financial instruments, with the exception of the expenses and incomes related to credit risk which are presented in the Net banking income under Cost of credit risk of the financial assets related to insurance activities.

Furthermore, in the context of the application of IFRS 17, the Group has modified the presentation of the general operating expenses in the consolidated income statement to improve the readability of the Group’s performance. The Other general operating expenses heading now includes the amounts previously presented under Personnel expenses and Other operating expenses, from which are deducted the general operating expenses related to insurance contracts that will henceforth be presented under the Insurance service expenses heading in the Net banking income.

IMPACTS ON THE GROUP'S BALANCE SHEET AND PERFORMANCE

The following tables reconcile the balance sheet as at 31 December 2021, presented taking into account the application of IAS 39 and IFRS 4 by the insurance subsidiaries, and the balance sheet as at 1 January 2022, presented taking into account the application of IFRS 9 and IFRS 17. The tables also include the balance sheet as at 31 December 2022 restated as a result of the application of IFRS 9 and IFRS 17.

		A	B	C	D	
(In EUR m)	**Balances as at 31.12.2021**	**IFRS 9 reclassifications**			**Other reclassifications**	**Reclassified balances**
		of available for-sale financial assets	of loans and receivables regarding their business model	of non-SPPI loans and receivables	Others	
Cash, due from central banks	179,969				-	**179,969**
Financial assets at fair value through profit or loss	342,714	15,879		2,085	85,826	**446,504**
Hedging derivatives	13,239				353	**13,592**
Financial assets at fair value through other comprehensive income	43,450	67,632	1,454		-	**112,536**
Securities at amortised cost	19,371	4,975			22	**24,368**
Due from banks at amortised cost	55,972				1,232	**57,204**
Customer loans at amortised cost	497,164				69	**497,233**
Revaluation differences on portfolios hedged against interest rate risk	131				-	**131**
Investments of insurance companies	178,898	(88,486)	(1,454)	(2,085)	(86,873)	**-**
Financial assets at fair value through profit or loss (trading portfolio)	*211*				*(211)*	
Financial assets at fair value through profit or loss (fair value option)	*84,448*				*(84,448)*	
Hedging derivatives	*353*				*(353)*	
Available-for-sale financial assets	*88,486*	*(88,486)*			-	
Due from banks	*4,771*		*(1,454)*	*(2,085)*	*(1,232)*	
Customer loans	*69*				*(69)*	
Held-to-maturity financial assets	*22*				*(22)*	
Real estate investments	*538*				*(538)*	
Insurance and reinsurance contracts assets						
Tax assets	4,812				-	**4,812**
Other assets	92,898				(1,167)	**91,731**
Non-current assets held for sale	27				-	**27**
Deferred profit-sharing	-				-	**-**
Investments accounted for using the equity method	95				-	**95**
Tangible and intangible fixed assets	31,968				538	**32,506**
Goodwill	3,741				-	**3,741**
Total Assets	**1,464,449**	**-**	**-**	**-**	**-**	**1,464,449**

(In EUR m)	Reclas-sified balances	E Adjustment of book value related to investments			F Adjustment of book value related to insurance contracts	G			H Deferred taxes	Balances as at 01.01.2022	Balances as at 31.12.2022
					IFRS 4 Dereco-gnition	IFRS 17 insurance contracts accounting					
		Reclassification effects	Impairment and provisions for credit risk	**Total**		Through reserves	Through OCI	**Total**			
Cash, due from central banks	179,969			-	-			-	-	179,969	207,013
Financial assets at fair value through profit or loss	446,504	213		213	-			-	-	446,717	427,151
Hedging derivatives	13,592			-	-			-	-	13, 592	32,971
Financial assets at fair value through other comprehensive income	112,536	159		159	-			-	-	112, 695	92,960
Securities at amortised cost	24,368	(218)	(1)	(219)	-			-	-	24,149	26,143
Due from banks at amortised cost	57,204			-	-			-	-	57,204	68,171
Customer loans at amortised cost	497,233			-	-			-	-	497,233	506,635
Revaluation differences on portfolios hedged against interest rate risk	131			-	-			-	-	131	(2,262)
Investments of insurance companies	-										
Insurance and reinsurance contracts assets	-					355	25	380		380	353
Tax assets	4,812			-	-			-	(65)	4,747	4,484
Other assets	91,731		(0)	-	(1,702)	16		16		90,045	82,315
Non-current assets held for sale	27			-	-			-	-	27	1,081
Deferred profit-sharing	-			-	-			-	-		
Investments accounted for using the equity method	95			-	-			-	-	95	146
Tangible and intangible fixed assets	32,506	356		356	(14)			-	-	32,848	33,958
Goodwill	3,741			-	-			-	-	3,741	3,781
Total Assets	**1,464,449**	**510**	**(1)**	509	**(1 716)**	**371**	**25**	**396**	**(65)**	**1,463,573**	**1,484,900**

		I	J			K	L			M		
	Balances at 31.12.2021	Reclassi-fications	Adjustment of book value related to investments			Adjustment of book value related to insurance contracts				Deferred taxes	Balances as at 01.01.2022[1]	Balances as at 31.12.2022
						IFRS 4 Dereco-gnition	IFRS 17 insurance contracts accounting					
(In EUR m)			Reclassi-fication effects	Impairment and provisions for credit risk	Total		Through reserves	Through OCI	Total			
Due to central banks	5,152					-					5,152	8,361
Financial liabilities at fair value through profit or loss	307,563	4,140				-					311,703	304,175
Hedging derivatives	10,425					-					10,425	46,164
Debt securities issued	135,324					-					135,324	133,176
Due to bank	139,177					-					139,177	133,011
Customer deposits	509,133					-					509,133	530,764
Revaluation differences on portfolio hedged against interest rate risk	2,832					-					2,832	(9,659)
Tax liabilities	1,577					-				(4)	1,573	1,645
Other liabilities	106,305					(360)	28		28		105,973	107,315
Non-current liabilities held for sale	1					-			-		1	220
Insurance contracts related liabilities	155,288	(4,140)	-	-		(151,148)						
Underwriting reserves of insurance companies	*151,148*					*(151,148)*						
Financial liabilities of insurance companies	*4,140*	*(4,140)*										
Insurance and reinsurance contracts liabilities	-					-	144,936	5,626	150,562		150,562	135,875
Provisions	4,850					-			-		4,850	4,579
Subordinated debts	15,959					-			-		15,959	15,948
Total liabilities	**1,393,586**	**-**				**(151,508)**	**144,964**	**5,626**	**150,590**	(4)	**1,392,664**	**1,411,574**
Shareholders' equity												
Shareholders' equity, Group share												
Issued common stocks and capital reserves	21,913					-			-		21,913	21,248
Other equity instruments	7,534					-			-		7,534	9,136
Retained earnings	30,631		3,318	(20)	3,298	140,983	(143,944)		(143,944)	(125)	30,843	34,479
Net income	5,641				-	-			-		5,641	1,825
Sub-total	**65,719**		**3,318**	**(20)**	**3,298**	**140,983**	**(143,944)**		**(143,944)**	**(125)**	**65,931**	**66,688**
Unrealised or deferred capital gains and losses	(652)		(2,810)	19	(2,791)	8,143		(5,600)	(5,600)	67	(833)	282
Sub-total equity, Group share	**65,067**		**508**	**(1)**	**507**	**149,126**	**(143,944)**	**(5,600)**	**(149,544)**	**(58)**	**65,098**	**66,970**
Non-controlling interests	5,796		2	(0)	2	666	(649)	(1)	(650)	(3)	5,811	6,356
Total equity	**70,863**		**510**	**(1)**	**509**	**149,792**	**(144,593)**	**(5,601)**	**(150,194)**	**(61)**	**70,909**	**73,326**
Total	**1,464,449**	**-**	**510**	**(1)**	**509**	**(1,716)**	**371**	**25**	**396**	**(65)**	**1,463,573**	**1,484,900**

(1) The balances as at 1 January 2022 are presented before allocation of income and of the gains and losses recognised directly in equity.

DESCRIPTION OF THE RECLASSIFICATIONS MADE FOR THE FINANCIAL INSTRUMENTS AND OTHER INVESTMENT ASSETS AS AT 1 JANUARY 2022 (COLUMNS A, B, C, D AND I)

RECLASSIFICATION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (COLUMN A)

Applying IFRS 9 causes the disappearance of the Available-for-sale financial assets accounting category. Consequently, the instruments previously included in this category have been reclassified under IFRS 9 accounting headings according to the characteristics of their contractual cash flows and their business model.

The Available-for-sale assets of insurance companies included, as at 31 December 2021, debt securities (bonds and equivalent securities) for EUR 74,084 million and equity securities (shares and equivalent securities) for EUR 14,402 million.

Basic debt securities (financial instruments, whose contractual cash flows are solely payments of principal and interests) were reclassified as follows:

- debt securities held as part of a business model whose objective is to hold assets in order to collect contractual cash flows business model were reclassified as Financial assets at amortised cost for EUR 4,975 million. These are mainly debt securities acquired for the purpose of reinvesting the own funds of insurance subsidiaries;
- debt securities held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets business model were reclassified as Financial assets at fair value through other comprehensive income for EUR 67,632 million. These debt securities are mainly acquired for the management of insurance contracts.

Non-basic debt securities and equity securities were reclassified into Financial assets at fair value through profit or loss for EUR 15,879 million. These securities are held for the purpose of managing insurance contracts.

RECLASSIFICATION OF LOANS AND RECEIVABLES (COLUMNS B, C AND D)

Basic loans and receivables (financial instruments whose contractual cash flows are Solely Payments of Principal and Interests) were reclassified as follows:

- loans and receivables held as part of a business model whose objective is to hold assets in order to collect contractual cash flows business model were reclassified as Due from banks at amortised cost for EUR 1,232 million and as Customer loans at amortised cost for EUR 69 million (column D);
- loans and receivables held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets business model were reclassified as Financial assets at fair value through other comprehensive income for an amount of EUR 1,454 million. These loans and receivables are Due from banks (column B).

Non-basic loans and receivables were reclassified as Financial assets at fair value through profit or loss for EUR 2,085 million (column C).

Financial instruments reclassified as Financial assets at fair value through other comprehensive income or as Financial assets at fair value through profit or loss are mainly bonds recognised at amortised cost following the amendment of IAS 39 in 2008. This amendment provided, under certain conditions, the option to reclassify Available-for-sale Financial Assets into the Loans and Receivables category.

OTHER RECLASSIFICATIONS (COLUMNS D AND I)

In addition to the reclassifications described above, the purpose of the other reclassifications was to reallocate the remaining outstanding amounts related to insurance activities under the accounting headings commonly used by the rest of the Group.

Financial assets at fair value through profit or loss of the trading portfolio of insurance subsidiaries (EUR 211 million), Financial instruments measured at fair value through profit or loss using the fair value option (EUR 84,448 million of which EUR 69,383 million of non-basic financial instruments reclassified as Financial assets mandatorily measured at fair value through profit or loss), as well as an asset resulting from an indexed co-insurance agreement, previously shown under Other assets (EUR 1,167 million), have been reclassified as Financial assets at fair value through profit or loss.

Hedging derivatives were reclassified into the corresponding heading for EUR 353 million.

Real estate investments were reclassified as Tangible and intangible fixed assets for EUR 538 million.

Financial liabilities of insurance companies were reclassified as Financial liabilities at fair value through profit and loss for an amount of EUR 4,140 million. These include investments contracts (outside the scope of IFRS 17) and trading derivatives in the scope of IFRS 9.

DESCRIPTION OF THE BOOK VALUE ADJUSTMENTS MADE FOR THE FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS ASSETS AS AT 1 JANUARY 2022 (COLUMNS E AND J)

The Balance sheet value of the Investments of insurance companies whose valuation method was modified, was adjusted in equity as at 1 January 2022 for a total amount of EUR 509 million before tax effects. This amount includes:

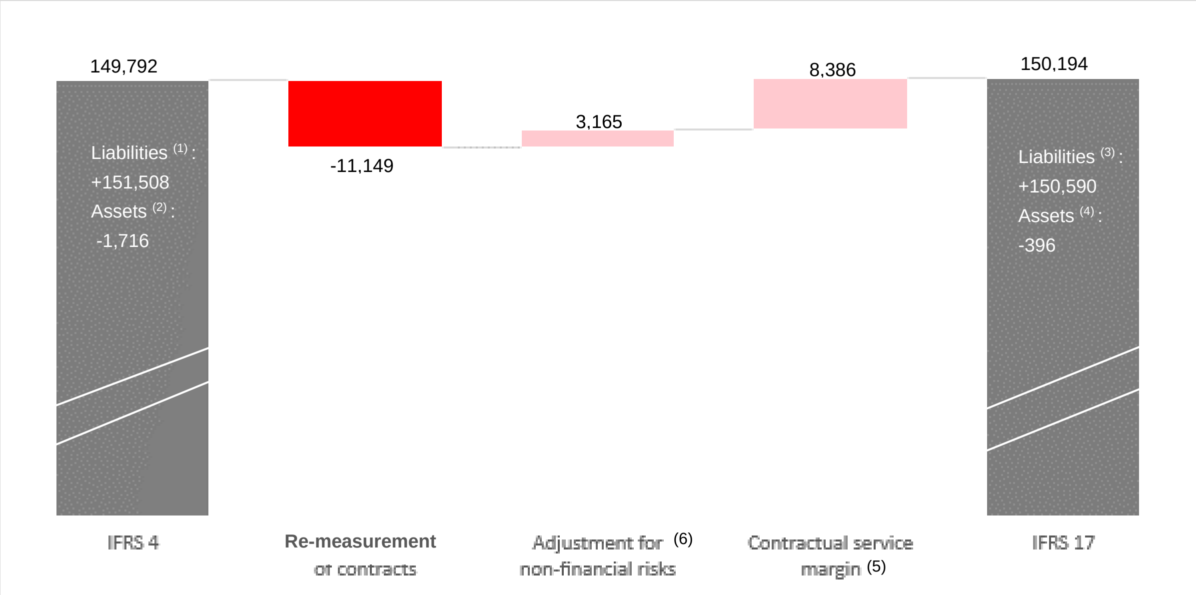
- the revaluation at fair value of investment properties for an amount of EUR 356 million in application of IAS 40, in order to avoid an accounting mismatch between the measurement method applied to the investment properties and the insurance contracts they are backing;
- the adjustment of the book value of financial assets for a net amount of EUR 153 million as a result of their new measurement method in application of IFRS 9. This amount includes the recognition of additional expected credit losses for EUR 1 million for the Securities at amortised cost.

Gains and losses recognised directly in equity for Financial assets at fair value through other comprehensive income relating to credit risk were reclassified at 1 January 2022 to retained earnings for an amount of EUR 19 million. This refers to the expected credit loss related to the impairment of loans in Stage 1 or Stage 2.

DESCRIPTION OF THE DERECOGNITION OF IFRS 4 INSURANCE CONTRACTS AND THE RECOGNITION OF INSURANCE CONTRACTS UNDER IFRS 17 AS AT 1 JANUARY 2022 (COLUMNS F, G, K AND L)

The adjustment of the book value of the insurance contracts assets and liabilities, resulting from the replacement of IFRS 4 (prudent valuation) by IFRS 17 (economic valuation), was recorded as at 1 January 2022 in equity for a negative amount of EUR 402 million before tax effects.

This amount is broken down as follows:



(1) This amount is composed of Underwriting reserves for EUR 151,148 million and of Other Liabilities for EUR 360 million.

(2) This amount is composed of Other Assets for EUR 1,702 million and of tangible and intangible fixed assets for EUR 14 million.

(3) This amount is composed of Insurance contracts liabilities for EUR 150,562 million and of Other Liabilities for EUR 28 million.

(4) This amount is composed of Insurance contracts assets for EUR 380 million and of Other Assets for EUR 16 million.

(5) The contractual service margin (CSM) represents the unearned profit that the entity will recognise in the income statement as the insurance services are provided in the future.

(6) The non-financial risk adjustment corrects the present value of future cash flows in insurance contracts to reflect uncertainty about the amount and timing of these flows.

MARGINAL TOTAL IMPACT ON THE TOTAL EQUITY AS AT 1 JANUARY 2022

As at the transition date (1 January 2022), the retrospective application of IFRS 17 and IFRS 9 by the Group's insurance subsidiaries resulted in a EUR 46 million increase in the Total consolidated equity.

This impact is broken down as follows: a decrease of EUR 402 million related to the transition from IFRS 4 to IFRS 17, an increase of EUR 509 million related to the transition to IFRS 9 and the revaluation of investment properties according to IAS 40, and a decrease of EUR 61 million related to the adjustment of deferred tax assets and liabilities.

POSITIVE TOTAL IMPACT ON THE TOTAL EQUITY AS AT 1 JANUARY 2023

The retrospective application of IFRS 9 and IFRS 17 by the Group's insurance subsidiaries resulted in an adjustment of the comparative data for the financial year 2022 for an amount of EUR -191 million on the consolidated net income and an amount of EUR 689 million on the unrealised or deferred gains and losses recognised directly in equity.

As at the date of initial application (1 January 2023), the cumulative impact on the Total equity amounted to EUR 544 million.

The table below shows the Group's consolidated income statement for 2022 as published in the last annual financial report and then the restated income statement (2022 R) following the application of IFRS 17 and IFRS 9 by the Group's insurance subsidiaries.

In the Notes to the financial statements, the restated data are identified with “R”.

(In EUR m)	**2022 R**	**2022**
Interest and similar income (1) (2)	30,73 8	28,838
Interest and similar expense (1) (2)	(17,897)	(17,552)
Fee income	9,400	9,335
Fee expense	(4,183)	(4,161)
Net gains and losses on financial transactions (1) (2)	866	6,691
o/w net gains and losses on financial instruments at fair value through profit or loss (1) (2)	*1,044*	*6,715*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	*(152)*	*(10)*
o/w net gains and losses from the derecognition of financial instruments at amortised cost	*(26)*	*(14)*
Net income from insurance activities		2,211
Income from insurance contracts issued	3,104	
Insurance service expenses (3)	(1,606)	
Income and expenses from reinsurance contracts held	(19)	
Net finance income or expenses from insurance contracts issued (2)	4,030	
Net finance income or expenses from reinsurance contracts held (2)	45	
Cost of credit risk from financial assets related to insurance activities	1	
Income from other activities (1) (2)	13,301	13,221
Expenses from other activities	(10,625)	(10,524)
Net banking income	**27,155**	**28,059**
Other general operating expenses (3)	(16,425)	(17,061)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	(1,569)	(1,569)
Gross operating income	**9,161**	**9,429**
Cost of credit risk	(1,647)	(1,647)
Operating income	**7,514**	**7,782**
Net income from investments accounted for using the equity method	15	15
Net income / expense from other assets	(3,290)	(3,290)
Value adjustments on goodwill	-	-
Earnings before tax	**4,239**	**4,507**
Income tax	(1,483)	(1,560)
Consolidated net income	**2,756**	**2,947**
Non-controlling interests	931	929
Net income, Group share	**1,825**	**2,018**

(1) The variations between the 2022 financial year published and the 2022 financial year restated are linked to the new presentation and measurement of insurance companies’ investments, now including in the same headings used by the rest of the Group, previously recorded as Net income from insurance activities.

(2) The financial performance of insurance companies must be analysed by taking into account on one hand the income and expenses from the investments backing in the insurance contracts and on the other hand the net finance income or expenses from insurance contracts measured according to IFRS 17. Both components of expenses and income mentioned above partly offset each other (see Note 4.3, table 4.3.C).

(3) The change in Other general operating expenses between the 2022 financial year published and the 2022 financial year restated is related to the allocation within Insurance service expenses of general operating expenses attributable to the fulfilment of insurance contracts.

The table below presents the statement of net income and unrealised or deferred gains and losses published in 2022 and the one restated (2022 R) following the application of IFRS 17 and IFRS 9 by the Group's insurance subsidiaries.

(In EUR m)	**2022 R**	**2022**
Consolidated net income	**2,756**	**2,947**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**578**	**(111)**
Translation differences	1,820	1,820
Revaluation of debt instruments at fair value through other comprehensive income (1) (2)	(10,849)	(731)
Revaluation of available-for-sale financial assets (3)		(1,223)
Revaluation of insurance and reinsurance contracts through other comprehensive income (2)	10,050	
Revaluation of hedging derivatives	(610)	(380)
Related tax	167	403
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**539**	**539**
Total unrealised or deferred gains and losses	**1,117**	**428**
Net income and unrealised or deferred gains and losses	**3,873**	**3,375**
o/w Group share	*3,080*	*2,592*
o/w non-controlling interests	*793*	*783*

(1) The variations between the 2022 financial year published and the 2022 financial year restated are linked to the new presentation and measurement of insurance companies' investments, under the same headings used by the rest of the Group.

(2) The financial performance of insurance companies must be analysed by taking into account on one hand the gains and losses of the investments backing the insurance contracts and on the other hand the net finance gains and losses from insurance contracts measured according to IFRS 17. Both components of losses and gains mentioned above partly offset each other.

(3) This amount of EUR -1,223 million included, pursuant to the application of IAS 39 and IFRS 4, the re-measurement of the Available-for-sale assets for EUR -11,297 million, and the related Deferred profit-sharing for EUR 10,074 million.

5. USE OF ESTIMATES AND JUDGEMENT

With a view to the preparation of the Group's consolidated financial statements, in application of the accounting principles and methods described in the Notes to the consolidated financial statements, th General Management formulated assumptions and estimates that may have an impact on the amounts recognised in the income statement or as Unrealised or deferred capital gains and losses, on the valuation of balance sheet assets and liabilities and on the information shown in the related Notes.
In order to make these estimates and assumptions, the General Management uses the information available on the date of preparation of the consolidated financial statements and may exercise its judgment. Valuations based on these estimates inherently involve risks and uncertainties regarding their materialisation in the future; consequently, the future final outcome of the transactions concerned may differ from these estimates and have a significant impact on the financial statements.
The assumptions and estimates made for the preparation of these consolidated financial statements take account of both the uncertainties about the economic consequences of the geopolitical crises and the current macroeconomic context. The impact of these circumstances on the assumptions and estimates selected is detailed in sub-section 6 of this Note.
Estimates apply in particular to the determination of the fair value of financial instruments, of the asset impairments and provisions recognised as balance sheet liabilities, of the insurance contracts liabilities, as well as of the tax assets and liabilities on the balance sheet and of the goodwill. They also apply to

the analysis of the characteristics of the contractual cash flows of financial assets, the determination of the effective interest rate of the financial instruments measured at amortised cost as well as to the assessment of control for the determination of the scope of consolidated entities. The Group also uses estimates and judgment to determine the lease period to be considered for the recognition of the right-of-use assets and lease liabilities, and to reassess the residual value of operating lease assets (in particular the fleet of motor vehicles) and prospectively adjust their deprecation plans.

To assess the impairments and provisions for credit risk, the use of judgment and estimates concerns more specifically the assessment of the deterioration in credit risk (also taking into account the aggravating circumstance of transition climate risk) observed since the initial recognition of the financial assets and the measurement of the amount of expected credit losses on these financial assets.

Concerning the valuation of insurance contract assets and liabilities, the exercise of judgment and the use of estimates mainly concern the valuation of future cash flows (premiums, claims, services, directly related costs), the level of adjustment for non-financial risks and the pace of recognition in the income statement of the contractual service margin.

CLIMATE RISK

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

As at 30 June 2023, the determination of the expected credit losses includes the possible impact of climate risks as considered when assessing individual risks and sectoral risks, provided it is compatible with the provisioning horizon; and the impact of the Group's commitments in favour of energy and environmental transition and the development of the territories are still taken into account in the estimated budgets used to determine the recoverable amount of the cash-generating units (CGU) and the recoverability of the deferred tax assets.

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

6. GEOPOLITICAL CRISES AND MACROECONOMIC CONTEXT

The restrictions related to the Covid-19 pandemics in Mainland China ended during the first quarter 2023 which renewed optimism about economic activity for the year.

However, the conflict in Ukraine still causes great uncertainty heightened by tensions in the banking sector in the U.S.A. and in Europe. Economic policies are clearly restrictive. Focusing on the containment of inflation, central banks tightened monetary policies, in particular with rapid and significant increases in interest rates.

In the euro area:

- the slowdown in economic activity observed during the first half of 2023 should continue during the rest of the year with a modest rebound in 2024-2025;
- inflation would remain high in 2023 to drop down to around 3% in 2024 and fall back to the target in the mid-term.

The monetary tightening imposed by the ECB should soften from the end of 2023 on.

In this context, the Group updated the macroeconomic scenarios chosen for the preparation of the consolidated financial statements and maintained some adjustments applied to its models (see Note 3.8).

These macroeconomic scenarios are taken into account in the credit loss measurement models including forward-looking data (see Note 3.8) and are also used in some goodwill impairment tests (see Note 2.2) and tests regarding deferred tax assets recovery (see Note 6).

6.1 Macroeconomic scenarios

As at 30 June 2023, the Group has selected three macroeconomic scenarios to help understand the uncertainties related to the current macroeconomic context.

The assumptions selected to build these scenarios (which have not undergone any significant developments since 31 December 2022) are described below:

- the central scenario ("SG Central") predicts a sharp economic slowdown in 2023, and only a modest rebound in growth in 2024. In 2023, inflation will remain high, close to 5.5% before dropping down to around 3% in 2024 and returning to target in the mid-term. The ECB will continue tightening its monetary policy in the short term; but a possible easing might start at the end of 2023. In particular in the U.S.A, the central scenario forecasts further disinflation and a technical recession, with a credit crunch in the context of increased Federal Reserve interest rates and banking tensions;
- the favourable scenario ("SG Favourable") describes an accelerated economic growth compared to the trajectory projected in the central scenario; this growth may result from improved supply conditions owing to a positive shock on productivity or from unexpectedly improved demand conditions. In both cases, stronger growth will have a positive impact on employment and/or the profitability of companies;
- the stressed scenario ("SG Stress") corresponds to a crisis situation leading to a negative deviation in GDP compared to the central scenario. This scenario may result from a financial crisis (2008 crisis, euro area crisis…), an exogenous crisis (Covid-19-like pandemic) or a combination of both.

These scenarios are developed by the Economic and Sector Research Division of Societe Generale for all the entities of the Group based, in particular, on the information published by the statistical institutes in each country. Forecasts from institutions (IMF, Global Bank, ECB, OECD…) and the consensus among market economists serve as a reference to challenge the Group's forecasts in order to ensure the relevance and consistency of the thus-constructed scenarios.

6.2 Financial instruments: expected credit losses

The scenarios provided by the Group economists are incorporated into the credit loss provisioning models over a three-year horizon, followed by a two-year period to gradually return by the fifth year to the average probability of default observed during the calibration period.

The assumptions made by the Group with a view to developing these macroeconomic scenarios have been updated during the second quarter 2023 to account for the uncertainties about the macroeconomic context and the economic consequences of the war in Ukraine.

VARIABLES

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

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

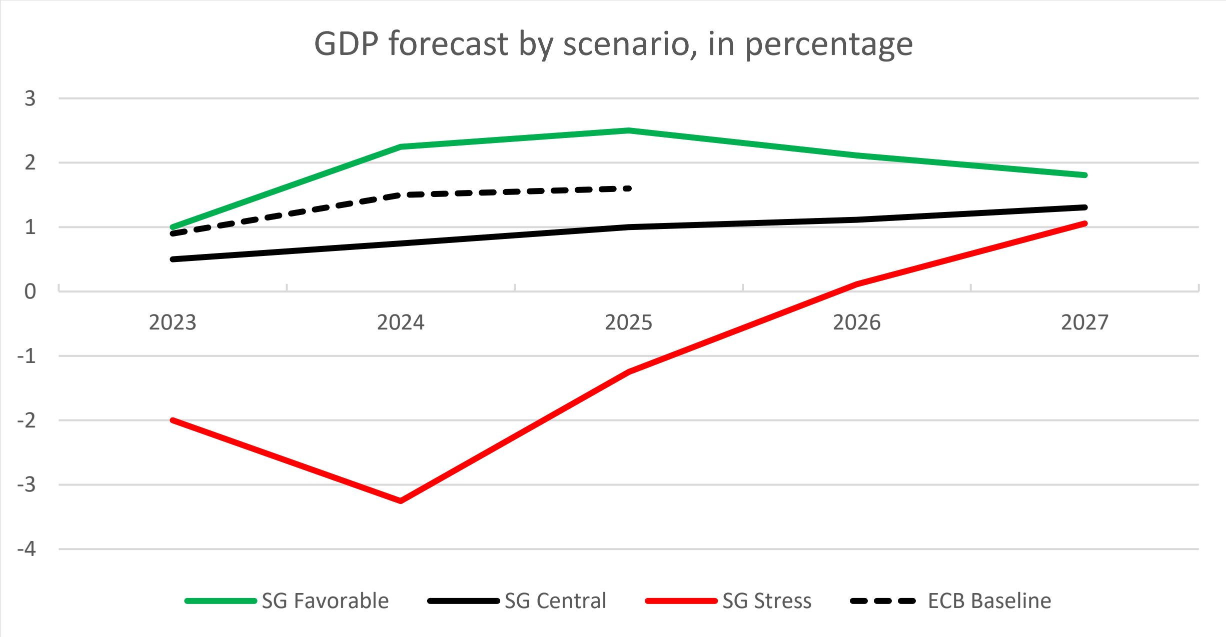
"SG Favourable" scenario	**2023**	**2024**	**2025**	**2026**	**2027**
France GDP	1.0	2.3	2.5	2.1	1.8
Corporate profit margin in France	32.5	32.9	32.8	32.9	32.6
Euro area GDP	1.0	2.2	2.5	2.1	1.8
United States GDP	1.3	2.0	3.2	2.8	2.8
China GDP	5.5	5.8	5.6	5.2	4.9
Czech Republic GDP	0.7	3.5	3.5	3.1	2.8
Romania GDP	3.0	4.3	4.3	3.8	3.7

"SG Central" scenario	**2023**	**2024**	**2025**	**2026**	**2027**
France GDP	0.5	0.8	1.0	1.1	1.3
Corporate profit margin in France	32.2	32.4	32.4	32.3	32.3
Euro area GDP	0.5	0.7	1.0	1.1	1.3
United States GDP	0.8	0.5	1.7	1.8	2.3
China GDP	5.0	4.3	4.1	4.2	4.4
Czech Republic GDP	0.2	2.0	2.0	2.1	2.3
Romania GDP	2.5	2.8	2.8	2.8	3.2

"SG Stress" scenario	**2023**	**2024**	**2025**	**2026**	**2027**
France GDP	(2.0)	(3.2)	(1.2)	0.1	1.1
Corporate profit margin in France	31.1	30.2	30.2	30.1	31.2
Euro area GDP	(2.0)	(3.3)	(1.2)	0.1	1.1
United States GDP	(1.7)	(3.5)	(0.5)	0.8	2.1
China GDP	2.5	0.3	1.8	3.2	4.2
Czech Republic GDP	(2.3)	(2.0)	(0.2)	1.1	2.1
Romania GDP	0.0	(1.2)	0.6	1.8	3.0

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

The graph below compares the GDP forecasts in the euro area used by the Group for each scenario with the scenarios published by the ECB in December 2022.



WEIGHTING OF THE MACROECONOMIC SCENARIOS

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

In order to better account for a possible reversal in the cycle, the Group applies a methodology for weighting the scenarios and assigns a higher weight to the SG Central scenario when the economy is depressed.

Conversely, the methodology provides for a higher weight to be assigned to the SG Stress scenario when the economy moves towards the peak of the cycle. Accordingly, the weighting applied to the SG Central scenario is set at 62% as at 30 June 2023.

Presentation of the changes in weights:

	30.06.2023	31.12.2022	30.06.2022
SG Central	62%	60%	60%
SG Stress	28%	30%	30%
SG Favourable	10%	10%	10%

CALCULATION OF EXPECTED CREDIT LOSSES AND SENSITIVITY ANALYSIS

Credit risk costs as at 30 June 2023 amount to a net expense of EUR 348 million, decreasing by EUR 430 million (-55%) compared to 30 June 2022 (EUR 1,647 million as at 31 December 2022).

Sensitivity tests have been performed to measure the impact of the changes in weights on the models. The sectoral adjustments have been taken into account in these sensitivity tests. The scope of these tests includes the Stage 1 and Stage 2 outstanding loans subject to a statistical modelling of the impacts of the macroeconomic variables (which accounts for 82% of the expected credit losses on the outstanding loans concerned compared to 72% as at 31 December 2022).

The results of these tests, with no impact on the classification of the outstanding amounts concerned, show that, in the event of a 100% weighting:

- of the SG Stress scenario, the impact would be an additional allocation of EUR 652 million;
- of the SG Favourable scenario, the impact would be a reversal of EUR 341 million;
- of the SG Central scenario, the impact would be a reversal of EUR 224 million.

COVID-19 CRISIS: STATE GUARANTEED LOANS (*PGE*)

Until 30 June 2022, the Group offered to its crisis-impacted customers (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 French decree of 23 March 2020, these are financings granted at cost price and guaranteed by the government for a share of the borrowed amount between 70 to 90% depending on the size of the borrowing enterprise (with a waiting period of two months after 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 tax, these loans come with a one-year repayment exemption. At the end of that year, the customer may either repay the loan or amortise it over one to five more years, with the possibility of extending the grace period for the repayment of principal for one year (in line with the announcements made by the French *Ministre de l'Economie, 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 a 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 contractual characteristics of the PGE are those of basic loans (SPPI criterion) and these loans are held by the Group within the framework of a business model whose objective is to collect their 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 2023, the balance sheet outstanding amount of State Guaranteed Loans (PGE) granted by the Group is approximately EUR 10.6 billion after the first repayments made in 2022 and in the first half of 2023 at the end of the moratorium period (of which EUR 2.3 billion classified as Stage 2 and EUR 1 billion as Stage 3). The portion of PGE granted by the French Retail networks amounts, as at 30 June 2023, to EUR 9.3 billion (of which EUR 2 billion classified as Stage 2 and EUR 0.9 billion as Stage 3), without predominance of a specific sector; the State guarantee for these loans covers, on average, 90% of their amount.

The expected credit losses recognised as at 30 June 2023 for PGE (French State Guaranteed Loans) amount to some EUR 250 million including EUR 170 million booked by the French retail networks (including EUR 40 million in Stage 2 and EUR 100 million in Stage 3).

A French decree published on 19 January 2022, amending the decree published on 23 March 2020, allows some companies to benefit, under certain conditions, from an extension of their PGE repayment deadlines from six to ten years; these extensions have not had any significant impact on the Group's financial statements as at 30 June 2023.

CONSEQUENCES OF THE WAR IN UKRAINE

The table below shows the changes in balance sheet and off-balance sheet exposures (measured at amortised cost or at fair value through OCI) booked by the Group's entities in Russia, on one side, and by the Group's entities outside Russia for Russian counterparties or subsidiaries of Russian groups, on the other side.

	30.06.2023		31.12.2022		30.06.2022	
(In EUR billion)	**Exposure at default**	**Gross outstanding / commitments**	**Exposure at default**	**Gross outstanding / commitments**	**Exposure at default**	**Gross outstanding / commitments**
Onshore exposures on consolidated subsidiaries	0	0	0.3	0.3	0.3	0.3
Offshore exposures [(1)]	1.6	1.7	1.8	2	2.6	2.9
Rosbank residual exposures	0.1	0.1	0.1	0.1	0.5	0.5
Total	**1.7**	**1.8**	**2.2**	**2.4**	**3.4**	**3.7**

(1) Offshore exposures (exc. Private Banking and residual exposures linked to the disposal of Rosbank) correspond to the exposures on Russian counterparties or subsidiaries of Russian groups booked outside Russia.

Exposures in Russia and Ukraine

On 11 April 2022, ALD announced that it would not engage in any new commercial transactions in Russia, Kazakhstan and Belarus without challenging the going concern status over the next twelve months of ALD AUTOMOTIVE OOO in Russia and ALD AUTOMOTIVE LLC in Belarus, the two entities continuing to serve their clients and manage the existing vehicle fleet without encountering any specific difficulties in relation to business activities.

On 27 April 2023, ALD announced the completion of the sale of its ALD AUTOMOTIVE OOO subsidiary in Russia.

As at 30 June 2023, the Group operates in Russia through its LeasePlan subsidiary (see onshore exposures on consolidated subsidiaries).

The Group also operates in Ukraine through its ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY subsidiary of which the total balance sheet is EUR 76 million as at 30 June 2023.

Offshore exposures

The Group also holds assets on Russian counterparties. These outstanding loans (EUR 1.8 bn including the residual exposures on Rosbank as at 30 June 2023, against EUR 2.1 bn including the residual exposures on Rosbank in 2022) have been classified as "sensitive" from the very beginning of the conflict (see Note 3.8) and declassified to Stage 2 of impairment for credit risk or Stage 3 when necessary.
The consequences of these classifications, as well as the account taken of new macroeconomic scenarios to determine expected credit losses as at 30 June 2023 are described in Note 3.8.

Furthermore, to take account of these specific risk exposures the Group supplemented the expected credit losses through a post-model adjustment, as described in Note 3.8.

7. HYPERINFLATION IN TURKEY

On 16 March 2022, the International Practices Task Force of the Centre for Audit Quality, a standard reference for identifying countries with hyperinflation, published a working paper including Turkey in the list of hyperinflationary economies.

Consequently, since 1 January 2022, the Group has been applying the provisions of IAS 29 ("Financial Reporting in Hyperinflationary Economies") to prepare the separate financial statements presented in turkish pound of the entities of the ALD group located in Turkey (before their conversion in euros as part of the consolidation process). However, the accounts of the SG Istanbul branch have not been restated, their impact being non-material.

This also applies to the LEASEPLAN OTOMOTIV SERVIS VE TICARET A.S Turkish subsidiary purchased during the first half of 2023. The information below does not include the impact of the restatements made for this entity, as they are not material at Group level as at 30 June 2023.

In accordance with IAS 29, the accounting value of some balance sheet items measured at cost is adjusted, at closing date, for the inflation effects observed over the period. In the financial statements of the entities concerned, these adjustments are mainly applied to the tangible assets representative of the vehicle fleet, as well as to the different components of equity.

The inflation adjustments of the assets concerned and of the equity items as well as of the income and expenses for the period, are recognised as income or expenses on foreign exchange transactions under Net gains and losses on financial transactions.

Thus restated, the financial statements in Turkish lira of ALD Turkey are converted into euro on the basis of the exchange rate applicable at closing date.

As at 30 June 2023, a gain of EUR 21.4 million has been recognised under Net gains and losses on financial transactions for the inflation adjustments of the period. After tax and adjustment of the other income and expenses items of the period, the effect of hyperinflation adjustments on the net consolidated income amounts to EUR 7.2 million.

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.

The main change to the consolidation scope as at 30 June 2023, compared with the scope applicable at the closing date of 31 December 2022, is as follow:

LEASEPLAN ACQUISTION BY ALD

On 22 May 2023, following the approval of ALD's Board of Directors and relevant regulatory authorities' approvals, ALD acquired 100% of LeasePlan for a consideration of EUR 4,882 million. This amount is subject to a contingent additional consideration of an amount up to EUR 235 million in cash, according to the achievements of objectives related to LeasePlan's regulatory ratios particularly.

The consideration includes:

- A cash component: EUR 1,828 million mainly financed via a capital increase of EUR 1,212 million in 2022. Societe Generale held 79.82% of ALD's capital prior to this increase. In accordance with its commitment to remain ALD's majority shareholder in the long term, Societe Generale subscribed to new shares for an amount of EUR 803 million representing 66.26% of the capital increase and held, at the end of 2022, 75.94% of ALD;
- A share component: 251,215,332 new ALD shares have been issued, representing 30.75% of ALD capital after the completion of the acquisition, and before the exercise of the attached warrants. The value of this share component amounts to EUR 2,871 million, based on the fair value of ALD's shares of EUR 11.43 at the completion date;
- A warrant component: ALD has issued 26,310,039 warrants attached to ALD's share for the benefit of LeasePlan's selling shareholders, so that their total shareholding could reach 32.91% in case of full exercise of warrants.Their main characteristics are as follows: exercise price of EUR 2.00 per share; parity of 1 warrant for 1 share; and exercisable 1 to 3 years after their issuance, if the ALD share price reaches EUR 14.07 per share in the exercise period. The fair value of these warrants' amounts, as at 22 May 2023, EUR 128 million. This value was determined based on a Black & Scholes mathematical valuation model, taking as main assumptions the exercise possible at any time between 1 and 3 years; a euro area risk-free interest rate and an assumed historical volatility of the observed ALD share of around 30%;
- A contingent consideration: estimated by the Group at its fair value of EUR 55 million, as at the closing date of the transaction. The earn-out mechanism will last until 31 December 2024, subject to an additional 6-month period in certain limited circumstances, with potential payments every quarter. In the Group's financial statements, the contingent consideration is recorded as Other liabilities as at 30 June 2023.

As a result, after the completion of the LeasePlan acquisition, Societe Generale remains the majority shareholder of ALD with a stake of 52.59%. This stake may be reduced to 50.95% in the event of the exercise of the shares with warrants attached that have been granted to LeasePlan shareholders to allow them to increase their stake up to 32.91% of ALD's social capital. As of 30 June 2023, the former LeasePlan shareholders consortium led by TDR Capital holds 30.75% of the combined entity, while the free float represents 16.6%.

Following the completion of the whole transaction, ALD group (combined entity), remains fully consolidated by the Group.

Details of the purchase price are set out in the table below:

(In EUR m)	
Purchase price paid in ALD shares [1]	2,871
Fair value of warrants attached to shares	128
Acquisition price paid in ALD equity instruments	**2,999**
Acquisition price paid in cash	**1,828**
Total acquisition price	**4,827**
Contingent consideration [2]	55
Total acquisition price including contingent consideration	**4,882**

(1) o/w 26,310,039 shares with warrants attached.

(2) ALD estimate at the date of the acquisition.

Due to the short timeline between LeasePlan's acquisition closing and publishing of interim financial statements, the Group has recognised the identifiable assets and liabilities at their carrying amounts in LeasePlan's IFRS consolidated accounts. The Group has 12 months to finalise the acquisition accounting and the recognition of the identifiable assets and liabilities of LeasePlan at their fair value.

As at 30 June 2023, the Group has recognised a provisional goodwill of EUR 1,744 million (see Note 2.2).

(In EUR m)	**Temporary allocation as at 30 June 2023**
Cash, due from central banks	3,685
Customer loans at amortised cost	1,436
Net non-current assets and liabilities held for sale [1]	651
Tangible and intangible fixed assets	21,423
o/w Assets under operating leases	*20,790*
Debts securities issued	(9,360)
Due to bank	(2,855)
Customer deposits	(11,434)
Net tax assets/liabilities	(504)
Net other assets and liabilities	609
FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED (C)	3,651
NON-CONTROLLING INTERESTS [2] (B)	513
TOTAL PURCHASE PRICE (A)	4,882
GOODWILL (A) + (B) – (C)	**1,744**

(1) Amount after elimination of intragroup transactions.

(2) Other equity instruments issued.

The combined entity will be well-positioned to deliver profitable growth drawing on a fleet of around 3.4 million vehicles (this figure excludes vehicles from entities classified in non-current assets held for sale), including worldwide biggest multi-brand electric vehicle fleet, and a direct presence in 44 countries covering all customers categories. Thanks to multiple strengths like complementarities and scale effects, the combined entity targets to achieve strong synergies regarding costs and supplies.

ALD and LeasePlan serve the same three client segments (large corporates, SMEs, individual consumers), but each of them has specific areas of leadership. LeasePlan has a network of large and very large blue-chip international and national corporate clients and has been particularly strong in this segment in which a customer overlap with ALD is limited. ALD has developed a strong network of partnerships with more than 200 partners across a large spectrum of sectors. It allowed the Company to rapidly develop its presence in the SME and individual consumers segments. This complementarity must offer to the combined entity the best footprint across all segments.

ALD benefits a financing structure and strong credit ratings facilitating efficient access to external funding. LeasePlan relies on its deposit collection platforms in Germany and the Netherlands. The combined entity would therefore have an enlarged funding source base.

The consolidated income of the Group includes the income of LeasePlan's activities from 22 May 2023. As at 30 June 2023, the contribution of LeasePlan's activities amounts to EUR 207 million in net banking income and EUR 65 million in consolidated net income, of which EUR 32 million net income Group share.

On 22 March 2023, the Group announced that ALD entered into a share agreement to sell its subsidiaries in Ireland, Portugal and Norway, as well as LeasePlan's subsidiaries in Luxembourg, Finland and Czech Republic. These disposals have been initiated to fulfil the commitments made by ALD in the context of the clearance by the European Commission of the acquisition of LeasePlan by ALD, to address concentration risk in the involved countries. As at 30 June 2023, the Group has classified these entities as Non-current assets held for sale and related debt (see Note 2.3).

NOTE 2.2 - GOODWILL

The table below shows, by operating segment (Note 8.1), the changes in net value of the cash-generating units (CGU) goodwill over the first half of 2023:

Table 2.2.B

(In EUR m)	Value as at 31.12.2022	Acquisitions and other increases	Disposals and other decreases	Transfers	Impairment	Value as at 30.06.2023
French Retail Banking	**1,068**	**-**	**-**	**-**	**-**	**1,068**
French Networks	1,068	-	-	-	-	1,068
International Retail Banking	**1,473**	**-**	**(6)**	**-**	**-**	**1,467**
Europe	1,359	-	-	-	-	1,359
Africa, Mediterranean Basin and Overseas	114	-	(6)	-	-	108
Insurance	**334**	**-**	**-**	**-**	**-**	**334**
Insurance	334	-	-	-	-	334
Financial Services	**849**	**1,748**	**-**	**-**	**-**	**2,597**
Equipment and Vendor Finance	228	-	-	-	-	228
Auto Leasing Financial Services (1)	621	1,748	-	-	-	2,369
Global Markets and Investor Services	**-**	**-**	**-**	**-**	**-**	**-**
Global Markets and Investor Services	-	-	-	-	-	-
Financing and Advisory	**57**	**-**	**-**	**-**	**-**	**57**
Financing and Advisory	57	-	-	-	-	57
Total	**3,781**	**1,748**	**(6)**	**-**	**-**	**5,523**

(1) The increase is almost completely related to the acquisition of LeasePlan (see Note 2.1).

IMPAIRMENT TEST OF CGU

Goodwill is subject to an impairment test as soon as there is any indication of impairment and at least once a year. The change in the macroeconomic scenario alone is not an indication of impairment, however, its consequences on the Group's results and financial projections justify the performance of tests on all CGUs as part of the preparation of the half-yearly financial statements as at 30 June 2023.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked under value adjustment on Goodwill.

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

The key principles retained for the implementation of the tests as at 30 June 2023 for the assessment of the recoverable value of CGUs are as follows:

- The budget trajectories of the CGUs have been revised in June 2023 on the basis of the *SG Central* scenario established by the Group's economists and whose underlying assumptions are presented in Note 1.
- For each CGU, estimates of future distributable dividends are determined over a five-year period, on the basis of a four-year budget trajectory (from 2023 to 2026) extrapolated to 2027, the latter year being used to calculate the terminal value.
- These estimates take into account the equity target allocated to each CGU, unchanged compared to 31 December 2022 (11% of the risk-weighted assets of each CGU).
- The growth rates used to calculate the terminal value are determined using forecasts on sustainable long-term economic growth and inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provides 2027 forecasts.
- The projected dividends are then discounted on the basis of a rate equal to the risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or euro area), in proportion with risk-weighted assets for CGUs covering several countries.

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

Table 2.2.C

Assumptions as at 30 June 2023	Discount rate	Long-term growth rate
French Retail Banking		
French Networks	9.1%	2.0%
International Retail Banking		
Retail Banking and Consumer Finance	11.3% à 14.1%	2% to 3%
Insurance		
Insurance	10.2%	2,5%
Financial Services		
Equipment and Vendor Finance and Auto Leasing Financial Services	10.3%	2.0%
Global Markets and Investor Services		
Global Markets and Investor Services	11.8%	2.0%
Financing and Advisory		
Financing and Advisory	10.3%	2.0%

As at 30 June 2023, no impairment has been recorded in the accounts.

NOTE 2.3 - NON-CURRENT ASSETS HELD FOR SALE AND RELATED DEBT

Table 2.3.A

(In EUR m)	30.06.2023	31.12.2022
Assets	**3,590**	**1,081**
Fixed assets and Goodwill	1,864	839
Financial assets	867	95
Financial assets at fair value through profit or loss	4	-
Securities at the amortised cost	265	-
Due from banks	37	93
Customer loans	561	2
Other assets	859	147
Liabilities	**2,212**	**220**
Allowances	20	-
Financial liabilities	1,841	57
Financial liabilities at fair value through profit or loss	-	1
Due to banks	399	56
Customer deposits	1,442	-
Other liabilities	351	163

As at 30 June 2023, the Non-current assets held for sale and Non-current liabilities held for sale items encompass the assets and liabilities related:

- To long-term leasing and car fleet management activity, of which mainly those of LeasePlan entities in Czech Republic, in Finland and in Luxembourg since the first semester of 2023 (LEASEPLAN CESKA REPUBLIKA S.R.O., FLEET INSURANCE PLAN S.R.O., LEASEPLAN FINLAND OY and LEASEPLAN LUXEMBOURG S.A) and those of ALD entities in Portugal, Norway, Ireland since the second semester of 2022 (SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENS SA, ALD AUTOMOTIVE AS and MERRION FLEET MANAGEMENT LIMITED). Indeed, the acquisition of LeasePlan by ALD has been approved by the European Commission subject to the sale these activities (Note 2.1).
- To subsidiaries SOCIETE GENERALE CONGO, SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE, SOCIETE GENERALE MAURITANIE and SOCIETE GENERALE TCHAD since the first semester of 2023.

NOTE 3 - FINANCIAL INSTRUMENTS

The data presented in Note 3 includes the financial instruments of insurance sector subsidiaries following the first application of IFRS 9 by these entities (see Note 1).

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

IMPACT ON GROUP FINANCIAL ASSETS AND LIABILITIES OF THE FIRST IFRS 9 APPLICATION BY INSURANCE SUBSIDIARIES (SEE NOTE 1)

	31.12.2021	**Reclassifications**				**Reclassified balances**	**Adjustment of book value related to investments**	**01.01.2022 R**	**31.12.2022 R**
(In EUR m)		of available for-sale financial assets	of non-SPPI loans and receivables	others	of financial liabilities of insurance activities		Reclassification effects		
Financial assets at fair value through profit or loss									
Trading portfolio	319,789			211		320,000	61	320,061	310,945
Financial assets measured mandatory at fair value through profit or loss	21,356	15,879	2,085	70,550		109,870	152	110,022	101,602
Financial instruments measured at fair value through profit or loss using the fair value option	1,569			15,065		16,634		16,634	14,604
Total	**342,714**	**15,879**	**2,085**	**83,826**	**-**	**446,504**	**213**	**446,717**	**427,151**
Financial liabilities at fair value through profit or loss									
Trading portfolio	243,112				520	243,632		243,632	235,433
Financial liabilities measured mandatory at fair value through profit or loss	64,451				3,620	68,071		68,071	68,742
Total	**307,563**	**-**	**-**	**-**	**4,140**	**311,703**	**-**	**311,703**	**304,175**

OVERVIEW

Table 3.1.A

(In EUR m)	30.06.2023		31.12.2022 R	
	Assets	Liabilities	Assets	Liabilities
Trading portfolio	375,223	296,581	310,945	235,433
Financial assets measured mandatorily at fair value through profit or loss	106,160		101,602	
Financial instruments measured at fair value through profit or loss using the fair value option	14,979	84,240	14,604	68,742
Total	**496,362**	**380,821**	**427,151**	**304,175**
o/w securities purchased/sold under resale/repurchase agreements	*161,805*	*163,568*	*122,786*	*103,365*

1. TRADING PORTFOLIO

ASSETS

Table 3.1.B

(In EUR m)	30.06.2023	31.12.2022 R
Bonds and other debt securities	43,459	26,022
Shares and other equity securities	84,917	74,404
Securities purchased under resale agreements	161,805	122,752
Trading derivatives [(1)]	75,269	76,775
Loans, receivables and other trading assets	9,773	10,992
Total	**375,223**	**310,945**
o/w securities lent	*14,306*	*12,455*

(1) See Note 3.2 Financial derivatives.

LIABILITIES

Table 3.1.C

(In EUR m)	30.06.2023	31.12.2022 R
Amounts payable on borrowed securities	42,867	51,101
Bonds and other debt instruments sold short	7,318	5,186
Shares and other equity instruments sold short	2,530	1,244
Securities sold under repurchase agreements	162,861	102,673
Trading derivatives [(1)]	78,752	72,656
Borrowings and other trading liabilities	2,253	2,573
Total	**296,581**	**235,433**

(1) See Note 3.2 Financial derivatives.

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

Table 3.1.D

(In EUR m)	30.06.2023	31.12.2022 R
Bonds and other debt securities	23,580	22,413
Shares and other equity securities	66,920	62,756
Loans, receivables and securities purchased under resale agreements	15,660	16,433
Total	**106,160**	**101,602**

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

- loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate;
- loans that include indexation clauses that do not permit to be recognised as basic loans (SPPI).

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

ASSETS

Table 3.1.F

(In EUR m)	30.06.2023	31.12.2022 R
Bonds and other debt securities	13,721	13,369
Loans, receivables and securities purchased under resale agreements	21	55
Separate assets for employee benefits plans [1]	1,237	1,180
Total	**14,979**	**14,604**

(1) Including, as at 30 June 2023, EUR 1,058 million of plan assets for defined post-employment benefits compared to EUR 1,002 million as at 31 December 2022.

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.

Table 3.1.G

	30.06.2023		31.12.2022 R	
(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	84,240	87,792	68,742	70,288

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 conditions on the markets and the residual maturity of the related liabilities.

Changes in fair value attributable to own credit risk generated an unrealised gain of EUR 278 million. As at 30 June 2023, the total gains attributable to own credit risk amounted to EUR 604 million recognised directly in equity.

NOTE 3.2 - FINANCIAL DERIVATIVES

1. TRADING DERIVATIVES

FAIR VALUE

Table 3.2.A

	30.06.2023		31.12.2022 R	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	34,731	26,052	35,004	23,784
Foreign exchange instruments	20,011	21,977	24,272	25,324
Equities & index Instruments	19,366	28,269	15,517	21,209
Commodities Instruments	66	293	199	154
Credit derivatives	767	1,040	1,756	1,404
Other forward financial instruments	328	1,121	27	781
Total	**75,269**	**78,752**	**76,775**	**72,656**

The Group uses credit derivatives in the management of its corporate credit portfolio, primarily to reduce individual, sectorial and geographical 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)

Table 3.2.B

(In EUR m)	30.06.2023	31.12.2022 R
Interest rate instruments	**11,748,577**	**9,804,009**
Firm instruments	9,811,125	8,002,813
Swaps	*7,789,703*	*6,416,536*
FRAs	*2,021,422*	*1,586,277*
Options	1,937,452	1,801,196
Foreign exchange instruments	**4,630,782**	**4,163,080**
Firm instruments	3,477,971	3,047,062
Options	1,152,811	1,116,018
Equity and index instruments	**909,325**	**794,584**
Firm instruments	153,127	138,533
Options	756,198	656,051
Commodities instruments	**21,984**	**20,714**
Firm instruments	17,330	20,472
Options	4,654	242
Credit derivatives	**145,908**	**170,225**
Other forward financial instruments	**25,902**	**28,066**
Total	**17,482,478**	**14,980,678**

2. HEDGING DERIVATIVES

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

FAIR VALUE

Table 3.2.C

	30.06.2023		31.12.2022 R	
(In EUR m)	Assets	Liabilities	Assets	Liabilities
Fair value hedge	**30,447**	**43,539**	**32,272**	**45,539**
Interest rate instruments	30,409	43,525	32,252	45,538
Foreign exchange instruments	37	10	20	1
Equity and index Instruments	1	4	-	-
Cash flow hedge	**485**	**508**	**469**	**511**
Interest rate instruments	408	428	420	443
Foreign exchange instruments	70	61	43	51
Equity and index Instruments	7	19	6	17
Net investment hedge	**194**	**109**	**230**	**114**
Foreign exchange instruments	194	109	230	114
Total	**31,126**	**44,156**	**32,971**	**46,164**

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.

For the first half-year 2023, the revaluation differences on macro-hedged fixed-rate assets portfolios and fixed-rate liabilities portfolios remain negative as a result of the interest rate raise. On the asset side of the balance sheet, the revaluation difference on assets portfolios hedged against interest rate risk amounts to EUR -1,925 million as at 30 June 2023 (compared to EUR -2,262 million as at 31 December 2022); and on the liabilities side, the revaluation differences on liabilities portfolios hedged against interest rate risk amounts to EUR -8,367 million as at 30 June 2023 (against EUR -9,659 million as at 31 December 2022).

COMMITMENTS (NOTIONAL AMOUNTS)

Table 3.2.D

(In EUR m)	30.06.2023	31.12.2022 R
Interest rate instruments	**785,716**	**862,372**
Firm instruments	785,716	862,030
Swaps	*716,909*	*729,222*
FRAs	*68,807*	*132,808*
Options	-	342
Foreign exchange instruments	**9,384**	**8,333**
Firm instruments	9,384	8,333
Equity and index instruments	**389**	**179**
Firm instruments	389	179
Total	**795,489**	**870,884**

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

IMPACT ON GROUP FINANCIAL ASSETS AND LIABILITIES OF THE FIRST IFRS 9 APPLICATION BY INSURANCE SUBSIDIARIES (SEE NOTE 1)

	31.12.2021	Reclassifications		Reclassified balances	Adjustment of book value related to investments	01.01.2022 R	31.12.2022 R
(In EUR m)		of available for-sale financial assets	of loans and receivables regarding their business model		Reclassification effects		
Debt instruments	43,180	67,632	1,454	112,266	159	112,425	92,696
Bonds and other debt securities	*43,081*	*67,632*	*1,417*	*112,130*	*159*	*112,289*	*92,655*
Loans and receivables and securities purchased under resale agreements	*99*		*37*	*136*		*136*	*41*
Shares and other equity securities	270			270		270	264
Total financial assets at fair value through other comprehensive income	**43,450**	**67,632**	**1,454**	**112,536**	**159**	**112,695**	**92,960**

OVERVIEW

Table 3.3.A

(In EUR m)	**30.06.2023**	**31.12.2022 R**
Debt instruments	90,292	92,696
Bonds and other debt securities	*90,276*	*92,655*
Loans and receivables and securities purchased under resale agreements	*16*	*41*
Shares and other equity securities	264	264
Total	**90,556**	**92,960**
o/w securities lent	*246*	*249*

1. DEBT INSTRUMENTS

CHANGES OF THE PERIOD

Table 3.3.B

(In EUR m)	2023
Balance as at 1 January	**92,696**
Acquisitions / disbursements	35,513
Disposals / redemptions	(37,755)
Transfers towards (or from) another accounting category	31
Change in scope and others	(485)
Changes in fair value during the period	745
Change in related receivables	(93)
Translation differences	(360)
Balance as at 30 June	**90,292**

CUMULATIVE UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

Table 3.3.C

(In EUR m)	30.06.2023	31.12.2022 R
Unrealised gains	703	797
Unrealised losses	(5,362)	(5,874)
Total (1)	**(4,659)**	**(5,077)**

(1) Including EUR -4,221 million for insurance sector subsidiaries as at 30 June 2023 (EUR -4,479 million as at 31 December 2022). This amount must be read together with the financial income and expenses recorded directly in equity as part of the measurement of the associated insurance contracts for EUR +4,210 million as at 30 June 2023 (EUR +4,448 million as at 31 December 2022).

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

Table 3.4.A

	30.06.2023				31.12.2022 R			
(In EUR m)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio (excluding derivatives)	**124,493**	**169,332**	**6,129**	**299,954**	**96,964**	**130,804**	**6,402**	**234,170**
Bonds and other debt securities	39,481	3,844	134	43,459	23,600	2,264	158	26,022
Shares and other equity securities	84,863	54	-	84,917	73,362	1,042	-	74,404
Securities purchased under resale agreements	-	156,114	5,691	161,805	-	116,586	6,166	122,752
Loans, receivables and other trading assets	149	9,320	304	9,773	2	10,912	78	10,992
Trading derivatives	**18**	**72,371**	**2,880**	**75,269**	**-**	**73,393**	**3,382**	**76,775**
Interest rate instruments	16	32,794	1,921	34,731	-	32,527	2,477	35,004
Foreign exchange instruments	1	19,597	413	20,011	-	23,826	446	24,272
Equity and index instruments	1	19,212	153	19,366	-	15,411	106	15,517
Commodity instruments	-	66	-	66	-	199	-	199
Credit derivatives	-	374	393	767	-	1,403	353	1,756
Other forward financial instruments	-	328	-	328	-	27	-	27
Financial assets measured mandatorily at fair value through profit or loss	**64,771**	**28,538**	**12,851**	**106,160**	**60,538**	**27,681**	**13,383**	**101,602**
Bonds and other debt securities	20,554	1,707	1,319	23,580	19,645	1,904	864	22,413
Shares and other equity securities	44,217	12,397	10,306	66,920	40,893	11,934	9,929	62,756
Loans, receivables and securities purchased under resale agreements	-	14,434	1,226	15,660	-	13,843	2,590	16,433
Financial assets measured using fair value option through profit or loss	**13,692**	**1,287**	**-**	**14,979**	**13,167**	**1,437**	**-**	**14,604**
Bonds and other debt securities	13,692	29	-	13,721	13,167	202	-	13,369
Loans, receivables and securities purchased under resale agreements	-	21	-	21	-	55	-	55
Separate assets for employee benefit plans	-	1,237	-	1,237	-	1,180	-	1,180
Hedging derivatives	**-**	**31,126**	**-**	**31,126**	**-**	**32,971**	**-**	**32,971**
Interest rate instruments	-	30,817	-	30,817	-	32,672	-	32,672
Foreign exchange instruments	-	301	-	301	-	293	-	293
Equity and index instruments	-	8	-	8	-	6	-	6
Financial assets measured at fair value through other comprehensive income	**88,427**	**1,849**	**280**	**90,556**	**91,518**	**1,162**	**280**	**92,960**
Bonds and other debt securities	88,427	1,849	-	90,276	91,492	1,162	1	92,655
Shares and other equity securities	-	-	264	264	-	-	264	264
Loans and receivables	-	-	16	16	26	-	15	41
Total	**291,401**	**304,503**	**22,140**	**618,044**	**262,187**	**267,448**	**23,447**	**553,082**

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

Table 3.4.B

	30.06.2023				31.12.2022 R			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio (excluding derivatives)	**9,842**	**205,112**	**2,875**	**217,829**	**6,424**	**152,967**	**3,386**	**162,777**
Amounts payable on borrowed securities	-	42,860	7	42,867	8	51,037	56	51,101
Bonds and other debt instruments sold short	7,312	-	6	7,318	5,172	-	14	5,186
Shares and other equity instruments sold short	2,530	-	-	2,530	1,244	-	-	1,244
Securities sold under repurchase agreements	-	160,004	2,857	162,861	-	99,366	3,307	102,673
Borrowings and other trading liabilities	-	2,248	5	2,253	-	2,564	9	2,573
Trading derivatives	**24**	**73,918**	**4,810**	**78,752**	**14**	**68,701**	**3,941**	**72,656**
Interest rate instruments	23	23,287	2,742	26,052	-	21,122	2,662	23,784
Foreign exchange instruments	-	21,298	679	21,977	6	25,046	272	25,324
Equity and index instruments	-	27,169	1,100	28,269	7	20,464	738	21,209
Commodity instruments	-	293	-	293	-	154	-	154
Credit derivatives	-	751	289	1,040	-	1,135	269	1,404
Other forward financial instruments	1	1,120	-	1,121	1	780	-	781
Financial liabilities measured using fair value option through profit or loss	**-**	**48,356**	**35,884**	**84,240**	**-**	**32,071**	**36,671**	**68,742**
Hedging derivatives	**-**	**44,156**	**-**	**44,156**	**-**	**46,164**	**-**	**46,164**
Interest rate instruments	-	43,953	-	43,953	-	45,981	-	45,981
Foreign exchange instruments	-	180	-	180	-	166	-	166
Equity and index instruments	-	23	-	23	-	17	-	17
Total	**9,866**	**371,542**	**43,569**	**424,977**	**6,438**	**299,903**	**43,998**	**350,339**

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Table 3.4.C

(In EUR m)	Balance as at 31.12.2022 R	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 30.06.2023
Trading portfolio (excluding derivatives)	**6,402**	**3,015**	**(1,974)**	**(1,313)**	**7**	**20**	**(26)**	**(2)**	**6,129**
Bonds and other debt securities	158	294	(375)	(11)	7	64	(2)	(1)	134
Securities purchased under resale agreements	6,166	2,497	(1,599)	(1,302)	-	(48)	(23)	-	5,691
Loans, receivables and other trading assets	78	224	-	-	-	4	(1)	(1)	304
Trading derivatives	**3,382**	**38**	**(4)**	**(378)**	**185**	**(278)**	**(65)**	**-**	**2,880**
Interest rate instruments	2,477	-	-	(352)	124	(283)	(45)	-	1,921
Foreign exchange instruments	446	1	-	(2)	2	(19)	(15)	-	413
Equity and index instruments	106	37	(4)	-	-	14	-	-	153
Commodity instruments	-	-	-	-	-	-	-	-	-
Credit derivatives	353	-	-	(24)	59	10	(5)	-	393
Financial assets measured mandatorily at fair value through profit or loss	**13,383**	**754**	**(559)**	**(1,712)**	**85**	**149**	**(34)**	**785**	**12,851**
Bonds and other debt securities	864	10	(3)	-	38	68	-	342	1,319
Shares and other equity securities	9,929	744	(488)	(471)	35	112	2	443	10,306
Loans, receivables and securities purchased under resale agreements	2,590	-	(68)	(1,241)	12	(31)	(36)	-	1,226
Financial assets measured using fair value option through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans, receivables and securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value option through other comprehensive income	**280**	**-**	**(1)**	**-**	**-**	**-**	**1**	**-**	280
Debt instruments	1	-	(1)	-	-	-	-	-	-
Equity instruments	264	-	-	-	-	-	-	-	264
Loans and receivables	15	-	-	-	-	-	1	-	16
Total	**23,447**	**3,807**	**(2,538)**	**(3,403)**	**277**	**(109)**	**(124)**	**783**	**22,140**

FINANCIAL LIABILITIES

Table 3.4.D

(In EUR m)	Balance as at 31.12.2022 R	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 30.06.2023
Trading portfolio (excluding derivatives)	**3,386**	**1,304**	**(969)**	**(292)**	**-**	**(524)**	**(30)**	**-**	**2,875**
Amounts payable on borrowed securities	56	-	-	-	-	(49)	-	-	7
Bonds and other debt instruments sold short	14	-	-	(2)	-	(6)	-	-	6
Securities sold under repurchase agreements	3,307	1,304	(969)	(290)	-	(465)	(30)	-	2,857
Borrowings and other trading liabilities	9	-	-	-	-	(4)	-	-	5
Trading derivatives	**3,941**	**809**	**(227)**	**(440)**	**342**	**697**	**(312)**	**-**	**4,810**
Interest rate instruments	2,662	1	-	(310)	290	400	(301)	-	2,742
Foreign exchange instruments	272	502	(220)	(2)	-	128	(1)	-	679
Equity and index instruments	738	306	(7)	(78)	1	145	(5)	-	1,100
Commodity instruments	-	-	-	-	-	-	-	-	-
Credit derivatives	269	-	-	(50)	51	24	(5)	-	289
Financial liabilities measured using fair value option through profit or loss	**36,671**	**7,732**	**(7,997)**	**(1,562)**	**295**	**1,250**	**(505)**	**-**	**35,884**
Total	**43,998**	**9,845**	**(9,193)**	**(2,294)**	**637**	**1,423**	**(847)**	**-**	**43,569**

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

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices may be adjusted, if they are not available at the balance sheet date in order to incorporate the events that have an impact on prices and occurred after the closing of the stock markets but before the measurement date or in the event of an inactive market.

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

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

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

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

The CVA is determined based on the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data. Since 2021, a system has been in place to identify the new transactions for which CVA/DVA adjustments are significant. These transactions are then classified in Level 3.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publicly distributed, based on a narrow consensus and/or backed up by transaction prices.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For long maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of equity options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable inputs.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date.

The significant unlisted securities and the significant securities listed on an illiquid market will be valued primarily by using a developed valuation method: Discounted Cash Flows (DCF) or Discounted Dividend Model (DDM) and/or Market multiples.

For non-significant unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- proportion of net asset value held;
- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.).

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

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

CUSTOMER LOANS

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

5. ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides, for Level 3 instruments, the ranges of values of the most significant unobservable inputs by main product type.

Table 3.4.E

(In EUR m)

Cash instruments and derivatives	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min.	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	3.2%	196.2%
			Equity dividends	0.0%	15.90%
			Correlations	-72.4%	99.9%
			Hedge fund volatilities	7.6%	7.6%
			Mutual fund volatilities	5.4%	27.8%
Interest rates and Forex	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-67.0%	90.0%
	Forex derivatives	Forex option pricing models	Forex volatilities	1.0%	47.0%
	Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0.0%	20.0%
	Inflation instruments and derivatives	Inflation pricing models	Correlations	72.0%	90.0%
Credit	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0.0%	100.0%
			Recovery rate variance for single name underlyings	0.0%	100.0%
	Other credit derivatives	Credit default models	Time to default correlations	0.0%	100.0%
			Quanto correlations	-50.0%	40.0%
			Credit spreads	0 bps	1,000 bps
Commodities	Derivatives on commodities baskets	Option models on commodities	Correlations	NA	NA
Long term equity investments	Securities held for strategic purposes	Net Book Value / Recent transactions	Not 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.

Table 3.4.F

	30.06.2023	
(In EUR m)	**Assets**	**Liabilities**
Equities/funds	9,160	23,156
Rates and Forex	10,705	20,124
Credit	393	289
Long term equity investments	1,882	-
Total	**22,140**	**43,569**

6. SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

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

To quantify this, fair value sensitivity was estimated at 30 June 2023 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 FAIR VALUE TO A "STANDARDISED" VARIATION IN UNOBSERVABLE INPUTS

Table 3.4.G

	30.06.2023		31.12.2022	
(In EUR m)	**Negative impact**	**Positive impact**	**Negative impact**	**Positive impact**
Shares and other equity instruments and derivatives	**(34)**	**49**	**(30)**	**82**
Equity volatilities	(13)	13	-	5
Dividends	(8)	8	-	20
Correlations	(13)	27	(30)	56
Hedge Fund volatilities	-	0	-	-
Mutual Fund volatilities	(0)	1	(0)	1
Rates or Forex instruments and derivatives	**(13)**	**26**	**(15)**	**28**
Correlations between exchange rates and/or interest rates	(13)	26	(14)	27
Forex volatilities	(0)	0	(1)	1
Constant prepayment rates	-	-	-	-
Inflation/inflation correlations	(0)	0	(0)	0
Credit instruments and derivatives	**(0)**	**3**	**-**	**5**
Time to default correlations	-	0	-	0
Quanto correlations	(0)	3	-	3
Credit spreads	-	0	-	2
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 at the computation date based on a "standardised" variation in inputs. Future variations in fair value cannot be deduced or forecasted 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 amount remaining to be recognised in the income statement due to this difference, less any amounts recorded in the income statement after initial recognition of the instrument.

Table 3.4.H

(In EUR m)	2023
Deferred margin as at 1 January	**1,249**
Deferred margin on new transactions during the period	271
Margin recorded in the income statement during the period	(366)
o/w amortisation	*(222)*
o/w switch to observable inputs	*(12)*
o/w disposed, expired or terminated	*(131)*
Deferred margin as at 30 June	**1,154**

NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES AT AMORTISED COST

IMPACT ON GROUP FINANCIAL ASSETS AND LIABILITIES OF THE FIRST IFRS 9 APPLICATION BY INSURANCE SUBSIDIARIES (SEE NOTE 1)

	31.12.2021	Reclassifications		Reclassified balances	Adjustment of book value related to investments			01.01.2022 R	31.12.2022 R
(In EUR m)		of available for-sale financial assets	others		Reclassification effects	Impairment and provisions for credit risk	Total		
Securities at amortised cost	19,371	4,975	22	24,368	(218)	(1)	(219)	24,149	26,143
Due from banks at amortised cost	55,972		1,232	57,204			-	57,204	68,171
Customer loans and receivables at amortised cost	497,164		69	497,233			-	497,233	506,635
Total	**572,507**	**4,975**	**1,323**	**578,805**	**(218)**	**(1)**	**(219)**	**578,586**	**600,949**

OVERVIEW

Table 3.5.A

	30.06.2023		31.12.2022 R	
(In EUR m)	**Carrying amount**	*o/w impairment*	**Carrying amount**	*o/w impairment*
Due from banks	83,269	*(39)*	68,171	*(39)*
Customer loans	490,421	*(10,410)*	506,635	*(10,634)*
Securities	27,595	*(69)*	26,143	*(63)*
Total	**601,285**	***(10,518)***	**600,949**	***(10,736)***

1. DUE FROM BANKS

Table 3.5.B

(In EUR m)	30.06.2023	31.12.2022 R
Current accounts	41,943	34,672
Deposits and loans	14,067	15,053
Securities purchased under resale agreements	26,891	17,668
Subordinated and participating loans	189	238
Related receivables	287	655
Due from banks before impairments (1)	**83,377**	**68,286**
Credit loss impairments	(39)	(39)
Revaluation of hedged items	(69)	(76)
Total	**83,269**	**68,171**

(1) As at 30 June 2023, the amount due from banks classified as Stage 3 impairment (credit impaired) is EUR 58 million compared to EUR 68 million as at 31 December 2022. 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

Table 3.5.C

(In EUR m)	30.06.2023	31.12.2022 R
Overdrafts	23,366	29,244
Other customer loans	432,784	444,612
Lease financing agreements	30,979	29,499
Securities purchased under resale agreements	9,448	10,159
Related receivables	4,542	4,071
Customer loans before impairments (1)	**501,119**	**517,585**
Credit loss impairments	(10,410)	(10,634)
Revaluation of hedged items	(288)	(316)
Total	**490,421**	**506,635**

(1) As at 30 June 2023, the amount due from customers classified as Stage 3 impairment (credit impaired) is EUR 16,153 million compared to EUR 15,687 million as at 31 December 2022. 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

Table 3.5.F

(In EUR m)	30.06.2023	31.12.2022 R
Government securities	13,942	13,480
Negotiable certificates, bonds and other debt securities	13,607	12,742
Related receivables	287	242
Securities before impairments	**27,836**	**26,464**
Impairment	(69)	(63)
Revaluation of hedged items	(172)	(258)
Total	**27,595**	**26,143**

NOTE 3.6 - DEBTS

1. DUE TO BANKS

Table 3.6.A

(In EUR m)	30.06.2023	31.12.2022 R
Demand deposits and current accounts	11,421	10,455
Overnight deposits and borrowings	1,554	392
Term deposits [(1)]	104,799	120,164
Related payables	927	301
Revaluation of hedged items	(1,810)	(1,933)
Securities sold under repurchase agreements	3,032	3,632
Total	**119,923**	**133,011**

(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).

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 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 at the outset of the Covid-19 crisis. In January 2021, the ECB decided to extend the temporary additional bonus 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 Group subscribed to TLTRO III loans through quarterly drawdowns staggered between December 2019 and December 2021. The residual amount of TLTRO borrowings on the liabilities side of the balance sheet is EUR 33 billion as at 30 June 2023, following the early repayments made in the first semester of 2023 for an amount of EUR 19 billion.

As at 31 December 2021, the Group had already reached its objective of stability of the loans outstanding required to benefit from the reduced interest rate as well as from two additional temporary bonuses applied from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022. The additional bonuses have been qualified for accounting purposes as grants under IAS 20 and the loans as adjustable-rate liabilities under IFRS 9.

On 27 October 2022, the ECB changed the methods for calculating the interest rate relating to the last period of TLTRO III. The effect of these changes resulted in an adjustment of the effective interest rate applied between 23 June 2022 to 22 November 2022 and the implementation of new calculation method from 23 November 2022.

In the first half of 2023, the total amount of interest and subsidies on TLTRO loans is a net expense of EUR 0.6 billion (EUR 0.2 billion recorded as Interest and similar income in the first half of 2022); this amount includes the immediate registration of bonuses not yet recognised on the early repaid loans.

2. CUSTOMER DEPOSITS

Table 3.6.B

(In EUR m)	30.06.2023	31.12.2022
Regulated savings accounts	120,863	111,496
Demand	*96,136*	*86,368*
Term	*24,727*	*25,128*
Other demand deposits [1]	271,461	295,933
Other term deposits [1]	143,652	115,651
Related payables	2,601	876
Revaluation of hedged items	(97)	(89)
Total customer deposits	**538,480**	**523,867**
Securities sold to customers under repurchase agreements	8,175	6,897
Total	**546,655**	**530,764**

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

3. DEBT SECURITIES ISSUED

Table 3.6.D

(In EUR m)	30.06.2023	31.12.2022
Term savings certificates	201	230
Bond borrowings	27,934	25,974
Interbank certificates and negotiable debt instruments	126,425	110,543
Related payables	1,044	635
Revaluation of hedged items	(4,284)	(4,206)
Total	**151,320**	**133,176**
o/w floating-rate securities	*83,863*	*77,220*

NOTE 3.7 - INTEREST INCOME AND EXPENSE

Table 3.7.A

	1st semester of 2023			2022 R			1st semester of 2022 R		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Financial instruments at amortised cost	14,834	(11,152)	3,682	17,546	(8,845)	8,701	7,248	(3,129)	4,119
Central banks	*2,842*	*(164)*	*2,678*	*1,255*	*(306)*	*949*	*212*	*(210)*	*2*
Bonds and other debt securities	*549*	*(1,793)*	*(1,244)*	*620*	*(1,690)*	*(1,070)*	*271*	*(813)*	*(542)*
Due from/to banks (1)	*2,031*	*(3,099)*	*(1,068)*	*1,935*	*(1,737)*	*198*	*708*	*(433)*	*275*
Customer loans and deposits	*8,332*	*(5,341)*	*2,991*	*12,172*	*(3,917)*	*8,255*	*5,309*	*(1,178)*	*4,131*
Subordinated debt	*-*	*(340)*	*(340)*	*-*	*(641)*	*(641)*	*-*	*(294)*	*(294)*
Securities lending/borrowing	*4*	*(9)*	*(5)*	*42*	*(14)*	*28*	*42*	*(6)*	*36*
Repo transactions	*1,076*	*(406)*	*670*	*1,522*	*(540)*	*982*	*706*	*(195)*	*511*
Hedging derivatives	9,116	(9,335)	(219)	9,739	(8,737)	1,002	4,522	(3,630)	892
Financial instruments at fair value through other comprehensive income (2)	1,241	(110)	1,131	2,208	(277)	1,931	1,043	(429)	614
Lease agreements	543	(22)	521	852	(37)	815	417	(18)	399
Real estate lease agreements	*138*	*(22)*	*116*	*181*	*(37)*	*144*	*81*	*(18)*	*63*
Non-real estate lease agreements	*405*	*-*	*405*	*671*	*-*	*671*	*336*	*-*	*336*
Subtotal interest income/expense on financial instruments using the effective interest method	**25,734**	**(20,619)**	**5,115**	**30,345**	**(17,896)**	**12,449**	**13,230**	**(7,206)**	**6,024**
Financial instruments mandatorily at fair value through profit or loss	576	(2)	574	393	(1)	392	235	-	235
Total Interest income and expense	**26,310**	**(20,621)**	**5,689**	**30,738**	**(17,897)**	**12,841**	**13,465**	**(7,206)**	**6,259**
o/w interest income from impaired financial assets	*129*	*-*	*129*	*250*	*-*	*250*	*123*	*-*	*123*

(1) In 2022, negative interest on TLTRO borrowings is recorded under income due from/to banks (see Note 3.6).

(2) Including EUR 665 million for insurance subsidiaries in 1st semester 2023 (EUR 1,411 million in 2022 and EUR 695 million in the first semester 2022). This amount must be read together with the financial income and expenses of insurance contracts (see Note 4.3, Table 4.3.C).

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

METHOD FOR ESTIMATING EXPECTED CREDIT LOSSES

The method for calculating the impairment and provisions for expected credit losses in Stage 1 and Stage 2 was developed in the Basel framework which served as a basis for selecting the methods for evaluating the calculation parameters (probability of default and credit loss rate for the amounts outstanding under an advanced Basel approach - IRBA and IRBF - and provisioning rate for the amounts outstanding under the standardised Basel approach).

The Group's portfolios have been segmented in order to ensure homogeneousness of the risk characteristics and a better correlation with the macroeconomic variables, both worldwide and local. This segmentation allows for all the Group's specificities to be processed. It is consistent with or similar to the one specified in the Basel framework in order to ensure the uniqueness of the historical records of defaults and losses.

The measurement of expected credit losses is performed based on the parameters mentioned below, supplemented with the internal analyses relating to the credit quality of each counterparty, individually or statistically.

GEOPOLITICAL CRISES AND MACROECONOMIC CONTEXT

For the first half-year, the Group revised the parameters used in the models based on the updated macroeconomic scenarios which take account of the recent economic developments and macroeconomic impacts related to the war in Ukraine (see Note 1).

To account for the uncertainties related to the war in Ukraine and the macroeconomic context, the Group updated, as at 30 June 2023, the model and post-model adjustments as described in the 2023 Universal Registration Document.

The effects of the model and post-model adjustments in the determination of expected credit losses are described hereinafter.

UPDATE OF THE MODELS AND IMPACT ON THE ESTIMATION OF EXPECTED CREDIT LOSSES

As at 30 June 2023, the updates of macroeconomic variables and probabilities of default and of the weighting of the scenarios have resulted in a EUR 64 million decrease in the amount of impairment and provisions for credit risk (EUR 10 million decrease for the 2022 financial year).

The impact of the revision of the macroeconomic variables and probabilities of default is a EUR 49 million decrease, the impact of the update of the weighting of the macroeconomic scenarios described in Note 1 is a EUR 15 million decrease.

Furthermore, owing to the geopolitical context related to the war in Ukraine, all our Russian counterparties including residual exposures on Rosbank (EUR 2.1 billion as at 31 December 2022) have been classified as "sensitive" (concept of watch list) from the beginning of the conflict and the associated outstanding loans have been transferred to Stage 2 as at 30 June 2023, they amount to EUR 1.8 billion including the Rosbank residual exposures. Further analysis has resulted in the identification amidst this population of the outstanding loans that have to be transferred to Stage 3, from the beginning of the war in Ukraine (EUR 0.6 billion including 0.1 billion for the first half of 2023). The impact of these transfers on the calculation of expected credit loses amounts to EUR 394 million as at 30 June 2023 (including the additional adjustment detailed in the "Other adjustments" sub-section).

Adjustments supplementing the application of the models

Sectoral adjustments

The Group may supplement the models with two types of sectoral adjustments: the first one relates to the possible revision of the estimate of expected credit losses (with no impact on the classification of the outstanding exposures) of some sectors; the second, put in place since 2020 in relation to the Covid-19 crisis and applicable only to certain outstandings, supplements the analysis of the increase in credit risk and may result in additional transfers to Stage 2.

Specific criterion: estimation of expected credit losses

The different estimation models of expected credit losses may be supplemented with sectoral adjustments that will increase or decrease the amount of expected credit losses. These adjustments enable us to better anticipate the default/recovery cycle in some sectors with a cyclical business which have been subject to peaks of default in the past or which are most exposed to the current crises and on which the Group's exposure exceeds a threshold that is annually reviewed and set by the Risk Division.

These sectoral adjustments are examined and updated quarterly by the Risk Division and validated according to materiality thresholds by the General Management.

The major sectors concerned as at 30 June 2023 are commercial real-estate, non-food retail, hotels, restaurants, leisure, oil and gas, cruise operators and airlines, and construction (which was also concerned as at 31 December 2022 to a lesser extent).

The total sectoral adjustments thus amount to EUR 781 million as at 30 June 2023 (EUR 741 million as at 31 December 2022). This increase is mainly due to an increase in the commercial real-estate and non-food retail sectors, the future circumstances of which are deteriorating owing to multiple factors, such as the difficult situation on the real estate market, the effects of inflation and the changes in purchasing behaviours. These increases are partly offset by a decrease in the oil and gas sector.

The specific adjustments implemented in 2022 to take account of the impact of raw materials/commodities/energy supply issues as a result of the war in Ukraine and of the impact of a lasting stagflation on the most exposed sectors have been maintained in 2023.

Additional criterion for transfer to Stage 2

Since 2020 and the start of the Covid-19 crisis, in addition to the transfer criteria for transfer as under-performing assets to Stage 2, applied at an individual level, further analysis based on expert opinion has been carried out at the level of the outstanding portfolios existing at the end of that year 2020 and for which the increase in credit risk since granting was considered significant. The subsequent productions are not concerned by these measures. This analysis performed half-yearly, in accordance with the governance set up during the Covid-19 crisis, resulted in additional transfers to underperforming loans classified as Stage 2 using a collective approach for all the loans of the sectors regarded by the Group as being most impacted by the Covid-19 crisis and granted before the crisis. As at 30 June 2023, the only sector still concerned is the Shipbuilding, aircraft and rail construction sector. For the loans concerned, in addition to these transfers to Stage 2, the provision estimate is made taking account of the sectoral adjustments (described above) that should have been applied.

This adjustment amounts to EUR 3 million as at 30 June 2023 (EUR 17 million as at 31 December 2022).

Other adjustments

Adjustments based on expert opinion have also been made to reflect the deterioration in credit risk on some portfolios when this deterioration has not been observed through a line-by-line analysis of the outstanding stock:

- for the scope of entities that have not developed models enabling them to estimate the correlations between macroeconomic variables and default rate; and
- for the scopes on which models have been developed but cannot reflect future risks not observed in the past.

These adjustments amount to EUR 731 million as at 30 June 2023 (EUR 796 million as at 31 December 2022). This change results from the account taken of:

- the specific risk on the portfolio of offshore loans to Russian corporate customers resulting from the geopolitical situation;
- the risks arising from the specific economic context, such as the higher inflation and interest rates, regarding fragile customers and the most exposed portfolios, as such risks are not taken into account in the models.

1. OVERVIEW

In accordance with the application of IFRS 9 "Financial instruments" by the insurance subsidiaries (see Note 1), the impairments and provisions of these subsidiaries are included in the tables below.

Since 2022, the measurement adopted is the accounting outstanding amounts (Balance Sheet and Off-Balance Sheet). For the sake of rationalisation, all the quantitative information related to credit risk is presented in this Note.

PRESENTATION OF BALANCE SHEET AND OFF-BALANCE SHEET OUTSTANDING AMOUNTS

Table 3.8.A

(In EUR m)		30.06.2023	31.12.2022 R
Debt instruments at fair value through other comprehensive income	Note 3.3	90,292	92,696
Securities at amortised cost	Note 3.5	27,595	26,143
Due from banks at amortised cost	Note 3.5	83,269	68,171
Due from central banks (1)		212,999	204,553
Customer loans at amortised cost	Note 3.5	490,421	506,635
Guarantee deposits paid	Note 4.4	52,440	67,768
Others		6,409	4,175
o/w other miscellaneous receivables bearing credit risk	*Note 4.4*	*6,110*	*3,913*
o/w due from clearing houses bearing credit risk	*Note 4.4*	*299*	*262*
Net value of accounting outstanding amounts on balance sheet		**963,425**	**970,141**
Impairment of loans at amortised cost	Note 3.8	10,817	11,031
Gross value of accounting outstanding amounts on balance sheet		**974,242**	**981,172**
Financing commitments		215,630	216,573
Guarantee commitments		81,195	94,727
Gross value of off balance-sheet accounting amounts		**296,825**	**311,300**
Total of accounting amounts (balance-sheet and off balance-sheet)		**1,271,067**	**1,292,472**

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

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

Table 3.8.B

	30.06.2023				31.12.2022 R			
	Group without Insurance activities		Insurance		Group without Insurance activities		Insurance	
(In EUR m)	Outstanding amounts	Impairment /provisions	Outstanding amounts	Impairment /provisions	Outstanding amounts	Impairment /provisions	Outstanding amounts	Impairment /provisions
Financial assets at fair value through other comprehensive income	**37,422**	**3**	**52,870**	**17**	**37,199**	**8**	**55,497**	**20**
Performing assets outstanding (Stage 1)	37,420	1	51,632	5	37,192	1	54,445	5
Underperforming assets outstanding (Stage 2)	2	2	1,232	12	1	1	1,046	15
Doubtful assets outstanding (Stage 3)	-	-	6	-	6	6	6	-
Financial assets at amortised cost (1)	**876,916**	**10,817**	**7,034**	**-**	**881,771**	**11,031**	**6,705**	**-**
Performing assets outstanding (Stage 1)	818,284	1,059	6,961	-	820,736	1,042	6,634	-
Underperforming assets outstanding (Stage 2)	41,862	2,047	73	-	44,689	2,134	71	-
Doubtful assets outstanding (Stage 3)	16,770	7,711	-	-	16,346	7,855	-	-
o/w lease financing	***30,979***	***875***	**-**	**-**	***29,500***	***896***	**-**	**-**
Performing assets outstanding (Stage 1)	*24,639*	*125*	-	-	*24,340*	*110*	-	-
Underperforming assets outstanding (Stage 2)	*4,651*	*158*	-	-	*3,536*	*169*	-	-
Doubtful assets outstanding (Stage 3)	*1,689*	*592*	-	-	*1,624*	*617*	-	-
Financing commitments	**215,629**	**467**	**1**	**-**	**216,571**	**467**	**2**	**-**
Performing assets outstanding (Stage 1)	197,736	171	1	-	204,724	166	2	-
Underperforming assets outstanding (Stage 2)	17,545	251	-	-	11,564	251	-	-
Doubtful assets outstanding (Stage 3)	348	45	-	-	283	50	-	-
Guarantee commitments	**81,195**	**411**	**-**	**-**	**94,727**	**431**	**-**	**-**
Performing assets outstanding (Stage 1)	76,334	57	-	-	90,332	57	-	-
Underperforming assets outstanding (Stage 2)	4,210	108	-	-	3,716	116	-	-
Doubtful assets outstanding (Stage 3)	651	246	-	-	679	258	-	-
Total of accounting amounts (balance-sheet and off balance-sheet)	**1,211,162**	**11,698**	**59,905**	**17**	**1,230,268**	**11,937**	**62,204**	**20**

(1) Including Central Banks for EUR 212,999 million as at 30 June 2023 (versus EUR 204,553 million as at 31 December 2022).

In order to disclose its exposure to credit risk, the Group has decided to tabulate its assets outstanding and impairment by stage of impairment of the financial assets at amortised cost by Basel category, by geographical area, and by rating of the counterparty. Due to the absence of significant exposure to credit risk for insurance activities, assets measured at fair value through other comprehensive income as well as for financing and guarantee commitments, this information is not presented below.

GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: OUTSTANDING AMOUNTS AND IMPAIRMENTS BY BASEL PORTFOLIO

Table 3.8.C

	30.06.2023							
	Assets at amortised cost				Impairment			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	250,446	4,572	120	**255,138**	6	2	79	**87**
Institutions	140,097	465	74	**140,636**	8	-	25	**33**
Corporates	233,847	19,353	9,379	**262,579**	603	1,343	3,999	**5,945**
o/w SME	*43,214*	*5,500*	*3,477*	***52,191***	*199*	*339*	*1,799*	***2,337***
Retail	192,598	17,430	7,180	**217,208**	440	700	3,601	**4,741**
o/w VSB	*24,650*	*2,970*	*2,489*	***30,109***	*110*	*265*	*1,347*	***1,722***
Others	1,296	42	17	**1,355**	2	2	7	**11**
Total	**818,284**	**41,862**	**16,770**	**876,916**	**1,059**	**2,047**	**7,711**	**10,817**

Table 3.8.D

	31.12.2022							
	Assets at amortised cost				Impairment			
(In EUR m)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign *	232,527	291	215	**233,033**	6	2	77	**85**
Institutions *	161,523	592	53	**162,168**	8	2	24	**34**
Corporates *	234,572	20,367	9,221	**264,160**	619	1,399	4,260	**6,278**
*o/w SME **	*42,271*	*5,666*	*3,581*	***51,518***	*226*	*318*	*1,829*	***2,373***
Retail	190,709	23,391	6,841	**220,941**	406	728	3,488	**4,622**
o/w VSB	*23,972*	*4,746*	*2,343*	***31,061***	*95*	*271*	*1,306*	***1,672***
Others *	1,405	48	16	**1,469**	3	3	6	**12**
Total	**820,736**	**44,689**	**16,346**	**881,771**	**1,042**	**2,134**	**7,855**	**11,031**

* *Amounts restated compared to the financial statements published for 2022.*

The financial assets measured at fair value through other comprehensive income mainly correspond to cash management for own account and to the management of the portfolio of HQLA (High Quality Liquid Assets) securities included in the liquidity reserves. These assets mainly correspond to Sovereigns classified in Stage 1.

The financing and guarantee commitments mainly correspond to outstanding amounts not drawn by Corporate customers. These assets are mainly classified in Stage 1.

GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: OUTSTANDING AMOUNTS AND IMPAIRMENTS BY GEOGRAPHICAL ZONE

The geographic area chosen corresponds to the country of the counterparty. When this information is unavailable, it is the country of the issuing entity that is used.

Table 3.8.E

	30.06.2023							
	Assets at amortised cost				Impairment			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	433,919	18,795	8,659	**461,373**	516	1,105	3,313	**4,934**
Western European countries (excl. France)	141,096	11,264	1,777	**154,137**	209	267	812	**1,288**
Eastern European countries EU	61,211	6,463	1,005	**68,679**	145	263	575	**983**
Eastern Europe excluding EU	3,334	1,432	562	**5,328**	2	138	131	**271**
North America	99,616	1,412	325	**101,353**	18	84	56	**158**
Latin America and Caribbean	6,461	536	368	**7,365**	3	9	100	**112**
Asia-Pacific	35,372	151	492	**36,015**	13	3	244	**260**
Africa and Middle East	37,275	1,809	3,582	**42,666**	153	178	2,480	**2,811**
Total	**818,284**	**41,862**	**16,770**	**876,916**	**1,059**	**2,047**	**7,711**	**10,817**

Over 80% of all financing and guarantee commitments have Western Europe, North America or France as their country of counterparty.

Table 3.8.F

	31.12.2022							
	Assets at amortised cost				Impairment			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	442,513	26,042	8,054	**476,609**	480	1,166	3,240	**4,886**
Western European countries (excl. France)	157,496	5,569	1,695	**164,760**	220	273	767	**1,260**
Eastern European countries EU	51,781	6,455	1,088	**59,324**	144	256	640	**1,040**
Eastern Europe excluding EU	2,945	2,032	524	**5,501**	2	149	121	**272**
North America	82,014	1,479	165	**83,658**	21	113	43	**177**
Latin America and Caribbean	5,757	472	319	**6,548**	5	11	88	**104**
Asia-Pacific	37,999	616	572	**39,187**	14	6	258	**278**
Africa and Middle East	40,231	2,024	3,929	**46,184**	156	160	2,698	**3,014**
Total	**820,736**	**44,689**	**16,346**	**881,771**	**1,042**	**2,134**	**7,855**	**11,031**

GROUP ASSETS AT AMORTISED COST WITHOUT INSURANCE ACTIVITIES: SUBJECT TO IMPAIRMENT AND PROVISIONS BY RATING OF COUNTERPARTY [1]

Classification in Stage 1 or Stage 2 does not depend on the absolute probability of default but on the elements that make it possible to assess the significant increase in credit risk, including the relative change in the probability of default since initial recognition. Therefore, there is no direct relationship between the counterparty rating, presented in the table below, and the classification by stage of impairment.

Table 3.8.G

	30.06.2023							
	Assets at amortised cost				Impairment			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	73,384	903	-	**74,287**	1	3	-	**4**
2	182,845	5,460	-	**188,305**	3	6	-	**9**
3	48,747	526	-	**49,273**	8	4	-	**12**
4	86,184	850	-	**87,034**	68	11	-	**79**
5	84,850	3,607	-	**88,457**	248	103	-	**351**
6	23,148	8,988	-	**32,136**	179	571	-	**750**
7	3,036	5,302	-	**8,338**	18	433	-	**451**
Default (8, 9, 10)	-	-	9,294	**9,294**	-	-	3,952	**3,952**
Other method	316,090	16,226	7,476	**339,792**	534	916	3,759	**5,209**
Total	**818,284**	**41,862**	**16,770**	**876,916**	**1,059**	**2,047**	**7,711**	**10,817**

(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.

Table 3.8.H

	31.12.2022							
	Outstanding amounts				Impairment			
(In EUR m)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	59,826	874	-	**60,700**	1	3	-	**4**
2	186,818	889	-	**187,707**	4	5	-	**9**
3	50,465	622	-	**51,087**	8	5	-	**13**
4	85,773	1,431	-	**87,204**	69	15	-	**84**
5	84,343	4,322	-	**88,665**	246	146	-	**392**
6	22,694	10,044	-	**32,738**	186	532	-	**718**
7	2,832	7,082	-	**9,914**	21	445	-	**466**
Default (8, 9, 10)	-	-	9,378	**9,378**	-	-	4,071	**4,071**
Other method	327,985	19,425	6,968	**354,378**	507	983	3,784	**5,274**
Total	**820,736**	**44,689**	**16,346**	**881,771**	**1,042**	**2,134**	**7,855**	**11,031**

(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.

2. IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN

In accordance with the application of IFRS 9 “Financial instruments” by the insurance subsidiaries (see Note 1), the impairment booked in these subsidiaries is presented below.

Table 3.8.I

(In EUR m)	**Amount as at 31.12.2022 R**	Allocations	Write-backs available	**Net impairment losses**	**Write-backs used**	**Currency and scope effects**	**Amount as at 30.06.2023**
Financial assets at fair value through other comprehensive income							
Impairment on performing assets outstanding (Stage 1)	6	17	(17)	-		-	6
Impairment on underperforming assets outstanding (Stage 2)	16	1	(3)	(2)		-	14
Impairment on doubtful assets outstanding (Stage 3)	6	-	(6)	(6)	-	-	-
Total	**28**	**18**	**(26)**	**(8)**	**-**	**-**	**20**
Financial assets measured at amortised cost	-	-	-	-	-	-	-
Impairment on performing assets outstanding (Stage 1)	1,042	471	(464)	7		10	1,059
Impairment on underperforming assets outstanding (Stage 2)	2,134	897	(981)	(84)		(3)	2,047
Impairment on doubtful assets outstanding (Stage 3)	7,855	2,028	(1,581)	447	(387)	(204)	7,711
Total	**11,031**	**3,396**	**(3,026)**	**370**	**(387)**	**(197)**	**10,817**
o/w lease financing and similar agreements	***896***	***226***	***(217)***	***9***	***(52)***	***22***	***875***
Impairment on performing assets outstanding (Stage 1)	*110*	*46*	*(33)*	*13*		*2*	*125*
Impairment on underperforming assets outstanding (Stage 2)	*169*	*53*	*(75)*	*(22)*		*11*	*158*
Impairment on doubtful assets outstanding (Stage 3)	*617*	*127*	*(109)*	*18*	*(52)*	*9*	*592*

GROUP VARIATIONS OF IMPAIREMENT WITHOUT INSURANCE ACTIVITIES ACCORDING TO CHANGES IN THE AMOUNT OF FINANCIAL ASSETS AT AMORTISED COST

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

<u>Table 3.8.J</u>

(In EUR m)	Stage 1	*Of which lease financing receivables*	Stage 2	*Of which lease financing receivables*	Stage 3	*Of which lease financing receivables*	**Total**
Amount as at 31.12.2022	1,042	*110*	2,134	*169*	7,855	*617*	**11,031**
Production & Acquisition [(1)]	198	*19*	84	*5*	72	*2*	**354**
Derecognition [(2)]	(108)	*(5)*	(113)	-	(255)	*(58)*	**(476)**
Transfer from stage 1 to stage 2 [(3)]	(40)	*(4)*	362	*30*	-	-	**322**
Transfer from stage 2 to stage 1 [(3)]	26	*3*	(223)	*(21)*	-	-	**(197)**
Transfer to stage 3 [(3)]	(7)	*(1)*	(128)	*(11)*	522	*59*	**387**
Transfer from stage 3 [(3)]	1	-	34	*3*	(125)	*(14)*	**(90)**
Allocations & Write-backs without stage transfer [(3)]	(40)	*2*	(104)	*(24)*	(134)	*(48)*	**(278)**
Currency effect	-	-	(2)	-	24	*6*	**22**
Scope effect	(9)	-	8	*11*	(250)	*23*	**(251)**
Other variations	(4)	-	(5)	*(4)*	2	*5*	**(7)**
Amount as at 30.06.2023	**1,059**	***124***	**2,047**	***158***	**7,711**	***592***	**10,817**

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

(2) Including repayments, disposals and debt waivers.

(3) The amounts presented in the 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 OF THE GROUP WITHOUT INSURANCE ACTIVITIES AS AT 30 JUNE 2023

The amounts presented in the transfers below include variations due to amortisation and new drawdowns on the contracts active during the financial year.

To describe the transfers between steps:

- The starting stage corresponds to the stage of the outstanding balance as at 31 December of the previous year.
- The end stage corresponds to the stage of the outstanding balance at the end of the financial year (even in the event of several changes during the financial year).

Table 3.8.K

	Stage 1		Stage 2		Stage 3		**Stock of outstanding assets transferred as at 30 June**	**Stock of impairment associated with transferred outstanding amounts**
(In EUR m)	Outstanding amounts	Impairment	Outstanding amounts	Impairment	Outstanding amounts	Impairment		
Transfer from Stage 1 to Stage 2	(12,110)	(40)	8,300	361	-	-	**8,300**	**361**
Transfer from Stage 2 to Stage 1	11,301	26	(12,785)	(223)	-	-	**11,301**	**26**
Transfer from Stage 3 to Stage 1	179	1	-	-	(271)	(40)	**179**	**1**
Transfer from Stage 3 to Stage 2	-	-	509	34	(489)	(85)	**509**	**34**
Transfer from Stage 1 to Stage 3	(1,132)	(7)	-	-	1,083	235	**1,083**	**235**
Transfer from Stage 2 to Stage 3	-	-	(1,384)	(128)	1,427	287	**1,427**	**287**
Currency effect on contracts that change Stage	-	-	(10)	-	(7)	1	**(17)**	**1**

3. CREDIT RISK PROVISIONS

BREAKDOWN

In accordance with the application of IFRS 9 “Financial instruments” by the insurance subsidiaries (see Note 1), the provisions of these subsidiaries are presented below.

Table 3.8.L

(In EUR m)	**Amount as at 31.21.2022**	Allocations	Write-backs available	**Net impairment losses**	**Currency and scope effects**	**Amount as at 30.06.2023**
Financing commitments						
Provisions on performing commitments outstanding (Stage 1)	166	95	(93)	2	3	171
Provisions on underperforming commitments outstanding (Stage 2)	251	127	(127)	-	-	251
Provisions on doubtful commitments outstanding (Stage 3)	50	25	(54)	(29)	24	45
Total	**467**	**247**	**(274)**	**(27)**	**27**	**467**
Guarantee commitments						
Provisions on performing commitments outstanding (Stage 1)	57	30	(27)	3	(3)	57
Provisions on underperforming commitments outstanding (Stage 2)	116	28	(33)	(5)	(3)	108
Provisions on doubtful commitments outstanding (Stage 3)	258	43	(32)	11	(23)	246
Total	**431**	**101**	**(92)**	**9**	**(29)**	**411**

GROUP VARIATIONS OF PROVISIONS WITHOUT INSURANCE ACTIVITIES ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

Due to lack of significant variations of provisions on the financing and guarantee commitments of insurance activities, this information is not presented in the table below.

Table 3.8.M

	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 31.12.2022	166	251	50	**467**	57	116	258	**431**	**898**
Production & Acquisition [1]	34	8	7	**49**	17	9	33	**59**	**108**
Derecognition [2]	(30)	(2)	(9)	**(41)**	(13)	(13)	(31)	**(57)**	**(98)**
Transfer from stage 1 to stage 2 [3]	(5)	26	-	**21**	(1)	9	-	**8**	**29**
Transfer from stage 2 to stage 1 [3]	4	(17)	-	**(13)**	1	(6)	-	**(5)**	**(18)**
Transfer to stage 3 [3]	-	(5)	1	**(4)**	-	(1)	12	**11**	**7**
Transfer from stage 3 [3]	-	-	(1)	**(1)**	-	-	(5)	**(5)**	**(6)**
Allocations & Write-backs without stage transfer [3]	2	(21)	(2)	**(21)**	(4)	(6)	(27)	**(37)**	**(58)**
Currency effect	-	(1)	-	**(1)**	-	-	1	**1**	**-**
Scope effect	-	-	-	**-**	-	-	-	**-**	**-**
Other variations	-	12	(1)	**11**	-	-	5	**5**	**16**
Amount as at 30.06.2023	**171**	**251**	**45**	**467**	**57**	**108**	**246**	**411**	**878**

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

(2) Including repayments, disposals and debt waivers.

(3) The 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 OF THE GROUP WITHOUT INSURANCE ACTIVITIES FOR THE PERIOD

The amounts presented in the transfers hereinafter include new drawdowns on the contracts active during the financial year.

To describe the transfers between steps:

- The starting stage corresponds to the stage of the outstanding balance as on 31 December of the previous year.
- The end stage corresponds to the stage of the outstanding balance at the end of the financial year (even in the event of several changes during the financial year).

Table 3.8.N

	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	**Stock of outstanding commitments transferred as at 30 June**	**Stock of provisions associated with transferred outstanding amounts**
Transfer from Stage 1 to Stage 2	(1,649)	(5)	1,280	27	-	-	**1,280**	**27**
Transfer from Stage 2 to Stage 1	1,139	4	(1,223)	(17)	-	-	**1,139**	**4**
Transfer from Stage 3 to Stage 1	11	-	-	-	(7)	-	**11**	**-**
Transfer from Stage 3 to Stage 2	-	-	10	-	(17)	(1)	**10**	**-**
Transfer from Stage 1 to Stage 3	(26)	-	-	-	22	-	**22**	**-**
Transfer from Stage 2 to Stage 3	-	-	(175)	(5)	15	1	**15**	**1**
Currency effect on contracts that change Stage	(3)	-	(12)	-	-	-	**(15)**	**-**

Table 3.8.O

	Guarantee 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	**Stock of outstanding commitments transferred as at 30 June**	**Stock of provisions associated with transferred outstanding amounts**
Transfer from Stage 1 to Stage 2	(1,180)	(1)	973	9	-	-	**973**	**9**
Transfer from Stage 2 to Stage 1	421	1	(500)	(6)	-	-	**421**	**1**
Transfer from Stage 3 to Stage 1	5	-	-	-	(3)	-	**5**	**-**
Transfer from Stage 3 to Stage 2	-	-	18	-	(26)	(5)	**18**	**-**
Transfer from Stage 1 to Stage 3	(25)	-	-	-	27	3	**27**	**3**
Transfer from Stage 2 to Stage 3	-	-	(41)	(1)	38	9	**38**	**9**
Currency effect on contracts that change Stage	(2)	-	-	-	-	-	**(2)**	**-**

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

The variation in credit risk impairment and provisions since 31 December 2022 is mainly linked to:

- Covered losses on Stage 3 loans (EUR 387 million) included in the line derecognition. This is in line with the Group strategy for monitoring non-performing loans (NPL), which leads to write-offs and sales of defaulted exposures.

  Uncovered losses amount to EUR 90 million.

- Transfer of loans to Stage 3 due to default for EUR 2.6 billion of outstanding amounts. This transfer resulted in an increase in impairment and provisions of EUR 394 million.

  Particularly, this variation concerns:
  - EUR 1.1 billion of outstanding amounts for which the impairment and provisions amount to EUR 232 million as at 30 June 2023. These contracts were in Stage 1 as at 31 December 2022;
  - EUR 1.5 billion of outstanding amounts for which the impairment and provisions amount to EUR 162 million as at 30 June 2023. These contracts were in Stage 2 as at 31 December 2022.

- Transfer of loans to Stage 2 due to downgraded ratings, transfer to “sensitive” or 30 days overdue for EUR 10.5 billion. This transfer resulted in an increase in impairment and provisions of EUR 351 million.

- The acquisition of LeasePlan resulted an increase in impairment and provisions of EUR 39 million, included in the line Scope effect.

- IFRS 5 entities classified as held for sale during the first semester 2023. This classification resulted a decrease in impairment and provisions of EUR 290 million, included in the line Scope effect.

5. COST OF CREDIT RISK

SUMMARY

Table 3.8.P

(In EUR m)	1st semester of 2023	2022 R	1st semester of 2022 R
Cost of credit risk of financial assets from insurance activities	3	1	(1)
Cost of credit risk	(348)	(1,647)	(778)
Total	**(345)**	**(1,646)**	**(779)**

Following the application of IFRS 9 “Financial instruments” by the insurance subsidiaries (see Note 1), the cost of credit risk for these subsidiaries is also presented below.

Table 3.8.Q

(In EUR m)	1st semester of 2023	2022 R	1st semester of 2022 R
Net allocation to impairment losses	(362)	(1,464)	(751)
On financial assets at fair value through other comprehensive income	*8*	*-*	*(1)*
On financial assets at amortised cost	*(370)*	*(1,464)*	*(750)*
Net allocations to provisions	18	(23)	31
On financing commitments	*27*	*(10)*	*37*
On guarantee commitments	*(9)*	*(13)*	*(6)*
Losses not covered on irrecoverable loans	(90)	(318)	(117)
Amounts recovered on irrecoverable loans	102	132	62
Effect from guarantee not taken into account for the calculation of impairment	(13)	27	(4)
Total	**(345)**	**(1,646)**	**(779)**
o/w cost of credit risk on performing outstanding classified in Stage 1	*(17)*	*(58)*	*(35)*
o/w cost of credit risk on underperforming loans classified in Stage 2	*82*	*(618)*	*(273)*
o/w cost of credit risk on doubtful outstanding classified in Stage 3	*(410)*	*(970)*	*(471)*

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

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

Table 3.9.A

	30.06.2023	
(In EUR m)	**Carrying amount**	**Fair value**
Due from banks	83,269	83,235
Customer loans	490,421	463,296
Debt securities	27,595	26,895
Total	**601,285**	**573,426**

Table 3.9.B

	31.12.2022 R	
(In EUR m)	**Carrying amount**	**Fair value**
Due from banks	68,171	67,964
Customer loans	506,635	480,914
Debt Securities	26,143	25,285
Total	**600,949**	**574,163**

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Table 3.9.C

	30.06.2023	
(In EUR m)	**Carrying amount**	**Fair value**
Due to banks	119,923	119,893
Customer deposits	546,655	545,073
Debt securities issued	151,320	149,471
Subordinated debt	15,158	15,241
Total	**833,056**	**829,678**

Table 3.9.D

	31.12.2022 R	
(In EUR m)	**Carrying amount**	**Fair value**
Due to banks	133,011	133,009
Customer deposits	530,764	529,099
Debt securities issued	133,176	131,290
Subordinated debt	15,948	15,949
Total	**812,899**	**809,347**

In a context of rising interest rates, financial assets, unlike financial liabilities, have a fair value significantly lower than their book value. This asymmetry can be explained in particular by the fact that financial liabilities, relating to Debts to customers, mainly include significant demand deposits.

Since the contractual maturity of these deposits is immediate, the discounting effect is nil and their fair value is equal to their nominal amount.

NOTE 4 - OTHER ACTIVITIES

NOTE 4.1 - FEE INCOME AND EXPENSE

Table 4.1.A

	1st semester of 2023			2022 R			1st semester of 2022 R		
(In EUR m)	Income	Expense	Net	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**64**	**(63)**	**1**	**133**	**(110)**	**23**	**70**	**(49)**	**21**
Transactions with customers	**1,474**		**1,474**	**3,088**		**3,088**	**1,537**		**1,537**
Financial instruments operations	**1,572**	**(1,512)**	**60**	**2,475**	**(2,447)**	**28**	**1,227**	**(1,227)**	**-**
Securities transactions	416	(681)	(265)	495	(1,008)	(513)	265	(534)	(269)
Primary market transactions	160		160	162		162	78		78
Foreign exchange transactions and financial derivatives	996	(831)	165	1,818	(1,439)	379	884	(693)	191
Loan and guarantee commitments	**496**	**(225)**	**271**	**974**	**(424)**	**550**	**469**	**(187)**	**282**
Various services	**1,258**	**(416)**	**842**	**2,730**	**(1,202)**	**1,528**	**1,380**	**(623)**	**757**
Asset management fees	144		144	329		329	155		155
Means of payment fees	512		512	1,072		1,072	524		524
Insurance product fees	86		86	236		236	124		124
Underwriting fees of UCITS	42		42	75		75	39		39
Other fees	474	(416)	58	1,018	(1,202)	(184)	538	(623)	(85)
Total	**4,864**	**(2,216)**	**2,648**	**9,400**	**(4,183)**	**5,217**	**4,683**	**(2,086)**	**2,597**

NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

Table 4.2.A

	1st semester of 2023			2022 R			1st semester of 2022 R		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	28	(1)	27	69	-	69	31	-	31
Real estate leasing	42	(27)	15	80	(151)	(71)	52	(89)	(36)
Equipment leasing (1)	7,408	(5,573)	1,835	12,490	(9,466)	3,024	6,161	(4,764)	1,396
Other activities	458	(690)	(232)	662	(1,008)	(346)	390	(817)	(426)
Total	**7,936**	**(6,291)**	**1,645**	**13,301**	**(10,625)**	**2,676**	**6,634**	**(5,670)**	**964**

(1) The amount recorded under this heading is mainly due to income and expenses related to long-term leasing and car fleet management businesses, of which EUR 285 million related to the car sales result as at 30 June 2023 (vs EUR 753 million as at 31 December 2022 and 433 million as at 30 June 2022). Most of the Group's long-term lease agreements are 36-month to 48-month leases.

NOTE 4.3 - INSURANCE ACTIVITIES

MAKE IT SIMPLE

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

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

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

ACCOUNTING PRINCIPLES

Insurance contracts subject to IFRS 17 “Insurance Contracts” are insurance contracts issued, reinsurance contracts issued (reinsurance assumed) or held (reinsurance ceded), as well as investment contracts issued including a discretionary participation clause provided that they are issued by an entity which also issues insurance contracts.

The accounting principles below do not apply to the insurance contracts for which the Group is the insured beneficiary except for the contracts identified as reinsurance treaties.

Investment contracts without discretionary participation features and with no insurance component (pure unit-linked contracts) do not meet the IFRS 17 definition of an insurance contract and are recognised as Financial liabilities measured at fair value through profit or loss (see Note 3.1 paragraph 3). These are financial liabilities indexed on the performance of underlying assets for which the Group has elected to exercise the option to measure the instruments at fair value without requiring the separation of the embedded derivatives.

GROUPING OF CONTRACTS

For their assessment, insurance contracts are grouped into homogeneous portfolios to take account of the pooling of risks specific to the insurance activity. These portfolios include insurance contracts that are exposed to similar risks and managed together.

Within each portfolio, three groups of contracts shall be distinguished on initial recognition of the later: onerous contracts, contracts with no significant possibility of becoming subsequently onerous, and other contracts.

Lastly, contracts issued more than one year apart cannot be included in the same group. Consequently, each group of contracts shall be subdivided into annual cohorts. However, while adopting IFRS 17, the European Union has provided European undertakings with an option not to implement this provision to contracts benefiting from an intergenerational mutualisation of returns on the underlying assets in countries where these undertakings market insurance contracts.

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

The portfolios of contracts are determined by the Group, using *(i)* the product line to identify the insurance contracts exposed to similar risks and *(ii)* the country of issuance of the contract and/or the distribution entity.

When the materiality of the outstanding amounts of the contracts concerned is not significant in the context of the aggregates of the Group’s consolidated balance sheet, some of these portfolios may be grouped together.

The major portfolios identified by the Group are as follows:

Scope of products	Product line
Savings	Life Insurance Savings with accumulation of capital paid out upon redemption or death (investments in euro funds, unit-linked funds, multivehicle contracts)
Retirement	Individual and group insurance contracts such as Retirement savings plans (French *'Plan Epargne Retraite' – PER*) with payout in annuities and/or capital (single or multiple unit-linked investments)
Protection–Provident	Borrower insurance; Individual protection; Group protection; Individual health insurance; Group health insurance; Funeral insurance; Nursing care insurance.
Protection–Non-life insurance (property and casualty)	Personal injury accident; Insurance of the Means of payment; Multi-risk home insurance; Land motor vehicle insurance; Miscellaneous Risk Insurance.

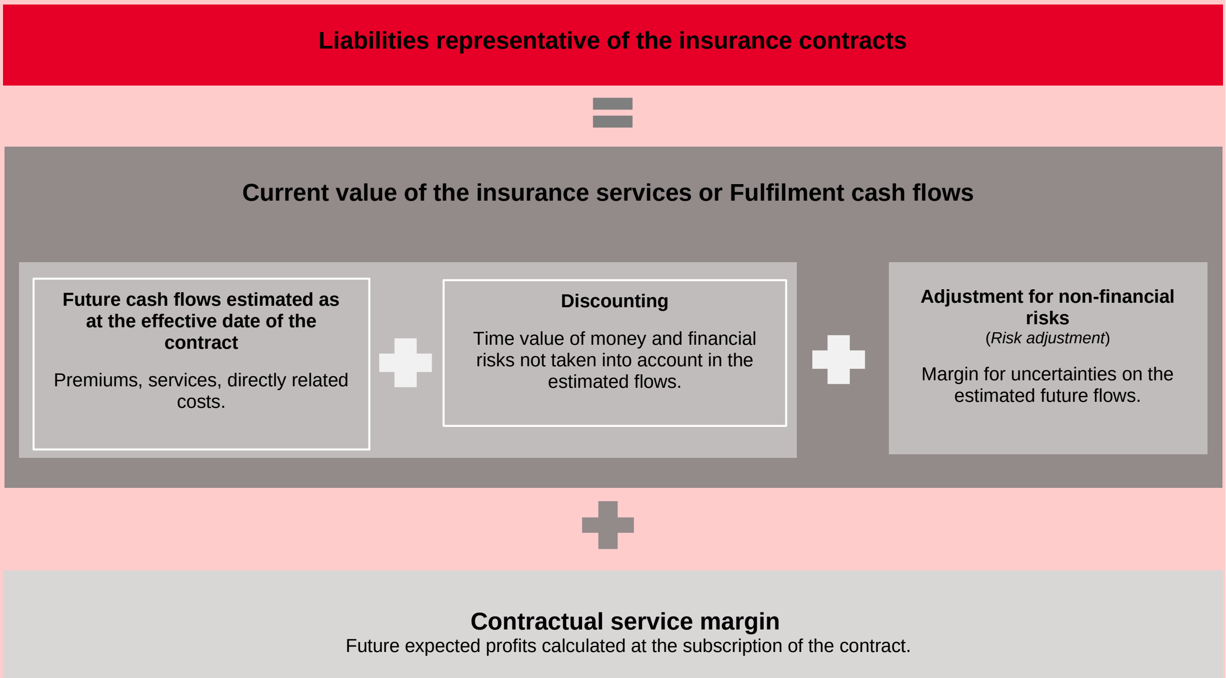
MEASUREMENT MODELS

Each group of insurance contracts is measured separately, and its value is presented in the balance sheet either under Insurance and reinsurance contract assets or under Insurance and reinsurance contract liabilities.

General model applicable to the insurance contracts issued

Initial measurement

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



Future estimated cash flows

These cash flows are the current estimates of all the amounts that the insurer expects to receive (for premiums…) or pay to the benefit of insurance policyholders (in relation to life insurance, claims to be compensated, guaranteed benefits and other directly attributable expenses) as part of the fulfilment of insurance contracts, until their settlement.

These amounts are adjusted to reflect:

- the present value of the future cash flows taking into account the time value of money and the financial risks related to the future cash flows (see *Discounting*),
- the uncertainties about the amount and frequency of the cash flows (see *Adjustment for non-financial risk*).

Discounting

The future cash flows estimated are discounted using a risk-free yield curve (swap rate curve) adjusted for an illiquidity premium to represent the differences in characteristics between the liquid, risk-free financial instruments and the financial instruments backed insurance contracts (bottom-up approach).

Adjustment for non-financial risk

The discounted cash flows are adjusted to reflect the uncertainties about the amount and frequency of the future cash flows. This adjustment for non-financial risks is determined using a quantile approach based on a confidence level of 80% for the Retirement Savings business. Thus, the technical provisions supplemented with this risk adjustment will allow these estimated future cash flows to be covered in 80% of probable cases, a level of caution deemed appropriate. For the Protection business, this quantile level is between 80% and 90%.

The calculation method of the adjustment for non-financial risks ignores the diversification effect between the different insurance activities.

Contractual service margin (CSM)

The contractual service margin (CSM) represents the unearned profit that the entity will recognise in the income statement as the insurance services are provided in the future. Its amount is determined at the time of initial recognition of the group of insurance contracts so that, at that date, neither income nor expense is recorded in the income statement. In the event of onerous contracts, the expected loss shall immediately be recognised in profit or loss. This initial loss will later be reversed in profit or loss to offset the expense for incurred claims.

<u>Subsequent measurement</u>

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

- the liability for remaining coverage (LRC), for an amount equal to the reestimated value as at the date of the fulfilment cash flows related to future services (discounted value of the amounts receivable and payable related to the supply of insurance services on the remaining coverage period and the deposit components) and, when appropriate, the contractual service margin reestimated on the same date as described below;
- the liability for incurred claims (LIC), for an amount equal to the reestimated value as at the date of the fulfilment cash flows related to past services (discounted value of the amounts payable in relation to services on already incurred claims).

Income and expense are recognised for the changes in liabilities for remaining coverage and for incurred claims, as summarised below:

	Changes in liability for remaining coverage	Changes in liability for incurred claims
Insurance products	▪ Reversals related to the insurance services provided during the period	
Insurance services expenses	▪ Losses recognised on onerous contracts and reversal of these losses	▪ Allocations of liabilities for the incurred claims and the unfunded expenses incurred during the period ▪ Subsequent changes in the fulfilment cash flows relating to the incurred claims and the unfunded expenses incurred
Insurance financial expenses and income	▪ Account taken of the impacts of the time value of money	▪ Account taken of the impacts of the time value of money

On this same closing date, the amount of contractual service margin is adjusted to take notably account, for all contracts, of:

- the impact of the new contracts added to the Group;
- the interest capitalised on the carrying amount of the margin at the discounting rate used to determine the initial margin value;
- the reestimate of the fulfilment cash flows (discounted value of the amounts receivable and payable related to the insurance services provided during the remaining coverage period, excl. estimated amounts to be paid for already incurred claims that are subject to separate measurement);
- the amount recognised as insurance revenue because of the transfer of insurance contract services in the period.

Moreover, the contractual service margin is recognised in profit or loss according to coverage units that reflect the amount of service provided and the expected coverage period for the contracts remaining in the group of contracts.

The contractual service margin is not adjusted for the following changes in cash flows as they are not related to future services:

- inclusion of the impacts (and changes in them) of the time value of money and the financial risk (for example, the impact of a change in the discounting rate);
- changes in estimates of the fulfilment cash flows of liabilities for incurred claims;
- adjustments related to experience (difference between the estimate of the amounts expected for the period and the actual cash flows of the period).

Protection-Provident business

The Group mainly applies the General Model to measure its Protection-Provident contracts (borrower insurance, funeral, dependency contracts…).

For the Protection – Provident business, the insured value (for example the outstanding capital of the loan in the context of a borrower contract) is used to measure the quantity of service (or coverage units) provided or to be provided, in order to recognise a portion of the contractual service margin in the net income of the period.

General Model adapted to the insurance contracts issued with direct participation features (Variable Fee Approach)

Insurance contracts issued with direct participation features may be regarded as creating an obligation to pay to policyholders an amount equal to the fair value of the underlying items (for example, investments in units of funds), minus a variable fee for the service.

The variable fee:

a) represents the counterparty that a company receives to provide investment services;

b) is based on the portion of the performance of the underlying items that varies over time. Consequently, the variable fee reflects the performance of the underlying items and the other cash flows necessary for the fulfilment of the contracts.

The general accounting model is adapted to reflect that the consideration received for this type of contract is a variable fee (Variable Fee Approach - VFA).

This adaptation of the general accounting model is used to measure the groups of insurance contracts for which:

- the contractual clauses specify that the policy holder is entitled to a portion of a clearly defined portfolio of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the yield on the fair value of the underlying items; and
- the entity expects any change in the amounts payable to the shareholder to be attributable, substantially, to a change in fair value of the underlying items.

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

This measurement model is in line with the general model with regards to the following items:

- the fulfilment cash flows are measured the same way;
- during the initial measurement, the contractual service margin is identical;
- the subsequent changes in the fulfilment cash flows associated with the future services adjust the contractual service margin while the other changes, related to the services provided during the period or before impact the net income.

There are however several differences:

	General model	*Tailored General model - VFA*
Recognition of the changes in fulfilment cash flows in relation to the changes in discounting rates and other financial variables	▪ in full in the Statement of net income and unrealised or deferred gains and losses	▪ as an adjustment of the contractual service margin for the portion of this change associated with the insurer's share of underlying items
Determination of the interest expense for the capitalisation of interest on the contractual service margin	▪ explicitly applying the discount rate used during the initial measurement	▪ implicitly when taking account of the insurer's share in the change in fair value of the underlying items for the determination of the contractual service margin

Savings and Retirement business

The Group determined that the majority of life savings insurance contracts and individual and collective retirement savings contracts issued by its insurance subsidiaries meet the definition of contracts with direct participation features. These contracts, which make up the Group's predominant insurance activity (some 99% of the discounted estimated cash flows), are measured using the adapted General model known as Variable Fee Approach (VFA). The other contracts in these categories are measured based on the General Model or under IFRS 9 if they meet the definition of an investment contract.

For the Savings and Retirement business, the quantity of service (or coverage units) used for the amortisation of the contractual service margin is determined based on the amounts of estimated future cash flows for the current and future periods. An adjustment is made to correct a bow wave effect, using the financial performance expected over the projection horizon.

General Model adapted to the reinsurance contracts held

Following the issuance of insurance contracts, some risks may be ceded to another insurance company through reinsurance contracts.

The general accounting model is adapted to take account of the specificities of the reinsurance contracts held. These reinsurance contracts held are booked under the General Model, modified on the following features:

Estimate of the fulfilment cash flows	The fulfilment cash flows take into account the risk of non-fulfilment by the issuer of the reinsurance contract (i.e. the risk of not recovering the expected compensation in the event of default of the reinsurer).
Measurement of the contractual service margin during initial recognition	Any net cost or profit determined at initial recognition (determined based on the estimated amount of premiums payable, expenses to be paid and compensations to be received) is recognised as a contractual service margin.
Measurement of the contractual service margin in the context of onerous underlying contracts	The contractual service margin is adjusted and an income is recognised accordingly, when a loss is recognised at initial recognition of a group of onerous underlying insurance contracts or when onerous underlying insurance contracts are added to the group.

Simplified model (Premium Allocation Approach)

The standard also allows, under some conditions, for the application of a simplified accounting model for the contracts whose insurance coverage is lower or equal to 12 months, or for which the measurement of the Group’s remaining coverage liabilities determined using this approach is not significantly different from the one that would result from the application of the general model.

The remaining coverage liabilities presented on the balance sheet corresponds to:

- the amount of premium received under the contract adjusted for the amounts recognised as insurance contracts income as the company provides the insurance coverage;
- minus the remaining depreciable acquisition costs paid.

If a group of contracts is onerous, the remaining coverage liability is increased up to the estimated future fulfilment cash flows and a loss is recognised in the income statement.

The incurred claim liability is measured based on the general model. The Group does not discount the liability when it expects the claims to be settled within one year.

The simplified approach does not require:

- an explicit measurement of the contractual service margin;
- an update of the remaining coverage liability for the changes in discount rate and financial variables.

Protection – non-life insurance activity

The Group mostly applies the simplified approach to measure its non-life insurance contracts (personal injuries, means of payment, multi-risk home insurance…).

PRESENTATION OF THE FINANCIAL PERFORMANCE OF INSURANCE CONTRACTS

Expenses and income relating to insurance contracts are presented in the income statement, distinguishing between:

- the income arising from insurance services which includes:
  - income from insurance contracts issued;
  - insurance services expenses;
  - net income or expenses from the reinsurance contracts held;
- the financial result of the insurance and reinsurance contracts.

Income from insurance contracts issued

The revenues from insurance contracts represent the consideration that the insurance subsidiary expects to receive (representative of the premium received) against the services provided under the contracts.

The revenues recognised for the period include the amount representative of the premium received as coverage of the insurance service expenses and the margin expected in relation to the services provided during the period.

Many insurance contracts providing investment services include a deposit component, which is an amount paid by the policyholder and repaid by the insurer even when the insured event does not take place. These deposit components are excluded from the income statement, as the collection and repayment of a deposit are not, respectively, an income and an expense.

Insurance services expenses

Insurance services expenses reflect the costs incurred to provide services over the period, including those associated with the claims incurred, and excluding the deposit component.

The expenses recorded over the period include the insurance services expenses related to the services provided for the incurred claims during the current or past periods and other amounts such as the amortisation of the insurance acquisition costs, the costs on onerous contracts and their reversals.

Income and expenses of the reinsurance contracts held.

Income and expenses are representative of the amounts recovered from reinsurers and of the allocation of the premiums paid for this coverage.

Financial income and expenses of insurance contracts

The fulfilment cash flows and contractual service margin are booked on a discounted basis reflecting the frequency of cash flows. Over time, the effect of the time value of money decreases, which is reflected in the income statement as an insurance financial expense (the present value of future disbursements increases). Indeed, the financing costs (financial expenses of the contracts) of insurance are similar to the interest paid on an early payment (in the form of a premium) and reflect the fact that policyholders usually pay the premiums in advance and receive benefits at a later date.

Finance income or expenses from insurance also include the effects on the carrying amount of insurance contracts of some changes in financial assumptions (namely discount rate and other financial variables).

The effect of the changes in discount rates and other financial variables is recognised over the period during which the changes occurred. The Group has elected, for most of its groups of contracts, to present the effect of these changes in a disaggregated manner between the income statement and equity. The aim of this choice is to minimise accounting mismatch between the investments of the insurance activity (associated to the financial assets held to cover the insurance contracts) and the financial expenses of the insurance contracts. This choice is made for each group of insurance contracts.

The Group decided to present the Notes detailing the financial data of the insurance subsidiaries distinguishing between the data attributed to the insurance contracts within the scope of IFRS 17 (columns headed "Insurance contracts") including the measurement of these contracts and the investments backing them. These data also distinguish between the insurance contracts issued with direct participation features measured using the VFA model and their underlying investments.

The financial data of the investment contracts without participation features and without insurance component (contracts within the scope of IFRS 9) as well as all financial instruments that are not backing insurance contracts within the scope of IFRS 17 (ex: financial instruments negotiated in the context of the investment of equity) are presented separately from the other financial data in the "Others" column.

1. EXCERPT FROM THE BALANCE SHEET OF THE INSURANCE ACTIVITY

The tables below present the carrying amount of the assets and liabilities recognised on the balance sheet of the Group's insurance subsidiaries for:

– Insurance contracts or investment contracts;

– Investments made (whether or not backed by insurance contracts).

ASSET DETAILS

Table 4.3.A

(In EUR m)	30.06.2023 Insurance contracts With direct participations features	30.06.2023 Insurance contracts Other	30.06.2023 Other	30.06.2023 Total	31.12.2022 R Insurance contracts With direct participations features	31.12.2022 R Insurance contracts Other	31.12.2022 R Other	31.12.2022 R Total
Financial assets at fair value through profit or loss	**98,763**	**173**	**3,864**	**102,800**	**92,759**	**216**	**4,739**	**97,714**
Trading portfolio	587	-	35	622	833	-	25	858
Shares and other equity securities	*-*	*-*	*22*	*22*	*-*	*-*	*17*	*17*
Trading derivatives	*587*	*-*	*13*	*600*	*833*	*-*	*8*	*841*
Financial assets measured mandatorily at fair value through profit or loss	84,886	167	3,784	88,837	78,677	210	4,712	83,599
Bonds and other debt securities	*23,126*	*13*	*232*	*23,371*	*21,968*	*21*	*229*	*22,218*
Shares and other equity securities	*60,747*	*150*	*3,252*	*64,149*	*55,671*	*184*	*4,086*	*59,941*
Loans, receivables and securities puchased under resale agreements	*1,013*	*4*	*300*	*1,317*	*1,038*	*5*	*397*	*1,440*
Financial instruments measured using fair value option through profit or loss	13,290	6	45	13,341	13,249	6	2	13,257
Bonds and other debt securities	*13,290*	*6*	*45*	*13,341*	*13,249*	*6*	*2*	*13,257*
Hedging derivatives	**112**	**-**	**-**	**112**	**121**	**-**	**-**	**121**
Financial assets at fair value through other comprehensive income	**51,266**	**1,399**	**205**	**52,870**	**53,971**	**1,326**	**200**	**55,497**
Debt instruments	51,266	1,399	205	52,870	53,971	1,326	200	55,497
Bonds and other debt securities	*51,251*	*1,399*	*205*	*52,855*	*53,930*	*1,326*	*200*	*55,456*
Loans, receivables and securities purchased under resale agreements	*15*	*-*	*-*	*15*	*41*	*-*	*-*	*41*
Financial assets at amortised cost (1)	**1,040**	**567**	**4,663**	**6,270**	**1,155**	**263**	**4,670**	**6,088**
Investment Property	**876**	**-**	**-**	**876**	**876**	**-**	**1**	**877**
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES (2)	**152,057**	**2,139**	**8,732**	**162,928**	**148,882**	**1,805**	**9,610**	**160,297**
Deferred acquisition costs	194	-	-	194	6	-	-	6
Insurance contracts issued assets	-	64	-	64	-	42	-	42
Reinsurance contracts held assets	-	358	-	358	-	305	-	305
TOTAL INSURANCE AND REINSURANCE CONTRACTS ASSETS	**194**	**422**	**-**	**616**	**6**	**347**	**-**	**353**

(1) The financial assets at amortised cost are mainly related to Debt securities at amortised cost and Loans and receivables due from banks at amortised cost

(2) The Group has chosen to keep in the consolidated accounts investments made with Group companies measured at fair value through profit or loss in representation of unit-linked liabilities

DETAIL OF LIABILITIES

Table 4.3.B

(In EUR m)	30.06.2023				31.12.2022 R			
	Insurance contracts		Other	Total	Insurance contracts		Other	Total
	with direct participations features	*Other*			*with direct participations features*	*Other*		
Financial liabilities at fair value through profit or loss	**199**	**-**	**3,677**	**3,876**	**78**	**-**	**3,520**	**3,598**
Trading portfolio	199	-	556	755	47	-	572	619
Borrowings and securities sold under repurchase agreements	*48*	-	*15*	*63*	-	-	*33*	*33*
Trading derivatives	*151*	-	*541*	*692*	*47*	-	*539*	*586*
Financial instruments measured using fair value option through profit or loss	-	-	3,121	3,121	31	-	2,946	2,977
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due to banks	**1,218**	**5**	**33**	**1,256**	**2,116**	**74**	**45**	**2,235**
Customer deposits	**-**	**-**	**3**	**3**	**-**	**-**	**3**	**3**
TOTAL OF FINANCIAL LIABILITIES FROM INSURANCE ACTIVITIES	**1,417**	**5**	**3,713**	**5,135**	**2,194**	**74**	**3,568**	**5,836**
Insurance contracts issued liabilities	136,299	2,440	-	138,739	133,795	2,079	-	135,874
Reinsurance contracts held liabilities	-	7	-	7	-	1	-	1
TOTAL INSURANCE AND REINSURANCE CONTRACTS LIABILITIES	**136,299**	**2,447**	**-**	**138,746**	**133,795**	**2,080**	**-**	**135,875**

(1) The financial instruments measured using the fair value option correspond to the unit-linked contracts without participation features.

2. PERFORMANCE OF INSURANCE ACTIVITIES

The tables below show the details of the income and expenses recognised in the income statement or in the gains and losses directly recognised in equity by the Group's insurance subsidiaries for:

- the commercial performance of insurance services presented within the Net income of insurance services,
- the financial performance related to the management of contracts resulting from:
  - the financial income and expenses recognised on insurance contracts,
  - the financial income and expenses recognised on the investments backed on contracts,
- the financial performance of the other investments.

2.1 DETAIL OF PERFORMANCE OF INSURANCE ACTIVITIES

Table 4.3.C

(In EUR m)	1st semester of 2023				2022 R				1st semester of 2022 R			
	Insurance contracts				Insurance contracts				Insurance contracts			
	with direct participations features	*Other*	Other	Total	*with direct participations features*	*Other*	Other	Total	*with direct participations features*	*Other*	Other	Total
Financial result of investments and other transactions from insurance activities	**3,924**	**1**	**80**	**4,005**	**(4,208)**	**(7)**	**(36)**	**(4,251)**	**(5,499)**	**7**	**(53)**	**(5,545)**
Interest and similar income	778	19	67	**864**	1,738	39	119	**1,896**	869	19	134	**1,022**
Interest and similar expense	(91)	(6)	(57)	**(154)**	(238)	(19)	(87)	**(344)**	(85)	(7)	(83)	**(175)**
Fee income	5	-	-	**5**	9	12	-	**21**	5	14	-	**19**
Fee expense	(26)	(5)	(1)	**(32)**	(16)	(1)	(1)	**(18)**	(5)	(24)	(1)	**(30)**
Net gains and losses on financial transactions	3,237	3	67	**3,307**	(5,723)	(23)	(91)	**(5,837)**	(6,310)	13	(106)	**(6,403)**
o/w gains and losses on financial instruments at fair value through profit or loss	*3,337*	*3*	*67*	***3,407***	*(5,581)*	*(20)*	*(82)*	***(5,683)***	*(6,270)*	*16*	*(97)*	***(6,351)***
o/w gains and losses on financial instruments at fair value through other comprehensive income	*(100)*	-	-	***(100)***	*(142)*	-	-	***(142)***	*(40)*	-	-	***(40)***
o/w gains and losses on financial instruments at amortised cost	-	-	-	-	-	*(3)*	*(9)*	***(12)***	-	*(3)*	*(9)*	***(12)***
Cost of credit risk from financial assets related to insurance activities	3	-	-	**3**	1	-	-	**1**	(3)	-	2	**(1)**
Net income from other activities (1)	18	(10)	4	**12**	21	(15)	24	**30**	30	(8)	1	**23**
Insurance service result	**490**	**328**		**818**	**930**	**549**		**1,479**	**504**	**281**		**785**
Income from insurance contracts issued	625	1,057		**1,682**	1,120	1,984		**3,104**	552	1,064		**1,616**
Insurance service expenses	(135)	(724)		**(859)**	(190)	(1,416)		**(1,606)**	(48)	(758)		**(806)**
Income and expenses from reinsurance contracts held	-	(5)		**(5)**	-	(19)		**(19)**	-	(25)		**(25)**
Financial result of insurance services	**(3,657)**	**(19)**		**(3,676)**	**4,053**	**22**		**4,075**	**5,363**	**1**		**5,364**
Net finance income or expenses from insurance contracts issued	(3,657)	(22)		**(3,679)**	4,053	(23)		**4,030**	5,363	1		**5,364**
Net finance income or expenses from reinsurance contracts held	-	3		**3**	-	45		**45**	-	-		**-**
Unrealised or deferred gains and losses from investments that will be reclassified subsequently into income	**237**	**23**	**2**	**262**	**(10,032)**	**(259)**	**(17)**	**(10,308)**	**(7,393)**	**(207)**	**(13)**	**(7,613)**
Revaluation of debt instruments at fair value through other comprehensive income	233	23	2	**258**	(9,843)	(259)	(17)	**(10,119)**	(7,256)	(207)	(13)	**(7,476)**
Revaluation of hedging derivatives	4	-	-	**4**	(189)	-	-	**(189)**	(137)	-	-	**(137)**
Unrealised or deferred gains and losses from insurance contracts that will be reclassified subsequently into income	**(235)**	**(3)**		**(238)**	**10,025**	**25**		**10,050**	**7,390**	**43**		**7,433**
Revaluation of insurance contracts issued	(235)	(1)		**(236)**	10,025	42		**10,067**	7,390	52		**7,442**
Revaluation of the reinsurance contracts held	-	(2)		**(2)**	-	(17)		**(17)**	-	(9)		**(9)**

(1) The item Net income from other activities corresponds to Income from other activities and Expenses from other activities

2.2 MONITORING OF THE AMOUNT OF THE GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY FOR DEBTS INSTRUMENTS UNDERLYING CONTRACTS WITH DIRECT PARTICIPATION FEATURES PRESENT AS AT THE TRANSITION DATE

The Group elected, for the groups of contracts with direct participation features, to recognise in the Net income of the period the financial income or expenses that eliminate accounting mismatches with the income or expenses recognised in the Net income for the underlying items held. Consequently, insurance subsidiaries directly recognise in equity the difference between the total financial income or expenses to be booked for the period for the contracts with direct participation features and the amount recognised in the Net income to eliminate an accounting mismatch.

The table below shows the changes in cumulative amount of the financial income and expenses related to insurance activities recognised directly in equity in relation to the contracts with direct participation features identified as at 1 January 2022 (date of transition to the new measurement method of contracts provided for by IFRS 17).

Table 4.3.D

	30.06.2023	31.12.2022 R R
	Cumulative amounts included in OCI for debt instruments underlying with direct participation contracts present on the date of transition	**Cumulative amounts included in OCI for debt instruments underlying with direct participation contracts present on the date of transition**
Opening balance	(4,308)	5,577
Unrealised or deferred gains and losses for the period	149	(9,840)
Unrealised or deferred gains and losses reclassified in profit or loss	101	(45)
Closing balance	**(4,058)**	**(4,308)**

3. DETAILS RELATING TO THE OUTSTANDING STOCK OF INSURANCE CONTRACTS

The Group elected not to show detailed information regarding the reinsurance contracts held owing to their low materiality Group-wide.

SUMMARY OF THE OUTSTANDING STOCK

Table 4.3.E

	30.06.2023			31.12.2022 R		
	Insurance contracts			**Insurance contracts**		
(In EUR m)	*with direct participations features*	*Other*	**Total**	*with direct participations features*	*Other*	**Total**
Insurance contracts issued assets	-	64	64	-	42	42
o/w insurance contracts measured under the general model	-	*62*	*62*	-	*40*	*40*
Insurance contracts issued liabilities	136,299	2,440	138,739	133,795	2,079	135,874
o/w insurance contracts measured under the general model	*136,299*	*1,082*	*137,381*	*133,795*	*1,072*	*134,867*
Reinsurance contracts held assets	-	358	358	-	305	305
o/w reinsurance contracts measured under the general model	-	*100*	*100*	-	*110*	*110*
Reinsurance contracts held liabilities	-	7	7	-	1	1
o/w reinsurance contracts measured under the general model	-	-	-	-	-	-
Investment contracts [1]	-	-	3,121	-	-	2,976

(1) Investment contracts with no discretionary participation features measured at fair value through profit or loss using the fair value option.

DETAILED NET INCOME FROM INSURANCE SERVICES

The table below shows the Net income from insurance services. The way in which the Insurance income and expenses are recognised are detailed in the accounting principles under the “Presentation of the financial performance of insurance contracts” heading.

Table 4.3.F

	1st semester of 2023			2022 R			1st semester of 2022 R		
	Insurance contracts			Insurance contracts			Insurance contracts		
(In EUR m)	*with direct participations features*	*Other*	Total	*with direct participations features*	*Other*	Total	*with direct participations features*	*Other*	Total
Income from insurance contracts issued	**625**	**1,057**	**1,682**	**1,120**	**1,984**	**3,104**	**552**	**1,064**	**1,616**
Contracts measured under the general model	625	516	1,141	1,120	998	2,118	552	583	1,135
Income of premiums (relating to changes in Liabilities for Remaining Coverage) relative to:									
- Deferred acquisition costs	*17*	*89*	*106*	*45*	*175*	*220*	25	146	171
- Expected claims and handling costs	*71*	*218*	*289*	*156*	*437*	*593*	62	222	284
- Expected non financial risk adjustment	*136*	*57*	*193*	*145*	*123*	*268*	73	61	134
- Expected contractual services margin	*401*	*152*	*553*	*774*	*263*	*1,037*	392	154	546
Contracts measured under the PAA	-	541	541	-	986	986	-	481	481
Insurance service expenses	**(135)**	**(724)**	**(859)**	**(190)**	**(1,416)**	**(1,606)**	**(48)**	**(758)**	**(806)**
Amortisation of acquisition costs	(17)	(150)	(167)	(45)	(304)	(349)	(25)	(207)	(232)
Net expenses for expected costs of claims, handling costs and non-financial risk adjustment (changes in Liabilities Incurred Claims) - Incurred in the period	(121)	(891)	(1,012)	(148)	(1,344)	(1,492)	(10)	(714)	(724)
Changes in net expenses for expected costs of claims and handling costs (changes in Liabilities Incurred Claims) - Past services	3	314	317	3	255	258	2	185	187
Losses and reversals of losses on onerous contracts (changes in Liabilities for Remaining Coverage)	-	3	3	-	(23)	(23)	(15)	(22)	(37)
Net income or expenses from reinsurance contracts held	**-**	**(5)**	**(5)**	**-**	**(19)**	**(19)**	**-**	**(25)**	**(25)**
INSURANCE SERVICE RESULT	**490**	**328**	**818**	**930**	**549**	**1,479**	**504**	**281**	**785**

3.1 INSURANCE CONTRACTS MEASURED UNDER THE GENERAL MODEL (INCLUDING INSURANCE CONTRACTS ISSUED WITH DIRECT PARTICIPATION FEATURES) AND THE SIMPLIFIED MODEL

TABLE OF RECONCILIATION OF THE INSURANCE CONTRACTS ASSETS AND LIABILITIES BY TYPE OF COVERAGE (REMAINING COVERAGE AND CLAIMS INCURRED)

Table 4.3.G

	30.06.2023					
	Remaining coverage		**Incurred claims** (measured under the general model)	**Incurred claims** (measured under the PAA)		**Total**
(In EUR m)	*excluding the loss component*	*Loss component*		Present value of the future cash flows	Non financial risk adjustment	
Insurance contracts issued liabilities	134,009	21	944	820	80	135,874
Insurance contracts issued assets	(39)	5	(10)	2	-	(42)
NET BALANCE AS AT 1 JANUARY	**133,970**	**26**	**934**	**822**	**80**	**135,832**
Income from insurance contracts issued (1)	**(1,682)**	**-**	**-**	**-**	**-**	**(1,682)**
Insurance service expenses	**167**	**(3)**	**344**	**337**	**14**	**859**
Amortisation of acquisition costs	167	-	-	-	-	167
Net expenses for expected costs of claims, handling costs and non-financial risk adjustment (changes in Liabilities Incurred Claims) - Incurred in the period	-	-	633	356	23	1,012
Changes in net expenses for expected costs of claims and handling costs (changes in Liabilities Incurred Claims) - Past services	-	-	(289)	(19)	(9)	(317)
Losses and reversals of losses on onerous contracts (changes in Liabilities for Remaining Coverage)	-	(3)	-	-	-	(3)
Net finance income or expenses from insurance contracts issued (2)	**3,902**	**1**	**7**	**5**	**-**	**3,915**
Changes relative to the deposits component included in the insurance contract	**(7,648)**	**-**	**7,648**	**-**	**-**	**-**
Other changes	**(88)**	**5**	**(41)**	**390**	**19**	**285**
Cash flows :	**7,772**	**-**	**(7,980)**	**(326)**	**-**	**(534)**
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	7,925	-	-	-	-	7,925
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	-	-	(7,980)	(326)	-	(8,306)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(153)	-	-	-	-	(153)
NET BALANCE AS AT 30 JUNE	**136,393**	**29**	**912**	**1,228**	**113**	**138,675**
Insurance contracts issued liabilities	136,470	24	907	1,225	113	138,739
Insurance contracts issued assets	(77)	5	5	3	-	(64)

(1) Of which, for the insurance contracts present on the transition date (and measured under the general model): EUR 801 million using the modified retrospective approach, and EUR 60 million using the fair value approach.

(2) This heading includes the financial charges and income that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

Table 4.3.H

(In EUR m)	31.12.2022 R					
	Remaining coverage		Incurred claims (measured under the general model)	Incurred claims (measured under the PAA)		Total
	excluding the loss component	*Loss component*		Present value of the future cash flows	Non financial risk adjustment	
Insurance contracts issued liabilities	148,665	4	1,060	780	56	150,565
Insurance contracts issued assets	(72)	-	27	2	-	(43)
NET BALANCE AS AT 1 JANUARY	**148,593**	**4**	**1,087**	**782**	**56**	**150,522**
Income from insurance contracts issued (1)	**(3,104)**	**-**	**-**	**-**	**-**	**(3,104)**
Insurance service expenses	**349**	**23**	**607**	**600**	**27**	**1,606**
Amortisation of acquisition costs	349	-	-	-	-	349
Net expenses for expected costs of claims, handling costs and non-financial risk adjustment (changes in Liabilities Incurred Claims) - Incurred in the period	-	-	792	665	35	1,492
Changes in net expenses for expected costs of claims and handling costs (changes in Liabilities Incurred Claims) - Past services	-	-	(185)	(65)	(8)	(258)
Losses and reversals of losses on onerous contracts (changes in Liabilities for Remaining Coverage)	-	23	-	-	-	23
Net finance income or expenses from insurance contracts issued (2)	**(14,043)**	**(1)**	**(16)**	**(31)**	**(4)**	**(14,095)**
Changes relative to the deposits component included in the insurance contract	**(14,132)**	**-**	**14,132**	-	-	-
Other changes	**293**	**-**	**(291)**	**(322)**	**1**	**(319)**
Cash flows :	**16,014**	**-**	**(14,585)**	**(207)**	**-**	**1,222**
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	16,375	-	-	-	-	16,375
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	-	-	(14,585)	(207)	-	(14,792)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(361)	-	-	-	-	(361)
NET BALANCE AS AT 31 DECEMBER	**133,970**	**26**	**934**	**822**	**80**	**135,832**
Insurance contracts issued liabilities	134,009	21	944	820	80	135,874
Insurance contracts issued assets	(39)	5	(10)	2	-	(42)

(1) Of which, for the insurance contracts present on the transition date (and measured under the general model): EUR 1,143 million using the modified retrospective approach, and EUR 88 million using the fair value approach.

(2) This heading includes the financial charges and income that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

3.2 CONTRACTS MEASURED UNDER THE GENERAL MODEL (INCLUDING INSURANCE CONTRACTS ISSUED WITH DIRECT PARTICIPATION)

TABLE OF RECONCILIATION OF THE INSURANCE CONTRACTS ASSETS AND LIABILITIES ISSUED BY ESTIMATE COMPONENTS (DISCOUNTED FUTURE CASH FLOWS, ADJUSTMENT FOR NON-FINANCIAL RISK AND CONTRACTUAL SERVICE MARGIN)

Table 4.3.I

	30.06.2023			
(In EUR m)	**Present value of the future cash flows**	**Non-financial risk adjustment**	**Contractual service margin**	**Total**
Insurance contracts issued liabilities	123,297	3,452	8,118	134,867
Insurance contracts issued assets	(214)	40	134	(40)
NET BALANCE AS AT 1 JANUARY	**123,083**	**3,492**	**8,252**	**134,827**
Changes that relate to future services	**(1,383)**	**309**	**1,078**	**4**
Changes in estimates that adjust the CSM	(971)	195	776	-
Changes in estimates that result in losses and reversals on onerous contracts (ie, that do not adjust the CSM)	(24)	-	-	(24)
Effect of new contracts recognised in the year	(388)	114	302	28
Changes that relate to current services	**251**	**(109)**	**(552)**	**(410)**
Contractual services margin recognised in profit or loss for services provided	-	-	(552)	(552)
Change in non-financial risk adjustment for risk expired	-	(109)	-	(109)
Experiences adjustments	251	-	-	251
Changes that relate to past services (ie, changes in fulfillment cash flows relative to incurred claims)	**(206)**	**(83)**	**-**	**(289)**
Net finance income or expenses from insurance contracts issued (1)	**3,907**	**(4)**	**8**	**3,911**
Other changes	**(17)**	**-**	**2**	**(15)**
Cash flows:	**(709)**	**-**	**-**	**(709)**
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	7,378	-	-	7,378
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	(7,980)	-	-	(7,980)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(107)	-	-	(107)
NET BALANCE AS AT 30 JUNE	**124,926**	**3,605**	**8,788**	**137,319**
Insurance contracts issued liabilities (2)	125,169	3,564	8,648	137,381
Insurance contracts issued assets (2)	(243)	41	140	(62)

(1) This heading includes the financial income and expenses that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

(2) Of which, for the contractual service margin of the insurance contracts present on the transition date (and measured under the general model): EUR 7,328 million using the modified retrospective approach, and EUR 332 million using the fair value approach.

Table 4.3.J

(In EUR m)	31.12.2022 R			
	Present value of the future cash flows	Non-financial risk adjustment	Contractual service margin	Total
Insurance contracts issued liabilities	138,337	3,064	8,269	149,670
Insurance contracts issued assets	(229)	52	135	(42)
NET BALANCE AS AT 1 JANUARY	**138,108**	**3,116**	**8,404**	**149,628**
Changes that relate to future services	**(1,586)**	**667**	**945**	**26**
Changes in estimates that adjust the CSM	(1,157)	439	718	-
Changes in estimates that result in losses and reversals on onerous contracts (ie, that do not adjust the CSM)	18	2	-	20
Effect of new contracts recognised in the year	(447)	226	227	6
Changes that relate to current services	**115**	**(194)**	**(1,036)**	**(1,115)**
Contractual services margin recognised in profit or loss for services provided	-	-	(1,036)	(1,036)
Change in non-financial risk adjustment for risk expired	-	(194)	-	(194)
Experiences adjustments	115	-	-	115
Changes that relate to past services (ie, changes in fulfillment cash flows relative to incurred claims)	**(108)**	**(77)**	**-**	**(185)**
Net finance income or expenses from insurance contracts issued [(1)]	**(14,037)**	**(39)**	**16**	**(14,060)**
Other changes	**254**	**19**	**(77)**	**196**
Cash flows:	**337**	**-**	**-**	**337**
Premiums received (as a reduction of premiums to be received included in the remaining coverage)	15,261	-	-	15,261
Costs of claims and handling costs (as a reduction of the incurred claims liabilities)	(14,585)	-	-	(14,585)
Paid acquisition costs (as a net adjustment of the remaining coverage following the transfer of deferred amounts or amortisations)	(339)	-	-	(339)
NET BALANCE AS AT 31 DECEMBER	**123,083**	**3,492**	**8,252**	**134,827**
Insurance contracts issued liabilities [(2)]	123,297	3,452	8,118	134,867
Insurance contracts issued assets [(2)]	(214)	40	134	(40)

(1) This heading includes the financial income and expenses that were recorded under the heading Revaluation of insurance contracts in equity within Gains and losses recognised directly in equity and which will be reclassified later in profit or loss.

(2) Of which, for the contractual service margin of the insurance contracts present on the transition date (and measured under the general model): EUR 7,243 million using the modified retrospective approach, and EUR 324 million using the fair value approach.

DETAILED EFFECT OF THE NEW CONTRACTS RECOGNISED DURING THE PERIOD

Table 4.3.K

(In EUR m)	30.06.2023		31.12.2022 R	
	Insurance contracts issued	*o/w transfer of contracts*	Insurance contracts issued	*o/w transfer of contracts*
Present value of:				
Estimated cash outflows	4,336	-	7,245	-
o/w acquisitions costs	*107*	-	*339*	-
o/w costs of claims and handling costs	*4,229*	-	*6,906*	-
Estimated cash inflows	(4,752)	-	(7,698)	-
Non-financial risk adjustment	**114**	**-**	**226**	**-**
Contractual service margin	**302**	**-**	**227**	**-**
Loss component on onerous contracts	**28**	**-**	**6**	**-**
TOTAL	**28**	**-**	**6**	**-**

3.3 DETAILS ON THE PROJECTED ITEMS RELATING TO THE MEASUREMENT OF CONTRACTS

SCHEDULING OF THE CASH FLOWS RELATED TO THE INSURANCE AND REINSURANCE CONTRACTS LIABILITIES

Table 4.3.L

(In EUR m)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	30.06.2023
Insurance and reinsurance contracts liabilities	**3,328**	**13,042**	**39,450**	**82,926**	**138,746**

EXPECTED RECOGNITION IN THE INCOME STATEMENT OF THE CONTRACTUAL SERVICE MARGIN DETERMINED AT THE END OF THE PERIOD (1)

Table 4.3.M

(In EUR m)	30.06.2023	31.12.2022 R
Expected years before recognising CSM in profit or loss	**Insurance contracts issued**	**Insurance contracts issued**
From 1 to 5 years	3,772	3,520
From 6 to 10 years	2,067	1,973
> 10 years	2,949	2,759
Total	**8,788**	**8,252**

(1) The contractual service margin determined at the end of the period does not include future new insurance contracts, and insurance contracts valued according to the simplified model.

4. MANAGEMENT OF INSURANCE RISKS

The Group carries out its insurance activities through the distribution and reinsurance acceptance of a wide range of life insurance, protection and health insurance, and non-life insurance policies. Since the life insurance business is predominant on the French market in the Group's insurance activities, the market risks of financial assets in terms of technical liabilities constitute the most significant exposure. Within market risks, the insurance business line is sensitive to shocks in interest rates, equity markets and credit spreads. In connection with the life insurance savings activity, a risk of withdrawals is also significant.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy just like objectives on long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short- and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging of exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per rating issuer and per category of assets;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

NOTE 4.4 - OTHER ASSETS AND LIABILITIES

1. OTHER ASSETS

Table 4.4.A

(In EUR m)	30.06.2023	31.12.2022 R
Guarantee deposits paid [1]	52,440	67,768
Settlement accounts on securities transactions	5,571	3,895
o/w due from clearing houses bearing credit risk	*299*	*262*
Prepaid expenses	1,856	1,387
Miscellaneous receivables [2]	14,360	9,684
o/w miscellaneous receivables bearing credit risk [3]	*6,409*	*4,208*
Gross amount	**74,227**	**82,734**
Impairments	(435)	(419)
Credit risk [3]	*(299)*	*(295)*
Other risks	*(136)*	*(124)*
Net amount	**73,792**	**82,315**

(1) Mainly relates to guarantee deposits paid on financial instruments, their fair value is assumed 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 1,973 million as at 30 June 2023, compared to EUR 1,258 million as at 31 December 2022.

(3) Net value of miscellaneous receivables bearing credit risk amounts to EUR 6,110 million as at 30 June 2023, compared to EUR 3,913 million as at 31 December 2022 (see Note 3.8).

2. OTHER LIABILITIES

Table 4.4.B

(In EUR m)	30.06.2023	31.12.2022 R
Guarantee deposits received [1]	56,534	74,306
Settlement accounts on securities transactions	5,350	4,759
Expenses payable on employee benefits	2,210	2,610
Lease liability	2,214	2,104
Deferred income	1,725	1,297
Miscellaneous payables [2]	25,388	22,239
Total	**93,421**	**107,315**

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is assumed 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 - OTHER GENERAL OPERATING EXPENSES

Table 5.A

(In EUR m)		1st semester of 2023	31.12.2022 R	1st semester of 2022 R
Personnel expenses [1]	Note 5.1	(5,275)	(10,052)	(5,112)
Other operating expenses [1]	Note 5.2	(3,758)	(7,009)	(3,904)
Other general operating expenses attributable to the insurance contracts [2]		365	636	330
Total		**(8,668)**	**(16,425)**	**(8,686)**

(1) The amount of Personnel expenses and Other administrative expenses detailed in Note 5.1 and Note 5.2 are presented in the income statement before reallocation in the Net Banking Income of the expenses attributable to insurance contracts.

(2) Part of the general operating expenses attributable to insurance contracts is recognised during the period as service expenses relating to the insurance and reinsurance contracts issued; another part is deferred in the balance sheet as acquisition expenses and will be recognised subsequently as service expenses relating to insurance contracts.

NOTE 5.1 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

NOTE 5.1.1 - PERSONNEL EXPENSES

Table 5.1.1.A

(In EUR m)	1st semester of 2023	2022	1st semester of 2022
Employee compensation	(3,745)	(7,244)	(3,646)
Social security charges and payroll taxes	(888)	(1,655)	(862)
Net pension expenses - defined contribution plans	(381)	(709)	(342)
Net pension expenses - defined benefit plans	(35)	(61)	(35)
Employee profit-sharing and incentives	(226)	(383)	(227)
Total	**(5,275)**	**(10,052)**	**(5,112)**
Including net expenses from share - based payments	*(117)*	*(196)*	*(84)*

NOTE 5.1.2 - EMPLOYEE BENEFITS

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

Table 5.1.2.A

(In EUR m)	**Provisions as at 31.12.2022**	Allocations	Write-backs available	**Net allocation**	**Write-backs used**	**Actuarial gains and losses**	**Currency and scope effects**	**Provisions as at 30.06.2023**
Post-employment benefits	**1,171**	44	(9)	**35**	**(44)**	**19**	**7**	**1,188**
Other long-term benefits	**604**	90	(47)	**43**	**(43)**	**-**	**(11)**	**593**
Termination benefits [1]	**227**	71	(19)	**52**	**(36)**	**(17)**	**36**	**262**
Total [2]	**2,002**	205	(75)	**130**	**(123)**	**2**	**32**	**2,043**

(1) Termination benefits include mainly the expenses the cost of voluntary redundancy related to the New French Retail Banking organisation project presented by the Group in the fourth quarter of 2021, which led to the legal merger of Crédit du Nord and Societe Generale on 1 January 2023. The accounting treatment of the expenses for these measures has been assimilated to the post-employment benefits.

(2) The Group has taken into account the effects of the Law of 14 April 2023 on the amending financing of social security in the assessment of its employees' pension commitments (impact of EUR 13 million under Other general operating expenses).

NOTE 5.1.3 - SHARE-BASED PAYMENT PLANS

2023 SOCIETE GENERALE FREE PERFORMANCE SHARES PLAN

The table below presents the 2023 free share allocation plan that does not concern the shares allocated to regulated population, under the article L.511-71 of the monetary and financial Code, whose remuneration is deferred, and the Chiefs Executive Officers and Management Committee members of Societe Generale.

Date of shareholders' agreement	17.05.2022
Date of Board of Directors' decision	08.03.2023
Number of free shares granted	1,293,652
Number of free shares outstanding at 30.06.2023	1,293,652
Vesting period	08.03.2023 - 31.03.2026
Performance conditions [1]	Yes
Fair value (% of the share price as at grant date)	88.30%
Method of valuation	Arbitrage

(1) For all the Group, the performance condition is based on the profitability level of Societe Generale group, the Net income, Group share.

The table below shows the 2023 performance shares plan allocated to regulated population, under the article L.511-71 of the monetary and financial Code, whose remuneration is deferred, and the Chiefs Executive Officers and Management Committee members of Societe Generale.

Date of General Meeting	17.05.2022				
Date of Board Meeting	08.03.2023				
Total number of shares granted	2,275,293				
	Performance condition [1]	**Instalment**	**Vesting dates**	**Holding period end dates**	**Fair Value (in EUR) [2]**
Sub-plan 2	Yes	1st instalment	31.03.2026	01.10.2026	23.63
		2nd instalment	31.03.2027	01.10.2027	23.83
Sub-plans 3 and 7	Yes	1st instalment	31.03.2025	01.10.2025	24.48
		2nd instalment	31.03.2026	01.10.2026	23.63
Sub-plan 4	Yes		31.03.2026	01.10.2026	23.63
Sub-plan 5	Yes	1st instalment	31.03.2027	01.10.2027	18.66
		2nd instalment	31.03.2028	01.10.2028	16.84
Sub-plan 6	Yes	1st instalment	31.03.2027	01.04.2028	11.30
		2nd instalment	29.03.2029	01.04.2030	11.09

(1) The performance conditions are based on the profitability level of Societe Generale group and its core business or business activity. The specific performance conditions applicable to Executive Board members are yearly detailed in the Universal Registration Document.

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

EMPLOYEE SHARE OWNERSHIP PLAN

On 23 May 2023, as part of the Group's employee share ownership policy, Societe Generale offered its employees the opportunity to subscribe to a reserved capital increase at a share price of 17.63 euros, i.e. a 20 percent discount compared to the average market price of the Societe Generale shares during the 20 trading days prior to this date. 12,555,407 shares were subscribed, representing, for the Group, an expense for the financial year 2023 of EUR 50 million after taking into account the legal five-year restriction period of the shares.

NOTE 5.2 - OTHER OPERATING EXPENSES

Table 5.2.A

(In EUR m)	1st semester of 2023	2022	1st semester of 2022
Rentals	(192)	(348)	(158)
Taxes and levies	(964)	(1,359)	(1,265)
Data & telecom (excluding rentals)	(1,265)	(2,574)	(1,234)
Consulting fees	(602)	(1,351)	(628)
Other	(735)	(1,377)	(619)
Total	**(3,758)**	**(7,009)**	**(3,904)**

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

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

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

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

In 2023, the Group's contributions to the SRF and the FRNs were made:

- for 77.5%, in the form of a cash contribution amounting to EUR 658 million (compared to EUR 863 million in 2022) of which 603 million under the SRF and 55 million under the FRN, not tax-deductible in France and recognised in the income statement under Other administrative expenses on the ‘Taxes and duties and other contributions’ line;
- for 22.5%, in the form of an irrevocable payment commitment secured by the payment of a cash guarantee deposit for an amount of EUR 175 million under the SRF (compared to EUR 142 million in 2022) recognised as an asset in the balance sheet under Other assets.

NOTE 6 - INCOME TAX

1. BREAKDOWN OF THE TAX EXPENSES

Table 6.A

(In EUR m)	1st semester of 2023	2022 R	1st semester of 2022 R
Current taxes	(743)	(1,274)	(669)
Deferred taxes	(10)	(209)	9
Total	**(753)**	**(1,483)**	**(660)**

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

Table 6.B

	1st semester of 2023		2022 R		1st semester of 2022 R	
	%	EUR m	%	EUR m	%	EUR m
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill		**3,014**		**4,224**		**420**
Group effective tax rate	**24.98%**		**35.11%**		**156.99%**	
Permanent differences	-0.04%	(2)	0.92%	39	-2.92%	(12)
Differential on securities with tax exemption or taxed at reduced [1]	-0.33%	(10)	-14.04%	(593)	-140.96%	(592)
Tax rate differential on profits taxed outside France	1.21%	36	2.56%	108	12.79%	54
Changes in the measurement of deferred tax assets / liabilities	0.01%	0	1.28%	54	-0.07%	0
Normal tax rate applicable to French companies (including 3.3% national contribution)	25.83%		25.83%		25.83%	

(1) In 2022, this amount includes the effect of the tax treatment of the disposal of Rosbank.

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter has been set at 25% (article 219 of the French tax code), plus the existing national contribution (CSB) of 3.3%, which lead to a tax rate of 25.83%.

Long-term capital gains on affiliates are exempt from this corporate tax, except for a 12% fee on the 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

Table 6.C

(In EUR m)	30.06.2023	31.12.2022 R
Current tax assets	654	819
Deferred tax assets	3,731	3,665
o/w deferred tax assets on tax loss carry-forwards	*1,894*	*1,662*
o/w deferred tax assets on temporary differences	*1,837*	*2,003*
Total	**4,385**	**4,484**

TAX LIABILITIES

Table 6.D

(In EUR m)	30.06.2023	31.12.2022 R
Current tax liabilities	850	735
Provisions for tax adjustments	69	72
Deferred tax liabilities	1,437	838
Total	**2,356**	**1,645**

The Group performs an annual review of its capacity to use tax loss carry-forwards, taking into account the tax system applicable to each tax entity (or tax group) concerned and a realistic forecast of its tax results. For this purpose, the tax results are determined based on the projected performance of the businesses. This performance corresponds to the estimated budget (scenario SG Central) over four years (from 2023 to 2026), extrapolated to 2027, which corresponds to a “normative” year.

The tax results also take into consideration the accounting and tax adjustments (including the reversal of the deferred tax assets and liabilities bases on temporary differences) applicable to the entities and jurisdictions concerned. These adjustments are determined on the basis of historical tax results and on the Group's tax expertise. An extrapolation of the tax results is performed from 2027 on and over a timeframe considered reasonable and depending on the nature of the activities carried out within each tax entity.

On principle, the appreciation of the selected macroeconomic factors and the internal estimates used to determine the tax results involve risks and uncertainties about their materialisation over the estimated timeframe for the absorption of the losses. These risks and uncertainties are especially related to possible changes in the applicable tax rules (computation of the tax result, as well as allocation rules for tax loss carry-forwards) or materialisation of the assumptions selected. These uncertainties are mitigated by robustness checks of the budgetary and strategic assumptions.

The updated projections show that the Group’s activated tax loss-carry forwards may likely be used against its future taxable income.

PILLAR II: TAX REFORM – GLOBAL MINIMUM CORPORATE TAX RATE

In October 2021, 137 of the 140 jurisdictions members of the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) committed to the principle of establishing a global minimum corporate tax rate of 15% on the profit. This set of measures would be applied Country-by-Country to multinational enterprises earnings with revenue exceeding EUR 750 million.

A set of rules referred to as “Pillar 2” was published by the OECD on 20 December 2021, followed by the publication of a draft European directive on 22 December 2021 regarding their implementation within the European Union. Following the unanimous agreement of the Member States, this Directive was formally adopted and published in the Official Journal of the European Union on 22 December 2022. The rules are to be implemented through the tax systems of the 27 Member States before 31 December 2023 for application to the fiscal years opened from 1 January 2024 on. The transposition of the Directive into French law is expected with the publication of the draft Finance Bill for 2024.

In accordance with the requirements introduced by the amendments to IAS 12 (see Note 1), the Group will apply the exception to the recognition of deferred taxes associated with income taxes arising from Pillar 2 rules upon its adoption by the European Union.

Pending this adoption and in the absence of specific normative requirements in IAS 12, the Group has estimated as appropriate to not recognise deferred taxes under Pillar 2 rules when these rules have been adopted in a jurisdiction, which will be the case in South Korea as of 1 January 2024 and in Japan as of 1 April 2024.

A project structure has been set up at Group level in order to perform the analysis of the requirements in the EU Minimum Tax Directive, to conduct a study of the impacts for the Group and take the necessary measures to ensure compliance with it when it comes into force.

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

As at 30 June 2023, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax assets recovery is indicated in the table below:

Table 6.E

(In EUR m)	30.06.2023	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	**1,894**	**-**	**-**
o/w French tax group	*1,608*	*Unlimited (1)*	*7 years*
o/w US tax group	*99*	*20 years (2)*	*7 years*
Others	*187*	*-*	*-*

(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.

The main deferred taxes not recognised as assets in the balance sheet by tax group are presented in the table below. They may be recognised in the balance sheet when it becomes probable that a future taxable profit will allow their recovery.

Table 6.F

(In EUR m)	**30.06.2023**	**31.12.2022**
French tax group	520	520
US tax groups	272	277
SG Singapore	79	82
SG de Banques en Guinée Equatoriale (1)	36	36
SG Kleinwort Hambros Limited	31	29

(1) Including EUR 10 million of tax carry forward and EUR 26 million temporary differences as at 30 June 2023 and at 31 December 2022.

Others deferred tax relating to tax loss carry-forwards not recognised as assets in the balance sheet amounts to EUR 63 million as at 30 June 2023.

NOTE 7 - SHAREHOLDERS' EQUITY

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

1. ORDINARY SHARES AND CAPITAL RESERVES

Table 7.1.A

(In EUR m)	30.06.2023	31.12.2022 R
Issued capital	1,010	1,062
Issuing premiums and capital reserves	20,586	21,377
Elimination of treasury stock	(329)	(1,191)
Total	**21,267**	**21,248**

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

Table 7.1.B

(Number of shares)	30.06.2023	31.12.2022 R
Ordinary shares	808,208,965	849,883,778
Including treasury stock with voting rights [1]	*6,737,574*	*48,737,016*
Including shares held by employees	*82,338,108*	*79,097,967*

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

As at 31 December 2022, 41,674,813 Societe Generale shares were acquired on the market at a cost price of EUR 914 million, for the purpose of cancellation, in accordance with the decision of the General Meeting of 17 May 2022. The capital reduction by cancellation of securities was carried out on 1 February 2023.

As at 30 June 2023, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,010,261,206.25 and was made up of 808,208,965 shares with a nominal value of EUR 1.25.

As at 23 May 2023, as part of the Group's employee share ownership policy (see Note 5), Societe Generale offered its employees the opportunity to subscribe to a reserved capital increase. 12,556,800 shares were subscribed. The capital increase was carried out on 24 July 2023.

2. TREASURY STOCK

As at 30 June 2023, the Group held 8,330,460 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 1.03% 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 329 million, including EUR 135 million in shares held for trading activities.

The change in treasury stock over 2023 breaks down as follows:

Table 7.1.C

(In EUR m)	**Liquidity contract**	**Trading activities**	**Treasury stock and active management of shareholders' equity**	**Total**
Disposals net of purchases	-	(68)	930	**862**
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(4)	(52)	**(56)**

3. SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

As at 30 June 2023, the amount of equity instruments issued by the Group is EUR 10,136 million. The EUR 1,000 million increase in the first half of 2023 can be explained by the issuance of a perpetual deeply subordinated note in EUR.

The amount of other equity instruments issued by the Group's subsidiaries and recognised under Non-controlling interests totalled EUR 1,300 million including EUR 500 million issued by LeasePlan.

4. EFFECT OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The impact of changes in the consolidation scope recognised in shareholders' equity (EUR -20 million in Group share and EUR 3,533 million in Non-controlling interests) is mainly explained by the acquisition of LeasePlan (see Note 2.1) with:

- the decrease in the ownership interest in ALD from 75.94% to 52.59% with EUR -4 million in Group share and EUR 3,303 million in Non-controlling interests;
- an impact of EUR 513 million on the Non-controlling interests linked to other equity instruments issued by LeasePlan.

NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

1. EARNINGS PER SHARE

Table 7.2.A

(In EUR m)	1st semester of 2023	2022 R	1st semester of 2022 R
Net income, Group share	1,768	1,825	(690)
Attributable remuneration to subordinated and deeply subordinated notes	(377)	(587)	(278)
Issuance fees related to subordinated and deeply subordinated notes	(1)	(9)	-
Net income attributable to ordinary shareholders	**1,390**	**1,229**	**(968)**
Weighted average number of ordinary shares outstanding (1)	801,363,017	822,437,425	831,083,824
Earnings per ordinary share *(in EUR)*	**1.73**	**1.50**	**(1.17)**
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	801,363,017	822,437,425	831,083,824
Diluted earnings per ordinary share *(in EUR)*	**1.73**	**1.50**	**(1.17)**

(1) Excluding treasury shares.

2. DIVIDENDS PAID

Dividends paid by the Group for the first half of 2023 amounted to EUR 1,796 million and are detailed in the following table:

Table 7.2.B

	1st semester of 2023			2022		
(In EUR m)	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	-	-	-	-	-	-
Paid in cash	(1,362)	(434)	(1,796)	(1,371)	(754)	(2,125)
Total	**(1,362)**	**(434)**	**(1,796)**	**(1,371)**	**(754)**	**(2,125)**

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.

Table 8.1.A

	1st Semester of 2023									
		International Retail Banking and Financial Services				Global Banking and Investor Solutions				
(In EUR m)	**French Retail Banking**	International Retail Banking	Financial Services	Insurance	Total	Global Markets and Investors Services	Financing and advisory	Total	**Corporate Centre (1)**	**Total Societe Generale group**
Net banking income	3,850	2,530	1,717	328	4,575	3,452	1,681	5,133	(600)	12,958
Operating expenses (2)	(3,101)	(1,417)	(804)	(60)	(2,281)	(2,559)	(1,089)	(3,648)	(468)	(9,498)
Gross operating income	**749**	**1,113**	**913**	**268**	**2,294**	**893**	**592**	**1,485**	**(1,068)**	**3,460**
Cost of risk	(198)	(150)	(24)	-	(174)	15	7	22	2	(348)
Operating income	**551**	**963**	**889**	**268**	**2,120**	**908**	**599**	**1,507**	**(1,066)**	**3,112**
Net income from investments accounted for using the equity method	4	2	1	-	3	4	-	4	1	12
Net gains or losses on other assets	3	(1)	-	-	(1)	-	-	-	(100)	(98)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-
Earnings before tax	**558**	**964**	**890**	**268**	**2,122**	**912**	**599**	**1,511**	**(1,165)**	**3,026**
Income tax	(143)	(247)	(219)	(70)	(536)	(215)	(75)	(290)	216	(753)
Consolidated Net Income	**415**	**717**	**671**	**198**	**1,586**	**697**	**524**	**1,221**	**(949)**	**2,273**
Non-controlling interests	-	240	193	2	435	18	-	18	52	505
Net income, Group Share	**415**	**477**	**478**	**196**	**1,151**	**679**	**524**	**1,203**	**(1,001)**	**1,768**
Segment assets	**270,937**	**134,086**	**82,179**	**163,704**	**379,969**	**666,520**	**168,468**	**834,988**	**92,536**	**1,578,430**
Segment liabilities (3)	**292,447**	**95,522**	**45,665**	**148,201**	**289,388**	**703,253**	**70,490**	**773,743**	**144,868**	**1,500,446**

Table 8.1.B

(In EUR m)	2022 R									
		International Retail Banking and Financial Services				Global Banking and Investor Solutions				
	French Retail Banking *	International Retail Banking	Financial Services	Insurance *	Total *	Global Markets and Investors Services *	Financing and advisory *	Total	Corporate Centre (1)	Total Societe Generale group
Net banking income	8,684	5,138	2,969	510	8,617	6,708	3,374	10,082	(228)	27,155
Operating expenses (2)	(6,380)	(2,783)	(1,147)	(102)	(4,032)	(4,708)	(1,926)	(6,634)	(948)	(17,994)
Gross operating income	**2,304**	**2,355**	**1,822**	**408**	**4,585**	**2,000**	**1,448**	**3,448**	**(1,176)**	**9,161**
Cost of risk	(483)	(637)	(68)	-	(705)	5	(426)	(421)	(38)	(1,647)
Operating income	**1,821**	**1,718**	**1,754**	**408**	**3,880**	**2,005**	**1,022**	**3,027**	**(1,214)**	**7,514**
Net income from investments accounted for using the equity method	8	1	-	-	1	6	-	6	-	15
Net gains or losses on other assets (4)	57	11	-	-	11	3	3	6	(3,364)	(3,290)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-
Earnings before tax	**1,886**	**1,730**	**1,754**	**408**	**3,892**	**2,014**	**1,025**	**3,039**	**(4,578)**	**4,239**
Income tax	(487)	(439)	(397)	(106)	(942)	(457)	(119)	(576)	522	(1,483)
Consolidated Net Income	**1,399**	**1,291**	**1,357**	**302**	**2,950**	**1,557**	**906**	**2,463**	**(4,056)**	**2,756**
Non-controlling interests	(1)	452	271	2	725	35	1	36	171	931
Net income, Group Share	**1,400**	**839**	**1,086**	**300**	**2,225**	**1,522**	**905**	**2,427**	**(4,227)**	**1,825**
Segment assets	**300,473**	**124,734**	**45,698**	**160,817**	**331,249**	**591,685**	**172,360**	**764,045**	**89,133**	**1,484,900**
Segment liabilities (3)	**308,606**	**89,694**	**15,447**	**146,586**	**251,727**	**637,899**	**72,072**	**709,971**	**141,270**	**1,411,574**

Table 8.1.C

	1st Semester of 2022 R									
		International Retail Banking and Financial Services				Global Banking and Investor Solutions				
(In EUR m)	**French Retail Banking***	Inter-national Retail Banking	Financial Services	Insurance *	Total *	Global Markets and Investors Services *	Financing and advisory *	Total	**Corporate Centre (1)**	**Total Societe générale group**
Net banking income	4,393	2,603	1,418	277	4,298	3,707	1,611	5,318	(65)	13,944
Operating expenses (2)	(3,182)	(1,473)	(538)	(54)	(2,065)	(2,694)	(1,043)	(3,737)	(472)	(9,456)
Gross operating income	**1,211**	**1,130**	**880**	**223**	**2,233**	**1,013**	**568**	**1,581**	**(537)**	**4,488**
Cost of risk	(68)	(396)	(26)	-	(422)	3	(266)	(263)	(25)	(778)
Operating income	**1,143**	**734**	**854**	**223**	**1,811**	**1,016**	**302**	**1,318**	**(562)**	**3,710**
Net income from investments accounted for using the equity method	2	(1)	-	-	(1)	3	-	3	-	4
Net gains or losses on other assets (4)	3	10	-	-	10	-	-	-	(3,303)	(3,290)
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-
Earnings before tax	**1,148**	**743**	**854**	**223**	**1,820**	**1,019**	**302**	**1,321**	**(3,865)**	**424**
Income tax	(298)	(193)	(193)	(57)	(443)	(233)	(22)	(255)	336	(660)
Consolidated Net Income	**850**	**550**	**661**	**166**	**1,377**	**786**	**280**	**1,066**	**(3,529)**	**(236)**
Non-controlling interests	(1)	204	126	-	330	22	-	22	103	454
Net income, Group Share	**851**	**346**	**535**	**166**	**1,047**	**764**	**280**	**1,044**	**(3,632)**	**(690)**
Segment assets	**303,865**	**128,611**	**43,153**	**165,458**	**337,222**	**555,183**	**170,441**	**725,624**	**171,343**	**1,538,054**
Segment liabilities (3)	**312,860**	**92,326**	**14,913**	**153,191**	**260,430**	**695,902**	**70,160**	**766,062**	**128,127**	**1,467,479**

* *Following the steering changes at the beginning of 2023, the 2022 data have been restated to reflect the new organisation.*

(1) *Income and expenses, as well as assets and liabilities that are not directly related to business line activities are allocated to the Corporate Centre. Corporate Centre income includes, in particular, some consequences of the Group's centralised management of litigation and of transactions leading to changes in the consolidation scope.*

Management fees incurred by banking entities in connection with the distribution of insurance contracts are considered as costs directly related to the performance of the contracts and are therefore included in the valuation of the latter and presented under Insurance services expense (see Note1); this restatement is allocated to the Corporate Centre.

(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) *The Net gains or losses on other assets item for the first semester of 2022 includes the impacts of the sale of Rosbank and insurance subsidiaries in Russia.*

NOTE 8.2 - PROVISIONS

OVERVIEW

Table 8.2.A

(In EUR m)	**Provisions as at 31.12.2022**	Allocations	Write-backs available	**Net allocation**	**Write-backs used**	**Currency and others**	**Provisions as at 30.06.2023**
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	**898**	348	(366)	**(18)**	**-**	**(2)**	**878**
Provisions for employee benefits (see Note 5.1)	**2,002**	205	(75)	**130**	**(123)**	**34**	**2,043**
Provisions for mortgage savings plans and accounts commitments	**125**	35	(30)	**5**	**0**	**-**	**130**
Other provisions [(1)]	**1,554**	414	(260)	**154**	**(153)**	**(29)**	**1,526**
Total	**4,579**	**1,002**	**(731)**	**271**	**(276)**	**3**	**4,577**

(1) Including provisions for legal disputes, fines, penalties and commercial disputes.

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 8.3 - TANGIBLE AND INTANGIBLE FIXED ASSETS

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

Table 8.3.A

(In EUR m)	31.12.2022 R	Increases / allowances	Disposals / reversals	Revaluation	Other movements	30.06.2023
Intangible Assets	**2,874**	**106**	**(39)**		**402**	**3,343**
of which gross value	*8,935*	*459*	*(80)*		*585*	*9,899*
of which amortisation and impairments	*(6,061)*	*(353)*	*41*		*(183)*	*(6,556)*
Tangible Assets (w/o assets under operating leases)	**4,289**	**8**	**(38)**		**23**	**4,282**
of which gross value	*11,031*	*275*	*(169)*		*107*	*11,244*
of which amortisation and impairments	*(6,742)*	*(267)*	*131*		*(84)*	*(6,962)*
Assets under operating leases [(1)]	**24,071**	**7,230**	**(4,903)**		**20,699**	**47,097**
of which gross value	*32,933*	*9,406*	*(7,078)*		*28,179*	*63,440*
of which amortisation and impairments	*(8,862)*	*(2,176)*	*2,175*		*(7,480)*	*(16,343)*
Investment Property (except insurance activities)	**11**	**-**	**-**		**2**	**13**
of which gross value	*30*	*-*	*-*		*7*	*37*
of which amortisation and impairments	*(19)*	*-*	*-*		*(5)*	*(24)*
Investment Property (including insurance activities)	**877**	**1**	**(1)**	**(1)**	**-**	**876**
Rights-of-use	**1,836**	**41**	**(87)**		**134**	**1,924**
of which gross value	*3,221*	*274*	*(142)*		*252*	*3,605*
of which amortisation and impairments	*(1,385)*	*(233)*	*55*		*(118)*	*(1,681)*
Total	**33,958**	**7,386**	**(5,068)**	**(1)**	**21,260**	**57,535**

(1) The other movements are mainly explained by the acquisition of LeasePlan (cf. Note 2.1).

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 Societe Generale. 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 the bank, 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 will be 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 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 Societe Generale 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 London Court of Appeal discharged entirely the inquiry into damages granted by the London 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, which has therefore become definitive. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against the Paris Commercial Court's decision. On 1 February 2023, the Paris Court of Appeals confirmed 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, 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 of penalties. On 2 December 2021, after several years of proceedings and two decisions of the Supreme Court, the Paris Court of Appeal overturned the decision of the French competition authority and ruled that (i) it was not proven that the establishment of the CEIC and the fees for related services on AOCT (cancellation of wrongly cleared transactions) as well as their collection had infringed the provisions of Article L. 420-1 of the French Commercial Code and of Article 101 of the Treaty on the Functioning of the European Union and, (ii) that its decision was giving rise to a right of restitution of the sums paid in execution of the overturned decision, namely approximatively EUR 53.5 million for Societe Generale and approximatively EUR 7 million for Crédit du Nord, together with interests at the legal rate. On 31 December 2021, the French competition authority filed an appeal before the Supreme court against this decision. The Supreme Court dismissed this appeal by a decision of 28 June 2023, putting a definitive end to this litigation.

- On 3 January 2023, Societe Generale Private Banking (Switzerland) ("SGPBS") entered into an agreement to settle litigation in the United States stemming from the Ponzi scheme of Robert Allen Stanford and his affiliates. On 21 February 2023, the Receiver and the Official Stanford Investors Committee ("OSIC") filed a motion in US District Court for the Northern District of Texas seeking approval of the settlement. The settlement provides for the payment by SGPBS of USD 157 million in exchange for the release of all claims. During the 7 June 2023 hearing, the Court granted the Receiver's motion to approve the settlement. This order is now subject to various appeals, the schedule for which has not yet been determined. The settlement was fully covered by reserves in the accounts of Societe Generale S.A. following a financial guarantee provided by Societe Generale S.A. to SGPBS. Each of the other defendant banks in this litigation also announced settlements in the first quarter of 2023 with the US Receiver and OSIC resolving their claims. These settlements were reached in advance of a jury trial that had been scheduled to start on 27 February 2023.

  In the same matter, a pre-contentious claim (*requête en conciliation*) was initiated in Geneva in November 2022 by the Joint Liquidators of SIBL, appointed by the courts in Antigua, representing the same investors as those represented by the US plaintiffs. SGPBS was served with the statement of claim on 20 June 2023 and will defend itself against the claims in this proceeding.

- Notwithstanding the agreements reached in 2018 with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate ("the IBOR matter") and the dismissal on 30 November 2021 of the legal proceedings brought by the DOJ in this matter (see Chapter 4 of the Universal Registration Document), 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 were dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that were effectively stayed. The class plaintiffs and a number of individual plaintiffs appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit ("Second Circuit"). On 30 December 2021, the Second Circuit reversed the dismissal and reinstated the antitrust claims.

These reinstated claims which have been returned to the District Court include those asserted by a proposed class of over-the-counter (OTC) plaintiffs and by OTC plaintiffs that have filed individual actions. On 21 June 2022, the U.S. Supreme Court denied a petition filed by Societe Generale and other defendants that sought review of the Second Circuit’s ruling. Discovery is ongoing. On 19 August 2022, one of the stayed putative class actions was voluntarily dismissed by plaintiffs. On 9 January 2023, the claims against Societe Generale by one of the individual plaintiffs, National Credit Union Administration (as Liquidating Agent for certain credit unions), were voluntarily dismissed with prejudice. On 12 May 2023, Societe Generale and two other financial institutions entered into a settlement agreement to resolve the OTC class action for a combined USD 90 million. Societe Generale’s portion of this settlement was fully covered by reserves. The District Court granted preliminary settlement approval on 25 May 2023 and scheduled a hearing to consider final settlement approval for 17 October 2023.

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 Second Circuit reversed the dismissal and reinstated the claims. On 30 September 2021, the District Court dismissed certain plaintiffs and all Racketeer Influenced and Corrupt Organizations Act claims but upheld certain antitrust and state law claims against Societe Generale. Discovery in that action is ongoing. 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 plaintiff’s remaining claims. Plaintiff appealed to the Second Circuit. On 18 October 2022, as amended on 8 December 2022, the Second Circuit affirmed the District Court’s dismissal of plaintiff’s claims.

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 Second Circuit. Societe Generale reached a settlement of this action in an amount covered by reserves. Shortly thereafter, on 21 November 2022, the Second Circuit stayed plaintiffs’ appeal as to Societe Generale and remanded that portion of the case to the District Court for consideration of the proposed settlement. On 18 April 2023, the District Court granted preliminary settlement approval and scheduled a hearing to consider final settlement approval for 7 September 2023.

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, were named in three putative antitrust class actions in the US District Court in Manhattan, which were consolidated. Plaintiffs alleged 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 were seeking 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 appealed that ruling. On 6 April 2021, the Second Circuit permitted a new proposed class representative to intervene as a plaintiff in the appeal. The original proposed class representatives withdrew from the action. On 14 February 2022, the Second Circuit dismissed the remaining plaintiff’s appeal for lack of standing leaving undisturbed the District Court’s dismissal. This litigation is now concluded.

- 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. On 7 November 2018, a group of individual entities that elected to opt out of the settlement filed a lawsuit against Societe Generale, SG Americas Securities, LLC and several other financial institutions. SG Americas

Securities, LLC was dismissed by order dated 28 May 2020. On 11 November 2020, Societe Generale was named, along with several other banks, in a UK action alleging collusion in the market for FX instruments. The action was subsequently transferred to the Competition Appeal Tribunal. By orders dated 17 May 2023 and 23 May 2023 respectively, the US and UK actions were dismissed. These actions are now over.

- 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.

- Several French companies applied to the European Commission, who considered that the decisions handed down by the *Conseil d'Etat* on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union (CJEU) 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 referring the matter to the CJEU on 8 December 2016. The CJEU rendered its judgement on 4 October 2018 and sentenced France for failure by the *Conseil d'Etat* to disregard the tax on EU sub-subsidiaries in order to secure the *précompte* 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 in accordance with the law. On 23 June 2020, the Administrative Court of Appeal of Versailles issued a ruling in favour of Engie on our 2002 and 2003 Suez claims, followed by an enforcement in our favour. The judgment of Versailles held that the advance payment was not compatible with the Parent-Subsidiary Directive: the *Conseil d'Etat* pointed out that a question should be referred to the CJEU for a preliminary ruling in order to ascertain this. The Court of Luxembourg has confirmed on 12 May 2022 that the *précompte* was incompatible with the Parent-Subsidiary Directive. The *Conseil d'Etat*, by an Engie judgment of 30 June 2023, taking note of this incompatibility, confirmed the provisions of the Versailles judgment for the year 2002, but referred the year 2003 to a more in-depth examination by the Court of Versailles of the declarations of *précompte* produced, in order to validate the amount to be received. At the same time, compensation litigation was brought in March 2023 before the European Commission and the Paris Administrative Court of Appeal for the Rhodia claim and the Suez claims for 1999 to 2001, judged respectively by the *Conseil d'Etat* in 2012 and 2016, before the 2018 and 2022 judgments of the CJEU.

- Societe Generale, along with 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 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. Societe Generale, along with three other defendants, has reached a settlement to resolve this action for USD 50 million. By order dated 13 January 2022, the Court granted preliminary approval of the settlement. The final fairness hearing was held on 5 August 2022, and the settlement received final approval by order dated 8 August 2022. This matter is now concluded. Although Societe Generale's share of the settlement is not public, it was not material from a financial perspective. 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. Societe Generale is defending the 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.

Societe Generale Group entities may also be exposed to claims by third parties, including German tax offices, and become party to legal disputes initiated by clients involved in proceedings against the German tax administration.

- 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). On 16 June 2020, SGAS and twelve other bank defendants reached a final settlement with plaintiffs. Although SGAS’s share of the settlement is not public, the amount was not material from a financial statement perspective. 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 in June 2021, 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 Societe Generale entities indirectly from BLMIS through so-called “feeder funds” that were invested in BLMIS and from which the Societe Generale entities received redemptions. The suit alleges that the amounts that the Societe Generale 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 Societe Generale entities. The Societe Generale 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 Bankruptcy Court for further proceedings. The Societe Generale defendants filed a motion to dismiss on 29 April 2022. The motion was denied by order dated 7 October 2022. Discovery is proceeding.

- 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. The court granted Societe Generale’s motion to dismiss on 22 December 2021 but permitted plaintiffs to replead their claims. On 25 February 2022, plaintiffs filed an amended complaint, and on 11 April 2022, Societe Generale filed its motion to dismiss. By order entered 30 March 2023, the court granted Societe Generale's motion to dismiss. Plaintiffs have appealed.

- On 9 November 2020, Societe Generale was named as a defendant, together with another bank, in a 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, aCuban 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 the amended complaint on 19 March 2021, which was granted by the court on 24 November 2021. The court permitted plaintiffs to replead their claims. On 4 February 2022, plaintiffs filed an amended complaint, and on 14 March 2022, Societe Generale filed its motion to dismiss, which was granted by the court on 23 January 2023. Plaintiffs have appealed.

  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 case was stayed pending developments in Pujol I. At the parties' request, following dismissal of Pujol I, the court lifted the stay on Pujol II and entered an order dismissing the case for the same reasons it dismissed Pujol I. Plaintiff has appealed.

- On 1 June 2021, a shareholder of Societe Generale 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 Général*), Mr. Frédéric Oudéa. 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 "*convention judiciaire d'intérêt public"* of 24 May 2018 between Societe Generale and the French Financial Public Prosecutor (the "CJIP") and the Deferred Prosecution Agreement of 5 June 2018 between SocieteGenerale and the United States Department of Justice (the "DPA").

  Societe Generale voluntarily joined these proceedings at the first procedural hearing in order to seek the dismissal of the claims made by the plaintiff. Thereafter, the plaintiff filed a brief asking the court to dismiss the case with prejudice, and the parties asked the court to put an end to these proceedings. By order dated 15 February 2022, the Commercial Court of Paris therefore took note of the termination of the proceedings. This matter is therefore definitively over.

- In the context of the sale of its Polish subsidiary Euro Bank to Bank Millennium on 31 May 2019 and of the indemnity granted to the latter against certain risks, Societe Generale continues to monitor the evolution of court cases related to CHF-denominated or CHF-indexed loans issued by Euro Bank.

- Like other financial institutions, Societe Generale is subject to audits by the tax authorities regarding its securities lending/borrowing and equity and index derivatives activities. The 2017, 2018 and 2019 audited years are the subject of notifications of proposals of tax adjustments in respect of the application of a withholding tax. These proposals are contested by the Group. In parallel, given the significance of the matter, on 30 March 2023, the French Banking Federation has brought proceedings against the tax administration's doctrine. In addition, further to raids conducted by the "*parquet national financier"* at the end of March 2023 at the premises of five banks in Paris, among which Societe Generale, the latter has been informed that it was subject to a preliminary investigation pertaining to the same issue. Societe Generale is defending the action.

- On 19 August 2022, a Russian fertiliser company, EuroChem North West-2 ("EuroChem"), a wholly owned subsidiary of EuroChem AG, filed a claim against Societe Generale S.A. and its Milan branch ("Societe Generale") before English courts. This claim relates to five on-demand bonds that Societe Generale issued to EuroChem in connection with a construction project in Kingisepp, Russia. On 4 August 2022, EuroChem made demands under the guarantees. Societe Generale explained it was unable to honour the claims due to international sanctions directly impacting the transactions, an assessment which EuroChem disputes. Societe Generale filed its defence submissions on

1 November 2022, to which EuroChem replied on 13 December 2022. A case management conference ("CMC") is expected to take place on 26 September 2023.

- SG Americas Securities, LLC ("SGAS") received a request for information in December 2022 from the US Securities and Exchange Commission ("SEC") focused on compliance with record-keeping requirements in connection with business-related communications on messaging platforms that were not approved by the firm. On 28 March 2023, SGAS and Societe Generale received a similar request from the US Commodity Futures Trading Commission ("CFTC"). These inquiries follow a number of regulatory settlements in 2022 with other firms covering similar matters. SGAS has reached a settlement with the SEC, and Societe Generale and SGAS have reached a settlement with the CFTC. As of the date of this update, both settlements were pending formal regulatory approval.

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 2023.

NOTE 10.1 - REFORM OF INTEREST RATE BENCHMARKS

Presentation of the reform

The Interest Rate Benchmark Reform (also referred to as "IBOR reform" as IBORs = InterBank Offered Rates), initiated by the Financial Stability Board in 2014, aims at replacing these benchmark rates with alternative rates, in particular the Risk-Free Rates (RFR). This reform accelerated on 5 March 2021, when the British Financial Conduct Authority (FCA), the supervisor of LIBOR, announced the official dates for the cessation and loss of representativeness of the following interest rate benchmarks:

- CHF LIBOR and EUR LIBOR (all terms); GBP LIBOR and JPY LIBOR (terms: overnight, 1-week, 2-month and 12-month); USD LIBOR (terms: 1-week and 2-month): the publication of these benchmark settings has permanently ceased as of 1 January 2022;
- GBP LIBOR and JPY LIBOR (terms: 1-, 3- and 6-month): these settings have not been contributed by banks since 1 January 2022 and are or have been published in a synthetic form as follows:
  - JPY LIBOR (terms: 1-, 3- and 6-month): till end December 2022,
  - GBP LIBOR (terms: 1- and 6-month): till end March 2023,
  - GBP LIBOR (term: 3-month): till end March 2024;
- USD LIBOR (terms: overnight, 1-, 3-, 6- and 12-month): the publication of these benchmark settings as contributed by banks has ceased as of 30 June 2023; since then, they have been published for the 1-, 3- and 6-month terms only, in synthetic form; the use of these synthetic settings is restricted to the run-off management of legacy positions; and their transitional publication will cease on 30 September 2024.

Meanwhile, other USD LIBOR settings ceased end June 2023: USD LIBOR ICE SWAP RATE, MIFOR (India), PHIREF (Philippines), SOR (Singapore) and THBFIX (Thailand).

The publication of the MosPrime rate has also ceased on 30 June 2023.

As regards the major benchmark indices of the euro area:

- EURIBOR: the EMMI (*European Money Markets Institute*), administrator of the index, does not contemplate ceasing its publication. EURIBOR will thus be maintained in the coming years;
- EONIA: its publication completely ceased on 3 January 2022. The replacement benchmark index recommended by the working group on interest rates in the euro area set up by the European Central Bank is the €STR on which the EONIA has been based since end 2019.

Impact of the reform on the Societe Generale group

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 it maintains active liaison with the relevant supervisory authorities to keep them informed of the progress of the working groups with regard to transition.

The Group has actively prepared for these changes, through a specific transition program set up in the Summer of 2018 and supervised by the Finance division.

For this purpose, the Group has launched active awareness and communication campaigns for its customers, supplemented by a monthly newsletter and a Frequently Asked Questions (FAQ) page on the IBOR transition available to the public on the Societe Generale website. To prepare for the cessation dates announced for LIBOR and other transitioning benchmarks, the public authorities and the working groups set up by the central banks issued recommendations to the banking industry. These recommendations aim at stopping the production of new contracts referencing these indices as well as at migrating the existing contracts referencing said indices to alternative benchmark rates.

To ensure a consistent approach throughout the Societe Generale group, an internal Committee has been formed. Its role is to issue periodical orientations reflecting both the market developments and the recommendations from regulators and their working groups. Several internal guidelines have been issued covering four main themes:

- strengthening of the new contracts through the inclusion of fallback clauses and risk warnings;
- discontinuation of the production of new transactions referencing discontinued benchmarks (with some exceptions provided for by regulators) and use of alternative solutions;
- fair and homogenous treatment of customers through the involvement of the compliance teams in the renegotiations of contracts;
- reporting obligation, and restrictions related to the use of certain interest rates as alternatives to LIBOR.

At this stage, all directives are being applied and widely circulated among the Group's staff.

In order to build the capacity to deal on products referencing RFRs or some term RFRs and thus ensure the continuity of its business after the phasing out of IBOR, the Societe Generale group updated its tools and processes in line with the major calculation methods recommended by the relevant working groups or professional associations. Nevertheless, the Group continues monitoring developments in the use of RFRs and other alternative rates in order to implement any new convention and meet its customers' needs.

Migration of USD LIBOR, USD LIBOR ICE SWAP RATE and other benchmarks (MIFOR, PHIREF, SOR, THBFIX and MosPrime).

At end June 2023, the Societe Generale group has completed over 99% of its legal migration of the contracts indexed on the benchmarks terminated or not representative anymore at that time. Remainders are mainly contracts still being renegotiated as at 30 June and for which using the synthetic USD LIBOR will allow the renegotiation to be concluded in 2023 or, at the latest, before the cessation date of the synthetic LIBOR.

Depending on the products, the migration took place mostly according to four major modalities:

- Loans and credit facilities were subject to individual renegotiations; likewise for the related hedging instruments in order to maintain their effectiveness.
- Most derivative products were migrated on the initiative of clearing houses or through activation of their fallback indices clauses (protocol set up by the ISDA and to which the Societe Generale group subscribed in October 2020). Some derivatives products have however been renegotiated bilaterally.
- The vast majority of issuances was migrated via the activation of the contractual fallback indices clauses or, by way of exception, following agreement by the shareholders.
- For some products (typically current accounts and similar), the migration was implemented through an update of the general terms and conditions.

It is to be noted that, for some types of contracts, the operational migration will take place at the end of the ongoing interest period at 30 June 2023 and, consequently, exposures on pre-June 2023 fixings of USD LIBOR and other indices will still appear beyond 30 June 2023 pending these migrations.

Risks associated with the reference rate reform

The risks associated with the interbank benchmark rates were mostly related to the USD LIBOR for the period until June 2023.

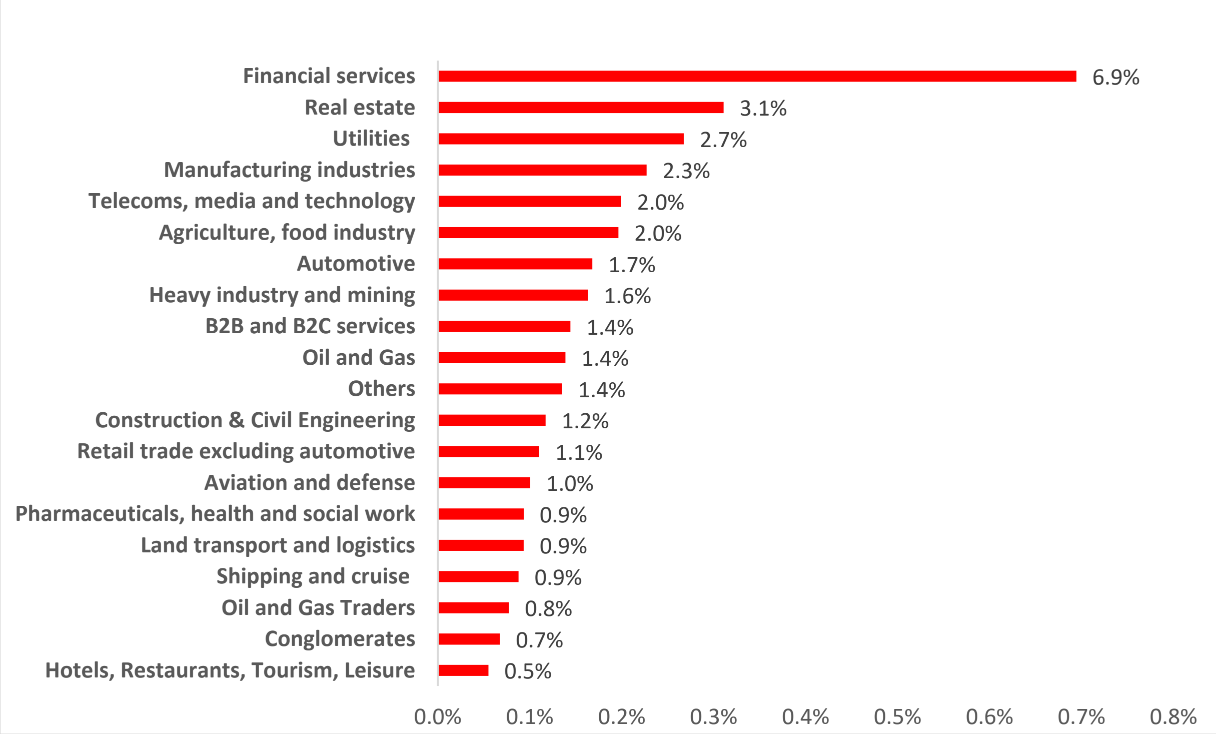
The June term for the USD LIBOR, and the existence of a synthetic USD LIBOR until September 2024 involve a significant reduction in the previously identified risks.:

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

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.

SECTOR BREAKDOWN OF "GROUP CORPORATE" EXPOSURE AS AT 30 JUNE 2023 (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 2023, the Corporate portfolio amounted to EUR 398 billion (on- and off-balance sheet exposures measured in EAD). Two sectors account for more than 30% of this portfolio each (Financial services and Real Estate). The Group's exposure to its ten largest Corporate counterparties accounts for 6% of this portfolio.