RISK REPORT

2024

PILLAR 3 2023

SOCIETE GENERALE

CONTENTS

RISK REPORT

2024

PILLAR 3 2023

ABBREVIATIONS USED:

Millions of euros: EURm / **Billions of euros:** EURbn / **FTE:** Headcount in Full-Time Equivalents

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

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GROUP CONCISE RISK STATEMENT

Societe Generale seeks a sustainable development based on a diversified and balanced banking model with a strong European foothold and a global presence targeted on a few areas of strong business expertise. Risk appetite is declined in a global strategy which fulfills the following targets:

- CET 1 ratio at 13% in 2026, under Basel IV;
- average annual revenue growth between 0% and 2% over 2022-2026;
- increased operational efficiency with cost-to-income ratio below 60% in 2026;
- return on tangible equity (ROTE) between 9% and 10% in 2026;
- best standards of risk monitoring with a NCR comprised between 25 and 30 bps on 2024-2026, and a non performing loan rate between 2,5% and 3% in 2026;
- maintaining a robust liquidity profile with an LCR superior or equal to 130% on 2024-2026 and a NSFR superior or equal to 112% on 2024-2026.

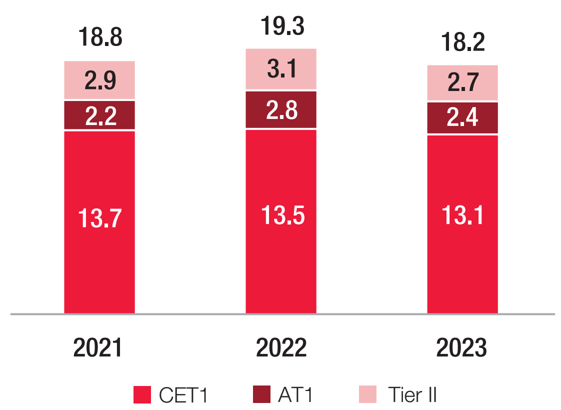
At 31 December 2023, the indicators of the Group's risk appetite in terms of solvency, credit risk, market risk, operational risk and structural risks were within the risk appetite levels defined by the Group. They have not reached the tolerance thresholds defined by the Board.

1.1 FINANCIAL STRENGTH PROFILE

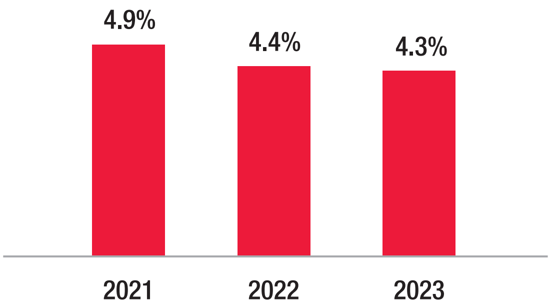
In 31 December 2023, the Group complies with all regulatory requirements relating to solvency.

Concerning the internal economic approach of the ICAAP, the rate of coverage of the Group's internal capital requirement by the internal capital the end of 2023 is greater than 100% and respects the risk appetite validated by the Board

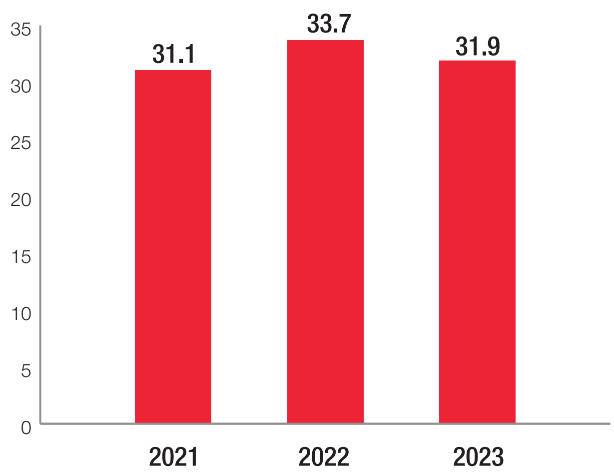
SOLVENCY RATIOS (IN %)



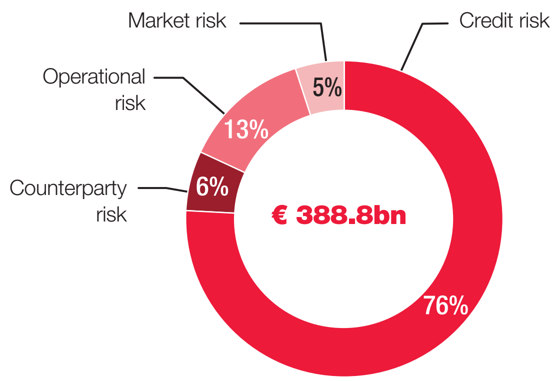
LEVERAGE RATIO



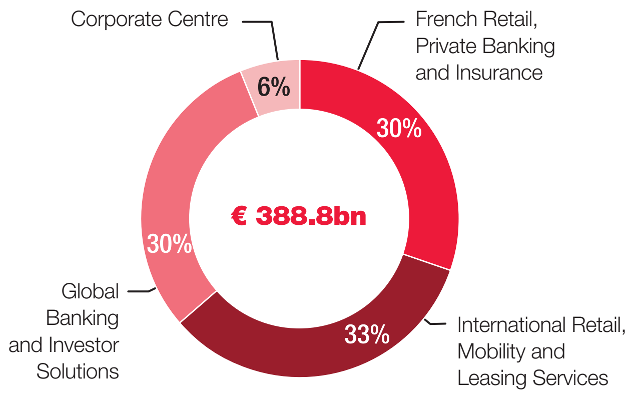
TLAC RATIO (IN %)



DISTRIBUTION OF RWA BY RISK TYPE (RWA AS OF 31.12.2023: EUR 389BN VS. RWA AS OF 31.12.2022: EUR 362 [(1)] BN)



DISTRIBUTION OF RWA BY CORE BUSINESS (RWA AS OF 31.12.2023: EUR 389BN VS. RWA AS OF 31.12.2022: EUR 362 [(1)] BN)



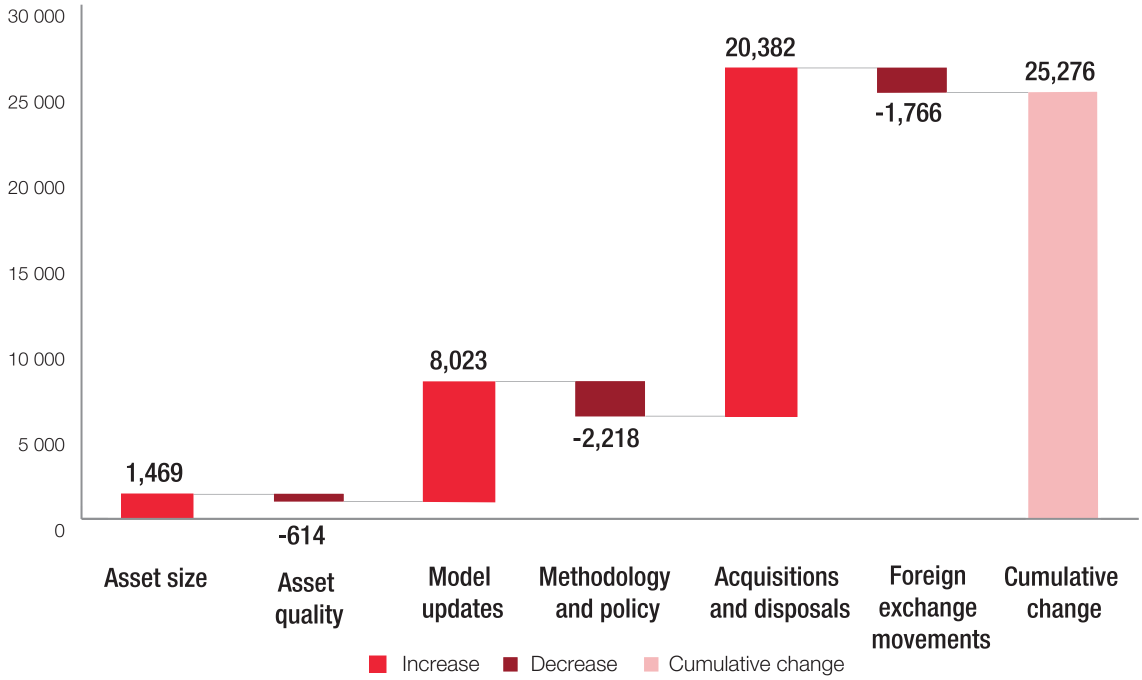
In addition, the Group presents its unconsolidated structured entities in Note 2.4 of the financial statements of the 2023 Universal Registration Document. Intra-group transactions are governed by a credit granting process respecting different levels of delegation within the Business Units, the Risk Department and the Finance Department.

The risks of intervention on these intra-group transactions are tracked as part of the risk inventory and represent a non-material risk to date. The entities' structural risk management and oversight systems are also submitted to the Finance Department and the Risk Department.

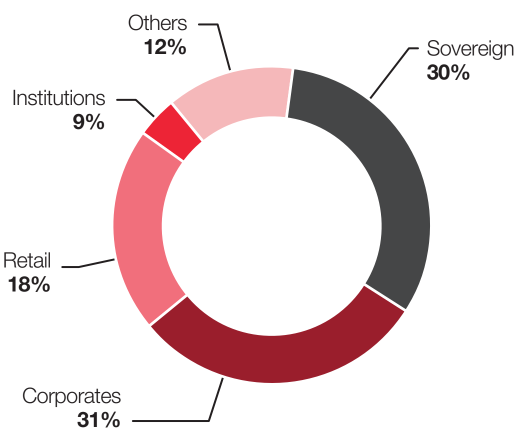
(1) 2022 figures are restated in compliance with IFRS 17 and IFRS 9 for insurance entities.

1.2 CREDIT RISK AND COUNTERPARTY CREDIT RISK

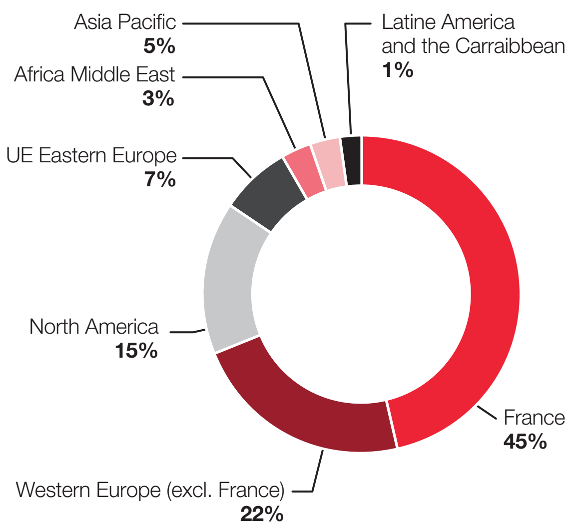
CHANGE IN WEIGHTED EXPOSURE FROM EUR 298 BN TO EUR 323 BN (IN MEUR)



PORTFOLIO BREAKDOWN BY CUSTOMER TYPE (IN EAD)



BREAKDOWN OF GROUP EXPOSURE BY GEOGRAPHIC AREA (IN EAD)



As of December 2023, the increase of counterparty and credit risk exposure compared to 2022 is mainly due to increase of "Sovereign" exposures (+5%).

The lower risk cost compared to 2022 is explained by recoveries measured on sound stocks (Stage 1/Stage 2) which offset a moderate increase in the cost of risk on defaulted stocks. The recoveries in S1/S2 are mainly due to lower exposures to Russia that had a strong impact in 2022. Overall, the Group maintains a prudent provisioning policy in an environment still impacted by high geopolitical uncertainties and less favorable economic prospects.

TABLE 1: PROVISIONING OF DOUBTFUL LOANS

	31.12.2023	31.12.2022
Cost of risk *(in bps)*	17	28
Cost of risk *(in MEUR)*	1,025	1,647
Group gross doubtful loans ratio[1]	2.9%	2.8%
Doubtful loans (Stage 3)	16.1	15.9
Stage 3 Provisions	7.4	7.7
Group net doubtful loans coverage ratio	46.0%	48.0%

(1) Customer loans and advances, deposits at banks and loans due from banks, finance leases, excluding loans and advances classified as held for sale, cash balances at central banks and other demand deposits, in accordance with the EBA/ITS/2019/02 Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 with regard to the reporting of financial information (FINREP). The NPL rate calculation was modified in order to exclude from the gross exposure in the denominator the net accounting value of the tangible assets for operating lease. Performing and non-performing loans include loans at fair value through profit or loss which are not eligible to IFRS 9 provisioning and so not split by stage. Historical data restated.

The ESG risk elements are presented in Chapter 14 of this Pillar 3 document.

As defined in Table 1 of Pillar 3 on ESG risks related to transition risk linked to climate change, exposures to sectors that contribute significantly to climate change [1] (based on NACE codes provided by the EBA) amount to EUR 169.7 billion of gross carrying amount.

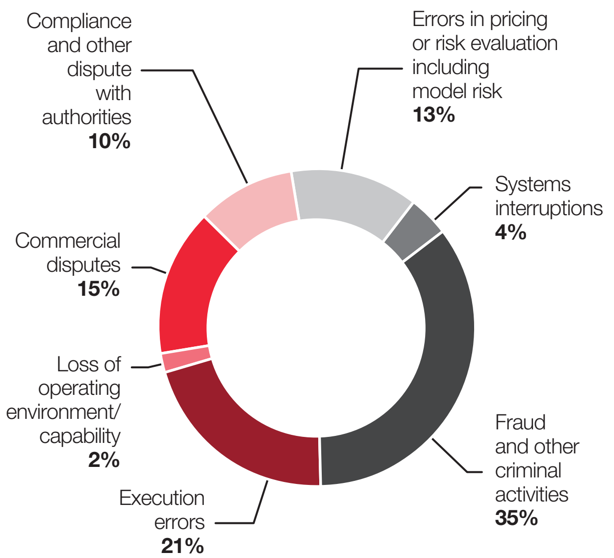
As defined in Table 5 of Pillar 3 on ESG risks concerning the physical risk related to climate change and taking into account the assumptions used and the data available, corporate exposures subject to gross physical risk before any mitigation is taken into account represent 27.5 billion euros of gross book value.

(1) In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

1.3 OPERATIONAL RISK

As of 31 December 2023, operational risk-weighted exposures represented EUR 50.1 billion, up to 8.9% compared to the end of 2022 (EUR +4.1 billion). This evolution is mainly explained by Lease Plan integration. These weighted exposures are mainly determined using the internal model (91% of the total).

OPERATIONAL RISK LOSSES BREAKDOWN BY RISK EVENT TYPE (IN VALUE)



1.4 MARKET RISK

These weighted exposures amounted to EUR 12.5 billion at the end of 2023. Capital requirements for market risk decreased in 2023. This decrease is mainly reflected in VaR and capital add-ons, partially offset by an increase in risks calculated using the standard approach:

- the VaR capital requirement gradually decreased in 2023, mainly due to the decrease in the multiplier factor following the steady decline in the number of backtesting breaches in a rolling year;
- capital add-ons decreased, mainly due to the reserve variability, which is calculated over a 3-year rolling window and which has benefited from the gradual exit of the high variation scenarios of the Reserve Policies observed in 2020 during the COVID crisis;
- the risks calculated in the standard approach are increasing mainly due to the risks assessed for currency positions.

  Market risk-weighted exposures are mainly determined using internal models (74% of the total at the end of 2023).

BREAKDOWN OF MARKET RISK RWA BY COMPONENT AS OF 31.12.2023: EUR 12.5BN *VS.* EUR 13.7BN AS OF 31.12.2022

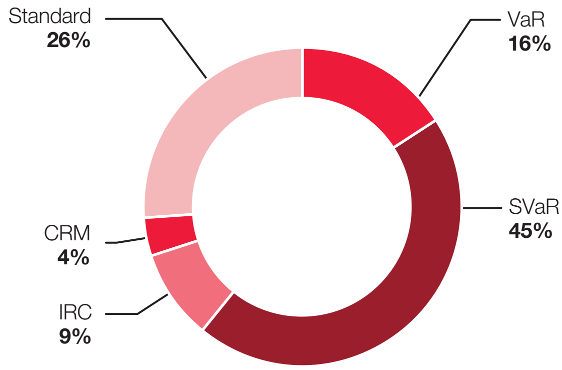


TABLE 2: MARKET RISK - VAR AND SVAR

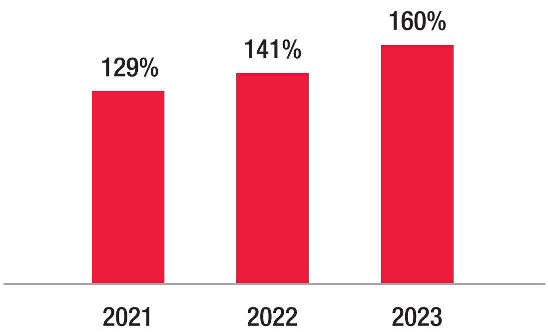
(In EURm)	2023	2022
VaR (1 day, 99%) average value	23	18
SVaR (1 day, 99%) average value	37	32

1.5 STRUCTURAL RISK - LIQUIDITY

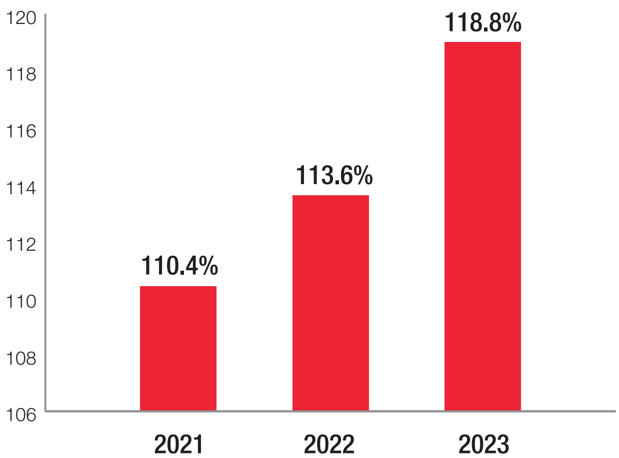
The increase in Société Générale's LCR between the end of 2022 and the end of 2023 is mainly due to additional cash raising in bond markets, with also a slight decrease in net cash outflows.

The increase in liquidity reserve of 37 billion EUR to 316 billion EUR at the end of 2023 is mainly explained by an increase in central bank deposits (excluding reserve requirements) and level 1 liquid assets, these increases are the result of additional surges in the various funding markets (money market and bond market).

LCR RATIO



NSFR RATIO



1.6 STRUCTURAL RISK - RATES

In a parallel schock scenario where the interest rates increase, the impact of the changes of EVE (economic value of equity) in 2023 is -1,821 EUR million and 621 EUR million on interest margin. On the contrary, in a parallel schock scenario where the interest rates decrease, the impact of the changes of EVE (economic value of equity) in 2023 is -1,231 EUR million and -741 EUR million on interest margin.

(See details of Chapter 11 "Structural Interest Rate ans Exchange Rate Risks).

TABLE 3: INTEREST RATE RISK OF NON-TRADING BOOK ACTIVITIES (IRRBB1)

		31.12.2023	
(In EURm)		Changes of the economic value of equity (EVE)	Changes of the net interest income (NII)
Supervisory shock scenarios			
1	Parallel up	(1,821)	621
2	Parallel down	(1,231)	(741)
3	Steepener	1,621	
4	Flattener	(2,110)	
5	Short rates up	(1,890)	
6	Short rates down	2,223	

		31.12.2022(R)	
(In EURm)		Changes of the economic value of equity (EVE)	Changes of the net interest income (NII)
Supervisory shock scenarios			
1	Parallel up	(1,914)	375
2	Parallel down	(133)	(1,102)
3	Steepener	2,023	
4	Flattener	(2,530)	
5	Short rates up	(2,425)	
6	Short rates down	2,527	

(R) restatement STE IRRBB.

1.7 SIGNIFICANT OPERATIONS IN 2023

Societe Generale, ALD's majority shareholder, finalized the acquisition of 100% of LeasePlan's capital by its subsidiary from a consortium led by TDR Capital in May. The combination of ALD and LeasePlan, now Ayvens, two leading players in the sector, is designed to create the world leader in sustainable mobility solutions. The impact of this acquisition on the CET1 capital ratio of the Société Générale group was around 40 basis points.

In addition, the Group remains fully committed to the Vision 2025 project to review the network of Societe Generale and Crédit du Nord branches.

Finally, the creation of the Bernstein joint venture with AllianceBernstein in cash and equity research activities is progressing well. The completion of the transaction remains subject to the required regulatory approvals. The capital impact is estimated at less than 10 basis points at the completion date of the transaction, expected in the first half of 2024.

1.8 KEY FIGURES

TABLE 4: KEY METRICS (KM1)

(In EURm)		31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
AVAILABLE OWN FUNDS (AMOUNTS)						
1	Common Equity Tier 1 (CET1) capital	51,127	50,638	49,957	48,333	48,639
2	Tier 1 capital	60,510	60,782	60,995	59,262	58,727
3	Total capital	70,846	71,043	71,493	69,398	69,724
RISK-WEIGHTED EXPOSURE AMOUNTS						
4	Total risk-weighted assets	388,825	384,226	385,011	361,043	360,465
CAPITAL RATIO (AS A PERCENTAGE OF RISK-WEIGHTED AMOUNTS)						
5	Common Equity Tier 1 ratio *(%)*	13.15%	13.18%	12.98%	13.39%	13.49%
6	Tier 1 ratio *(%)*	15.56%	15.82%	15.84%	16.41%	16.29%
7	Total capital ratio *(%)*	18.22%	18.49%	18.57%	19.22%	19.34%
ADDITIONAL OWN FUNDS REQUIREMENTS TO ADDRESS RISKS OTHER THAN THE RISK OF EXCESSIVE LEVERAGE (AS A PERCENTAGE OF RISK-WEIGHTED EXPOSURE AMOUNT)[(1)]						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage *(%)*	2.14%	2.14%	2.14%	2.14%	2.12%
EU 7b	*of which to be made up of CET1 capital (%)*	*1.20%*	*1.20%*	*1.20%*	*1.20%*	*1.19%*
EU 7c	*of which to be made up of Tier 1 capital (%)*	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.59%*
EU 7d	Total SREP own funds requirements *(%)*	10.14%	10.14%	10.14%	10.14%	10.12%
COMBINED BUFFER REQUIREMENT (AS A PERCENTAGE OF RISK-WEIGHTED EXPOSURE AMOUNT)						
8	Capital conservation buffer *(%)*	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State *(%)*	-	-	-	-	-
9	Institution-specific countercyclical capital buffer *(%)*	0.56%	0.56%	0.53%	0.23%	0.16%
EU 9a	Systemic risk buffer *(%)*	-	-	-	-	-

(In EURm)		31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
10	Global Systemically Important Institution buffer *(%)*	1.00%	1.00%	1.00%	1.00%	1.00%
EU 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement *(%)*	4.06%	4.06%	4.03%	3.73%	3.66%
EU 11a	Overall capital requirements *(%)*	14.20%	14.20%	14.17%	13.87%	13.78%
12	CET1 available after meeting the total SREP own funds requirements *(%)*	7.45%	7.48%	7.27%	7.68%	7.80%
LEVERAGE RATIO						
13	Leverage ratio total exposure measure[2]	1,422,247	1,467,589	1,455,480	1,435,255	1,344,870
14	Leverage ratio (%)	4.25%	4.14%	4.19%	4.13%	4.37%
ADDITIONAL OWN FUNDS REQUIREMENTS TO ADDRESS RISK OF EXCESSIVE LEVERAGE (AS A PERCENTAGE OF LEVERAGE RATIO TOTAL EXPOSURE EXPOSURE AMOUNT)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage *(%)*	-	-	-	-	-
EU 14b	*of which to be made up of CET1 capital (%)*	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements *(%)*[3]	3.00%	3.00%	3.00%	3.00%	3.00%
LEVERAGE RATIO BUFFER AND OVERALL LEVERAGE RATIO						
EU 14d	Leverage ratio buffer requirement *(%)*	0.50%	0.50%	0.50%	0.50%	-
EU 14e	Overall leverage ratio requirements *(%)*[3]	3.50%	3.50%	3.50%	3.50%	3.00%
LIQUIDITY COVERAGE RATIO						
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	271,976	263,594	257,650	251,709	246,749
EU 16a	Cash outflows – Total weighted value	332,805	391,411	420,693	428,006	413,693
EU 16b	Cash inflows – Total weighted value	153,387	199,289	249,992	259,253	233,039
16	Total net cash outflows (adjusted value)	171,220	168,617	167,871	168,752	174,670
17	Liquidity coverage ratio *(%)*	159.31%	156.84%	154.00%	149.63%	141.41%
NET STABLE FUNDING RATIO						
18	Total available stable funding	666,138	654,781	651,437	621,713	617,491
19	Total required stable funding	560,850	561,293	575,937	542,352	543,549
20	NSFR ratio *(%)*	118.77%	116.66%	113.11%	114.63%	113.60%

(1) The own funds requirement applicable to Societe Generale group in relation to Pillar 2 reaches 2.14% (of which 1.20% in CET1) until 31/12/2023 resulting in a total SREP own funds requirements of 10.14%.

(2) Over the whole historical period considered, the measurement of the leverage exposure has been taking into account the option to exempt temporarily some central bank exposures in accordance with the European regulation.

(3) The leverage ratio requirement applicable to Societe Generale group is 3.5% of which 3% of the Pillar 1 regulatory requirement and 0.5% related to OLRR cushions.

TABLE 5: TLAC – KEY METRICS (KM2)

		TLAC				
(in EURm)		**31.12.2023**	**30.09.2023**	**30.06.2023**	**31.03.2023**	**31.12.2022**
OWN FUNDS AND ELIGIBLE LIABILITIES, RATIOS AND COMPONENTS[(1)]						
1	Own funds and eligible liabilities	124,152	124,378	123,256	121,022	121,249
2	Total RWA of the Group	388,825	384,226	385,011	361,043	360,465
3	**Own funds and eligible liabilities as a percentage of RWA**	**31.93%**	**32.37%**	**32.01%**	**33.52%**	**33.64%**
4	Total exposure measure of the Group	1,422,247	1,467,589	1,455,480	1,435,255	1,344,870
5	**Own funds and eligible liabilities as percentage of the total exposure measure**	**8.73%**	**8.47%**	**8.47%**	**8.43%**	**9.02%**
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	No	No	No	No	No
6b	Pro-memo item: Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	13,609	13,448	13,475	12,637	11,430
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied *(%)*	66.55%	69.84%	78.24%	85.40%	100.00%

(1) With IFRS 9 phasing effect taken into account over the whole historical period considered.

As at 31 December 2023, the Group presents a TLAC ratio of 31.93% of risk-weighted assets (RWA) with the option of Senior preferred debt limited to 3.5% of RWA (the ratio being 28.43% without this option) for a regulatory requirement of 22.06%, and of 8.73% of the leverage exposure for a regulatory requirement of 6.75%.

2

RISK FACTORS

IN BRIEF

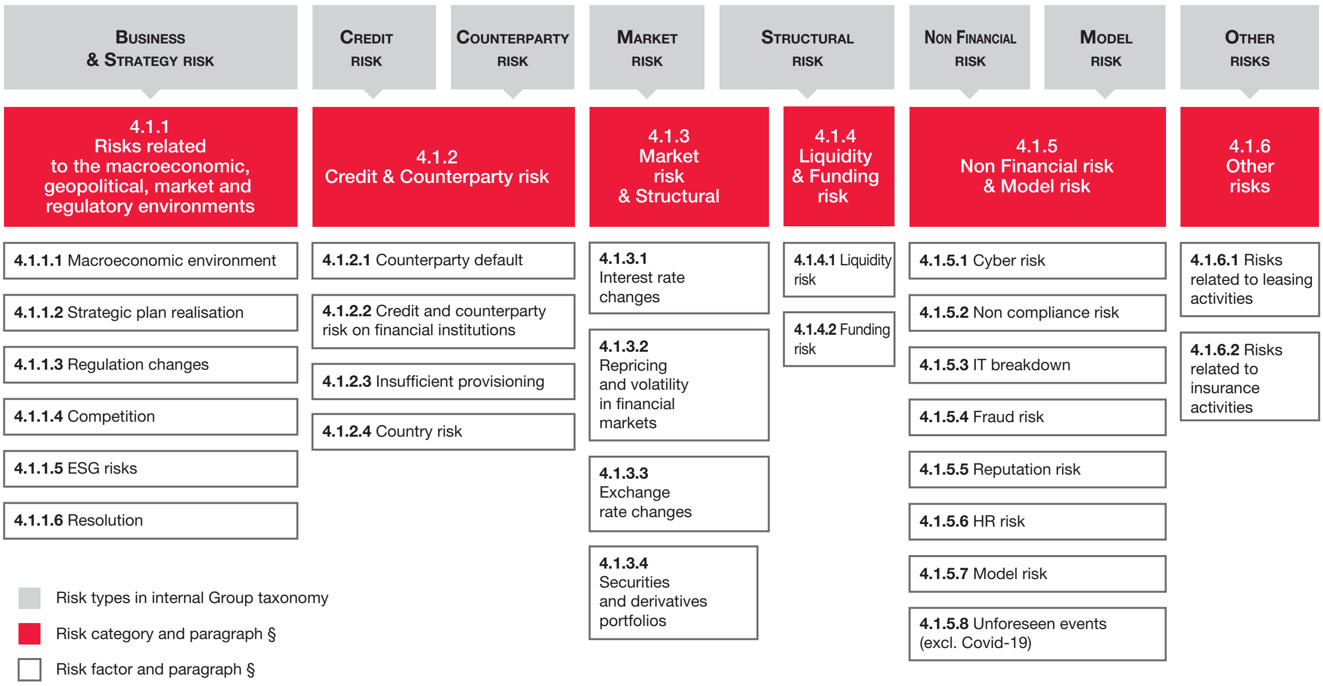
This section describes the various types of risks and the risks to which Societe Generale is exposed.

2.1 RISK FACTORS BY CATEGORY

This section identifies the main risk factors which, based on the Group's estimates, could have a significant effect on its business, profitability, solvency or access to financing.

Societe Generale has updated its risk typology as part of its internal risk management. For the purposes of this section, these different types of risks have been grouped into six main categories (4.1.1 to 4.1.6), in accordance with Article 16 of the Regulation (EU) 2017/1129, also known as “Prospectus 3” regulation of 14 June 2017, according to the main risk factors that the Group believes could impact the risk categories. Risk factors are presented based on an evaluation of their materiality, with the most material risks indicated first within each category.

The diagram below illustrates how the categories of risks identified in the risk typology have been grouped into the six categories and which risk factors principally impact them.



Note to the reader: the diagram illustrates how the types of risks identified in the Group's risk typology have been grouped into the six categories and which risk factors mainly impact them.

2.1.1 RISKS RELATED TO THE MACROECONOMIC, GEOPOLITICAL, MARKET AND REGULATORY ENVIRONMENTS

2.1.1.1 The global economic and financial context, geopolitical tensions, as well as the market environment in which the Group operates, may adversely affect its activities, financial position and results.

As a global financial institution, the Group's activities are sensitive to changes in financial markets and economic conditions in Europe, the United States and elsewhere around the world. The Group generates 40% of its business in France (in terms of net banking income for the financial year ended 31 December 2023), 38% in Europe, 8% in the Americas and 14% in the rest of the world. The Group could face significant worsening of market and economic conditions in particular resulting from crises affecting capital or credit markets, liquidity constraints, regional or global recessions and fluctuations in commodity prices, notably oil and natural gas. Other factors could explain such deteriorations, such as variations in currency exchange rates or interest rates, inflation or deflation, rating downgrades, restructuring or defaults of sovereign or private debt, or adverse geopolitical events (including acts of terrorism and military conflicts). In addition, the emergence of new pandemics such as Covid-19 cannot be ruled out. Such events, which can develop quickly and whose effects may not have been anticipated and hedged, could affect the Group's operating environment for short or extended periods and have a material adverse effect on its financial position, the cost of risk and its results.

The economic and financial environment is exposed to intensifying geopolitical risks. The war in Ukraine, which began in February 2022, has sparked deep tensions between Russia and Western countries, impacting global growth, energy and raw materials prices, as well as the humanitarian situation. This has also prompted a large number of countries, particularly in Europe and the United States, to impose economic and financial sanctions on Russia. The war between Israel and Hamas, which began in October 2023, could have similar impacts or contribute to existing ones and pose a risk to the flow of goods and raw materials *via* the Suez Canal. The Group will continue to analyse in real time the global impact of these crisis and take necessary measures.

In Asia, relations between the US and China, China and Taiwan and China and the European Union are fraught with geopolitical and trade tensions, the relocation of production and the risk of technological fractures.

After a long period of low interest rates, the current inflationary environment is pushing the major central banks to raise interest rates. The entire economy has had to adapt to a context of higher interest rates. In addition to the impact on the valuation of equities, interest rate-sensitive sectors such as real estate are adjusting. The US Federal Reserve and the European Central Bank (ECB) are expected to maintain tight monetary conditions before starting to loosen them from 2024 onwards, as inflation recedes according to our forecasts.

The slowdown in economic activity could generate strong volatility on the financial markets and a significant drop in the price of certain financial assets, potentially leading to payment defaults, with consequences that are difficult to anticipate for the Group. In France, Group's main market , after the long period of low interest rates which fostered an upturn of the housing market, the ongoing reversal of activity in this area had an adverse effect on the Group's asset value and on business by decreasing demand for loans and resulting in higher rates of non-performing loans. More generally, the higher interest rate environment in a context where public and private debts have tended to increase is an additional source of risk.

Considering the ensuing uncertainty, both in terms of duration and scale, these disruptions could persist throughout 2024 and have a significant impact on the activity and profitability of certain Group counterparties.

Recent attacks on merchant ships in the Bab-el-Mandeb strait, claimed by the Houthi movement, could also have an impact on gas and oil supplies, or on prices and delivery times.

In the longer term, the energy transition to a "low-carbon economy" could adversely affect fossil energy producers, energy-intensive sectors of activity and the countries that depend on them.

With the ALD/LeasePlan merger in 2023, the automotive sector represents a major exposure for the Group. It is currently undergoing major strategic transformations, including environmental (growing share of electric vehicles), technological, as well as competitive (arrival of Asian manufacturers in Europe on the electric vehicles market), the consequences of which could generate significant risks for the Group's results and the value of its assets.

With regard to financial markets, the topic of non-equivalence of clearing houses (central counterparties, or CCPs) beyond 2025 remains a point that needs watching, with possible impacts on financial stability, notably in Europe, and therefore on the Group's business. In addition, capital markets (including foreign exchange activity) and securities trading activities in emerging markets may be more volatile than those in developed markets and may also be vulnerable to certain specific risks such as political instability and currency volatility. These elements could negatively impact the Group's activity and results.

The Group's results are therefore exposed to the economic, financial, political and geopolitical conditions of the main markets in which the Group operates.

2.1.1.2 The Group's failure to achieve the strategic and financial targets disclosed to the market could have an adverse effect on its business and its results.

During its Capital Markets Day event, the Group presented its strategic plan, which is to :

- be a rock-solid bank: streamline business portfolio, enhance stewardship of capital, improve operational efficiency, maintain best-in-class risk management;
- foster high performance sustainable businesses: excel at what SG does, lead in ESG, foster a culture of performance and accountability.

This strategic plan is reflected in the following financial targets:

- a robust CET 1 ratio of 13% in 2026 after the implementation of Basel IV;
- average annual revenue growth of between 0% and 2% over the 2022-2026 period;
- an improved cost-to-income ratio lower than 60% in 2026 and ROTE of between 9% and 10% in 2026;
- a distribution rate between 40% and 50% of reported net income [1], applicable from 2023.

(1) After deduction of interest on deeply subordinated notes and undated subordinated notes, restated from non-cash items that have no impact on the CET 1 ratio

The Group is fully on track to achieving its strategic milestones:

- the Group's "Vision 2025" project involves a review of the network of branches resulting from the merger of Crédit du Nord and Societe Generale. Although this project has been designed to achieve controlled execution, the merger could have a short-term material adverse effect on the Group's business, financial position and costs. The project could lead to some staff departures, requiring their replacement and training efforts that could potentially generate additional costs. The merger could also lead to the departure of some of the Group's clients, resulting in loss of revenue;
- Mobility and Leasing Services will leverage the full integration of LeasePlan by ALD to be a world leader in the mobility ecosystem. However, 2024 will be an intermediate period, with the implementation of gradual integrations. From 2025 onwards, the new entity will make the transition to the target business model, including the implementation and stabilisation of IT and operational processes. If the integration plan is not carried out as expected or within the planned schedule, this could have adverse effects on ALD, particularly by generating additional costs, which could have a negative impact on the Group's activities and results.

The Group also announced in November 2022 the signing of a letter of intent with AllianceBernstein to combine the equity research and execution businesses in a joint venture to create a leading global franchise in these activities. This announcement was followed by the signature of an acquisition agreement in early February 2023.

The creation of the Bernstein joint venture with AllianceBernstein in cash and equity research is making good progress. The final documentation was signed on 2 November 2023, with a revised structure to accelerate completion of the transaction. At the closing date (expected in the first half of 2024), the joint venture will be organised under two separate legal entities, focusing respectively on North America and on Europe and Asia. The two entities will then be combined, subject to required regulatory approvals. This change should have no significant impact on the Group's expected net contribution. The capital impact is estimated at less than 10 basis points on the closing date. The transaction remains fully aligned with the strategic priorities of our Global Banking and Investor Solutions franchise.

Societe Generale and Brookfield Asset Management announced on 11 September 2023 a strategic partnership to originate and distribute private debt investments.

The conclusion of final agreements on these strategic transactions depends on several stakeholders and, accordingly, is subject to a degree of uncertainty (legal terms, delays in the integration process of LeasePlan or in the merger of the Crédit du Nord agencies). More generally, any major difficulties encountered in implementing the main levers for executing the strategic plan, notably in simplifying business portfolios, allocating and using capital efficiently, improving operating efficiency and managing risks to the highest standards, could potentially weigh on Societe Generale's share price.

Societe Generale has placed Environmental, Social and Governance (ESG) at the heart of its strategy in order to contribute to positive transformations in the environment and the development of local regions. In this respect, the Group has made new commitments during the Capital Market Day on 18 September 2023 such as:

- an 80% reduction in upstream Oil & Gas exposure by 2030 *vs.* 2019; with a 50% reduction by 2025;
- a EUR 1 billion transition investment fund with a focus on energy transition solutions and nature-based and impact-based projects supporting the UN's Sustainable Development Goals.

Failure to comply with these commitments, and those that the Group may make in the future, could create legal and reputation risks. Furthermore, the rollout of these commitments may have an impact on the Group's business model. Last, failure to make specific commitments, particularly in the event of changes in market practices, could also generate reputation and strategic risks.

2.1.1.3 The Group is subject to an extended regulatory framework in each of the countries in which it operates. Changes to this regulatory framework could have a negative effect on the Group's businesses, financial position and costs, as well as on the financial and economic environment in which it operates.

The Group is governed by the laws of the jurisdictions in which it operates. This includes French, European and US legislation as well as other local laws in light of the Group's cross-border activities, among other factors. The application of existing laws and the implementation of future legislation require significant resources that could affect the Group's performance. In addition, possible failure to comply with laws could lead to fines, damage to the Group's reputation and public image, the suspension of its operations and, in extreme cases, the withdrawal of operating licences.

Among the laws that could have a significant influence on the Group:

- several regulatory changes are still likely to significantly alter the framework for Market activities: (i) the strengthening of transparency conditions related to the implementation of the new requirements and investor protection measures (review of MiFID II/ MiFIR, IDD, ELTIF (European Long-Term Investment Fund Regulation)), (ii) the implementation of the fundamental review of the trading book, or FRTB, which may significantly increase requirements applicable to European banks and (iii) possible relocations of clearing activities could be requested despite the European Commission's decision of 8 February 2022 to extend the equivalence granted to UK central counterparties until 30 June 2025, (iv) the European Commission's proposal to amend the regulation on benchmarks (European Parliament and EU Council, Regulation (EU) No. 2016/1011, 8 June 2016) with possible changes in scope and charges;
- the adoption of new obligations as part of the review of the EMIR regulation (EMIR 3.0); in particular, the information requirements for European financial actors towards their customers, the equity options regime and the calibration of requirements for active account funding in a European Union central counterparty;
- the implementation of technical standards (RTS) published by the European Banking Authority to clarify risk retention requirements to contribute to the development of a healthy, safe and sound securitisation market in the European Union published by the European Banking Authority on 12 April 2022;
- the implementation of the new directive on credit agreements for consumers (Directive (EU) 2023/2225, 18 October 2023), which strengthens consumer protection;

- the Retail Investment Strategy (RIS) presented by the European Commission on 24 May 2023, aimed at prioritisng the interests of retail investors and strengthening their confidence in the EU Capital Markets Union, including measures to regulate commission retrocessions in the case of non-advised transactions and to introduce a value-for-money test for investment products;
- new legal and regulatory obligations could also be imposed on the Group in the future, such as the continuation in France of consumer protection measures weighing on retail banks, and the potential obligation at European level to open up access to banking data to third-party service providers;
- the Commission's proposal of 28 June 2023 for a regulation on the establishment of the digital euro, accompanying the initiatives taken by the ECB in this field;
- the strengthening of data quality and protection requirements and a future strengthening of cyber-resilience requirements in relation to the adoption by the Council on 28 November 2022 of the European Directive and regulation package on digital operational resilience for the financial sector (DORA). Added to this is the transposition of the NIS 2 Directive (Network and Information Security Directive, published in the Official Journal of the EU on 27 December 2022) expected before 18 October 2024, which extends the scope of application of the initial NIS Directive;
- the implementation of European regulatory frameworks related to due diligence under the so-called "CS3D" Directive proposal (Corporate Sustainability Due Diligence Directive), as well as to sustainable finance including the regulation on European green bonds, with an increase in non-financial reporting obligations, particularly under the CSRD Directive (Corporate Sustainability Reporting Directive), enhanced inclusion of environmental, social and governance issues in risk management activities and the inclusion of such risks in the supervisory review and assessment process (Supervisory Review and Evaluation Process, or SREP);
- the implementation of the requirements of the French "Green Industry" law (*Loi Industrie verte*) (no. 2023-973 of 23 October 2023), which aims to green up existing industries;
- new obligations arising from the Basel Committee's proposed reform of banking regulations (the final text of Basel 3, also called Basel 4). This reform will be implemented in the European legislative corpus CRR (Regulation (EU) no. 575/2013) which, with a few exceptions, will become applicable on 1 January 2025, and CRD (Directive 2013/36/EU), which should be transposed into the applicable law of Member States no later than 18 months after its entry into force, *i.e.* by mid-2025;
- the European Commission's initiative, published on 18 April 2023, aiming to strengthen the framework for bank crisis management and deposit insurance (CMDI). This proposal could lead to wider use of the guarantee and resolution funds and increase the Group's contributions to the guarantee and resolution funds;
- European measures aimed at restoring banks' balance sheets, notably through active management of Non-Performing Loans (NPLs), are leading to an increase in prudential requirements and require the Group to adapt its NPL management strategy. More generally, additional measures to define a best practices framework for loan origination (see the Loan origination guidelines published by the European Banking Authority) and loan monitoring could also have an impact on the Group. This new framework should ensure that newly granted loans are of high credit quality and contribute to reducing levels of non-performing loans in the future;
- in 2023, the "Interest Rate Risk in the Banking Book" (IRRBB) guidelines published by the European Banking Authority in October 2022 have applied:
  - since 30 June 2023 for the IRRBB part,
  - since 31 December 2023 for the "Credit Spread Risk arising from non-trading Book Activities" (CSRBB) section, requiring banks to calculate and manage the impact of a change in Credit Spread on the Bank's value and revenues;
- in 2024, the following evolutions are expected:
  - calculation and supervision of the Supervisory Outlier Test (SOT) for Net Interest Income (NII); this requirement has already been implemented by the Group,
  - detailed reporting notably on IRRBB and CSRBB risks;
- new obligations arising from a package of proposed measures announced by the European Commission on 20 July 2021 aiming to strengthen the European supervisory framework around anti-money laundering and combating the financing of terrorism (AML-CFT), as well as the creation of a new European agency to combat money laundering.

The Group is also subject to complex tax rules in the countries where it operates. Changes in applicable tax rules, uncertainty regarding the interpretation of certain evolutions or their effects may have a negative impact on the Group's business, financial position and costs.

In the US, as the implementation of the Dodd-Frank Act nears completion, the Securities and Exchange Commission (SEC) has embarked on a complete regulatory overhaul of markets that covers the equity market structure, treasury markets and derivatives markets, among others, which could lead to significant changes in the way these markets operate, the cost of market participation and the competitive landscape, among others.

Moreover, as an international bank that handles transactions with US persons, denominated in US dollars, or involving US financial institutions, the Group is subject to US regulations relating in particular to compliance with economic sanctions, the fight against corruption and market abuse. More generally, in the context of agreements with US and French authorities, the Group largely implemented, through a dedicated programme and a specific organisation, corrective actions to address identified deficiencies and strengthen its compliance programme. In the event of a failure to comply with relevant US regulations, or a breach of the Group's commitments under these agreements, the Group could be exposed to the risk of (i) administrative sanctions, including fines, suspension of access to US markets, and even withdrawals of banking licences, (ii) criminal proceedings, and (iii) damage to its reputation.

2.1.1.4 Increased competition from banking and non-banking operators could have an adverse effect on the Group's business and results, both in its French domestic market and internationally.

Due to its international activity, the Group faces intense competition in the international and local markets in which it operates from banking or non-banking actors alike. As such, the Group is exposed to the risk of not being able to maintain or develop its market share in its various activities. This competition may also lead to pressure on margins, which would be detrimental to the profitability of the Group's activities.

Consolidation in the financial services industry could result in competitors bolstering their capital, resources and an ability to offer a broader range of financial services. In France and in the other main markets where the Group operates, the presence of major domestic banking and financial actors, as well as new market participants (notably neo-banks and online financial services providers), has increased competition for virtually all products and services offered by the Group. New market participants such as “fintechs” and new services that are automated, scalable and based on new technologies (such as blockchain) are developing rapidly and are fundamentally changing the relationship between consumers and financial services providers, as well as the function of traditional retail bank networks. Competition with these new actors may be exacerbated by the emergence of substitutes for central bank currency (crypto-currencies, digital central bank currency, etc.), which themselves carry risks.

Moreover, competition is also heightened by the emergence of non-banking actors that, in some cases, may benefit from a regulatory framework that is more flexible and in particular less demanding in terms of equity capital requirements.

To address these challenges, the Group has implemented a strategy, notably the development of digital technologies and the creatioin of commercial or equity partnerships with these new actors. In this context, the Group may have to make additional investments to be able to offer new innovative services and compete with these new actors. Tougher competition could, however, adversely impact the Group’s business and results, both on the French market and internationally.

2.1.1.5 Environmental, social and governance (ESG) risks, particularly those involving climate change, could have an impact on the Group’s activities, results and financial situation in the short-, medium- and long-term

Environmental, social and governance (ESG) risks are defined as risks stemming from the current or prospective impacts of ESG factors on counterparties or invested assets of financial institutions. ESG risks are seen as aggravating factors to the traditional categories of risks (including credit risk, counterparty risk, market risk, non-financial risks, structural risks, business and strategy risks, other types of risk and other factors of risk). ESG risks are therefore likely to impact the Group’s activities, results and financial position in the short, medium and long-term.

The Group is consequently exposed to environmental risks, including climate change risks through certain of its financing, investment and service activities.

The Group could be exposed to physical risk resulting from a deterioration in the credit quality of its counterparties whose activity could be negatively affected by extreme climatic events or long-term gradual changes in climate, and through a decrease in the value of collateral received (particularly in the context of real estate financing in the absence of guarantee mechanisms provided by specialised financing companies). The Group could also be exposed to transition risk through the deterioration in the credit quality of its counterparties impacted by issues related to the process of transitioning to a low-carbon economy, linked for example to regulatory changes, technological disruptions or changes in consumer preferences.

Beyond the risks related to climate change, risks more generally related to environmental degradation (such as the risk of loss of biodiversity, water resources or pollution) are also aggravating factors to the Group’s risks. The Group could notably be exposed to credit risk on a portion of its portfolio, on back of lower profitability of some of its counterparties due, for example, to increasing legal and operating costs (due to the implementation of new environmental standards).

In addition, the Group is exposed to social risks, related for example to non-compliance by some of its counterparties with labour laws or workplace health and safety issues, which may trigger or aggravate reputation and credit risks for the Group.

Similarly, risks relating to governance of the Group’s counterparties and stakeholders (suppliers, service providers, etc.), such as an inadequate management of environmental and social issues, could generate credit and reputational risks for the Group.

Beyond the risks related to its counterparties or invested assets, the Group could also be exposed to risks related to its own activities. Hence, the Group is exposed to physical climate risk with respect to its ability to maintain its services in geographical areas affected by extreme events (floods, etc.).

The Group also remains exposed to specific social and governance risks, relating for example to the operational cost of implementation of regulations (in particular related to labour laws) and the management of its human resources.

All of these risks could have an impact on the Group’s business, results and reputation in the short, medium and long term.

2.1.1.6 The Group is subject to regulations relating to resolution procedures, which could have an adverse effect on its business and the value of its financial instruments.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union of 15 May 2014 (BRRD) and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of the European Union of 15 July 2014 (the Single Resolution Mechanism, or “SRM”) define, respectively, a European Union-wide framework and a Banking Union-wide framework for the recovery and resolution of credit institutions and investment firms. The BRRD provides the authorities with a set of tools to intervene early and quickly enough in an institution considered to be failing so as to ensure the continuity of the institution’s essential financial and economic functions while reducing the impact of the failure of an institution on the economy and the financial system (including the exposure of taxpayers to the consequences of the failure). Within the Banking Union, under the SRM Regulation, a centralised resolution authority is established and entrusted to the SRB and national resolution authorities.

The powers granted to the resolution authority under the BRRD and the SRM Regulations include write-down/conversion powers to ensure that capital instruments and eligible liabilities absorb the Group’s losses and recapitalise it in accordance with an established order of priority (the “Bail-in Tool”). Subject to certain exceptions, losses are borne first by the shareholders and then by the holders of additional Tier 1 and Tier 2 capital instruments, then by the non-preferred senior debt holders and finally by the senior preferred debt holders, all in the order of their claims in a normal insolvency proceeding. The conditions for resolution provided by the French Monetary and Financial Code implementing the BRRD are deemed to be met if: (i) the resolution authority or the competent supervisory authority determines that the institution is failing or likely to fail; (ii) there is no reasonable perspective that any measure other than a resolution measure could prevent the failure within a reasonable timeframe; and (iii) a resolution measure is necessary to achieve the resolutions’ objectives (in particular, ensuring the continuity of critical functions, avoiding a significant negative effect on the financial system, protecting public funds by minimising the recourse to extraordinary public financial support, and protecting customers’ funds and assets) and the winding-up of the institution under normal insolvency proceedings would not meet these objectives to the same extent.

The resolution authority could also, independently of a resolution measure or in combination with a resolution measure, proceed with the write-down or conversion of all or part of the Group's capital instruments (including subordinated debt instruments) into Common Equity Tier 1 (CET1) instruments if it determines that the Group will no longer be viable unless it exercises this write-down or conversion power or if the Group requires extraordinary public financial support (except where the extraordinary public financial support is provided in the form defined in Article L. 613-48 III, paragraph 3 of the French Monetary and Financial Code).

The Bail-in Tool could result in the write-down or conversion of capital instruments in whole or in part into ordinary shares or other ownership instruments.

In addition to the Bail-in Tool, the BRRD provides the resolution authority with broader powers to implement other resolution measures with respect to institutions that meet the resolution requirements, which may include (without limitation) the sale of the institution's business segments, the establishment of a bridge institution, the splitting of assets, the replacement or substitution of the institution as debtor of debt securities, changing the terms of the debt securities (including changing the maturity and/or amount of interest payable and/or the imposition of a temporary suspension of payments), the dismissal of management, the appointment of a provisional administrator and the suspension of the listing and admission to trading of financial instruments.

Before taking any resolution action, including the implementation of the Bail-in Tool, or exercising the power to write down or convert relevant capital instruments, the resolution authority must ensure that a fair, prudent and realistic valuation of the institution's assets and liabilities is made by a third party independent of any public authority.

The application of any measure under the French implementing provisions of the BRRD or any suggestion of such application to the Group could have a material adverse effect on the Group's ability to meet its obligations under its financial instrument and, as a result, holders of these securities could lose their entire investment.

In addition, if the Group's financial condition deteriorates, the existence of the Bail-in Tool or the exercise of write-down or conversion powers or any other resolution tool by the resolution authority (independently of or in combination with a resolution) if it determines that Societe Generale or the Group will no longer be viable could result in a more rapid decline in the value of the Group's financial instruments than in the absence of such powers.

2.1.2 CREDIT AND COUNTERPARTY CREDIT RISKS

Weighted assets (RWA) in relation to credit and counterparty risks amounted to EUR 326.2 billion at 31 December 2023.

2.1.2.1 The Group is exposed to credit, counterparty and concentration risks, which may have a material adverse effect on the Group's business, results of operations and financial position.

Due to its Financing and Market activities, the Group is exposed to credit and counterparty risk. The Group may therefore incur losses in the event of default by one or more counterparties, particularly if the Group encounters legal or other difficulties in enforcing the collateral allocated to its exposures or if the value of this collateral is not sufficient to fully recover the exposure in the event of default. Despite the Group's efforts to limit the concentration effects of its credit portfolio exposure, it is possible that counterparty defaults could be amplified within the same economic sector or region of the world due to the interdependence of these counterparties.

Consequently, the default of one or more significant counterparties of the Group could have a material adverse effect on the Group's cost of risk, results of operations and financial position.

At 31 December 2023, the Group's exposure at default (EAD, excluding counterparty risk) was EUR 1,026 billion, with the following breakdown by type of counterparty: 32% on sovereigns, 30% on corporates, 21% on retail customers and 4% on credit institutions and similar. Risk-weighted assets (RWA) for credit risk totalled EUR 304 billion.

Regarding counterparty risks resulting from market transactions (excluding CVA), at the end of December 2023, the exposure value (EAD) was EUR 129 billion, mainly to corporates (39%) and credit institutions and similar entities (43%) and to a lesser extent to sovereign entities (15%). Risk-weighted assets (RWA) for counterparty risk amounted to EUR 19 billion.

At 31 December 2023, the main sectors to which the Group is exposed in its corporate portfolio included financial activities (accounting for 6.8% of Group's total EAD exposure), real estate (3%), social services (2.8%), manufacturing (2.3%), the agriculture sector and agri-food industries (2.2%) and telecommunications, media and technology (2.0%).

In terms of geographical concentration, the five main countries to which the Group was exposed at 31 December 2023 were France (45% of the Group's total EAD, mainly related to Sovereigns and Retail customers), the US (14% of EAD, mainly related to corporates and sovereigns), the UK (4% of EAD, mainly related to corporates), Germany (4% of total Group EAD, mainly related to credit institutions and corporates) and the Czech Republic (5% of the Group's total EAD, mainly related to retail clients and corporates). Furthermore, the financial situation of certain counterparties could be affected by the macroeconomic context, the geopolitical tensions, the market events and regulatory changes mentioned in section 4.1.1.1, in particular *"The global economic and financial context, geopolitical tensions, as well as the market environment in which the Group operates, may adversely affect its activities, financial position and results of operations"*.

For more detail on credit and counterparty risk, see sections 4.5.5 "Quantitative information" and 4.6.3 "Counterparty credit risk measures" of the 2024 Universal Registration Document.

2.1.2.2 The financial soundness and conduct of other financial institutions and market participants could have an adverse effect on the Group's business.

Financial institutions and other market actors (commercial or investment banks, credit insurers, mutual funds, alternative funds, institutional clients, clearing houses, investment service providers, etc.) are important counterparties for the Group in capital or inter-bank markets. Financial services institutions and financial actors are closely interrelated as a result of trading, clearing and funding relationships. In addition, there is a growing involvement in the financial markets of actors with little or no regulation (hedge funds, for example). As a result, defaults by one or several actors in the sector or a crisis of confidence affecting one or more actors could result in market-wide liquidity scarcity or chain defaults, which would have an adverse effect on the Group's activity. Developments in the financial markets, and in particular the rise in interest rates compounded by high volatility of the market parameters, could also weaken or even cause the default of certain financial actors similar to the defaults observed at US regional banks such as SVB, thereby increasing liquidity risk and the cost of funding. The recent crisis involving certain US banks and Crédit Suisse highlighted the speed at which a liquidity crisis can develop with actors deemed fragile by the markets, who can therefore become victims of a serious and rapid loss of confidence from their investors, counterparties and/or depositors. In addition, certain financial actors could experience operational or legal difficulties in the unwinding or settlement of certain financial transactions. These risks are specifically monitored and managed (see counterparty risk).

The Group is exposed to risks related to clearing institutions and particularly to the default of one or more of their members because of the increase in transactions traded through these institutions, induced in part by regulatory changes that require mandatory clearing for over-the-counter derivative instruments standardised by these clearing counterparties. The Group's exposure to clearing houses amounted to EUR 34.2 billion of EAD on 31 December 2023. The default of a member of a clearing institution (1) could generate losses for the Group and have an adverse effect on the business and results of the Group. These risks are also subject to specific monitoring and supervision (see counterparty risk).

The Group is also exposed on assets held as collateral for credit or derivatives instruments, with the risk that, in the event of failure of the counterparty, some of these assets may not be sold or that their disposal price may not cover the entire exposure in credit and counterparty risks. These assets are subject to periodic monitoring and a specific management framework.

2.1.2.3 The Group's results of operations and financial position could be adversely affected by a late or insufficient provisioning of credit exposures.

The Group regularly records provisions for doubtful loans in connection with its lending activities in order to anticipate the occurrence of losses. The amount of provisions is based on the most accurate assessment at the time of the recoverability of the debts in question. This assessment, based notably on multi-scenario approaches, relies on an analysis of the current and prospective situation of the borrower as well as an analysis of the value and recovery prospects of the debt, taking into account any security interests. In some cases (loans to individual customers), the provisioning method may call for the use of statistical models based on the analysis of historical losses and recovery data. Since 1 January 2018, the Group has also been recording provisions on performing loans under the IFRS 9 accounting standard. This assessment is based on statistical models for assessing probabilities of default and potential losses in the event of default, which take into account a prospective analysis based on regularly updated macroeconomic scenarios.

IFRS 9 accounting standard principles and provisioning models could be pro-cyclical in the event of a sharp and sudden deterioration in the environment. A deterioration of the geopolitical and macroeconomic environment could lead to a significant and/or not-fully-anticipated variation in the cost of risk and therefore in the Group's results of operations.

At 31 December 2023, the stock of provisions relating to outstanding amounts (on- and off-balance sheet) amounted to EUR 3.6 billion on performing assets and EUR 7.8 billion on assets in default. Outstanding loans in default at amortised cost (stage 3 under IFRS 9) represented EUR 16.4 billion, including 55% in France, 20% in Africa and Middle East and 10.5% in Western Europe (excluding France). The gross ratio of doubtful loans on the balance sheet was 2.9% and the gross coverage ratio of these loans was approximately 46%. The cost of risk stood at 17 basis points in 2023, against a cost of risk of 28 basis points in 2022.

2.1.2.4 Country risk and changes in the regulatory, political, economic, social and financial environment of a region or country could have an adverse effect on the Group's financial situation.

Because of its international activities, the Group is exposed to the aggravating factor of country risk. (see § 4.1.1.1)

The country risk arises whenever an exposure (receivables, securities, guarantees, derivatives) is likely to be adversely affected by changes in the country's regulatory, political, economic, social or financial conditions.

Strictly speaking, the concept of country risk refers to political and non-transfer risk, which includes the risk of non-payment resulting either from acts or measures taken by local public authorities (decision by local authorities to prohibit the debtor from fulfilling its commitments, nationalisation, expropriation, non-convertibility, etc.), or from internal (riot, civil war, etc.) or external (war, terrorism, etc.) events.

More broadly, a deterioration in the quality of the country, the sovereign, or the conditions for business activity in the country can lead to a commercial risk, with in particular a deterioration in the credit quality of all counterparties in a given country as a result of an economic or financial crisis in the country, irrespective of the specific financial situation of each counterparty. This could be a macroeconomic shock (sharp slowdown in activity, systemic crisis in the banking system, etc.), a currency devaluation or a sovereign default on its external debt, possibly leading to other defaults.

(1) The Group is also exposed to the risk of default of a clearing institution, which would be a major/systemic event considered to be less likely.

2.1.3 MARKET AND STRUCTURAL RISKS

Market risk corresponds to the risk of impairment of financial instruments resulting from changes in market parameters, the volatility of these parameters and the correlations between these parameters. The concerned parameters include exchange rates, interest rates, as well as the prices of securities (shares, bonds) and commodities, derivatives and any other assets.

2.1.3.1 Sharp changes in interest rates can adversely affect retail banking activities and balance sheet value.

The Group generates a significant part of its income through net interest margins and, as such, remains exposed to interest-rate fluctuations in both absolute terms and with respect to the shape of the yield curve, particularly in its Retail Banking activities in France. The Group's results are influenced by changes in interest rates in Europe and in the other markets where it operates. It is the same for value metrics.

In general, lower interest rates mean a reduction in the Group's interest-rate margin, due not only to lower remuneration from deposit replacement but also to a higher risk of mortgage loans being renegotiated in the French market.

A series of very rapid rate hikes also presents a risk to the Group's revenues. Such a scenario can be the consequence of a strong economic recovery or spiking inflation. A sharp increase in key rates combined with a context of high inflation can have negative effects, particularly in France, due to the upward interest-rate adjustment to the remuneration on certain savings products (the *Livret A* savings account, in particular) and the inability to fully pass on the increase to client rates for assets such as mortgage and consumer loans (in addition to the specific problems associated with the usury rate in the French market).

In general, any sudden fluctuation in interest rates may induce a change in client behaviour and calls for adjustments to the interest-rate hedges in place which could dent Group revenues and value. Last, a potential decrease in value of assets measured at fair value could also negatively impact revenues.

For more information on structural interest-rate risks, see Chapter 4.8 "Structural risks, interest rate and exchange rate" and Note 8.1 "Segmented reporting" in Chapter 6 of the 2024 Universal Registration Document.

2.1.3.2 Changes and volatility in the financial markets may have a material adverse effect on the Group's business and the results of market activities.

In the course of its activities, the Group holds trading positions in the debt, currency, commodities and stock markets, as well as in unlisted shares, real estate assets and other types of assets including derivatives. The Group is thus exposed to "market risk". Volatility in the financial markets can have a material adverse effect on the Group's market activities. In particular:

- significant volatility over a long period of time could lead to corrections on risky financial assets (and especially on the riskiest assets) and generate losses for the Group;
- a sudden change in the levels of volatility and its structure, or alternative short-term sharp declines and fast rebounds in markets, could make it difficult or more costly to hedge certain structured products and thus increase the risk of loss for the Group.

Severe market disruptions and high market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for the Group's markets activities. Such losses may extend to a broad range of trading and hedging products, notably on derivative instruments, both vanilla and structured.

In the event that a much lower-volatility environment emerges, reflecting a generally optimistic sentiment in the markets and/or the presence of systematic volatility sellers, increased risks of correction may also develop, particularly if the main market participants have similar positions (market positions) on certain products. Such corrections could result in significant losses for the Group's market activities. The volatility of the financial markets makes it difficult to predict trends and implement effective trading strategies; it also increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. The realisation of any such losses could have a material adverse effect on the Group's results of operations and financial position.

Similarly, the sudden decrease in, or even the cancellation of, dividends, as experienced during the Covid-19 pandemic, and changes in the correlations of different assets of the same class, could affect the Group's performance, with many activities being sensitive to these risks. A prolonged slowdown in financial markets or reduced liquidity in financial markets could make asset disposals or position maneuverability more difficult, leading to significant losses. In many of the Group's activity segments, a prolonged decline in financial markets, particularly asset prices, could reduce the level of activity in these markets or their liquidity. These variations could lead to significant losses if the Group were unable to quickly unwind the positions concerned, adjust the coverage of its positions, or if the assets held in collateral could not be divested, or if their selling prices did not cover the Group's entire exposure on defaulting loans or derivatives.

The assessment and management of the Group's market risks are based on a set of risk indicators that make it possible to evaluate the potential losses incurred at various time horizons and given probability levels, by defining various scenarios for changes in market parameters impacting the Group's positions. These scenarios are based on historical observations or are hypothetically defined. However, these risk management approaches are based on a set of assumptions and reasoning that could turn out to be inadequate in certain configurations or in the case of unexpected events, resulting in a potential underestimation of risks and a significant negative effect on the results of the Group's market activities.

Furthermore, in the event of a deterioration of the market situation, the Group could experience a decline in the volume of transactions carried out on behalf of its customers, leading to a decrease in the revenues generated from this activity and in particular in commissions received.

In 2023, the main central banks stepped up their restrictive policies, leading to a sharp rise in interest rates in the markets and which destabilised by way of consequence part of the US banking system. Global inflation is showing significant signs of slowing but remains above the levels desired by central banks, which could lead to further rate increases or a longer period of high rates. macroeconomic indicators show that the US economy is holding up well, while growth in China is weakening and Europe is slipping into recession. Finally, the outlook for the markets remains uncertain, due in particular to a turbulent geopolitical context with the emergence of a conflict in the Middle East, the spread of which could lead to a significant rise in the price of oil products and other raw materials, boosting inflation at a time when central bankers have less room for manoeuvre than in 2022. These risks could have a significant negative impact on the Group's trading activities and results.

2.1.3.3 Fluctuations in exchange rates could adversely affect the Group's results.

As a result of the Group's policy of desensitising the CET1 ratio to changes in the exchange rate of currencies against the euro, the Group's consolidated equity is favorably exposed in the event of currency appreciation against the euro.

Thus, in the event of an appreciation of the euro against foreign currencies, the Group's consolidated equity will be negatively impacted.

Because the Group publishes its consolidated financial statements in euros, which is the currency of most of its liabilities, it is also subject to translation risk for items recorded in other currencies, in the preparation of its consolidated financial statements. Exchange rate fluctuations of these currencies against the euro may adversely affect the Group's consolidated results, financial position and cash flows. Exchange rate fluctuations may also negatively affect the value (denominated in euros) of the Group's investments in its subsidiaries outside the eurozone.

For more information of structural exchange rate risk, see Chapter 4.8 "Structural risks, interest rate and exchange rate" of the 2024 Universal Registration Document.

2.1.3.4 Changes in the fair value of SG Group portfolios of securities and derivative products, and its own debt, are liable to have an adverse impact on the net carrying amount of these assets and liabilities, and as a result on SG Group net income and equity.

The carrying amount of Societe Generale's securities portfolios (excluding securities measured at amortised cost), derivatives and certain other assets, as well as its own debt recorded in its balance sheet, is adjusted at each financial statement reporting date.

Most adjustments are made on the basis of changes in the fair value of the Group's assets or liabilities during the financial year, and changes are recorded either in the income statement or directly in shareholders' equity.

Variations recorded in the income statement, to the extent that they are not offset by opposite variations in the value of other assets, affect the Group's consolidated results and consequently its net income.

All fair value adjustments have an impact on shareholders' equity and, consequently, on the Group's prudential ratios.

A downward adjustment in the fair value of the Group's securities and derivatives portfolios may result in a decrease in shareholders' equity and, to the extent that such an adjustment is not offset by reversals affecting the value of the Group's liabilities, the Group's prudential capital ratios might also be lowered.

The fact that fair value adjustments are recorded over one financial period does not mean that additional adjustments will not be required in later periods.

As of 31 December 2023, on the assets side of the balance sheet, financial instruments valued at fair value through profit or loss, hedging derivative instruments and financial assets at market value through shareholders' equity amounted to EUR 496 billion, EUR 11 billion and EUR 91 billion, respectively. On the liabilities side, financial instruments valued at fair value through profit or loss and hedging derivative instruments amounted respectively to EUR 286 billion and EUR 109 billion on 31 December 2023.

2.1.4 LIQUIDITY AND FUNDING RISKS

2.1.4.1 A downgrade in the Group's external rating or in the sovereign rating of the French state could have an adverse effect on the Group's cost of financing and its access to liquidity.

For the proper conduct of its activities, the Group depends on access to financing and other sources of liquidity. In the event of difficulties in accessing the secured or unsecured debt markets on terms it considers acceptable, due to market conditions or factors specific to the Group, its liquidity could be impaired. In addition, if the Group is unable to maintain a satisfactory level of customer deposits collection or in the event of an unexpected withdrawal of cash or collateral, it may be forced to turn to more expensive funding sources, which would reduce the Group's net interest margin and results.

The Group is exposed to the risk of a variation in credit spreads. The Group's medium and long-term financing cost is directly linked to the level of credit spreads which can fluctuate depending on general market conditions.

The variation of these spreads can also be affected by an adverse change by the rating agencies in France's sovereign debt rating or countries rating where the Group operates as well as the Group's external ratings as described below.

The Group is currently monitored by four financial rating agencies: Fitch Ratings, Moody's, R&I and Standard & Poor's. For instance, the downgrading of the Group's credit ratings, by these or other agencies, could have a significant impact on the Group's access to funding, increase its cost of financing or reduce its ability to carry out certain types of transactions or activities with customers. This could also require the Group to provide additional collateral to certain counterparties, which could have an adverse effect on its business, financial position and results of operations.

Material events such as severe damage to the Group's reputation, the deterioration of the economic environment following the health crisis, France's sovereign downgrading or countries downgrading where the Group operates, or more recently as a result of the crisis in Ukraine and its impact on the Group, particularly in terms of profitability and cost of risk, could increase the risk of external rating downgrades. The Group's ratings could be placed under negative watch or be subject to a downgrade. In particular, France's sovereign ratings could also be downgraded due to an increase in its debt and deficits (further increased by the Covid-19 pandemic and the response measures taken by the French government) and the inability to pass structural reforms. These elements could have a negative impact on the Group's financing costs and its access to liquidity. The Group's ratings by Fitch Ratings, Moody's, R&I and Standard & Poor's are available on the Group's website (*https://investors.societegenerale.com/fr/informations-financieres-et-extra-financiere/notations/notations-financieres*).

Access to financing and liquidity constraints could have a material adverse effect on the Group's business, financial position, results of operations and ability to meet its obligations to its counterparties.

In 2023, the Group raised a total of EUR 57.5 billion of long-term funding (of which EUR 52.6 billion for the parent company and EUR 4.9 billion for its subsidiaries) comprising, at the parent company level, senior structured issues (EUR 27.8 billion), subordinated issues (EUR 5 billion), senior vanilla non-preferred issues (EUR 5.4 billion), unsecured senior vanilla preferred issues (EUR 7.1 billion) and secured issues (EUR 7.3 billion).

For 2024, the Group has planned a funding program of approximately EUR 20-22 billion in vanilla long-term debt, in senior preferred and secured debt as well as in senior non-preferred debt and subordinated debt.

2.1.4.2 The Group's access to financing and the cost of this financing could be negatively affected in the event of a resurgence of financial crises or deteriorating economic conditions.

In past crises (such as the 2008 financial crisis, the eurozone sovereign debt crisis, the tensions on the financial markets linked to the Covid-19 pandemic before the intervention of the central banks) or more recently the tensions linked to geopolitical shocks and, in 2023, to the transition towards a higher interest rate regime, access to financing from European banks was intermittently restricted or subject to less favorable conditions.

If unfavorable debt market conditions were to reappear following a new systemic or Group-specific crisis, the effect on the liquidity of the European financial sector in general and on the Group in particular could be very significantly unfavorable and could have an adverse impact on the Group's operating results as well as its financial position. In this respect, the case of Crédit Suisse is illustrative of the potential consequences of a crisis affecting a systemic bank on the access to liquidity for the sector and an increase in banks' financing costs.

For several years, central banks have taken measures to facilitate financial institutions' access to liquidity, in particular by setting up TLTRO (Targeted Longer-Term Refinancing Operations) type facilities and by implementing asset purchase policies to keep long-term interest rates at very low levels. In a context of higher inflation, central banks (notably the ECB and the US Federal Reserve) phased out these accommodating policies in particular with the end of the TLTRO mechanism and the first repayments thereof, the gradual withdrawal of asset-purchase policies and a rise in key interest rates. Even if inflationary pressures are easing and some central banks are anticipating a pause in rate hikes, uncertainty persists over the outlook in this field. In this context, the Group could face an unfavorable evolution of its financing cost and access to liquidity.

In addition, if the Group were unable to maintain a satisfactory level of deposits from its customers, it could be forced to resort to more expensive financing due to rising interest rates, which would reduce its net interest margin as well as its results.

The Group's regulatory short-term liquidity coverage ratio (LCR) stood at 160% at 31 December 2023 (end of period) and liquidity reserves amounted to EUR 316 billion at 31 December 2023.

2.1.5 EXTRA-FINANCIAL RISKS (INCLUDING OPERATIONAL RISKS) AND MODEL RISKS

At 31 December 2023, risk-weighted assets in relation to operational risk amounted to EUR 50.1 billion, or 13% of the Group's total RWA. These risk-weighted assets relate mainly to Global Markets & Investor Services (58% of total operational risk).

Between 2019 and 2023, the Group's operational risks were primarily concentrated in five risk categories, representing 94% of the Group's total operating losses observed over the period: fraud (mainly external frauds) and other criminal activities (35%), execution errors (21%), disputes with authorities (15%), errors in pricing or risk assessment, including model risk (13%) and commercial disputes (10%). The Group's other categories of operational risk (unauthorised activities in the markets, loss of operating resources and failure of information systems) remain minor, representing on average 6% of the Group's losses between 2019 and 2023.

See Chapter 4.10.3 "Operational risk measurement" of the 2024 Universal Registration Document for more information on the allocation of operating losses.

2.1.5.1 A breach of information systems, notably in the event of cyberattack, could have an adverse effect on the Group's business, results in losses and damage the Group's reputation.

The Group relies heavily on communication and information systems to conduct its business and this is reinforced by the widespread use of remote banking and the digitalisation of processes. Any breach of its systems or the systems of its external partners could materially disrupt the Group's business. Such incidents could result in significant costs related to the recovery and verification of information, loss of revenues, customer attrition, disputes with counterparties or customers, difficulties in managing market operations and short-term refinancing operations, and ultimately damage the Group's reputation. Difficulties experienced by the Group's counterparties could also indirectly generate credit and/or reputational risks for the Group. The situation stemming from the conflict in Ukraine (mentioned in section 4.1.1.1 "The global economic and financial context, geopolitical tensions, as well as the market environment in which the Group operates, may adversely affect its activities, financial position and results of operations") increases the risk of cyberattacks for the Group and its external partners.

Each year, the Group is subject to several cyberattacks on its systems or those of its clients, partners and suppliers. The Group could be subject to targeted and sophisticated attacks on its computer network, including phishing campaigns designed by “artificial intelligence” to achieve higher levels of persuasion, resulting in embezzlement, loss, theft or disclosure of confidential data or customer data which could constitute violations of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (“GDPR”). Such actions could result in operational losses and have an adverse effect on the Group’s business, results and reputation with its customers.

2.1.5.2 The Group is exposed to legal risks that could have a material adverse effect on its financial position or results of operations.

In the case of non-compliance with applicable laws and regulations, the Group and certain of its former and current representatives may be involved in various types of litigation, including civil, administrative, tax, criminal and arbitration proceedings. The large majority of such proceedings arise from transactions or events that occur in the Group’s ordinary course of business. There has been an increase in client, depositor, creditor and investor litigation and regulatory proceedings against intermediaries such as banks and investment advisors in recent years, in part due to the challenging market environment. This has increased the risk for the Group of losses or reputational harm arising from litigation and other proceedings. Such proceedings or regulatory enforcement actions could also lead to civil, administrative, tax or criminal penalties that could adversely affect the Group’s business, financial position and results of operations.

In preparing its financial statements, the Group makes estimates regarding the financial outcome of civil, administrative, tax, criminal and arbitration proceedings in which it is involved, and records a provision when losses with respect to such matters are probable and can be reasonably estimated. It is inherently difficult to predict the outcome of litigation and proceedings involving the Group’s businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, cases where claims for damages are of unspecified or indeterminate amounts, or cases involving unprecedented legal claims. Should such estimates prove inaccurate or should the provisions set aside by the Group to cover such risks prove inadequate, the Group’s financial position or results of operations could be adversely affected.

For a description of the most significant ongoing proceedings, see section 4.11 “Compliance”, Note 8.3.2 “Other provisions for risks and expenses” and Note 9 “Information on risks and litigation” of Chapter 6 of the 2024 Universal Registration Document.

2.1.5.3 Operational failure, termination or capacity constraints affecting institutions the Group does business with, or failure of information technology systems could have an adverse effect on the Group’s business and result in losses and damages to its the reputation.

Any dysfunction, failure or interruption of service of the Group’s communication and information systems or the systems of its external partners, even brief and temporary, could result in significant disruptions to the Group’s business. Such incidents could result in significant costs related to information retrieval and verification, loss of revenue, loss of customers, litigation with counterparties or customers, difficulties in managing market operations and short-term refinancing, and ultimately damage to the Group’s reputation.

The Group is exposed to the risk of operational failure or capacity constraints in its own systems and in the systems of third parties, including those of financial intermediaries that it uses to facilitate cash settlement or securities transactions (such as clearing agents and houses and stock exchanges), as well as those of clients and other market participants.

The interconnections between various financial institutions, clearing houses, stock exchanges and service providers, including external cloud services, increase the risk that the operational failure of any one of them could lead to an operational failure of the entire sector, which could have an adverse impact on the Group’s ability to conduct its business and could therefore result in losses. This risk is likely to be increased by industry concentration, whether among market participants or financial intermediaries, as complex and disparate systems need to be integrated, often on an accelerated basis.

The Group is also subject to various regulatory reforms and major internal strategic projects that may lead to operational disruptions and have an impact on the Group’s operations, the accounting of transactions and their tax or prudential treatment, and on the Group’s results in the event of poor project management and understanding of operational risks (see “Risk factor” 4.1.1.2).

2.1.5.4 The Group is exposed to fraud risk, which could result in losses and damage its reputation.

Fraud risk is defined as the intentional non-compliance with existing laws, regulations or procedures, which in most cases results in harm to the Bank or its customers and provides the fraudster or his or her relatives with a direct or indirect material or moral benefit.

The risk of fraud increases intrinsically in a crisis context (financial pressure among clients, third parties or our employees) and in a remote working environment that may limit the capacity for monitoring and exchanges by or with the manager or other employees contributing to the prevention or detection of fraud risk. This risk mainly involves external fraud related to the Bank’s credit activities and to the means of payment (electronic banking, transfers, and checks) made available to customers. Fraud schemes are changing rapidly in terms of volume and approach, in line with the security measures and counter-measures developed in the market and within the Group. Internal fraud is carried out through the misappropriation of funds and the granting of undue facilities and can be carried out with or without external collusion. Finally, unauthorised rogue trading, with or without circumvention of controls, could impact results and have a very significant negative impact on the Group’s reputation.

Between 2019 and 2023, the risk of fraud represented 35% of the Group’s total operating losses.

2.1.5.5 Reputational damage could harm the Group’s competitive position, its activity and financial condition.

An organisation benefits from a good reputation when its activities and services meet or exceed the expectations of its stakeholders, both external (customers, investors, shareholders, regulators, supervisors, suppliers, opinion leaders such as NGOs, etc.) and internal (employees).

The Group’s reputation for financial strength and integrity is critical to its ability to foster loyalty and develop its relationships with clients and other counterparties in a highly competitive environment. Any reputational damage could result in loss of activity with its customers or a loss of confidence on the part of its stakeholders, which could affect the Group’s competitive position, its business and its financial condition. As in the case of the banking crisis at the beginning of 2023, a material damage to the Group’s reputation could also result in a reduction in the Company value and an increased difficulty in raising capital.

Therefore, failure by the Bank to comply with the relevant regulations and to meet its commitments, especially those relating to CSR, could damage the Group's reputation.

Failure to comply with the various internal rules and Codes [1], which aim to anchor the Group's values in terms of ethics and responsibility, could also have an impact on the Group's image.

For more information about reputation risk please see section 4.11 "Compliance risk", 4.9 "Structural-liquidity risk", and 4.10 "Operational risk" of the 2024 Universal Registration Document.

2.1.5.6 The Group's inability to attract and retain qualified employees may adversely affect its performance.

At 31 December 2023, the Group employed more than 126,000 people in more than 60 countries. Human resources are key assets of the Group, its business model and value proposition.

The emergence of new actors and new technologies in the banking sector, as well as the consequences of the health crisis, have accelerated the transformation of the Bank, directly impacting the way the Company operates and the way employees work. Inadequate career and skills management (integration, career prospects, training, HR support, compensation levels in line with market practice, etc.), transformation projects, as well as a lack of attractiveness and poor working conditions could lead to a loss of resources, know-how and commitment. This would have a negative impact on individual and collective performance and the Group's competitiveness. The inability of Societe Generale to attract and retain employees, a high rate of turnover, the loss of strategic employees and a poor management of human capital in a tense geopolitical context could adversely affect the performance of the Group, result in a loss of business, a deterioration in the quality of service (at the expense of client satisfaction) and a deterioration in the quality of working life (to the detriment of the employee experience).

For more information, see section 5.1.1 "Being a responsible employer" of the 2024 Universal Registration Document.

2.1.5.7 The models, in particular the Group's internal models, used in strategic decision-making and in risk management systems could fail, face delays in deployment or prove to be inadequate and result in financial losses for the Group.

Internal models used within the Group could prove to be deficient in terms of their conception, calibration, use or monitoring of performance over time in relation to operational risk and therefore could produce erroneous results, notably with financial consequences. The faulty use of so-called artificial intelligence techniques in the conception of these models could also generate erroneous results.

In particular:

- the valuation of certain financial instruments that are not traded on regulated markets or other trading platforms, such as OTC derivative contracts between banks, uses internal models that incorporate unobservable parameters. The unobservable nature of these parameters results in an additional degree of uncertainty as to the adequacy of the valuation of the positions. In the event that the relevant internal models prove unsuitable for changing market conditions, some of the instruments held by the Group could be misvalued and could generate losses for the Group.

  For illustrative purposes, financial assets and liabilities measured at fair value on the balance sheet categorised within level 3 (for which the valuation is not based on observed data) represented EUR 24.4 billion and EUR 45.6 billion, respectively, as of 31 December 2023 (see Note 3.4.1 and Note 3.4.2 of Chapter 6 of the consolidated financial statements included in the 2024 Universal Registration Document on financial assets and liabilities measured at fair value);
- the assessment of client solvency and the Bank's exposure to credit risk and counterparty risk is generally based on historical assumptions and observations that may prove to be inappropriate in light of new economic conditions. It is based on economic scenarios and projections that may not adequately anticipate unfavorable economic conditions or the occurrence of unprecedented events. This miscalculation could, among other things, result in an under-valuation and an under-provisioning of risks and an incorrect assessment of capital requirements;
- hedging strategies used in market activities rely on models that include assumptions about the changes of market parameters and their correlation, partly inferred from historical data. These models could be inappropriate in certain market environments (in the event of a large-scale armed conflict, strong movements in volatility resulting, for example, from a pandemic, or tensions between the United States and China, in the Middle East or in Africa), leading to an ineffective hedging strategy, thus causing unanticipated losses that could have a material adverse effect on the Group's results and financial position;
- hedging strategies to manage the interest-rate and liquidity risks of retail banking activities, particularly those in France, use models that include behavioural assumptions. These models are partly based on historical observations the purpose of which is to identify likely client behaviour as well as changes in the interest rate terms offered to customers in relation to their banking products in specific interest rate scenarios. That said, they may be unsuitable due to a change in macroeconomic regime (for instance, significant movements in interest rates or inflation), in the competitive or regulatory environment, and/or in the Bank's commercial policy, which would therefore temporarily make the resulting hedging strategies inappropriate, thereby potentially harming bank revenues.

In addition, the Group has introduced changes to its internal credit risk model framework, the first milestones of which have been reached. This "Haussmann project" aims at rationalizing the architecture of the Group's internal credit models and bringing them into line with new European regulatory requirements. These changes could have a significant impact on the calculation of its RWA credit and counterparty risk in the event of timetable delays when submitting its models to the supervisor or in the event of the late validation by the supervisor.

(1) Internal Rules, "Code of Conduct", "Anti-corruption and Influence Peddling Code", "Code of Tax Conduct" and, more generally, the Group's standards.

2.1.5.8 The Group may incur losses as a result of unforeseen or catastrophic events, including health crises, large-scale armed conflicts, terrorist attacks or natural disasters.

The Group remains dependent on its environment. The occurrence of a new epidemic or pandemic crisis (such as the Covid-19 pandemic) or a health crisis related to the pollution of the natural environment could have a significant impact on the Group's activities. Also, large-scale armed conflicts, terrorist attacks, natural disasters (including earthquakes, such as in Romania, and floods, such as the exceptional flooding of the Seine in Paris or the Chennai in India), extreme weather conditions (such as heatwaves) or major social unrest (such as the *Gilets Jaunes* movement in France) could affect the Group's activities.

Such events could create economic and financial disruptions or lead to operational difficulties (including travel limitations or relocation of affected employees) for the Group.

These events could impair the Group's ability to manage its businesses and also expose its insurance activities to significant losses and increased costs (such as higher re-insurance premiums). The Group could incur losses if these risks materialise.

2.1.6 OTHER RISKS

2.1.6.1 Risk on long-term leasing activities.

As part of its long-term leasing activities, the Group is exposed to a potential loss in a financial year from (i) resale of vehicles related to leases which expire during the period whose resale value is lower than their net carrying amount and (ii) additional impairment during the lease period if residual value drops below contractual residual value. Future sales and estimated losses are impacted by external factors such as macroeconomic conditions, government policies, tax and environmental regulations, consumer preferences, new vehicle prices, etc.

On the mobility market, the used vehicle market began to normalize in 2023, although it remains at high levels, reflecting a sustained demand. This gradual normalisation, given the increase in new vehicle registrations by automakers, is leading to a gradual decline in used vehicle sale results. As a result, the Group, which has a fleet of 2.71 millions of vehicles at the end of 2023, has recorded earnings from the sale of used vehicles which remain high over 2023, although down on the previous year (Result of €2,400 per used vehicle sold before the impact of the reductions in depreciation costs and LeasePlan's Purchase Price Allocation [(1)]). Given the continuing improvement in new car availability and the depreciation reductions previously recorded to take account of the exceptionally favorable market, a further decline in average earnings on used car sales is expected in 2024. Ayvens also aims to monitor residual value for Electric Vehicle, whose future sale in the specific used vehicle market could also involve uncertainties related to the level of demand, the level of prices, or rapid technological change.

2.1.6.2 Risks related to insurance activities.

A deterioration in market conditions, and in particular a significant increase or decrease in interest rates, could have a material adverse effect on the life insurance activities of the Group's Insurance business.

In 2023, the Group's insurance activities represented net banking income of EUR 0.6 billion, or 2.5% of the Group's consolidated net banking income. The Group's Insurance Division is mainly focused on life insurance. At 31 December 2023, life insurance contracts registered outstandings of EUR 136 billion, divided between euro-denominated contracts (62%) and unit-linked contracts (38%).

The Group's Insurance business is highly exposed to interest-rate risk due to the high proportion of bonds in the euro-denominated funds in its life insurance contracts. The level of and changes in interest rates may, in certain configurations, have a material adverse effect on the results and financial position of this business line.

With its impact on the yield of euro-denominated contracts, a prolonged outlook of low interest rates reduces the attractiveness of these products for investors, which can negatively affect fundraising and income from this segment of the life insurance business.

A sharp rise in interest rates could also degrade the competitiveness of the life insurance offerings in euros (compared with bank savings products, for example) and trigger significant repurchases and arbitrage operations by customers, in an unfavourable context of unrealised losses on bond holdings. This configuration could affect the revenues and profitability of the life insurance activity.

More generally, pronounced spread widening and a decline in equity markets could also have a significant negative effect on the results of the Group's life insurance business.

In the event of a deterioration in market parameters, the Group could be required to strengthen the capital of its insurance subsidiaries to enable them to continue meeting their regulatory requirements in this domain.

(1) As per IFRS 3 "Businee combinations".

3

RISK MANAGEMENT ORGANISATION

IN BRIEF

This section describes Societe Generale's risk management approaches and strategies. It describes how the functions in charge of risk management are organised, how these functions guarantee their independence and how they broadcast the risk culture within the Group.

3.1 SUITABILITY OF RISK MANAGEMENT SYSTEMS

The Pillar 3 report, published under the responsibility of Societe Generale Group's Senior Management, sets out, in accordance with the CRR regulation, the quantitative and qualitative information on Societe Generale's capital, liquidity and risk management to ensure transparency in respect of the various market players. This information has been prepared in compliance with the internal control procedures approved by the Board of Directors in the course of the validation of the Group Risk Appetite Framework and Group Risk Appetite Statement, and are based, among other things, on the annual review, by General Management in the Group Internal Control Coordination Committee (GICCC) and by the Risk Committee of the Board of Directors, of Societe Generale's Risk division, particularly in its ability to exercise its role as the second line of defense for the entire Group.

3.2 RISK APPETITE

Risk appetite is defined as the level of risk that the Group is prepared to accept to achieve its strategic goals.

Thus, risk appetite is part of the Group's overall strategy, which has the following objectives:

- CET 1 ratio at 13% in 2026, under Basel IV;
- average annual revenue growth between 0% and 2% over 2022-2026;
- cost-to-income ratio below 60% in 2026 • Return on tangible equity (ROTE) between 9% and 10% in 2026;
- maintaining a risk management at the highest standards with a cost of risk between 25 and 30 bps over 2024-2026 and a rate of non performing loan between 2,5% and 3% in 2026;
- maintaining a strength liquidity profile with a short term liquidity ratio, Liquidity Coverage Ratio (LCR), greater or equal to 130% over 2024-2026 and a Net Stable Funding Ratio greater or equal to 112% over 2024-2026.

A robust financial strength profile

The Group seeks to achieve sustainable profitability, relying on a robust financial profile consistent with its diversified banking model, by:

- adjusting its activities portfolio according to performance criteria, synergy with the Group and extreme risk criteria;
- targeting profitable and resilient business development;
- maintaining a target rating allowing access to financial resources at a cost consistent with the development of the Group's businesses and its competitive positioning;
- calibrating its capital indicators (consistent with the results of the ICAAP group process) to ensure:
  - satisfaction of minimum regulatory requirements on CET1 ratio,
  - financial conglomerate ratio requirement, which take into consideration the combined solvency of Group banking and insuring activities,
  - coverage of one year of "internal capital requirement" using available CET1 capital,
  - a sufficient level of creditor protection consistent with a debt issuance program that is particularly hybrid consistent with the Group's objectives in terms of rating and regulatory ratios such as Tier 1, TLAC ("Total Loss Absorbing Capacity"), MREL ("Minimum Required Eligible Liabilities"), and the leverage ratio;
- ensuring resilience of its liabilities, which are calibrated by taking into account a survival horizon in a combined liquidity stress ratio (ILSI – Internal Liquidity Stress Indicator), compliance with LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) regulatory ratios and the level of dependence on short-term fundings and the foreign currencies needs business of the Group, notably in USD;
- controlling financial leverage.

Based on this model, the risk appetite is established and formalised at a Group level by type of risks.

Credit risk (including concentration effects)

Credit risk appetite is managed through a system of credit policies, risk limits and pricing policies.

When it takes on credit risk, the Group focuses on medium- and long-term client relationships, targeting both clients with which the Bank has an established relationship of trust and prospects representing profitable business development potential over the mid-term.

Acceptance of any credit commitment is based on in-depth client knowledge and a thorough understanding of the purpose of the transaction.

In particular, concerning the underwriting risk, the Group, mainly through the Business Unit GLBA "Global Banking and Advisory", makes a steadfast commitment to transactions at a guaranteed price as debt financing arranger, prior to syndicating them to other banking syndicates and institutional investors. If market conditions deteriorate or markets close while the placement is under way, these transactions may create a major over-concentration risk (or losses, if the transaction placement requires selling below the initial price).

The Group controls the aggregate value of approved underwriting positions, so as limit it risk if debt markets are closed for an extended period.

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

Security interests are sought to reduce the risk of loss in the event of a counterparty defaulting on its obligations, but may not, except in exceptional cases, constitute the sole justification for taking the risk. Security interests are assessed with prudent value haircuts and paying special attention to their actual enforceability.

Complex transactions or those with a specific risk profile are handled by specialised teams within the Group with the required skills and expertise.

The Group seeks risk diversification by controlling concentration risk and maintaining a risk allocation policy through risk sharing with other financial partners (banks or guarantors).

Counterparty ratings are a key criterion of the credit policy and serve as the basis for the credit approval authority grid used in both the commercial and risk functions. The rating framework relies on internal models. Special attention is paid to timely updating of ratings (which, in any event, are subject to annual review) (1).

The risk measure of the credit portfolio is based primarily on the Basel parameters that are used to calibrate the capital need. As such, the Group relies for the internal rating of counterparties on Basel models allowing the assessment of credit quality, supplemented for "non-retail" counterparties, by expert judgment. These measures are complemented by an internal stress-sized risk assessment, either at the global portfolio level or at the sub-portfolio level, linking risk measures and rating migration to macroeconomic variables most often to say expert. In addition, the calculation of expected losses under the provisions of IFRS 9, used to determine the level of impairment on healthy outstandings, provides additional insight into assessing portfolio risk.

In cooperation with the Risk Function, the business lines implement pricing policies which are differentiated based on counterparty and transaction risk levels. The purpose of pricing a transaction is to ensure acceptable profitability, in line with the objectives of ROE (Return on Equity) of the business or entity, after taking into account the cost of the risk of the transaction in question. The pricing of an operation can nevertheless be adapted in certain cases to take into account the overall profitability and the potential customer relationship development. The intrinsic profitability of products and customer segments is subject to periodic analysis in order to adapt to changes in the economic and competitive environment.

Proactive management of impaired risks is key to containing the risk of final loss in the event of default of a counterparty. As such, the Group has put in place rigorous procedures and/or enhanced follow-up to monitor counterparties with a worsening risk profile. Furthermore, the businesses lines and subsidiaries or branches, along with the Risk function, have set up joint teams of employees specialised in asset recovery management to effectively preserve the Bank's interests in the event of default.

MEASURES TO MANAGE ENVIRONMENTALS, SOCIALS AND GOVERNANCE RISKS FACTORS

Transitional and physical environmental risk factors can have a significant impact on the credit risk and are an aggravating factor for the risks the Bank is facing, in particular credit risk through an increase of costs, a decrease in the guarantees' performance and a reduction in demand.

Concerning ESG risks (Environmental, Social & Governance), the assessment and management of the impact of ESG risk factors on credit risk is particularly based on portfolio alignment indicators (power generation for example).

In general, credit granting policies must comply with the criteria defined within the framework of the Group's Social and Environmental Responsibility (CSR) policy, which is broken down through:

- the general environmental and social principles and the sectoral and cross-cutting policies appended to them. Sector policies cover sectors considered potentially sensitive from an environmental, social or ethical point of view;
- the targets for alignment with the objectives of the Paris agreement, which the Group has set itself, starting with the sectors with the highest CO_2 emissions;
- commitment to granting sustainable financing classified as Sustainable and Positive Impact Finance and to Sustainability linked transactions.

The risk related to climate change is taken into consideration in the credit risk assessment process. In July 2022, a Group procedure was published on the integration of C&E factors in the credit granting analysis, and a training program is being rolled out. In addition, over the course of 2023, the climate vulnerability assessment dedicated to transition risk will be fully integrated in the credit grating process and tools. It makes it possible to integrate the impact of climate risk in the analysis of credit risk.

Counterparty credit risk

Counterparty risk is the credit risk on market transactions and includes counterparty credit risk (CCR) and settlement-delivery risk (RDL). They are measured by parameters taken into account the dynamics of exposures distortions linked to market movements. Counterparty risk is thus managed *via* a set of limits that reflect the Group's risk appetite. The Group also measures this risk under stress tests to take account exceptional market disturbances. In order to mitigate these risks, the Group has contracted close-out netting agreements and market collateralisation.

A) COUNTERPARTY CREDIT RISK

The future value of exposure to a counterparty as well as its credit quality are uncertain and variable over time, both of which are affected by changes in market parameters. Thus, counterparty credit risk management is based on a combination of several types of indicators:

- indicators of potential future exposures (potential future exposures, or PFE), aimed at measuring exposure to our counterparties:
  - the Group controls idiosyncratic counterparty credit risks *via* a set of CVaR (2) limits. The CVaR measures the potential future exposure linked to the replacement risk in the event of default by one of the Group's counterparties. The CVaR is calculated for a 99% confidence level and different time horizons, from one day until the maturity of the portfolio,

(1) *For non-automated processes.*
(2) *The CVaR economic indicator is built on the same modeling assumptions as the regulatory Effective Expected Positive Exposure (EEPE) indicator used to calculate RWAs.*

- in addition to the risk of a counterparty default, the CVA (Credit Valuation Adjustment) measures the adjustment of the value of our portfolio of derivatives and repos account the credit quality of our counterparties;

- the abovementioned indicators are supplemented by stress test impacts frameworks or on nominal ones in order to capture risks that are more difficult to measure;
- risks are measured *via* stress tests at different levels:
  - across all categories [1] of counterparties,
  - -on all categories of clients,
  - at activity level for agency businesses collateralised financing bearing more wrong-way risks by nature;
- the CVA risk is measured through a stress test aiming at measuring the CVA impacts due to hypothetical market risk scenarios reflecting market moves deemed to be representative, especially counter parties' credit spreads.
- exposures to central counterparty clearing houses (CCP [2]) are subject to specific supervision:
  - the amount of collateral posted for each segment of a CCP: the initial posted margins, both for our principal and agency activities, and our contributions to CCP default funds,
  - in addition, a stress test measures the impact linked to (i) the default of an average member on all segments of a CCP and (ii) the failure of a major member on a segment of a CCP;
- the Global Stress Test on market activities includes cross market-counterparty risks, it is described in more detail in the "Market risk" section;
- besides, a specific framework that has been set up aims to avoid individual concentration related to counterparty risk in market operations.
- finally, a CCR RAS metric is now under Board delegation authority (subject to CORISQ, etc.), relying on the sum of the GASEL and the Collaterised Financing stress test commensurate with market risk.

B) SETTLEMENT/DELIVERY RISK ON MARKET ACTIVITIES

Settlement-delivery risk is the risk of non-payment of amounts due by a counterparty or the risk of non-delivery of currencies, securities, commodities or other products by a counterparty in the context of the settlement of a market transaction whose payment type is FOP (Free of Payment, which implies that payment and delivery are two distinct flows that should be considered independently of each other).

The Group measures its exposure to this risk of non-payment or non-delivery of funds or securities using a dedicated metric (RDL). It is measured as the amount of flows (of funds, securities or commodities) to be received after netting the settlement flows to be paid and received and taking into account the risk mitigation mechanisms [3].

The characteristics of the transactions, as well as the legal and operational environment in which they are processed, are used to calculate the settlement-delivery risk profile for each Counterparty.

Market risk

Group market activities are guided as part of a development strategy focused in priority for meeting the customer needs, with a complete range of solutions.

Market risk is managed through a set of limits for several indicators (such as stress tests, Value-at-Risk (VaR) and stressed Value-at-Risk (SvaR), "Sensitivity" and "Nominal" indicators). These indicators are governed by a series of limits proposed by the business lines and approved by the Risk Division during the course of a discussion-based process.

The choice of limits and their calibration reflect qualitatively and quantitatively the fixing of the Group's appetite for market risks. This analysis is related to market conditions, the flexibility in managing down the Group's positions or the consumption of regulatory own funds based on internal reference models. A regular review of these frameworks also enables risks to be tightly controlled according to changing market conditions with, for example, a temporary reduction of limits if market conditions worsen. Warning thresholds are also in place to prevent the possible occurrence of overstays.

Limits are set at different sub-levels of the Group, thereby cascading down the Group's risk appetite from an operational standpoint within its organisation.

Within these limits, the Global Stress Test limits on market activities and the Market Stress Test limits play a pivotal role in determining the Group's market risk appetite; in fact, these indicators cover all operations and the main market risk factors as well as risks associated with a severe market crisis which helps limit the total amount of risk and takes account of any diversification effects. These stress tests and their associated threshold, permit to evaluate and frame a potential loss under different market scenarios, adverse but plausible, of decennial occurrence (for instance, systemic crisis).

Non financial risks (including compliance risk)

Non-financial risks are defined as non-compliance risk, risk of inappropriate conduct, IT risk, cybersecurity risk, other operational risks, including operational risk associated with credit risk, market risk, model risk, liquidity and financing, structural and rate risk. These risks can lead to financial losses.

Governance and a methodology have been put in place for the scope of non-financial risks.

(1) Hedge Funds, Enterprises, Financial Institutions et Sovereigns.

(2) The SG Group is also exposed to the risk of default of CCPs, however this risk is considered less likely due to the protection mechanisms of CCPs and the recovery plan that will be put in place.

(3) For each transaction, the risk begin when the payment or delivery order delivery becomes irrevocable and ends on the recognized date of receipt of the flow. At the level of the counterparty, the risk is therefore calculated from date to date.

As a general rule, the Group has no appetite for operational risk or for non-compliance risk. Furthermore, the Group maintains a zero-tolerance policy on incidents severe enough to potentially inflict serious harm to its image, jeopardise its results or the trust displayed by customers and employees, disrupt the continuity of critical operations or call into question its strategic focus. The Group underscores that it has is no or very low tolerance for operational risk involving the following:

- internal fraud: the Group does not tolerate unauthorised trading by its employees. The Group's growth is founded on trust, as much between employees as between the Group and its employees. This implies respecting the Group's principles at every level, such as exercising loyalty and integrity. The Group's internal control system must be capable of preventing acts of major fraud;
- cybersecurity: the Group has no appetite for fraudulent intrusions, disruption of services, compromise of elements of its information system, in particular those which would lead to theft of assets or theft of customer data. The Bank intends to introduce effective means to prevent and detect this risk. It has a barometer that measures the maturity of the cybersecurity controls deployed within its entities and the appropriate organisation to deal with any incidents;
- data leaks: trust is one of Societe Generale Group's key assets. As a result the Bank commits to deploy the necessary resources and implement controls to prevent, detect and remedy data leaks. The Bank does not tolerate leaks of its most sensitive information, in particular where it concerns its customers;
- business continuity: the Group relies heavily on its information systems to perform its operations and is therefore committed to deploying and maintaining the resilience of its information systems to ensure the continuity of its most essential services. The Group has very low tolerance for the risk of downtime in its information systems that perform essential functions, in particular systems directly accessible to customers or those enabling to conduct business on financial markets. In addition, to deal with the occurrence of certain extreme events that could permanently affect its information system, its external service providers or a major Group entity based abroad, the Bank is developing resilience solutions to ensure its survival. The Group thus defines the duration ("impact tolerance") beyond which any interruption of a Group vital process would present a risk to (i) the safety and soundness of the Group, (ii) customers, (iii) the stability of the financial system. Impact tolerance applies to each vital process, regardless of crisis scenarios and available solutions, and differs from Recovery Time Objective (RTO), which is a business continuity indicator that oversees unavailability for low-impact incident. A maturity index will also be calculated to measure the degree of resilience of the most vital processes by crisis nature;
- outsourced services: Societe General Group intends to demonstrate a high degree of throroughness in the control of its activities entrusted to external service providers. As such, the Societe Generale Group adheres to a strict discipline of monitoring it's providers with a review frequency depending on their level of risk. Thus, Societe General does not have any appetite for a delay in the management of its service providers exceeding three months;
- managerial continuity: the Group intends to ensure the managerial continuity of its organisation to avoid the risk of a long-term absence of a manager that would question the achievement of its strategic objectives, which might threaten team cohesion or disrupt the Group's relationships with its stakeholders;
- physical security: the Societe Generale Group applies security standards to protect personnel, tangible and intangible assets in all the countries where it operates. The Group Security Department ensures the right level of protection against hazards and threats, in particular through security audits on a list of sites that it defines;
- execution errors: the Societe Generale Group has organised its day-to-day transaction processes and activities through procedures designed to promote efficiency and mitigate the risk of errors. Notwithstanding a robust framework of internal control systems, the risk of errors cannot be completely avoided. The Group has a low tolerance for execution errors that would result in very high impacts for the Bank or its clients.

The Group is exposed to legal risks inherent in its business such as commercial disputes and non-respect of the competition laws. The Group aims at managing and mitigating these risks. Its Legal Division serves a risk mitigation function within the Group and defines the norms, standards, procedures and controls associated with legal risk. The Legal Division provides independent legal advice within the Group and, among its roles, it identifies, assesses, analyses and mitigates legal risk issues within the Group. It also promotes a solid "legal risk culture" throughout the Group.

The Group is required to strictly comply with all laws and regulations which govern its activities in all countries in which it operates, and implements international best practices to that effect. It strives, in particular, to:

- knowing its customers by implementing appropriate KYC measures;
- work with clients and partners that comply with international rules and standards on anti-money laundering and terrorism financing;
- work with clients and complete transactions in accordance with rules related to international sanctions and embargoes;
- perform transactions, offer products and advisory services and work with partners in accordance with regulations governing, in particular, client protection;
- implementing the necessary measures and conducting transactions in the respect of the integrity of the markets;
- implementing and complying with data protection obligations, in particular obligations regarding the protection of personal data and the use of digital technologies;
- ensuring the proper functioning of the system for interpreting and transposing prudential regulations by the expert functions, in particular DFIN and RISQ.

Structural risks

A) LIQUIDITY AND FUNDING RISK

Liquidity risk is defined as the Group's inability to meet its financial obligations at a reasonable cost: debt repayments, collateral supply. The Group assesses this risk over various time horizons, including intraday, considering market access restriction risk (generalised or specific to the Group).

Funding risk is defined as the risk that the Group will not be able to finance the development of its businesses at a scale consistent with its commercial goals and at a competitive cost compared to its competitors. The capacity to raise funding is assessed over a three-year horizon. Controlling liquidity risk is based primarily on:

- compliance with regulatory liquidity ratios, with precautionary buffers: LCR (liquidity coverage ratio) ratios that reflect a stress situation and NSFR (net stable funding ratio);
- compliance with a minimum survival horizon under combined market and idiosyncratic stress (Internal Liquidity Stress Indicator (ILSI));
- framing of transformation and anti-transformation positions (price risk);
- management of the contingent liquidity reserve with the Central Bank.

Controlling financing risk is based on:

- maintaining liabilities structure designed to meet the Group's regulatory constraints (Tier1, Total Capital, Leverage, TLAC, NSFR, MREL) and rating agency requirements in order to secure a minimum rating level;
- recourse to market financing: annual long-term issuance programs and a stock of moderate structured issues and short-term financing raised by supervised treasuries.

B) CREDIT SPREAD RISK IN THE BANKING BOOK

Structural exposure to interest rate, credit spread and foreign exchange risks results from commercial transactions and their hedging in the banking book (and not in the trading book, which concerns market risk).

Structural interest rate risk (also referred to as Interest Rate Risk in the Banking Book – IRRBB) refers to the risk – whether current or prospective – to the Group's equity and earnings (hence for the Net Present value and the Net Interest Margin) posed by adverse movements in interest rates affecting the items comprising its banking book. There are four main types of risk based on the EBA taxonomy: Interest rates level risk, curve risk, optional risk and basis risk. All four types of risks may potentially affect the value or yield of interest-rate sensitive assets, liabilities and off-balance sheet items.

Structural credit spread risk (also referred to as Credit Spread Risk in the Banking Book – CSRBB) refers to the Group's equity and earnings posed by adverse movements in market price for credit risk, for liquidity (of lenders) and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework (such as IRRBB) or by expected credit default risk or a jump-to-default risk. The management of interest rate risk is detailed in Chapter 4-8 Structural risk-interest rate and exchange rate risk of the 2024 URD.

C) FOREIGN EXCHANGE RISK IN THE BANKING BOOK

Changes in inter-currency exchange rates may cause changes in the value of assets, liabilities and off-balance sheet items and result in volatility in the income statement or other gains and losses recognised in equity.

The Group's policy in terms of structural exchange rate risks consists of limiting as much as possible the sensitivity of its CET1 capital ratio to changes in exchange rates, so that the impact on the CET1 ratio of an appreciation or a depreciation of all currencies against the euro does not exceed a certain threshold in terms of bp by summing the absolute values of the impact of each currency.

D) RISK ON EMPLOYEE BENEFITS

The risks on social commitments result from the deficit between the social liabilities and the related financial assets.

Regarding risks to pension and long-service obligations, which are the Bank's long-term obligations towards its employees, the amount of the provision is monitored for risk on the basis of a specific stress test and an attributed limit. The risk management policy has two main objectives: reduce risk by moving from defined-benefit plans to defined-contribution plans and optimize asset risk allocation (between hedge assets and performance assets) where allowed by regulatory and tax constraints.

Model risk

The source of model risk may be linked to incorrect model design, implementation, use or monitoring.

The Group is committed to defining and deploying internal standards to reduce model risk on the basis of key principles, including the creation of three independent lines of defence, the proportionality approach relying on a model tiering methodology, a model inventory and the consistency of the approaches used within the Group.

Risk model appetite is defined for the perimeter of this group of models: credit risk IRB and IFRS 9, market and counterparty risk, market product valuation, ALM, trading model, compliance and granting.

A wrong design, application, use or monitoring of these models can have unfavourable consequences of two types: an underestimation of own funds on the basis of models approved by the regulators and/or financial losses.

Risk related to insurance activities

The Group conducts Insurance activities (Life Insurance and Savings, Retirement savings, Property & Casualty Insurance, etc.) which exposes the Group to two major types of risks:

- subscription risk related to pricing and fluctuations in the claims ratio;
- risks related to financial markets (interest rate, credit and equity) and asset-liability management.

Insurance management risk is described in Financial Statements Note 4.3 Insurance activities

Investment risk

The Group has limited appetite for financial holdings, such as proprietary private equity transactions. The investments allowed are mainly related to:

- support clients and business development of the retail banking network through SGRF and certain subsidiaries abroad;
- taking stakes, either directly or through investment funds, in innovative companies *via* SG Ventures;
- the takeover of stakes in local companies: Euroclear, *Crédit Logement*, etc., which does not have limit.

The real estate risk is defined as the risk of decline in the value of SG's own real estate investments. Such assessment is linked to the value of financial instruments related to real estate assets.

The SG policy related to the own real estate allows to mitigate this risk thanks to two mitigation actions:

- agency: the good location of the agency allows to limit the impact on the price in case of market depreciation;
- the practice of lease back for offices: the offices no longer belong to the Group that continues to occupy the premises for rent.

Risks related to operating leasing activities

The residual value risk is the risk of a loss of value due to the changes in the price of vehicles on second-hand markets.

The resale price of the vehicles is estimated at inception of the leasing contract. The resale price may differ from this estimated value, thus generating a gain or a loss.

Residual value risk is managed according to a central policy which defines the procedure for setting residual values and their review. The governance in place on residual value risk aims to monitor used car market price evolutions and adapt the Company's pricing and financial policy. The governance in place on residual value risk also aims to monitor residual values for electric vehicles, whose future resale in the specific used vehicle market could also involve uncertainties related to the level of demand, the level of prices, or rapid technological change.

Several factors can cause deviations between the estimated price at contract inception and the actual realised resale price: economic context changes, used car market demand and supply evolutions (in terms of brand, model, car segment, etc.), new vehicle regulations/ taxes, etc.

3.3 RISK APPETITE – GENERAL FRAMEWORK

Risk appetite is determined at Group level and attributed to the businesses and subsidiaries. Monitoring of risk appetite is performed according to the principles described in the Risk Appetite Framework governance and implementation mechanism, which are summarised below.

Governance

As part of the supervision of risk appetite, the Group relies on the following organisation:

- the Board of Directors:
  - approves each year the Group Risk Appetite Statement and the Group Risk Appetite Framework, as well as the Group Risk Appetite Framework,
  - approves in particular the main Group risk appetite indicators (Board of Directors indicators) validated beforehand by General Management,
  - ensures that risk appetite is relevant to the Group's strategic and financial objectives and its vision of the risks of the macroeconomic and financial environment,
  - reviews quarterly the risk appetite dashboards presented to it, and is informed of risk appetite overruns and remediation action plans,
  - sets the compensation of corporate officers, sets out the principles of the remuneration policy applicable in the Group, especially for regulated persons whose activities may have a significant impact on the Group's risk profile, and ensures that they are in line with risk management objectives.

  The Board of Directors relies primarily on the Risk Committee;
- General Management:
  - approves the document summarising the Group's risk appetite Statement and its Risk Appetite Framework based on the proposal of the Chief Risk Officer and the Chief Financial Officer,
  - examines the risk appetite compliance dashboards presented to it quarterly and is informed of risk appetite breaches and the redemption action plans implemented,
  - ensures the effectiveness and integrity of the risk appetite implementation system,
  - ensures that the risk appetite for the Group's Business Units and eligible subsidiaries/branches is formalised and translated into frameworks consistent with the Group's risk appetite,
  - ensures internal communication of risk appetite and its transposition in the Universal Registration Document.

As part of the Risk appetite Framework, General Management relies on several Committees: the Group Executive Committee (ExCo), the Group Risk Committee (CORISQ), the Finance Committee (COFI), the Assets and Liabilities Committee (ALCO), the Compliance Committee (COMCO), the responsible Commitments Committee (CORESP), the Group Provision Committee (COPRO), the Large Exposure Committee (CGR), and the Sogécap Board and its ALM & Risk Management Committee and the Group Internal Control Coordination Committee (CCCIG), with it chairs.

In addition, the main mission of the Risk Department is to draw up the document summarising the Group's risk appetite, as well as the implementation of a risk management, monitoring and control system.

The Finance Department addresses, with Risk Department, this risk appetite in the framework of indicators under the responsibility of the Finance Committee (profitability, solvency and structural risks).

The Compliance Department is also responsible for instructing the risk appetite setting for indicators falling within its scope.

Risk identification process

The Risk Identification Process is a cornerstone and effective tool of the Group risk-management framework as it allows to identify all risks that are or might become material at the Group level. This process, which is continuously performed by Business Units and Service Units, should be comprehensive to cover all Group exposures and all risk categories [1] defined in the Risk Taxonomy.

The outcome of this process is the preparation of the annual Risk Inventory, a list of all material i) Risk Scenarios/Stress Tests and ii) Risk categories, that are to be considered for inclusion in key downstream risk management processes (of which the Risk Appetite, the ICAAP, and the Recovery & Resolution Plan). The Risk Identification process can be breakdown into two processes:

- **the Continuous Risk Identification process** is embedded in the day-to-day management of SG and relies on various processes/ governance setups;
- **the Annual Risk Identification process** is performed on an annual basis or updated more frequently if substantial changes occur in the business model, industry, macroeconomic environment, or regulations.

The outcome of the annual Risk Identification process is approved annually by the Group CORISQ and presented to the Group Board of Directors.

Risk quantification and stress test system

Within the Group, stress tests, a key attribute of risk management, contribute to the identification, measurement and management of risks, as well as to the assessment of the adequacy of capital and liquidity to the Group's risk profile.

The purpose of the stress tests is to cover and quantify, resulting from the Risk Identification annual process, all the material risks to which the Group is exposed and to inform key management decisions. They thus assess what the behavior of a portfolio, an activity, an entity or the Group would be in a degraded business context. It is essential in building the forward-looking approach required for strategic/financial planning. In this context, they constitute a privileged measure of the resilience of the Group, its activities and its portfolios, and are an integral part of the process of developing risk appetite.

The Group stress testing framework combines stress tests in line with the stress testing taxonomy set by the EBA. Group-wide stress tests should cover all legal entities in the Group consolidation perimeter, subject to risk materiality. Stress test categories are:

- stress tests based on scenarios: application of historical and/or hypothetical conditions but which must remain plausible and in conjunction with the Economic and Sector Studies Department, to a set of risk factors (interest rates, GDP, etc.);
- sensitivity stress tests: assessment of the impact of the variation of an isolated risk factor or of a reduced set of risk factors (a shock in rates, credit rating downgrade, equity index shock, etc.);
- reverse stress tests: start with a pre-defined adverse outcome, such as a level of a regulatory ratio, and then identifies possible scenarios that could lead to such an adverse outcome.

The stress test system within the Group thus includes:

- global stress tests:

  Global Group stress tests cover all activities and subsidiaries that are part of the Group's consolidation scope ("Group-wide"), as well as all major risks (including credit risk, market risk, non-financial risk and structural risk). They aim at stressing both the Group P&L and key balance sheet metrics, notably capital and liquidity ratios.

  The central stress test is the overall group stress test, which is based on a central scenario and on adverse macroeconomic scenarios modeled by the Economic Research Department, under the independent supervision of the Group Chief Economist. macroeconomic scenarios are supplemented by other parameters such as capital market conditions, including assumptions on funding.

  The performance of the overall Group stress test is based on the uniform application of the methodology and assumptions at the level of all entities and at Group level. This means that the risk factors, and in particular the macroeconomic assumptions used locally, must be compatible with the macroeconomic scenario defined by the Group. Entities must submit macroeconomic variables to the Group's Economic Studies Department to check their consistency.

  The regulatory stress test conducted periodically by the EBA also covers all entities and risks and is scenario-based. Therefore, its execution globally mirrors the process defined for the internal Group Global Stress Test, with an increased involvement of the Group central teams, except for the scenario design which is defined by the supervisor;
- specific stress tests which assess a specific type of risk (market risk, credit risk, liquidity risk, interest rate risk, etc.):
  - credit risk stress tests complement the global analysis with a more granular approach and allow fine-tuning of the identification, assessment and management of risk, including concentration,
  - market stress tests estimate the loss resulting from a severe change in financial market risk factors (equity indexes, interest rates, credit spreads, exotic parameters, etc.). They apply to all Group's market activities and rely on adverse historical and hypothetical scenarios,
  - the operational risk assessment relies on an analysis of historical losses, factoring in internal and external loss data as well as the internal framework and the external environment. This includes losses incurred by international financial institutions, and hypothetical forward-looking "scenario analyses" for all operational risk categories,
  - liquidity stress tests which include: (i) a market-wide scenario that attempts to capture a crisis in which financial markets would undergo an extreme market liquidity disruption causing systemic stress event, and (ii) an idiosyncratic scenario that attempts to capture a firm-specific crisis potentially triggered by a material loss, reputational damage, litigation, executive departures,

(1) Risks are classified on the basis of the Group's risk taxonomy, which names and defined risk categories and their possible sub categories.

- stress tests which assess the sensitivity to structural interest rate risk concerning the banking book. The exercise focuses on rate variations by stressing (i) the net present value of the positions or (ii) the interest margin and on exchange rate fluctuations on the residual exchange positions,
- a stress test on employment benefits which consists of simulating the impact of variations in market risk factors (inflation, interest rates, etc.) on the Group's net position (dedicated investments minus the corresponding employment benefits),
- stress tests on the risk linked to insurance activities defined in the risk appetite of the Insurance Business Unit, which puts stress on risk factors specific to financial and insurance activities to measure and control the main risks relating thereto,
- Residual Value Risk Stress Tests where ALD/Ayvens performs various shocks on leasing-specific risk factors to measure and control its major risks like residual value risk,
- climate stress tests based on climate risk scenarios at least once a year. These stress tests may encompass both transition and/or physical risk and may cover short term to medium-long term horizons,
- reverse stress tests, both as part of the risk appetite and the recovery plan. The impact of these stress tests is typically defined *via* a breaking point in the solvency ratio or liquidity indicator, which poses a significant threat to the Bank. Hypothetical scenarios leading to this breaking point are then constructed in order to identify new weaknesses.

In addition to internal stress test exercises, the Group is part of the sample of European banks participating in major international stress tests programmes conducted by the European Banking Authority (EBA) and the European Central Bank (ECB).

DEFINITION OF THE "CENTRAL" AND "STRESSED" ECONOMIC SCENARIOS

Central scenario

The central scenario is based first of all on a set of observed factors such as recent economic situation and economic policy shifts (budgetary, monetary and exchange-rate policies). From these observed factors, economists calculate the most likely trajectory of economic and financial variables for the desired forecast horizon.

Stressed scenario

In 2023, the Group selected two stress scenarios, a deflationary scenario and a stagflation scenario.

Stress deflation is inspired by past crises (major financial crisis, European sovereign crisis, Covid shock). This scenario relies on a negative demand shock leading to deflationary pressures.

The stagflation stress test, which was developed in 2022 to take into account the emergence of new risks, is based on the oil shock of the Iranian revolution combined with a financial crisis. This scenario relies on a negative supply shock leading to inflationary pressures.

The Economic Studies Department of SG stress scenarios envisage a GDP shock over a 4-year horizon of 10 pp compared to the baseline scenario. These figures are comparable to those of the 2023 EBA stress test, which forecasts a cumulative shock of 9.6 pp over three years for the euro area and 8.3 pp for the United States; EBA stress was defined as a stagflationary shock.

Setting and formalisation of risk appetite at Group level

The Group's risk appetite is formalised in a document ("Risk Appetite Statement") which sets out:

- the strategic profile of the Group;
- its profile of profitability and financial soundness;
- the frameworks relating to the management of the Group's main risks (qualitative, through risk policies, and quantitative, through indicators).

Regarding the profile of profitability and financial soundness, the Finance Department proposes each year, upstream of the budgetary procedure, to the General Management, limits at Group level, supplemented by alert thresholds and crisis levels according to a "traffic light" approach. These frameworks on financial indicators, then submitted to the Board of Directors for approval allow:

- to respect, with a sufficient safety margin, the regulatory obligations to which the Group is subject (in particular the minimum regulatory solvency, leverage and liquidity ratios), by anticipating as best as possible the implementation of new regulations;
- to ensure, *via* a safety margin, sufficient resistance to stress scenarios (stress standardised by regulators or stress defined according to a process internal to the Group).

The frameworks relating to risk management, also represented *via* a graduated approach (limits, alert thresholds, etc.), result from a process in which the needs expressed by the businesses are confronted with a contradictory opinion independent from the second line defense. The latter is based on:

- independent analysis of risk factors;
- the use of prospective measures based on stress approaches;
- the proposal for a framework.

For the main risks, the frameworks set make it possible to consolidate the achievement of the Group's financial targets and to orient the Group's profitability profile.

Allocation of risk appetite in the organisation

The allocation of risk appetite in the organisation is based on the strategic and financial plan, and on risk management systems:

- based on recommendations by the Finance Department to General Management, the financial indicator's frameworks defined at Group level are broken down into financial frameworks (1) at business line level, as part of financial management;
- the breakdown of frameworks and risk policies are based on an understanding of the needs of the Business Units and/or subsidiary/branch and their business prospects and takes into account the profitability and financial strength objectives of the Business Units and/or the subsidiary/branch.

3.4 RISK MANAGEMENT ORGANISATION

Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale Group in all businesses, markets and regions in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Group's risk management, supervised at the highest level, is compliant with the regulations in force, in particular the order of 3 November 2014 revised by the order of 25 February 2021 on the internal control of companies in the banking sector, Payment Services and Investment Services subject to the control of the French Prudential Supervisory and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR) and the final version of European Basel 3 Regulations ((Capital Requirements Regulation/Capital Requirements Directive). (See Corporate Governance-Role of Chairman of the Board of directors").

Governance of risk management

Two main high-level bodies govern Group risk management: the Board of Directors and General Management.

General Management presents regularly (more often if circumstances require so) the main aspects of, and notable changes to, the Group's risk management strategy to the Board of Directors.

As part of the Board of Directors, the Risk Committee advises the Board of Directors on overall strategy and appetite regarding all kinds of risks, both current and future, and assists the Board when the latter verifies that the strategy is being rolled out.

The Board of Directors' Audit and Internal Control Committee ensures that the risk control systems operate effectively.

Chaired by the general management, the bank's executive committee, in terms of risks, is in charge of making sure that the Group has an efficient risks management frame and monitor and control this frame. This responsibility will be mainly assumed through the participation of the Executive Committee at the Group Risk Committee. In addition, the Executive Committee must:

- on an annual basis, review and validate the Group's Risk Appetite Statement, before submitting it to the Société Générale Board of Directors;
- on an annual basis, review and validate the Group's Risk Appetite Framework, before submitting it to the Société Générale Board of Directors;
- ensure that the Group has effective segregation of duties between the first, second and third lines of defense;
- on an annual basis, review, challenge and take note of the report of the Chief Risk Officer on the risk control and self-assessment process, as well as the Group's IT and cybersecurity risk assessment;
- on a monthly basis, review and challenge the Risk Report prepared by the Chief Risk Officer which includes: (a) an assessment of significant and emerging risks, risk deficiencies, risk management and mitigation within the Group and for all types of risks identified; (b) quantitative data on risk exposure and their use to enable the Executive Committee to regularly monitor compliance with the Group's risk appetite, risk tolerance and risk capacity; and (c) a summary of the quarterly meetings of the Enterprise Risk Committee at the Pillar level;
- review and challenge the important post-mortem analysis presented to it by the Operational Risk Department, which constitute the important post-mortem subjects within the Group.

Chaired by General Management, the Committees responsible for central oversight of internal control and risk management are as follows:

- **The Group Risk Committee** (Group CORISQ), chaired by the Group CEO, has authority over the entire Société Générale Group and aims to:
  - validate the main risk management processes, in particular the Group's risk taxonomy, risk identification, risk management and stress testing frameworks,
  - validate, before proposing to the Board of Directors, the Risk Appetite Framework (RAF),
  - validate the Risk Inventory;
  - for credit, counterparty, market, operational, model risks, ESG (2) and Country risk factors:
    - ensure the annual validation (before review by the Group ExCo and before final validation by the Board of Directors) of the Group's Risk Appetite (RAS) for these categories,

(1) A group framework may be allocated at business level using a different indicator, for example capital ratios are allocated within the business lines are risk-weighted assets: *"RWA".*

(2) *Environmental, Social and Governance.*

- define or validate the Group's main guidelines in terms of risks policies in the context of the risk appetite previously validated by the Board of Directors,
- monitor conformity with the Group's risk appetite and the material topics of the Pillars/BUs Risk Appetite reporting to it,
- ensure a holistic view of all these risks through monthly risk reporting.

The validation of the Group's Risk Appetite (RAS), before being proposed to the Board of Directors for approval, is the responsibility of the Exco Group.

Along with the Risks Committee, the Large Exposures Committee (*Comité Grands Risques*) is an ad hoc Committee, responsible for approving the sales and marketing strategy and risk appetite regarding major client groups (Corporates, Insurance Companies and Asset Managers). The Large Exposures Committee is a decision-making body and has authority over the entire Société Générale Group.

- **the Finance Group Committee** (COFI)

  The COFI is responsible for Société Générale Group's financial strategy and for steering Société Générale Group's strategic financial targets. In that capacity, the COFI oversees all key aspects of SG Group's:

  (i) management of Société Générale Group's strategic financial targets as defined in SG Group's Risk Appetite: rating, profitability, capital, liquidity, balance sheet,

  (ii) ICAAP and ILAAP, including their validation ahead of submission to the Board of Directors for approval,

  (iii) funding strategy and funding plan,

  (iv) monitoring of Societe Generale's rating by credit agencies,

  (v) recovery and resolution planning,

  (vi) monitoring of Societe Generale's Group tax capacity,

  (vii) distribution policy and proposals,

  (viii) financial management of the Corporate Centre and intragroup re-invoicing.

  Operational management of structural risks within the Group Risk Appetite is addressed by the Group Assets and Liabilities Management Committee ("ALCO").

  The COFI aims at setting and enforcing Société Générale's own management practices while complying with all relevant regulations and ensuring the highest risk control standards.

  The COFI has a Group-wide authority excluding insurance activities. However, the COFI is competent for scarce resources management for the financial conglomerate (reunion of the banking and insurance activities). The COFI has authority in normal as well as in stressed circumstances, subject to the provisions of the Contingency Funding Plan and Recovery Plan.

  Some matters handled by the COFI are for its sole decision, while others are reviewed by the COFI ahead of the submission to the Board of Directors (*e.g.* ILAAP and ICAAP documents).

  The COFI is chaired by the CEO or its delegate as per usual general management delegation rules;

- **the Group Assets and Liabilities Management Committee** (ALCO)

  The ALCO is responsible for the management of SG Group's structural risks within the Group Risk Appetite. Structural risks include:

  (i) interest rate risk and foreign exchange risk in the banking book,

  (ii) Group Structural risk,

  (iii) liquidity risk of the entire banking and trading book.

  The ALCO has a Group-wide authority in normal as well as in stressed circumstances, subject to the provisions of the Contingency Funding Plan and Recovery Plan.

  The ALCO aims at setting and enforcing Société Générale's own management practices while complying with all relevant regulations and ensuring the highest risk control standards.

  Some matters handled by the ALCO are for its own decision only, while others are reviewed by the ALCO ahead of the submission to the Board of Directors.

  The ALCO is chaired by the CEO or his delegate as per usual general management delegation rules;

- **the Compliance Committee** (COMCO), this Committee reviews the risks of non-compliance, the main issues and defines the Group's compliance principles and ensures the annual monitoring of the quality of the Sanctions & Embargoes risk management system:

  (i) review of the main compliance incidents of the period,

  (ii) review of key information related to relationships with supervisors,

  (iii) follow-up of potential ongoing remediations,

  (iv) review/challenge of compliance indicators on each non-compliance risk, including a biannual focus on financial crime prior to presentation to the Board of Directors,

  (v) validation of compliance risk appetite criteria and quarterly review of RAS indicators,

  (vi) review of permanent (CN1 and CN2) and periodic (IGAD) controls and main points of attention and Need for Action,

  (vii) monitoring of Group Policies and Procedures deployment,

  (viii) review of the Group annual mandatory trainings roadmap and validation of new modules for all employees,

  (ix) review of CACI/CR and Board documents not previously reviewed by DGLE,

  (x) *ad hoc* validation on Group compliance topics.

  The COMCO is chaired by the CEO;

- **the Group Information Systems Committee** (ISCO)

  The ISCO is responsible for SG Group's Information System ("IS") strategy and for steering SG Group's strategic IS targets. In that capacity, the ISCO oversees all key aspects of SG Group's:

  (i) validates major objectives of the IS sector,

(ii) steers investments (CTB) and run costs (RTB) and approves major or strategic projects for the Group's information systems, ensuring their consistency and alignment with the BU/SU Strategic Transformation Plans (TSP),

(iii) oversees IS sector operating on its pillars (IT Financial Steering, IT strategy & Architecture, Project Portfolio and CTB Management, Digital and Data Assets & Capabilities, Resource Management (HR & sourcing) and Model delivery, Operations, Quality of Service and Obsolescence, Cyber security and resilience, Green IS, IT Risk Management) and associated KPIs (financial trajectory, validation of budget adjustments and arbitrations, asset mutualisation, CTB allocation, major projects risks, review of key post-mortem points on incidents, deployment of norms and standards),

(iv) defines the priorities of the IS sector and, if necessary, arbitrates between local and global priorities.

The Committee validates the elements that will be presented to the Board of Directors regarding strategies, risks, incidents, and status on IT production and projects;

- **the Group Internal Control Coordination Committee** (GICCC), is chaired by the Chief Executive Officer or, in his absence, by a Deputy Chief Executive Officer. The purpose of the GICCC is to ensure the consistency and effectiveness of the Group's internal control, in response in particular to the obligation laid down in Art. 16 of the amended French Order of 3 November 2014. The Committee meets approximately 20 times a year to deal with cross-cutting topics as well as the annual review of each Business Unit and Service U;
- **the Responsible Commitments Committee** (CORESP), chaired by the Deputy Chief Executive Officer in charge of overseeing the ESG policy, deals with all matters falling within the Group's responsibility in Environmental and Social matters, or those having an impact on the Group's responsibility or reputation and not already covered by an existing Executive Management Committee. The Committee is decision-making and has authority over the whole Group;
- **the Group Provisions Committee** (COPRO), chaired by the Chief Executive Officer, meets quarterly, presents and validates the net cost of risk of the Group (provisions for credit risk) which will be accounted in the quarter.

Divisions involved in risk management and internal control

The Group's Corporate Divisions, which are independent from the core businesses, contribute to the management and internal control of risks. In these Corporate Divisions, Risk and Compliance Divisions are part of 2nd Line of defense (LoD2).

As a reminder, the 2nd line of defense relies on the 1st line of defense, which is represented by the Group's operational management, in the Business Units and Service Units for their own operations.

Operational management is responsible for the risks, takes charge of their prevention, as well as the implementation of corrective or palliative actions in response to any deficiencies detected by the controls and/or in the context of process management.

The Corporate Divisions provide the Group's General Management with all the information needed to assume its role of managing Group strategy under the authority of the Chief Executive Officer. The Corporate Divisions report directly to General Management:

- **the Risk Division**

  The Risk Management Function: RISQ's main mission is to contribute to the strategy definition and to the sustainable development of the Societe Generale group's activities and profitability. To that end, the Risk Management Function (i) proposes to the management and the Board of Directors the Group's risk appetite based on its independent analysis of all existing and forecasted risks; (ii) is involved in all material risk management decisions through an effective challenge; (iii) defines, implements, and controls effectiveness of an holistic, relevant and robust risk management framework, validated by the Board of Directors, allowing to ensure the adherence to the risk appetite and to provide the management and the Board of Directors with an independent analysis and an opinion on group-wide holistic view on all the existing and forecasted risks the Group is facing; (iv) proposes adjustment and remediation, if necessary.

  Specifically, in order to contribute to the sustainable development of Société Générale Group's activities and profitability, the Risk Management Function, as an independent second line of defense, and in line with the principle of proportionality:

  - informs the Board of Directors and the General Management of the institution's actual and potential risks, so that they can (i) make fully informed decisions on the Group's strategy and (ii) determine and approve the institution's risk appetite. Reports and provides all relevant information regarding risks, including major incidents and ensures that they are reviewed at the appropriate levels of the institution, including General Management (DGLE) and the Board of Directors,
  - participates in the definition of the institution's risk strategy. Is responsible, with the contribution of the Financial Department, for proposing to the General Management a risk appetite for approval by the Board of Directors, assessing the soundness and sustainability of the risk strategy and risk appetite. Establishes and proposes to the General Management and the Board of Directors internal limits in line with the risk appetite of the institution, taking into account its framework, its operating model, its financial soundness, and its strategic objectives,
  - participates in strategic risk-taking decisions, provides independent opinion, advice, and recommendations, delivers a holistic view of all risks at institutional and Group level, and ensures conformity with the risk strategy,
  - anticipates the risks to which the Group may be exposed by taking into account trends and relevant data in the macroeconomic context, recognizes new or emerging risks, as well as increased risks, related to changes in activities and market conditions, establishes frameworks for the identification and assessment of risks in hypothetical adverse scenarios to measure the institution's ability to take risks,
  - defines an effective risk management framework, including risk policies, procedures, limits, and controls to be applied by all business lines and allowing to identify, evaluate, measure, monitor, manage, mitigate and report holistically the current risks to which the Group is exposed, and thus ensure the management of the latter,
  - challenges, reviews independently and critically, controls and supports on a permanent basis adherence to and the deployment of the Risk Management Framework by the business lines, including adherence to the risk appetite, at all levels of the organisation as well as defined remediation actions (Group/BU/entities) *via* effective governance, frameworks, and processes. Ensures that related party transactions are reviewed and that the risks they pose to the institution are identified and properly assessed,

- contributes to the establishment of a risk culture by reporting a holistic view of risks and how they are managed, and by ensuring that the lines of activities are aware of their risks and the risk appetite in which they must operate,
- is in charge of the management of Group Risk Division;

- **the Group Compliance Division** must ensure the Group's compliance with banking and financial regulations and provide a holistic view of non-compliance risks, based in particular on the analysis produced by the RISQ function and cross-functional expert functions.

  Its main missions are to:

  - ensure that all risks of non-compliance are identified and that the Group complies with all regulatory and supervisory obligations,
  - assess the impact of regulatory and legal changes on the Group's activities and compliance framework,
  - define standards and procedures to manage the risk of non-compliance,
  - provide notice on new products and activities, or material changes to products or activities,
  - ensure appropriate management of risks of non-compliance through LOD1 and the establishment of appropriate controls, including Level 2 controls,
  - identify, assess and escalate incidents and breaches of compliance,
  - train employees and promote a culture of compliance in the Group,
  - advise and inform General Management and the Board of Directors on non-compliance risks;

- **the Finance Department (DFIN)** coordinates the Finance Management Function and is responsible for the Group's financial management, oversight and production through several complementary tasks:

  - fueling General Management's discussions on strategic and financial aspects. To this end, DFIN takes care to provide a consistent overview of performance indicators and financial information,
  - managing, at consolidated level for Société Générale SA and for certain subsidiaries, the establishment and analysis of financial, tax and regulatory statements (regulatory indicators regarding scarce resources, regulatory reports, ICAAP and ILAAP documentation) in compliance with applicable standards and obligations,
  - monitoring and overseeing P&L performance, profitability and scarce resources (capital, liquidity, balance sheet) in line with strategic objectives and in accordance with regulatory obligations,
  - supporting the Business Units and Service Units with financial and strategic oversight,
  - managing liquidity, in particular through the implementation of financing and resilience plans, in accordance with the objectives set by the Group and in compliance with the Group's risk appetite,
  - maintaining financial crisis management plans tailored to the Group's configuration,
  - ensuring the management and first-level monitoring of structural interest rate, foreign exchange and liquidity risks. RISQ assuming the role of second line of defence,
  - performing regulatory watch with respect to scarce resources, accounting and finance, and participating in institutional relations and advocacy with its main peers and with banking federations,
  - acting as enterprise architect for all activities performed by the Group's Finance Divisions;

- **the Group General Secretariat (SEGL)** within its fields of expertise, is assigned with the mission of protecting the Bank so as to further its development. It assists the General Management on the subject of the Group's governance. Together with the Service Units, Business Units and other Société Générale Group entities, it ensures the administrative, legal and tax compliance of the Group's activities, both in France and abroad. It is in charge of managing legal and tax risks. It also oversees global Group security (together with the RESG Service Unit in respect of IT systems security), designs and implements the risk insurance policy for the entire Group and its staff, and provides assistance in developing insurance products for the Group's clients. It oversees public affairs and institutional relations/advocacy initiatives within the Société Générale Group. In liaison with DGLE and the Group's Business Units/Service Units, he coordinates the relationship with the authorities in charge of supervising the Société Générale Group, on a consolidated basis. Lastly, it handles the Group's central administration and offers support to the Board of Directors and its Secretary as necessary. SEGL manages a number of executive and non-executive governance matters on behalf of the subsidiaries;
- **the Group Human Resources Division (HRCO)** is tasked with defining and implementing the general and individual policies designed to enable the Group to develop the skills and talent needed for its strategy to succeed. The Division's role as partner to the businesses is key to the Group's adaptation to its environment;
- **the Group resources and digital transformation Department (RESG)** accompanies the digital transformation and promotes operational efficiency for the Group. It supervises the Resource Management Functions (Information Systems, Sourcing and Property) as well the Group's Digital transformation and Innovation;
- **the Group Internal Audit and General Inspection Department**, under the authority of the General Inspector, is in charge of internal audit; finally
- **the Sustainable Development Division** attached to the General Management, the Group Sustainable Development Division (DGLE/RSE) assists the Deputy Chief Executive Officer in charge of the whole ESG policies (CSR – Corporate Social Responsibility-) and their actual translation in the business lines and functions trajectories. It supports the Group ESG transformation to make it a major competitive advantage, in the business development as well as in the ESG (Environmental & Social) risks management.

According to the last census carried out on 31 December 2023, the full-time equivalent (FTE) workforce of:

- the Group's Risk Department for the second line of defence represents approximately 4,508 FTEs (1,835 within the Group's Risk Department itself and 2,673 for the rest of the Risk function);
- the Compliance Department or the second line of defence represents approximately 2,888 FTEs;
- the Information System Security Department totals approximately 529 FTEs.

Risk reporting and assessment systems

The Group's risk measurement systems serve as the basis for the production of internal Management Reports allowing the monitoring of the Group's main risks (credit risk, counterparty, market, operational, liquidity, structural, settlement/delivery) as well as the monitoring of compliance with the regulatory requirements.

The risk reporting system is an integral part of the Group's risk management system and is adapted to its organisational structure. The various indicators are thus calculated at the level of the relevant legal entities and Business Units and serve as the basis for the various reportings. Departments established within the Risk, Finance and Compliance sectors are responsible for measuring, analysing and communicating these elements.

Since 2015, the Group has defined architecture principles common to the Finance and Risk functions, the TOM-FIR principles (Target Operating Model for Finance & Risk), in order to guarantee the consistency of the data and indicators used for internal management and regulatory production. The principles revolve around:

- Risk and Finance uses, whether at the local level and at the various levels of consolidation subject to an organised system of "golden sources", with a collection cycle adapted to the uses;
- common management rules and language to ensure interoperability;
- consistency of Finance and Risk usage data, *via* strict alignment between accounting data and management data.

The Group produces, *via* all of its internal reports for internal monitoring purposes by the Business Units and Service Units, a large number of **risk metrics** constituting a measure of the risks monitored. Some of these metrics are also produced as part of the transmission of regulatory reports or as part of the publication of information to the market.

The Group selects from these metrics a set of **major metrics**, able to provide a summary of the Group's risk profile and its evolution at regular intervals. These metrics concern both the Group's financial rating, its solvency, its profitability and the main risks (credit, market, operational, structural (liquidity and financing, rates and exchange rates), model) and are included in the reports intended for internal management bodies.

They are also subject to a framework defined and broken down in line with the Group's risk appetite, giving rise to a procedure for reporting information in the event of breaches.

Thus, the risk reports intended for the management bodies are guided in particular by the following principles:

- coverage of all significant risks;
- combination of a global and holistic view of risks and a more in-depth analysis of the different types of risk;
- overview supplemented by focus on certain specific scopes, forward-looking elements (based in particular on the presentation of elements on the evolution of the macroeconomic context) and elements on emerging risks;
- balance between quantitative data and qualitative comments.

The main Risk reports for management bodies are:

- monthly reporting to the Risk Committee of the Board of Directors aims to provide an overview of changes in the risk profile.

  This reporting is complemented by dashboard for monitoring the Group's Risk Appetite Statement indicators is also sent quarterly to the Board of Directors. These indicators are framed and presented using a "traffic light" approach (with distinction between thresholds and limits) in order to visually present monitoring of compliance with risk appetite. In addition, a compliance dashboard and a reputation dashboard are sent to the Risk Committee of the Board of Directors and provide an overview of each non-compliance risk;
- monthly reporting to the Group Risk Committee (CORISQ), for the general management, aims to regularly provide this Committee with a risk analysis under its supervision, with a greater level of detail than reporting to the Risk Committee of the Board of Directors. In particular, a summary of the main credit files over the period covered by the reporting is presented;
- reporting to the Finance Committee (COFI) for General Management gives rise in particular to the following two reports: a "Scarce resources trajectory" report allowing budget execution to be monitored and a "Structural risk monitoring (ALM)"report" making it possible to monitor compliance with the thresholds and limits relating to liquidity risks and structural interest and exchange rate risks;
- the quarterly reporting of the Group Compliance Committee (COMCO) to General Management: the COMCO provides *via* dedicated reporting an overview of the main non-compliance risks, raises points of attention on compliance topics Group, decides on the main orientations and defines the Group principles in terms of compliance;
- the quarterly reporting of the Provisions Committee (COPRO) to General Management is intended to provide an overview of changes in the level of provisions at Group level. In particular, it presents the change in the net charge of the cost of risk by pillar, by Business Unit and by stage;
- reporting by the Group Internal Control Coordination Committee (GICCC) to General Management: this Committee reviews, on the basis of a standardised dashboard for all Business Units/Service Units, the efficiency and the consistency of the permanent control system implemented within the Group, as well as, within the framework of the Risk Internal Governance Assessment (RIGA) process, the ability of the Risk function to exercise its role as the 2nd line of defence in the whole group. Finally, the Risk Department contributes, as a permanent member, to all GICCC meetings, through position papers on the subjects under review.

Although the above reports are used at Group level to monitor and review the Group's risk profile in a global manner, other reports are transmitted to the Board of Directors or to the General Management in order to monitor and control certain types specific risks.

Ad hoc reports can be produced.

Additional information on risk reporting and assessment systems by type of risk is also presented in the following chapters.

INTEREST RATE BENCHMARK REFORM

Presentation of the reform

The interest rate benchmark reform (IBOR: Inter Bank Offered Rates) aimed 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) announced the official dates for the cessation and loss of representativeness of these benchmarks:

- EUR LIBOR and CHF LIBOR (all terms); GBP LIBOR and JPY LIBOR (terms: overnight, one week, two months and twelve months); USD LIBOR (terms: one week and two months): the publication of these benchmark settings has permanently ceased as of 1 January 2022;
- GBP LIBOR and JPY LIBOR (terms one, three and six months): these settings have not been contributed by banks since 1 January 2022 and have been published in a synthetic form, their use is thus restricted to the run-off management of legacy positions. Nonetheless, the FCA has announced the cessation of these synthetic benchmarks as follows:
  - JPY LIBOR (terms: one, three and six months): end December 2022,
  - GBP LIBOR (terms: one and six months): end March 2023,
  - GBP LIBOR (terms: three months): end March 2024;
- USD LIBOR (terms: overnight, one, three, six and twelve months): these settings have not been contributed by banks since 30 June 2023. A synthetic version of USD LIBOR (terms: one, three and six months) is reserved for extinctive management of the stock of transactions and will be published until 30 September 2024.

In parallel, other indices based on USD LIBOR have ceased on 30 June 2023: USD LIBOR Ice Swap Rate; MIFOR (India), PHIREF (Philippines), SOR (Singapore) and THBFIX (Thailand).

Furthermore, the publication of the MosPrime (Russia) has also ceased on 30 June 2023.

Regarding EURIBOR, EMMI (European Money Markets Institute), the administrator of the benchmark, does not plan to cease its publication. The EURIBOR will thus be maintained in the coming years.

Impact of the reform for the Societe Generale group

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

To prepare for the announced cessation dates of LIBOR and other transitioning benchmarks, the public authorities and the working groups set up by the central banks issued recommendations to the banking industry.

To ensure a consistent approach throughout the Societe Generale group, several internal guidelines have been issued covering four main themes:

- strengthening of new contracts through the inclusion of fallback clauses and risk warnings;
- cessation of the production of new transactions referencing benchmarks and use of alternative solutions;
- fair and homogenous treatment of customers in contracts' renegotiations with the involvement of compliance teams;
- reporting obligation, and restrictions related to the use of certain interest rates.

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 and thus ensure the continuity of its business after the phasing out of IBOR, the Group SG updated its tools and processes Moreover, the Group continues monitoring developments in the use of RFRs rates in order to meet its customers' needs.

Migration of USD LIBOR, USD LIBOR Ice Swap Rate and some other benchmark rates (MIFOR, PHIREF, SOR, THBFIX and MosPrime)

The interest rate benchmark market reform is now achieved. At the end of October, the Group SG has completed all its stock of remediation on non-USD Libor and finalised 99.7% of its transactions on USD Libor. The outstanding position corresponds to contracts that are currently in the process of negotiation and are temporarily relying on USD synthetic Libor. The closing of this residual stock is expected by the end of December 2023 and at the latest well before the end of publication of USD synthetic Libor (September 2024).

RISKS ASSOCIATED WITH THE BENCHMARK RATE REFORM

All the risks identified in the context of the transition are, today, no longer relevant:

- program governance and execution risk, the IBOR Transition program is now closed, and its budget has been fully financed;
- legal documentation risk, templates for fallback clauses are made available by market associations (ISDA, LMA, etc.) or are available within the Group when there is no market standard templates. Nevertheless, the contractual documentation may need to be adapted to the specificities of new cessations;
- market risk, since benchmark cessations for the followed rates have already happened, this risk has disappeared;
- operational risks in the execution of transactions' migration, all mass migrations have already been completed;
- regulatory risk, all of the Group's guidelines related to ceasing and alternative interest rate benchmarks have been set up and disseminated in the Group's business lines;
- conduct risk, with most negotiations finalised (99.7%), this risk has virtually disappeared.

4

INTERNAL CONTROL FRAMEWORK

IN BRIEF

This section describes the framework and application of internal control at Societe Generale.

4.1 INTERNAL CONTROL

Internal control is part of a strict regulatory framework applicable to all banking institutions.

In France, the conditions for conducting internal controls in banking institutions are defined in the Order of 3 November 2014, modified by the Order of 25 February 2021. This Order, which applies to all credit institutions and investment companies, defines the concept of internal control, together with a number of specific requirements relating to the assessment and management of the various risks inherent in the activities of the companies in question, and the procedures under which the supervisory body must assess and evaluate how the internal control is carried out.

The Basel Committee has defined four principles – independence, universality, impartiality, and sufficient resources – which underpin the internal control carried out by credit institutions.

The Board of Directors ensures that Societe Generale has a solid governance system and a clear organisation ensuring:

- a well-defined, transparent and coherent sharing of responsibilities;
- effective procedures for the detection, management, monitoring and reporting of risks to which the Company could be exposed.

The Board tasks the Group's General Management with rolling out the Group's strategic guidelines to implement this set-up.

The Audit and Internal Control Committee is a Board of Directors' Committee that is specifically responsible for preparing the decisions of the Board in respect of internal control supervision.

As such, General Management and Risk Division submits reports to the Audit and Internal Control Committee on the internal control of the Group. The Committee monitors the implementation of remediation plans when it considers the risk level to be justified.

Internal control is based on a **body of standards and procedures.**

All Societe Generale Group activities are governed by rules and procedures contained in a set of documents referred to collectively as the "Standard Guidelines", compiled in the Societe Generale Code, which:

- set out the rules for action and behavior applicable to Group staff;
- define the structures of the businesses and the sharing of roles and responsibilities;
- describe the management rules and internal procedures specific to each business and activity.

The Societe Generale Code groups together the standard guidelines which, in particular:

- define the governance of the Societe Generale Group, the structures and duties of its Business Units and Services Units, as well as the operating principles of the cross-business systems and processes (Codes of Conduct, charters, etc.);
- set out the operating framework of an activity and the management principles and rules applicable to products and services rendered, and also define internal procedures.

The Societe Generale Code has force of law within the Group and falls under the responsibility of the Group Corporate Secretary.

In addition to the Societe Generale Code, operating procedures specific to each Group activity are applied. The rules and procedures in force are designed to follow basic rules of internal control, such as:

- segregation of functions;
- immediate, irrevocable recording of all transactions;
- reconciliation of information from various sources.

Multiple and evolving by nature, risks are present in all business processes. Risk management and control systems are therefore key to the Bank's ability to meet its targets.

The internal control system is represented by all methods which ensure that the operations carried out and the organisation and procedures implemented comply with:

- legal and regulatory provisions;
- professional and ethical practices;
- the internal rules and guidelines defined by the Company's management body of the undertaking in its executive function.

Internal control in particular aims to:

- prevent malfunctions;
- assess the risks involved, and exercise sufficient control to ensure they are managed;
- ensure the adequacy and effectiveness of internal processes, particularly those which help safeguard assets;
- detect irregularities;
- guarantee the reliability, integrity and availability of financial and management information;
- check the quality of information and communication systems.

The internal control system is based on **five basic principles:**

- the comprehensive scope of the controls, which cover all risk types and apply to all the Group's entities;
- the individual responsibility of each employee and each manager in managing the risks they take or supervise, and in overseeing the operations they handle or for which they are responsible;
- the responsibility of functions, in line with their expertise and independence, in defining normative controls and, for three of them, exercising second-level permanent control;
- the proportionality of the controls to the materiality of the risks involved;
- the independence of internal auditing.

The internal control framework is based on the **"three lines of defence"** model, in accordance with the Basel Committee and European Banking Authority guidelines:

- the **first line of defence** comprises all Group employees and operational management, both within the Business Units and the Services Units in respect of their own operations.

  Operational management is responsible for risks, their prevention and their management (by putting in place first-level permanent control measures, amongst other things) and for implementing corrective or remedial actions in response to any deficiencies identified by controls and/or process steering;

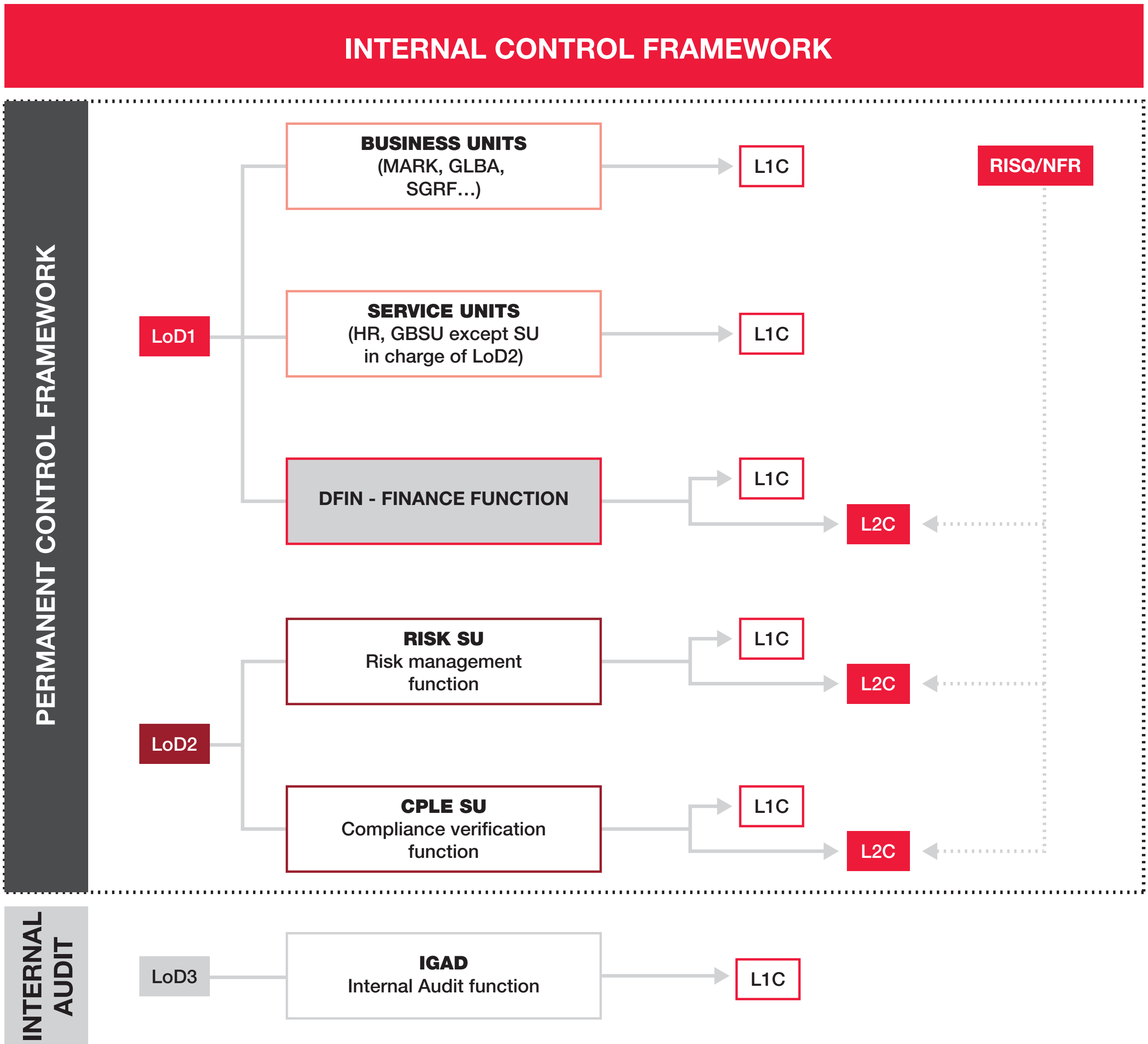
- the **second line of defence** is provided by the risk and compliance functions.

  Within the internal control framework, operational management is responsible for verifying the proper and continuous running of the risk security and management operation functions through the effective application of established standards, defined procedures, methods and requested controls.

  Accordingly, these functions must provide the necessary expertise to define in their respective fields the controls and other means of risk management to be implemented by the first line of defence, and to ensure that they are effectively implemented; they conduct second-level permanent control over all of the Group's risks, based in particular on the controls they have defined, as well as those defined, if necessary, by other expert functions (*e.g.* sourcing, legal, tax, human resources, information system security, etc.) and by the businesses;

- the **third line of defence** is provided by the Internal Audit Department, which encompasses the General Inspection and Internal Audit functions. This department performs periodic internal audits that are strictly independent of the business lines and the permanent control function;

- **internal control coordination,** which falls under the responsibility of the Chief Risk Officer, is also provided at Group level and is rolled out in each of the departments and core businesses.



The Chief Executive Officer is responsible for ensuring the overall consistency and effectiveness of the internal control system.

The purpose of the Group Internal Control Coordination Committee (GICCC) is to ensure the consistency and effectiveness of the Group's internal control, in response in particular to the obligation laid down in Art. 16 of the amended French Order of 3 November 2014. The Committee is chaired by the Chief Executive Officer, or in his absence, by a Deputy General Manager tasked with supervising the area under review. Organised by RISQ/NFR, the CCCIG convenes the Managers of the second line of defence (CPLE and RISQ), the Representatives appointed by the Heads of DFIN and RESG (including the Global CISO), the Manager of the third line of defence (IGAD), as well as the Heads of the level 2 permanent control central teams (RISQ/CTL, CPLE/CTL, DFIN/CTL).

The Committee meets approximately 20 times a year to deal with cross-cutting topics, as well as the annual review of each BU/SU.

Its roles and responsibilities are:

- provide a consolidated view of the Group's internal control framework to General Management;
- evaluate the Group's internal control framework in terms of effectiveness, consistency, and completeness;
- evaluate the operation Group's permanent control framework based on the analysis of the Group's quarterly permanent control dashboard, completed by cross-functional thematic reviews and by the independent reviews of RISQ and CPLE in their role as the Group's second line of defense;
- examine and validate the annual report of the Group's internal control ("RCI");
- define or validate the roles and responsibilities of permanent control stakeholders and of the GICCC and ICCC;
- validate the operational principles of permanent control and governance;
- validate the sections dealing with internal control in the SG Code;
- review and "challenge" the BU/SU permanent control framework, in particular, validate the target organisation of permanent control in the major and significant entities;
- review other cross-functional subjects related to the Group's permanent control:
  - **(i)** the permanent control budget,
  - **(ii)** validate of level 2 Control Plans,
  - **(iii)** other cross-functional subjects concerning all or part of the Group, in particular risks (including ESG topics), requiring an assessment of the effectiveness of preventive measures and controls; two subjects are examined annually, due to their importance and the attention they receive from the supervisory authorities:
    - control of information security framework, and
    - control of essential outsourced services;
- follow up the Group's permanent control framework with the permanent members of the Committee: review and comment on the status of the action plan prepared by RISQ/NFR and take appropriate decisions if necessary.

The GICCC is a decision-making body. It therefore has the authority to take appropriate measures to correct any deficiencies or weaknesses detected and communicated.

The GICCC is declined into BU/SU ICCCs, which are mandatory in each BU/SU (expect IGAD) and in the most significant subsidiaries.

Permanent control system

The Group's permanent control system comprises:

- the **first-level permanent control,** which is the basis of the Group's permanent control, is performed by the businesses. Its purpose is to ensure the security, quality, regularity and validity of transactions completed at operational level;
- the **second-level permanent control,** which is independent of the businesses and concerns three departments, *i.e.* the Compliance, Risk and Finance Departments.

FIRST-LEVEL PERMANENT CONTROL

Permanent Level 1 controls, carried out on operations performed by BUs and the SUs, ensure the security and quality of transactions and the operations. These controls are defined as a set of provisions constantly implemented to ensure the regularity, validity, and security of the operations carried out at operational level.

The permanent Level 1 controls consist of:

- **any combination of actions and/or devices that may limit the likelihood of a risk occurring or reduce the consequences for the Company:** these include controls carried out on a regular and permanent basis by the businesses or by automated systems during the processing of transactions, automated or non-automated security rules and controls that are part of transaction processing, or controls included in operational procedures. Also falling into this category are the organisational arrangements (*e.g.*, segregation of duties) or governance, training actions, when they directly contribute to controlling certain risks;
- **controls performed by managers:** line managers control the correct functioning of the devices for which they are responsible. As such, they must apply formal procedures on a regular basis to ensure that employees comply with rules and procedures, and that Level 1 controls are carried out effectively.

Defined by a Group entity within its scope, Level 1 controls include controls (automated or manual) that are integrated into the processing of operations, proximity controls included in operating procedures, safety rules, etc. They are carried out in the course of their daily activities by agents directly in charge of an activity or by their managers. These controls aim to:

- ensure the proper enforcement of existing procedures and control of all risks related to processes, transactions and/or accounts;
- alert management in the event of identified anomalies or malfunctions.

Permanent Level 1 controls are set by management and avoid, as far as possible, situations of self-assessment. They are defined in the procedures and must be traced without necessarily being formalised, *e.g.* preventive automated controls that reject transactions that do not comply with system-programmed rules.

In order to coordinate the operational risk management system and the permanent Level 1 control system, the BUs/SUs use a specific department called CORO (Controls & Operational Risks Office Department).

SECOND-LEVEL PERMANENT CONTROL

The permanent Level 2 control ensures that the Level 1 control works properly:

- the scope includes all permanent Level 1 checks, including managerial supervision checks and checks carried out by dedicated teams;
- this review and these audits aim to give an opinion on (i) the effectiveness of Level 1 controls, (ii) the quality of their implementation, (iii) their relevance (including, in terms of risk prevention), (iv) the definition of their *modus operandi*, (v) the relevance of remediation plans implemented following the detection of anomalies, and the quality of their follow-up, and thus contribute to the evaluation of the effectiveness of Level 1 controls.

The permanent level 2 control, control of the controls, is carried out by teams independent of the operational.

These controls are performed centrally by dedicated teams within Risk Service Unit (RISQ/CTL), Compliance Service Unit (CPLE/CTL) and Finance Service Unit (DFIN/CTL) and locally by the second-level control teams within the BU/SUs or entities.

Internal audit

The internal audit function is carried out within the Societe Generale Group (the "Group") by the General Inspection and Internal Audit Service Unit ("IGAD"). The internal audit function is under the responsibility of the Group's General Inspector.

The Internal Audit function contributes to Societe Generale Group's internal control framework. It constitutes the third and final line of defense and ensures periodic control, strictly independent of the business lines and other internal control functions.

The internal audit function performed by IGAD, defined in accordance with IIA (Institute of Internal Auditors) standards, is an independent and objective activity that gives the Group assurance on the level of control of its risks and operations, provides advice to improve them and helps create added value. Through the exercise of this mandate, Inspection and Internal Audit help the Group to achieve its objectives by evaluating, through a systematic and methodical approach, its risk management, controls, and corporate governance processes and by making proposals to strengthen their effectiveness.

IGAD's scope of operations includes Societe Generale SA and all Group entities, regardless of their area of activity. All the Group's activities, operations, and processes, without exception, may be the subject of a mission conducted by the General Inspection Department or the Internal Audit Department. That said, entities in which the Group holds a minority stake are excluded from IGAD's scope of intervention, including when Societe Generale exercises a significant influence, except when this stake is likely to have a significant impact on the Group's risk management.

Outsourced activities also fall within the scope of the internal audit function.

The Group's General Inspector reports directly to the Group's Chief Executive Officer.

He meets regularly with the Chairman of the Board of Directors. The Internal Rules of the Board of Directors, updated in August 2023, provide that the General Inspector shall report to the Board of Directors on his mission on the basis of presentations made beforehand to the Audit and Internal Control Committee. He presents the audit and inspection plans approved by the Group's Chief Executive Officer for validation to the Board of Directors, after review by the Audit and Internal Control Committee.

The General Inspector is a permanent member of the Audit and Internal Control Committee, to which he regularly presents a summary of the activity of the General Inspection and Internal Audit as well as the review of the follow-up of the implementation of the recommendations issued by both the Audit and the General Inspection and the supervisors. The General Inspector is also a permanent member of the Risk Committee. He may be heard on any subject by these Committees at their request or on its initiative.

Finally, pursuant to the Board of Directors' internal rules, the General Inspector may, if necessary, in the event of an actual or potential deterioration of risks, report directly to the Board of Directors, directly or through the Audit and Internal Control Committee, without referring to the Executive Managers.

In order to achieve its objectives, the General Inspection and Internal Audit Service Unit is provided with appropriate resources, proportionate to the challenges, both in terms of quality and quantity. In total, it comprises around 930 employees based at the Group's head office, subsidiaries or branches (France and abroad).

The IGAD Service Unit is a hierarchically integrated directorate. The General Inspection Department, based at headquarters, operates throughout the Group. The Internal Audit Departments are each responsible for a defined scope of activities or risks. Whether located at headquarters or within entities (branches or subsidiaries), the audit teams are all attached to the IGAD Service Unit. Thanks to a matrix organisation, the main cross-cutting topics at Group level are covered. Depending on the resources and skills required, an audit assignment can bring together teams from different departments. IGAD has the possibility to involve any team of its choice in the execution of a mission within the Group.

The General Inspection and Internal Audit departments carry out their work from missions. In addition to the missions listed in its tour plan, the General Inspection may be asked to carry out specific studies or contribute to "due diligence" reviews in the event of the acquisition or disposal of entities or activities by the Group. This work is governed by procedures ensuring that the Inspection Department cannot subsequently find itself in a conflict-of-interest situation.

The General Inspection and Internal Audit Departments design their respective audit plans on a risk-based approach. Internal Audit combines this approach with the requirement to comply with a five-year audit cycle and determines the frequency of its interventions according to the level of risk of the scopes to be audited. While the General Inspection Department is not required to comply with an audit cycle, its work is considered for the compliance with the audit cycle.

The General Inspection and Internal Audit Departments are also involved in monitoring the implementation of supervisors' recommendations as part of their independent positioning within the Group. This work continued in 2023 with regular presentations to the General Management – in coordination with the General Secretariat – and to the Audit and Internal Control Committee.

As required by the International Standards for Internal Audit, IGAD is subject to independent external certification by IFACI (French Institute of Audit and Internal Control).

4.2 CONTROL OF THE PRODUCTION AND PUBLICATION OF FINANCIAL MANAGEMENT INFORMATION

The participants involved

There are many participants in the production of financial data:

- the **Board of Directors**, and more specifically its **Audit and Internal Control Committee**, has the task of examining the draft financial statements which are to be submitted to the Board, as well as verifying the conditions under which they were prepared and ensuring not only the relevance but also the consistency of the accounting principles and methods applied. The Audit and Internal Control Committee's remit also is to monitor the independence of the Statutory Auditors, and the effectiveness of the internal control, measurement, supervision and control systems for risk related to the accounting and financial processes. The Statutory Auditors meet with the Audit and Internal Control Committee during the course of their engagement;
- the **Group Finance Department** gathers the accounting and management data compiled by the subsidiaries and the Business Units/Services Units in a set of standardised reports. It consolidates and verifies this information so that it can be used in the overall management of the Group and disclosed to third parties (supervisory bodies, investors, etc.). It also has a team in charge of the preparation of the Group regulatory reports.

  In the framework of these missions, it is in charge of:

  - monitoring the financial aspects of the Group's capital transactions and its financial structure,
  - managing its assets and liabilities, and consequently defining, managing and controlling the Group's financial position and structural risks,
  - ensuring that the regulatory financial ratios are respected,
  - defining accounting and regulatory standards, frameworks, principles and procedures for the Group, and ensuring that they are observed,
  - verifying the accuracy of all financial and accounting data published by the Group;
- the **Finance Departments of subsidiaries and Business Units/ Services Units** carry out certification of the accounting data and entries booked by the back offices and of the management data submitted by the front offices. They are accountable for the financial statements and regulatory information required at the local level and submit reports (accounting data, finance control, regulatory reports, etc.) to the Group Finance Department. They can perform these activities on their own or else delegate their tasks to Shared Service Centers operating in finance and placed under Group Finance Department governance;
- the **Risk Department** consolidates the risk monitoring data from the Group's Business Units/Services Units and subsidiaries in order to control credit, market and operational risks. This information is used in Group communications to the Group's governing bodies and to third parties. Furthermore, it ensures in collaboration with the Group Finance Department, its expert role on the dimensions of credit risk, structural liquidity risks, rates, exchange rates, on the issues of recovery and resolution and the responsibility of certain closing processes, notably the production of solvency ratios;
- the **Back offices** are responsible for all support functions to front offices and ensure contractual settlements and deliveries. Among other responsibilities, they check that financial transactions are economically justified, book transactions and manage means of payment.

Accounting and regulatory standards

Local financial statements are drawn up in accordance with local accounting standards, and the consolidated Group financial statements are prepared in accordance with the standards defined by the Group Finance Department, which are based on IFRS as adopted by the European Union.

The applicable standards on solvency and liquidity, promulgated by the Basel Committee, were translated into European law by a directive (CRD4) and a regulation (CRR). They were rounded out by the Regulation CRR2 and the Directive CRD5 which entered into force on 28 June 2019. These texts are supplemented by several delegated acts and implementation technical standards. As the Societe Generale Group is identified as a "financial conglomerate", it is subjected to additional supervision.

The Group Finance Department has dedicated teams that monitor the applicable standards and draft new internal standards to comply with any changes in the accounting and regulatory framework.

Procedures for producing financial and accounting data

Each entity in the consolidation scope of the Group prepares its own accounting and management statements on a monthly basis. This information is then consolidated each month at Group level and published for the markets on a quarterly basis. Data reported are subject to analytical reviews and consistency checks performed by Finance Department or delegated to financial shared service centers acting under their responsibility and sent to the Group Finance Department. The Group Finance Department forwards the consolidated financial statements, Management Reports and regulatory statements to General Management and any interested third parties.

Internal control procedures governing the production of financial and accounting data

Accounting data are compiled independently of the front offices and the sales teams.

The quality and objectivity of the accounting and management data are ensured by the separation of sales functions and all the functions of operational processing and follow-up of the operations: back offices and middle offices integrated into the Resources Department and teams in charge of producing the financial reports that are housed in the Finance Department. These teams carry out a series of controls defined by Group procedures on financial and accounting data, in particular:

- verification of the economic justification of all information reported;
- reconciliation of accounting and management data, using specific procedures, respecting the specified deadlines;
- for market activities, reconciliation between the accounting result, produced by the Finance Department and the economic result, produced by a dedicated expert department in the Risk Department.

Given the increasing complexity of the Group's financial activities and organisation, staff training and IT tools are regularly upgraded to ensure that the production and verification of accounting and management data are effective and reliable.

SCOPE OF CONTROL

In practice, the internal control procedures implemented in the Group's businesses are designed to guarantee the quality of financial and accounting information, and notably to:

- ensure that the transactions entered in the Group's accounts are exhaustive and accurate;
- validate the valuation methods used for certain transactions;
- ensure that transactions are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to prepare the Group financial statements are compliant with the regulations in force;
- ensure the inclusion of all entities that must be consolidated in accordance with Group regulations;
- check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are accurately performed, that the reconciliation of accounting and management data is satisfactory, and that the flows of cash payments and other items generated by transactions are exhaustive and adequate.

CONTROL BY THE FINANCE DEPARTMENTS

The Finance Department of each subsidiary checks the accuracy and consistency of the financial statements with respect to the relevant accounting frameworks (local standards and IFRS for subsidiaries, as well as French standards for branches). It performs checks to guarantee the accuracy of the information disclosed.

The financial data received for consolidation from each subsidiary are drawn from corporate accounting data by the subsidiaries after they have been locally brought into line with Group accounting principles.

Each subsidiary must be able to explain the transition from the Company financial statements to the financial statements reported through the consolidation tool.

The Finance Departments of the Business Units/Services Units have a dedicated department for financial management and control.

The Finance Departments also rely on shared service centers that perform Level 1 controls necessary to ensure the reliability of accounting, tax and regulatory information on the financial statements they produce in accordance with local and IFRS standards and notably data quality and consistency checks (equity, securities, foreign exchange, financial aggregates from the balance sheet and income statement, deviations from standards), justification and certification of the financial statements under their responsibility, intercompany reconciliation of the financial statements, regulatory statement checks and verification of evidence of tax charges and balances (current, deferred and duties).

These controls are declared as part of the managerial supervision and Group accounting certification processes.

These controls allow the shared services centres to provide all necessary information to the Finance Departments of Business Units/ Services Units and the Group Finance and Accounting Department to ensure the reliability and consistency of the accounts prepared.

These shared service centres are located in Paris, Bangalore and Bucharest.

CONTROLS BY ALL OPERATIONAL STAFF INVOLVED IN THE PRODUCTION OF ACCOUNTING, FINANCIAL AND MANAGEMENT DATA

The operational staff monitor their activity *via* a permanent supervision process under the direct responsibility of their management teams, repeatedly verifying the quality of the controls carried out on completeness of accounting data and the associated accounting treatment.

SUPERVISION BY THE GROUP FINANCE DEPARTMENT

Once the financial statements prepared by the entities have been restated according to Group standards, they are entered into a central database and processed to produce the consolidated statements.

The service in charge of consolidation in the Group Accounting Department checks that the consolidation scope complies with the applicable accounting standards and performs multiple checks on data received for consolidation purposes. These checks include:

- confirmation that the data collected are properly aggregated;
- verification of recurring and non-recurring consolidation entries;
- exhaustive treatment of critical points in the consolidation process;
- treatment of any residual differences in reciprocal or intercompany statements.

Last, this service ensures that the overall consolidation process has been conducted properly by performing analytical reviews of the summary data and verifying the consistency of the main aggregates of the financial statements. These checks are complemented by cross-functional analysis such as analysis of changes in shareholders' equity, goodwill, provisions and consolidated deferred taxes.

A team in this department is in charge of managing and coordinating the Group accounting certification framework to certify first-level controls on a quarterly basis (internal control certification).

The Group Finance Department has also a dedicated team, it which is responsible for ensuring second-level permanent controls on all Finance processes and for implementing the framework within the Group. Its mission is to ensure the effectiveness, quality and relevance of the Level 1 control framework by assessing it through process or activity reviews, testing controls and quarterly certifications. The team, reporting directly to the Group Finance Department, also functionally reports to the Head of Internal Control Coordination of Societe Generale Group.

Internal audit and periodic control framework for accounting processes

Internal Audit and the General Inspection define their audits and inspections using a risk-based approach and define an annual work program (Inspection and Audit plan schedule – *plan de tournée*). As part of their assignments, teams may verify the quality of the control environment contributing to the quality of the accounting and management data produced by the audited entities. They may check a certain number of accounts and assess the reconciliations between accounting and management data, as well as the quality of the permanent supervision procedures for the production and control of accounting data. They also assess the performance of IT tools and the accuracy of manual processing.

The department in charge of auditing the Group's Central Departments is responsible for auditing the Group Finance Department. Within that Department, a distinct team, placed under the responsibility of a dedicated Audit Business Correspondent, monitors and animates audit work related to accounting and financial matters on a Group-wide basis. The team provides expertise in identifying the Group's main accounting risks and develops training sessions and methodologies to help share expertise in the auditing of accounting risks.

Audit missions carried out by IGAD contribute to the reliability of the Group's accounting information, as well as its subsidiaries.

Based on their findings, these teams issue recommendations to the parties involved in the production and control of accounting, financial and management data. Departments being assigned these recommendations are responsible for their implementation. A monitoring is performed by IGAD.

5

CAPITAL MANAGEMENT AND ADEQUACY

IN BRIEF

This section provides details on capital resources, regulatory requirements and the composition of the leverage ratio.

Evolution of CET1 capital

+€2.5bn*

(between 2023 and 2022)

Evolution of total regulatory capital

+€1.1bn*

CET1 ratio at end 2023

13.1%*

** Figures taking into account the phasing under IFRS 9 (CET1 ratio of 13.34% at end-2022 without phasing, a phasing effect of +17 bp) and the effects of the transitional Covid-19 measures taken by the ECB and ending on 31 December 2022.*

5.1 REGULATORY FRAMEWORK

Since January 2014, Societe Generale has been applied the new Basel III regulations implemented in the European Union through a regulation and a directive (CRR and CRD respectively).

The general framework defined by Basel III is structured around three pillars:

- Pillar 1 sets the minimum solvency, leverage and liquidity requirements and defines the rules that banks must use to measure risks and calculate the related capital requirements, according to standard or more advanced methods;
- Pillar 2 concerns the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the capital adequacy calculated in accordance with Pillar 1, and to calibrate additional capital requirements taking into account all the risks faced by these institutions;
- Pillar 3 promotes market discipline by developing a set of reporting requirements, both quantitative and qualitative, that allow market participants to better assess the capital, risk exposure, risk assessment procedures and hence the capital adequacy of a given institution.

Several amendments to European regulatory standards were adopted in May 2019 (CRR2/CRD5). The majority of the provisions came into effect in June 2021.

The amendments concern in particular the following items:

- Leverage ratio: the minimum requirement of 3% to which will be added since January 2023, 50% of the buffer required as a systemic institution;
- Derivatives counterparty risk (SA-CCR [1]): the "SA-CCR" method is the Basel method replacing the old CEM [2] method for determining the prudential exposure on derivatives under the standardised approach;
- Large Exposure: the main change is the calculation of the regulatory limit (25%) on Tier 1 capital (instead of total capital), as well as the introduction of a specific cross-limit on systemic institutions (15%);
- TLAC: the ratio requirement for G-SIB is introduced in CRR. According to the Basel text, G-SIBs must comply with an amount of capital and eligible debt equal to the highest between 18% + risk-weighted assets buffers and 6.75% leverage since 2022.

In December 2017, the Group of Central Bank Governors and Heads of Banking Supervision (GHOS), which oversees the Basel Committee on Banking Supervision, approved regulatory reforms to complement Basel 3.

The transposition into European law of the finalisation of Basel 3 in CRR3 and CRD6 was completed at the end of 2023. The new rules will apply from 1 January 2025.

One of the main novelties is the introduction of a global output floor: the Group's risk-weighted assets (RWA) will be applied a floor corresponding to a percentage of the sum of the individual risk types (credit, market and operational) computed according to the standard method. The output floor level will gradually increase from 50% in 2025 to 72.5% in 2030.

Regarding FRTB, for the SA-Standard Approach: the reporting has been effective since the third quarter of 2021. The full implementation of FRTB, including the rules on the boundary between the banking and trading portfolio, should be aligned with the entry into force of CRR3. Nevertheless, the EU legislators reserve the right to postpone this application (up to 2 years) depending on how it is applied in other jurisdictions (in particular the US).

5.2 CAPITAL MANAGEMENT

As part of the management of its capital management, the Group ensures, under the monitoring of the Finance Department and the control of the Risk Department, that its solvency level is always compatible with the following objectives:

- maintaining its financial strength while respecting risk Appetite;
- maintaining its financial flexibility to its internal and external development;
- appropriate allocation of capital between its various business lines in accordance with the Group's strategic objectives;
- maintaining the Group's resilience in the event of stress scenarios;
- meeting the expectations of its various stakeholders: supervisors, debt and capital investors, rating agencies, and shareholders.

The Group therefore determines its internal solvency target, in accordance with these objectives and compliance with regulatory thresholds.

The Group has an internal capital adequacy assessment process that measures and explains changes in the Group's capital ratios over time, taking into account future regulatory constraints where appropriate.

This process is based on a selection of key metrics that are relevant to the Group in terms of risk and capital measurement, such as CET1, Tier 1 and Total Capital ratios. These regulatory indicators are supplemented by an assessment of the coverage of internal capital needs by available internal capital and thus confirming via an economic perspective, the relevance of the targets set in the risk appetite. Besides, this assessment takes into account the constraints arising from the other metrics of the risk appetite, such as rating, MREL and TLAC or leverage ratio.

(1) Standardised Approach to Counterparty Credit Risk.
(2) Current Exposure Method.

All of these indicators are measured on a forward-looking basis in relation to their target on a quarterly or even monthly basis for the current year. During the preparation of the financial plan, they are also assessed on an annual basis over a minimum of three-year horizon according to at least a baseline and adverse scenarios, in order to demonstrate the resilience of the bank's business model against adverse macroeconomic and financial uncertain environments. Capital adequacy is continuously monitored by the Executive Management and by the Board of Directors as part of the Group's corporate governance process and is reviewed in depth during the preparation of the financial plan. It ensures that the bank always complies with its financial target and that its capital level is above the "Maximum Distributable Amount" (MDA) threshold.

Besides, the Group maintains a balanced capital allocation among its three strategic core businesses:

- French Retail Banking;
- International Retail Banking and Mobility & Leasing Services;
- Global Banking and Investor Solutions.

Each of the Group's core businesses accounts for around a third of total Risk-Weighted Assets (RWA), with a predominance of credit risk (84% of total Group RWA, including counterparty credit risk).

At 31 December 2023, Group RWA were up by 8% to EUR 389 billion, compared with EUR 362 billion at end-December 2022.

The trend traced by the business lines' RWA lies at the core of the operational management of the Group's capital trajectory based on a detailed understanding of the drivers of variations. Where appropriate, the General Management may decide, upon a proposal from the Finance Department, to implement managerial actions to increase or reduce the share of the business lines, for instance by validating the execution of synthetic securitisation or of disposals of performing or non-performing portfolios. The Group Capital Committee and the capital contingency plan provide General Management with framework analysis, governance and several levers in order to adjust the capital management trajectory.

5.3 SCOPE OF APPLICATION – PRUDENTIAL SCOPE

The Group's prudential reporting scope includes all fully consolidated entities according to accounting rules except for insurance entities, which are subject to separate capital supervision.

Whenever relevant, subsidiaries may be excluded from prudential reporting scope notably if the sum of balance sheet and off balance sheet commitments are lower than EUR 10 million or 1% of the total balance sheet and off balance sheet of the legal entity owning the equity. Legal entities excluded from the prudential reporting scope are subject to periodic reviews, at least annually.

All regulated entities of the Group comply with their prudential commitments on an individual basis.

The following table provides the main differences between the accounting scope (consolidated Group) and the prudential scope (Banking Regulation requirements).

TABLE 6: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

Type of entity	Accounting treatment	Prudential treatment
Entities with a finance activity	Full consolidation	Full consolidation
Entities with an Insurance activity	Full consolidation	Equity method
Holdings with a finance activity by nature	Equity method	Equity method
Joint ventures with a finance activity by nature	Equity method	Proportional consolidation

The following table provides a reconciliation between the consolidated balance sheet and the accounting balance sheet within the prudential scope.The amounts presented are accounting data, not a measure of RWA, EAD or prudential capital. Prudential filters related to entities and holdings not associated with an insurance activity are grouped together on account of their non-material weight (< 0.1%).

TABLE 7: RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS

Assets at 31.12.2023 *(In EURm)*	**Balance sheet as in published financial statements**	**Prudential restatements linked to insurance[(1)]**	**Prudential restatements linked to consolidation methods**	**Balance sheet under regulatory scope of consolidation**	**Reference to table 14 (CC1)**
Cash, due from banks	223,048	(0)	0	223,048	
Financial assets at fair value through profit or loss	495,882	(100,787)	(0)	395,095	
Hedging derivatives	10,585	(158)	-	10,427	
Financial assets at fair value through other comprehensive income	90,894	(52,900)	-	37,993	
Securities at amortised cost	28,147	(4,945)	-	23,203	
Due from banks at amortised cost	77,879	(1,626)	23	76,275	1
of which subordinated loans to credit institutions	*199*	-	-	*199*	
Customer loans at amortised cost	485,449	783	(45)	486,187	
Revaluation differences on portfilios hedged against interest rate risk	(432)	-	-	(432)	
Investment and reinsurance contracts assets	459	(459)	-	-	
Tax assets	4,718	(211)	0	4,507	
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,873*	-	*(710)*	*1,163*	2
of which deferred tax assets arising from temporary differences	*1,818*	-	*423*	*2,241*	
Other assets	69,765	(107)	80	68,738	
of which defined-benefit pension fund assets	*49*	-	-	*49*	3
Non-current assets held for sale	1,763	-	-	1,763	
Investments accounted for using the equity method	227	4,205	(68)	4,364	
Tangible and intangible assets	60,714	(883)	104	59,934	
of which intangible assets exclusive of leasing rights	*3,561*	-	*(26)*	*3,535*	4
Goodwill	4,949	(356)	-	4,594	4
TOTAL ASSETS	**1,554,045**	**(157,443)**	**94**	**1,396,696**	

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to these entities.

Liabilities at 31.12.2023 *(In EURm)*	**Balance sheet as in published financial statements**	**Prudential restatements linked to insurance[(1)]**	**Prudential restatements linked to consolidation methods**	**Balance sheet under regulatory scope of consolidation**	**Reference to table 14 (CC1)**
Due to central banks	9,718	-	-	9,718	
Financial liabilities at fair value through profit or loss	375,584	(2,684)	-	372,899	
Hedging derivatives	18,708	(4)	-	18,705	
Debt securities issued	160,506	338	-	160,844	
Due to banks	117,847	(2,677)	49	115,219	
Customer deposits	541,677	1,309	(122)	542,864	
Revaluation differences on portfolios hedged against interest rate risk	(5,857)	-	-	(5,857)	
Tax liabilities	2,402	(194)	0	2,208	
Other Liabilities	93,658	(9,715)	167	84,111	
Non-current liabilities held for sale	1,703	-	-	1,703	
Insurance contracts related liabilities	141,723	(141,723)	-	-	
Provisions	4,235	(27)	1	4,209	
Subordinated debts	15,894	(808)	-	15,085	
of which redeemable subordinated notes including revaluation differences on hedging items	*14,682*	*1*	-	*14,683*	5
TOTAL DEBTS	**1,477,798**	**(156,186)**	**95**	**1,321,706**	
Sub-Total Equity, Group share	65,975	(192)	(0)	65,783	6
Issued common stocks, equity instruments and capital reserves	*30,110*	*1*	-	*30,110*	
Retained earnings	*32,892*	*(193)*	*(0)*	*32,699*	
Net income	*2,493*	*(0)*	-	*2,493*	
Unrealised or deferred capital gains and losses	*481*	*0*	*(0)*	*481*	
Minority interests	10,272	(1,065)	-	9,206	7
TOTAL EQUITY	**76,247**	**(1,257)**	**(0)**	**74,990**	
TOTAL LIABILITIES	**1,554,045**	**(157,443)**	**94**	**1,396,696**	

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to these entities.

Assets at 31.12.2022 *(In EURm)*	**Balance sheet as in published financial statements**	**Prudential restatements linked to insurance(1)**	**Prudential restatements linked to consolidation methods**	**Balance sheet under regulatory scope of consolidation**	**Reference to table 14 (CC1)**
Cash, due from banks	207,013	(0)	0	207,012	
Financial assets at fair value through profit or loss	329,437	11,135	(0)	340,571	
Hedging derivatives	32,850	10	-	32,860	
Financial assets at fair value through other comprehensive income	37,463	(0)	-	37,463	
Securities at amortised cost	21,430	(0)	-	21,430	
Due from banks at amortised cost	66,903	1	51	66,955	1
o.w. subordinated loans to credit institutions	*238*	*(0)*	-	*238*	
Customer loans at amortised cost	506,529	1,524	(11)	508,041	
Revaluation differences on portfolios hedged against interest rate risk	(2,262)	-	-	(2,262)	
Investment of insurance activities	158,415	(158,415)	-	-	
Tax assets	4,697	(406)	0	4,292	
o.w. deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,662*	-	*(594)*	*1,069*	*2*
o.w. deferred tax assets arising from temporary differences	*2,215*	-	*325*	*2,540*	
Other assets	86,247	(4,003)	155	82,399	
o.w. defined-benefit pension fund assets	*47*	-	-	*47*	*3*
Non-current assets held for sale	1,081	-	-	1,081	
Investments accounted for using the equity method	146	3,438	(42)	3,541	
Tangible and intangible assets	33,089	(64)	0	33,025	
o.w. intangible assets exclusive of leasing rights	*2,881*	-	*(41)*	*2,840*	*4*
Goodwill	3,781	(325)	-	3,456	4
TOTAL ASSETS	**1,486,818**	**(147,106)**	**152**	**1,339,864**	

(1) *Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to these entities.*

Liabilities at 31.12.2022 *(In EURm)*	**Balance sheet as in published financial statements**	**Prudential restatements linked to insurance(1)**	**Prudential restatements linked to consolidation methods**	**Balance sheet under regulatory scope of consolidation**	**Reference to table 14 (CC1)**
Due to central banks	8,361	-	-	8,361	
Financial liabilities at fair value through profit or loss	300,618	2,473	-	303,091	
Hedging derivatives	46,164	19	-	46,183	
Debt securities issued	133,176	336	-	133,512	
Due to banks	132,988	(2,187)	19	130,820	
Customer deposits	530,764	913	(123)	531,553	
Revaluation differences on portfolios hedged against interest rate risk	(9,659)	-	-	(9,659)	
Tax liabilities	1,637	(168)	0	1,470	
Other Liabilities	107,552	(5,766)	256	102,042	
Non-current liabilities held for sale	220	-	-	220	
Liabilities related to insurance activities contracts	141,688	(141,688)	-	-	
Provisions	4,579	(21)	-	4,558	
Subordinated debts	15,946	40	-	15,986	
o.w. redeemable subordinated notes including revaluation differences on hedging items	*15,521*	*42*	-	*15,563*	*5*
TOTAL DEBTS	**1,414,036**	**(146,049)**	**152**	**1,268,139**	
Subtotal Equity, Group share	66,451	(202)	(0)	66,249	6
Issued common stocks, equity instruments and capital reserves	*30,384*	*1*	-	*30,384*	
Retained earnings	*34,267*	*(203)*	*(0)*	*34,065*	
Net income	*2,018*	*(0)*	-	*2,018*	
Unrealised or deferred capital gains and losses	*(218)*	*0*	*(0)*	*(218)*	
Minority interests	6,331	(855)	-	5,476	7
TOTAL EQUITY	**72,782**	**(1,057)**	**(0)**	**71,725**	
TOTAL LIABILITIES	**1,486,818**	**(147,106)**	**152**	**1,339,864**	

(1) *Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to these entities.*

The main Group companies outside the prudential reporting scope are as follows:

TABLE 8: ENTITIES OUTSIDE THE PRUDENTIAL SCOPE

Company	Activity	Country
Antarius	Insurance	France
ALD RE Public Limited Company	Insurance	Ireland
Catalyst RE International LTD	Insurance	Bermuda
Sogelife	Insurance	Luxembourg
Sogecap	Insurance	France
Euro Insurances Designated Activity Company	Insurance	Ireland
SG Luci	Insurance	Luxembourg
Komercni Pojstovna AS	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradea Vie	Insurance	France
SGL RE	Insurance	Luxembourg
Sogessur	Insurance	France
Société Générale RE SA	Insurance	France

All regulated Group undertakings are generally subject to solvency requirements set by their respective supervisory authorities. Regulated financial entities and regulated affiliates outside of Societe Generale's prudential consolidation scope all comply with their respective solvency requirements. As a general principle, all banks should be under a double supervision, on a standalone basis and on a consolidated basis, but the CRR allows, under specific conditions, waivers from the requirements on an individual basis granted by the competent authorities.

The supervisory authority accepted that some Group entities within the same member state may be exempted from the application of prudential requirements on an individual basis or, where applicable, on a sub-consolidated basis. Terms and conditions of waiver of requirements granted by supervisors include a commitment to provide these subsidiaries with the Group's support to ensure their overall solvency and liquidity, as well as a commitment to ensure that they are managed prudently according to the applicable banking regulations.

The conditions for applying waivers regarding monitoring on an individual basis for a parent company, as far as solvency and large exposure ratios are concerned, are defined by the CRR, which stipulates that two conditions have to be met:

- there is no significant obstacle, in law or in fact, current or anticipated, to the prompt transfer of equity capital or the rapid repayment of liabilities to the parent company in a member state;
- the risk assessment, measurement and control procedures that are useful for the purposes of supervision on a consolidated basis cover the subsidiary in a Member State.

Accordingly, for instance, Societe Generale SA is not subject to prudential requirements on an individual basis.

Any transfer of equity or repayment of liabilities between the parent company and its entities is carried out in compliance with capital and liquidity requirements that are locally applicable. The obligation to comply with such requirements may affect the capacity of subsidiaries to transfer funds to the parent company. Every year, in compliance with local capital and liquidity regulatory requirements, the Group reviews the capitalisation of its subsidiaries (direct and indirect) and proposals for appropriation of their allocating their net income (payment of dividends, retained earnings, etc.). In addition, the Group studies requests from its subsidiaries relating to changes in their equity or eligible liabilities (capital increases or decrease, distributions of exceptional dividends, loan issues or repayments). These reviews and studies show that, as long as subsidiaries comply with their regulatory constraints, there is no significant obstacle to transfer funds from Societe Generale to them or vice versa.

The financing process of subsidiaries within the Group allows rapid repayments of loans between the parent company and its subsidiaries.

The outline of the differences in the scopes of consolidation (entity byentity) is available on the website *www.societegenerale.com*, section"Universal Registration Document, Pillar 3" This informationcorresponds to table LI3 of EBA instructions (EBA/ITS/2020/04).

5.4 REGULATORY CAPITAL

Reported in accordance with International Financial Reporting Standards (IFRS), Societe Generale's regulatory capital consists of the following components:

Common Equity Tier 1 capital

According to the applicable regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves;
- minority interests limited by CRR/CRD.

Deductions from Common Equity Tier 1 capital essentially involve the following:

- estimated dividend payments;
- goodwill and intangible assets, net of associated deferred tax liabilities;
- unrealised capital gains and losses on cash flow hedging;
- income on own credit risk;
- deferred tax assets on tax loss carryforwards;
- deferred tax assets on refundable tax credit;
- deferred tax assets resulting from temporary differences beyond a threshold;
- assets from defined benefit pension funds, net of deferred taxes;
- any positive difference between expected losses on customer loans and receivables managed under the internal ratings-based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- Pillar 1 NPL backstop;
- value adjustments resulting from the requirements of prudent valuation;
- securitisation exposures weighted at 1,250%, when these positions are excluded from the calculation of RWA.

Additional Tier 1 capital

According to CRR/CRD regulations, Additional Tier 1 capital is made up of deeply subordinated notes that are issued directly by the Bank, and have the following features:

- these instruments are perpetual and constitute unsecured, deeply subordinated obligations. They rank junior to all other obligations of the Bank, including undated and dated subordinated debt, and senior only to common stock shareholders;
- Societe Generale may elect, on a discretionary basis, not to pay the interest and coupons linked to these instruments. This compensation is paid out of distributable items;
- they include neither a step-up in compensation nor any other incentive to redeem;
- they must have a loss-absorbing capacity;
- they might be haircut or converted when in resolution or independently of a resolution measurement;
- subject to the prior approval of the European Central Bank, Societe Generale has the option to redeem these instruments at certain dates, but no earlier than five years after their issuance date.

Deductions of Additional Tier 1 capital essentially apply to the following:

- AT1 treasury shares;
- holding of AT1 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum T1 requirement in the entities concerned.

Tier 2 capital

Tier 2 capital includes:

- subordinated notes;
- any positive difference between the sum of value adjustments and impairment losses on customer loans and receivables exposures managed under the IRB approach and expected losses, up to 0.6% of total credit RWA under the IRB approach;
- value adjustments for credit risk related to collective impairment losses on customer loans and receivables exposures managed under the standardised approach, up to 1.25% of total credit RWA.

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares;
- holding of Tier 2 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum capital requirement in the entities concerned.

All capital instruments and their features are detailed online (*www.societegenerale.com/en/measuring-our-performance/information-and-publications/registration-documents*).

TABLE 9: TOTAL AMOUNT OF DEBT INSTRUMENTS ELIGIBLE FOR TIER 1 EQUITY

Issuance Date	Currency	Issue amount (in currency m)	First call date	Yield before the call date and frequency	Yield after the call date and frequency	Book value (EURm) at 31.12.2023	Book value (EURm) at 31.12.2022
18.12.2013	USD	1 750 M	18.12.2023	7.875% annually	Mid Swap Rate USD 5 years +4.979%	-	1,641
29.09.2015	USD	1 250 M	29.09.2025	8.000% annually	Mid Swap Rate USD 5 years +5.873%	1,131	1,172
06.04.2018	USD	1250 M	06.04.2028	6.750% annually	Mid Swap Rate USD 5 years +3.929%	1,131	1,172
04.10.2018	USD	1250 M	04.10.2023	7.375% annually	Mid Swap Rate USD 5 years +4.302%	-	1,172
16.04.2019	SGD	750 M	16.04.2024	6.125% annually	Swap Offer Rate SGD 5 years +4.207%	514	524
12.09.2019	AUD	700 M	12.09.2024	4.875% annually	Mid Swap S/Q AUD 5 years +4.036%	430	446
18.11.2020	USD	1 500 M	18.11.2030	5.375% annually	5y U.S. Treasury Rate +4.514%	1,358	1,406
26.05.2021	USD	1 000 M	26.05.2026	4.750% annually	5y U.S. Treasury Rate +3.931%	905	938
15.07.2022	SGD	200 M	15.07.2027	8.25% annually	Swap Offer Rate SGD 5 years +5.6%	137	140
22.11.2022	USD	1 500 M	22.11.2027	9.375% annually	U.S. Treasury Rate 5 years +5.385%	1,358	1,406
18/01/2023	EUR	1000 M	18.01.2029	7.875% annually	Mid Swap Rate 5 years + 5.228%	1,000	-
14/11/2023	USD	1250M	14.11.2028	10.000% annually	5y U.S. Treasury Rate + 5.448%	1,131	-
TOTAL						**9,095**	**10,017**

TABLE 10: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR SOLVENCY CAPITAL REQUIREMENTS

(In EURm)	31.12.2022	Issues	Redemptions	Prudential supervision valuation haircut	Others	31.12.2023
Debt instruments eligible for Tier 1	10,017	2,131	(2,813)	-	(240)	9,095
Debt instruments eligible for Tier 2	12,549	800	(392)	(1,546)	(302)	11,110
TOTAL ELIGIBLE DEBT INSTRUMENTS	**22,566**	**2,931**	**(3,205)**	**(1,546)**	**(542)**	**20,205**

Solvency ratios

The solvency ratios are set by comparing the Group's equity (Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC)) with the sum of risk-weighted exposures for credit risk and the capital requirement multiplied by 12.5 for market and operational risks.

Each quarter, the ratios are calculated following the accounting closing and then compared to the supervisory requirements.

The Pillar 1 regulatory minimum capital requirement is set at 4.5% for CET1, 6% for T1 and 8% for Total Capital. This minimum remains stable over time.

The minimum Pillar 2 requirement (P2R) is set by the supervisor following the Supervisory Review and Evaluation Process (SREP). It has been standing at 2.14% until 31 December 2023. Starting from January 1st, 2024, this level will stand at 2.42% including the additional requirement regarding Pillar 2 prudential expectations on the provisioning of non-performing loans granted before 26 April 2019.

In addition to these requirements comes the overall buffer requirement which is the sum of:

- the mean of the countercyclical buffer rates of each country, weighted by the relevant credit risk exposures in these countries. As of 1 January 2024, Societe Generale's countercyclical buffer is equal to 0.78%;
- the conservation buffer in force since 1 January 2016 with a maximum level standing at 2.50% since 1 January 2019;
- the Group's G-SIB buffer imposed by the Financial Stability Board (FSB), which is equal to 1%.

As at 31 December 2023, taking into account the combined regulatory buffers, the phased-in CET1 ratio level that would trigger the Maximum Distributable Amount (MDA) mechanism stands at 9.76%. It will stand at 10.22% from 1 January 2024.

TABLE 11: BREAKDOWN OF PRUDENTIAL CAPITAL REQUIREMENT FOR SOCIETE GENERALE

	31.12.2023	01.01.2023
Minimum requirement for Pillar 1	4.50%	4.50%
Minimum requirement for Pillar 2 (P2R)(1)	1.20%	1.20%
Minimum requirement for countercyclical buffer	0.56%	0.18%
Minimum requirement for conservation buffer	2.50%	2.50%
Minimum requirement for systemic buffer	1.00%	1.00%
Minimum requirement for CET1 ratio	**9.76%**	**9.39%**

(1) According to Article 104 bis of the CRDV Directive, banks must now meet a minimum of 56% P2R with CET1 capital (as opposed to 100% previously) and 75% with Tier 1 capital.

TABLE 12: REGULATORY CAPITAL AND SOLVENCY RATIOS(1)

(In EURm)	31.12.2023	31.12.2022
Shareholders' equity (IFRS), Group share	**65,975**	**66,451**
Deeply subordinated notes	(9,095)	(10,017)
Perpetual subordinated notes	(0)	(0)
Group consolidated shareholders' equity net of deeply subordinated and perpetual subordinated notes	**56,880**	**56,434**
Non-controlling interests	10,124	5,207
Intangible assets	(2,751)	(2,161)
Goodwill	(4,622)	(3,478)
Dividends proposed (to the General Meeting) and interest expenses on deeply subordinated and perpetual subordinated notes	(1,095)	(1,879)
Deductions and regulatory adjustments	(7,409)	(5,484)
COMMON EQUITY TIER 1 CAPITAL	**51,127**	**48,639**
Deeply subordinated notes and preferred shares	9,095	10,017
Other additional Tier 1 capital	408	209
Additional Tier 1 deductions	(120)	(138)
TOTAL TIER 1 CAPITAL	**60,510**	**58,727**
Tier 2 instruments	11,110	12,549
Other Tier 2 capital	257	238
Tier 2 deductions	(1,031)	(1,790)
Total regulatory capital	**70,846**	**69,724**
TOTAL RISK-WEIGHTED ASSETS	**388,825**	**360,464**
Credit and counterparty credit risk-weighted assets	326,182	300,694
Market risk-weighted assets	12,518	13,747
Operational risk-weighted assets	50,125	46,023
Solvency ratios		
Common Equity Tier 1 ratio	13.15%	13.49%
Tier 1 ratio	15.56%	16.29%
Total capital ratio	18.22%	19.34%

(1) Ratios set in accordance with CRR2/CRD5 rules as published in June 2019, including Danish compromise for insurance, and taking into account the IFRS 9 phasing (fully-loaded CET1 ratio of 13.09% at 31 December 2023, the phasing effect being +6 bps) .

The solvency ratio as at 31 December 2023 stood at 13.1% in Common Equity Tier 1 (13.5% at 31 December 2022) and 15.6% in Tier 1 (16.3% at 31 December 2022) for a total ratio of 18.2% (19.3% at 31 December 2022).

Group shareholders' equity at 31 December 2023 totalled EUR 65.9 billion (compared with EUR 66.4 billion at 31 December 2022).

After taking into account non-controlling interests and regulatory adjustments, CET1 regulatory capital was EUR 51.1 billion at 31 December 2023, *vs.* EUR 48.6 billion at 31 December 2022. The Additional Tier One deductions mainly regard authorisations to buy back own Additional Tier 1 capital instruments as well as subordinated bank and insurance loans issued by the Group.

TABLE 13: CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS

(In EURm)	31.12.2023	31.12.2022
Unrecognised minority interests	(4,244)	(3,326)
Deferred tax assets	(1,162)	(1,068)
Prudent Valuation Adjustment	(782)	(852)
Adjustments related to changes in the value of own liabilities	(51)	(245)
Other	(1,170)	7
TOTAL CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS	**(7,409)**	**(5,484)**

The prudential deductions and restatements included in the "Other" category essentially involve the following:

- any positive difference between expected losses on customer loans and receivables managed under the internal ratings-based (IRB) approach, and the sum of related value adjustments and impairment losses;
- Pilier 1 NPL backstop;
- unrealised gains and losses on cash flow hedges;
- assets from defined benefit pension funds, net of deferred taxes;
- securitisation exposures weighted at 1,250%, when these positions are excluded from the calculation of RWA.

5.5 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

The Basel III Accord has established the rules for calculating minimum capital requirements in order to more accurately assess the risks to which banks are exposed, taking into account the risk profile of transactions *via* two approaches intended for determining RWA: a standardised approach and an advanced one based on internal methods modelling the counterparties' risk profiles.

Change in risk-weighted assets and capital requirements

TABLE 14: OVERVIEW OF RISK-WEIGHTED ASSETS (OV1)

	Risk-weighted assets			Total own funds requirements
(In EURm)	31.12.2023	30.09.2023	31.12.2022	31.12.2023
Credit risk (excluding counterparty credit risk)	**296,912**	**293,861**	**269,084**	**23,753**
o.w. standardised approach	*106,455*	*106,516*	*94,083*	*8,516*
o.w. Foundation IRB (FIRB) approach	*3,856*	*3,593*	*4,190*	*308*
o.w. slotting approach	*716*	*348*	*667*	*57*
o.w. equities under the simple risk-weighted approach	*2,146*	*2,061*	*2,753*	*172*
o.w. other equities under IRB approach	*16,589*	*15,775*	*13,864*	*1,327*
o.w. Advanced IRB (AIRB) approach	*167,151*	*165,569*	*153,528*	*13,372*
Counterparty credit risk – CCR	**21,815**	**22,796**	**23,803**	**1,745**
o.w. standardised approach	*5,374*	*5,387*	*6,649*	*430*
o.w. internal model method (IMM)	*11,070*	*12,457*	*12,381*	*886*
o.w. exposures to a CCP	*1,572*	*1,591*	*918*	*126*
o.w. credit valuation adjustment – CVA	*3,013*	*2,831*	*2,805*	*241*
o.w. other CCR	*786*	*530*	*1,050*	*63*
Settlement risk	**5**	**1**	**6**	**0**
Securitisation exposures in the non-trading book (after the cap)	**7,450**	**7,574**	**7,801**	**596**
o.w. SEC-IRBA approach	*1,978*	*2,213*	*2,706*	*156*
o.w. SEC-ERBA incL IAA	*4,228*	*4,196*	*4,023*	*338*
o.w. SEC-SA approach	*1,243*	*1,165*	*1,072*	*99*
o.w. 1,250%/deductions	-	-	-	-
Position, foreign exchange and commodities risks (Market risk)	**12,518**	**11,294**	**13,747**	**1,001**
o.w. standardised approach	*3,305*	*1,632*	*1,932*	*264*
o.w. IMA	*9,214*	*9,662*	*11,816*	*737*
Large exposures	**-**	**-**	**-**	**-**
Operational risk	**50,125**	**48,701**	**46,023**	**4,010**
o.w. basic indicator approach	-	-	-	-
o.w. standardised approach	*4,759*	*3,968*	*1,290*	*381*
o.w. advanced measurement approach	*45,365*	*44,733*	*44,733*	*3 629*
Amounts (included in the "credit risk" section above) below the thresholds for deduction (subject to 250% risk weight)	6,646	6,513	7,319	532
TOTAL	**388,825**	**384,226**	**360,465**	**31,106**

TABLE 15: RISK-WEIGHTED ASSETS (RWA) BY CORE BUSINESS AND RISK TYPE

(In EURbn)	Credit and counterparty credit	Market	Operational	Total 31.12.2023	Total 31.12.2022(R)
French Retail Banking	113.3	-	5.2	118.5	116.7
International Retail Banking and Mobility and Leasing services	122.2	0.1	7.6	130.0	101.7
Global Banking and Investor Solutions	78.7	10.4	29.3	118.5	123.7
Corporate Centre	11.9	1.9	8.0	21.8	20.3
Group	**326.2**	**12.5**	**50.1**	**388.8**	**362.4**

2022 figures have been restated, in compliance with IFRS 17 and IFRS 9 for insurance entities

As at 31 December 2023, RWA (EUR 388.8 billion) were distributed as follows:

- credit and counterparty credit risks accounted for 84% of RWA (of which 37% for International Retail Banking and Financial Services);
- market risk accounted for 3% of RWA (of which 83% for Global Banking and Investor Solutions);
- operational risk accounted for 13% of RWA (of which 58% for Global Banking and Investor Solutions).

TABLE 16: MAIN SUBSIDIARIES' CONTRIBUTIONS TO THE GROUP'S RWA

REVOIR LA POSITION DES MONTANTS DES 2 DERNIERES LIGNES / CELA DEVRAIT ETRE AU MILIEU DES COLONNES IRB ET STANDARD

	ALD SA		Boursorama		Komerčni Banka	
(In EURm)	IRB	Standard	IRB	Standard	IRB	Standard
Credit and counterparty credit risks	**13,867**	**34,669**	**569**	**1,491**	**14,787**	**2,194**
Sovereign	-	23	-	0	32	22
Financial institutions	0	749	3	2	714	310
Corporate	5,686	8,255	-	13	10,043	1,214
Retail	526	4,044	487	1,247	3,610	157
Equity investments	1,037	100	79	-	389	2
Other non-credit obligation assets	6,618	21,498	-	230	-	489
Securitisation	-	-	-	-	-	-
Market risk	**-**		**-**		**2**	
Operational risk	**4,542**		**343**		**849**	
TOTAL 2022	**52,794**		**2,403**		**17,833**	
TOTAL 2021	**-**		**2,414**		**17,137**	

5.6 TLAC AND MREL RATIOS

The Total Loss Absorbing Capacity (TLAC) requirement which applies to Societe Generale is 18% of RWA since 1 January 2022, to which the conservation buffer of 2.5%, the G-SIB buffer of 1% and the countercyclical buffer must be added. As at 31 December 2023, the TLAC requirement thus stood at 22.06% of Group RWA.

The TLAC rule also provides for a minimum ratio of 6.75% of the leverage exposure January 2022.

As at 31 December 2023, Societe Generale reached a phased-in TLAC ratio of 28.4% excluding senior preferred debts. The phased-in ratio stands at 31.9% of RWA when considering the possibility to account for senior preferred debts up to 3.5% of RWA.

The TLAC ratio expressed as a percentage of leverage exposure is 8.7%.

Quantitative information on the TLAC ratio can be found in Chapter 1 (summary) and Section 5.10 (detail).

The Minimum Requirement for own funds and Eligible Liabilities (MREL) has applied to credit institutions and investment firms within the European Union since 2016.

Contrary to the TLAC ratio, the MREL requirement is tailored to each institution and regularly revised by the resolution authority. This requirement amounts to 25.7% in 2023. Throughout the year, Societe Generale complied with its requirements while MREL ratio as a percentage of RWA stands at 33.7% at the end of 2023.

Moreover, the MREL requirement as a percentage of leverage exposure amounts to 5.91% while the ratio stands at 9.2% at the end of 2023.

5.7 LEVERAGE RATIO

The Group calculates its leverage ratio according to the CRR2 rules applicable since June 2021.

Managing the leverage ratio means both calibrating the amount of Tier 1 capital (the numerator of the ratio) and controlling the Group’s leverage exposure (the denominator of the ratio) to achieve the target ratio levels that the Group sets for itself. To this end, the leverage exposure of the different businesses is monitored by the Finance Division.

The Group aims to maintain a consolidated leverage ratio that is significantly higher than the 3.5% minimum set in the Basel Committee’s recommendations, implemented in Europe *via* CRR2, including a fraction of the systemic buffer which is applicable to the Group.

At 31 December 2023, the leverage ratio of Societe Generale stood at 4.25% taking into account a Tier 1 capital amount of EUR 60.5 billion compared with a leverage exposure of EUR 1,422 billion (versus 4.37% at 31 December 2022, with EUR 58.7 billion and EUR 1,345 billion, respectively).

TABLE 17: LEVERAGE RATIO SUMMARY AND TRANSITION FROM PRUDENTIAL BALANCE SHEET TO LEVERAGE EXPOSURE(1)

(In EURm)	31.12.2023	31.12.2022
Tier 1 capital(2)	**60,510**	**58,727**
Total assets in prudential balance sheet(3)	**1,396,696**	**1,339,864**
Adjustments for derivative financial instruments	(175)	(7,197)
Adjustments for securities financing transactions(4)	13,888	15,156
Off-balance sheet exposure (loan and guarantee commitments)	123,518	123,022
Technical and prudential adjustments	(112,030)	(125,976)
Leverage ratio exposure	**1,422,247**	**1,344,870**
Leverage ratio	**4.25%**	**4.37%**

(1) Ratio set in accordance with CRR2 rules and taking into account the IFRS 9 phasing (leverage ratio of 4.24% without phasing at 31 December 2023, the phasing effect being -1 bps).
(2) The capital overview is available in Table 3.
(3) The prudential balance sheet corresponds to the IFRS balance sheet less entities accounted for through the equity method (mainly insurance subsidiaries).
(4) Securities financing transactions: repurchase transactions, securities lending or borrowing transactions and other similar transactions.
(5) Change in the starting period.

5.8 LARGE EXPOSURES RATIO

The CRR incorporates the provisions regulating large exposures. As such, Societe Generale must not have any exposure towards a single beneficiary which exceeds 25% of the Group's capital.

The final rules of the Basel Committee on large exposures, transposed in Europe *via* CRR2, have been applicable since June 2021. The main changes compared with CRR reside in the calculation of the regulatory limit (25%), henceforth expressed as a proportion of Tier 1 (instead of cumulated Tier 1 and Tier 2), and in the introduction of a cross-specific limit on systemic institutions (15%).

5.9 FINANCIAL CONGLOMERATE RATIO

The Societe Generale Group, also identified as a "Financial conglomerate", is subject to additional supervision from the ECB.

At 31 December 2023, Societe Generale's financial conglomerate equity covered the solvency requirements for both banking and insurance activities.

At 30 June 2023, the financial conglomerate ratio was 139%, consisting of a numerator "Own funds of the Financial Conglomerate" of EUR 79.4 billion, and a denominator "Regulatory requirement of the Financial Conglomerate" of EUR 56.9 billion.

As at 31 December 2022, the financial conglomerate ratio was 144%, consisting of a numerator "Own funds of the Financial Conglomerate"of EUR 75.5 billion, and a denominator "Regulatory requirement of the Financial Conglomerate" of EUR 52.3 billion.

TABLE 18: FINANCIAL CONGLOMERATES INFORMATION ON OWN FUNDS AND CAPITAL ADEQUACY RATIO (INS2)

(In EURm)	31.12.2023
Supplementary own fund requirements of the financial conglomerate (amount)	22,188
Capital adequacy ratio of the financial conglomerate (%)	139%

5.10 ADDITIONAL QUANTITATIVE INFORMATION ON OWN FUNDS AND CAPITAL ADEQUACY

TABLE 19: COMPARISON OF OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 (IFRS9-FL)

	(In EURm)	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
AVAILABLE CAPITAL (AMOUNTS)						
1	Common Equity Tier 1 (CET1) capital	51,127	50,638	49,957	48,333	48,639
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	50,894	50,378	49,701	48,006	48,011
3	Tier 1 capital	60,510	60,782	60,995	59,262	58,727
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	60,278	60,522	60,739	58,935	58,100
5	Total capital	70,846	71,043	71,493	69,398	69,724
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	70,614	70,783	71,237	69,071	69,096
RISK-WEIGHTED ASSETS (AMOUNTS)						
7	Total risk-weighted assets	388,825	384,226	385,011	361,043	360,465
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	388,825	384,161	384,953	361,038	360,435
RISK-WEIGHTED ASSETS (AMOUNTS)						
9	Common Equity Tier 1 (as a percentage of RWA)	13.15%	13.18%	12.98%	13.39%	13.49%
10	Common Equity Tier 1 (as a percentage of RWA) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.09%	13.11%	12.91%	13.30%	13.32%
11	Tier 1 (as a percentage of RWA)	15.56%	15.82%	15.84%	16.41%	16.29%
12	Tier 1 (as a percentage of RWA) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.50%	15.75%	15.78%	16.32%	16.12%
13	Total capital (as a percentage of RWA)	18.22%	18.49%	18.57%	19.22%	19.34%
14	Total capital (as a percentage of RWA) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.16%	18.43%	18.51%	19.13%	19.17%
LEVERAGE RATIO						
15	Leverage ratio total exposure measure[1]	1,422,247	1,467,589	1,455,480	1,435,255	1,344,870
16	Leverage ratio	4.25%	4.14%	4.19%	4.13%	4.37%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.24%	4.12%	4.17%	4.11%	4.32%

(1) Leverage ratio total exposure measure taking into account the IFRS 9 transitional provisions over the whole historical period considered, as well as the option to exempt some central bank exposures until 31 March 2022 included.

TABLE 20: NON-DEDUCTED EQUITIES IN INSURANCE UNDERTAKINGS (INS1)

	31.12.2023	
(In EURm)	Exposure value	RWA amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	4,207	15,566

OWN FUNDS DETAILS

TABLE 21: COMPOSITION OF REGULATORY OWN FUNDS (CC1)

		31.12.2023		31.12.2022	
(In EURm)		Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES					
1	Capital instruments and the related share premium accounts	19,648	6	20,776	6
	of which fully paid up capital instruments	*1,004*		*1,062*	
	of which share premium	*18,644*		*19,713*	
2	Retained earnings	30,376	6	30,771	6
3	Accumulated other comprehensive income (and other reserves)	4,390	6	3,858	6
EU-3a	Funds for general banking risk	-		-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-		-	
5	Minority interests (amount allowed in consolidated CET1)	5,879	7	1,881	7
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,398	6	139	6
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**61,691**		**57,424**	**0**
COMMON EQUITY TIER 1 (CET1) CAPITAL: REGULATORY ADJUSTMENTS					
7	Additional value adjustments (negative amount)	(782)		(852)	
8	Intangible assets (net of related tax liability) (negative amount)	(7,373)	4	(5,639)	4
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(1,162)	2	(1,068)	2
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	318		294	
12	Negative amounts resulting from the calculation of expected loss amounts	(221)		-	
13	Any increase in equity that results from securitised assets (negative amount)	-		-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(49)		(241)	
15	Defined-benefit pension fund assets (negative amount)	(81)	3	(71)	3
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(222)		(937)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		(0)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	(63)		(70)	
EU-20b	*of which qualifying holdings outside the financial sector (negative amount)*	-		-	
EU-20c	*of which securitisation positions (negative amount)*	*(63)*		*(70)*	
EU-20d	*of which free deliveries (negative amount)*	-		-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		(0)	
22	Amount exceeding the 17,65% threshold (negative amount)	-		0	
23	*of which direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-		-	
25	*of which deferred tax assets arising from temporary differences*	-		-	
EU-25a	Losses for the current financial year (negative amount)	-		-	

(In EURm)		31.12.2023 Amounts	31.12.2023 Source based on reference numbers of the balance sheet under the regulatory scope of consolidation	31.12.2022 Amounts	31.12.2022 Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-		-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-		-	
27a	Other regulatory adjusments	(930)		(202)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(10,565)**		**(8,786)**	
29	**Common Equity Tier 1 (CET1) capital**	**51,127**		**48,639**	
ADDITIONAL TIER 1 (AT1) CAPITAL: INSTRUMENTS					
30	Capital instruments and the related share premium accounts	7,964		7,205	
31	*of which classified as equity under applicable accounting standards*	*9,095*	6	*10,017*	6
32	*of which classified as liabilities under applicable accounting standards*	-		-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-		-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-		-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	1,131		2,813	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	408	7	209	7
35	*of which instruments issued by subsidiaries subject to phase out*	-		-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**9,503**		**10,226**	
ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	(108)		(125)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(12)	1	(13)	1
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-		-	
42a	Other regulatory adjustments to AT1 capital	-		-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(120)**		**(138)**	
44	**Additional Tier 1 (AT1) capital**	**9,383**		**10,089**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**60,510**		**58,727**	
TIER 2 (T2) CAPITAL: INSTRUMENTS					
46	Capital instruments and the related share premium accounts	9,423	5	8,174	5
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-		-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-		-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	1,686	5	4,375	5
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	257	7	238	7
49	*of which instruments issued by subsidiaries subject to phase out*	-		-	
50	Credit risk adjustments	-		94	
51	**Tier 2 (T2) capital before regulatory adjustments**	**11,367**		**12,881**	

		31.12.2023		31.12.2022	
(In EURm)		Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
TIER 2 (T2) CAPITAL: REGULATORY ADJUSTMENTS					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(132)		(150)	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-		-	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		0	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(899)	1	(1,735)	1
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-		-	
56b	Other regulatory adjusments to T2 capital	-		-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(1,031)**		**(1,885)**	
58	**Tier 2 (T2) capital**	**10,336**		**10,997**	
59	**Total capital (TC = T1 + T2)**	**70,846**		**69,724**	
60	**Total RWA**	**388,825**		**360,465**	
CAPITAL RATIOS AND REQUIREMENTS INCLUDING BUFFERS					
61	**Common Equity Tier 1 (as a percentage of RWA)**	**13.15%**		**13.49%**	
62	**Tier 1 (as a percentage of RWA)**	**15.56%**		**16.29%**	
63	**Total capital (as a percentage of total RWA)**	**18.22%**		**19.34%**	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of RWA)	9.76%		9.35%	
65	*of which capital conservation buffer requirement*	*2.50%*		*2.50%*	
66	*of which countercyclical buffer requirement*	*0.56%*		*0.16%*	
67	*of which systemic risk buffer requirement*	-		-	
EU-67a	*of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*1.00%*		*1.00%*	
EU-67b	*of which additional own funds requirements to address the risks other than the risk of excessive leverage*	*1.20%*		*1.19%*	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of RWA)**	**7.45%**		**7.80%**	
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3,604		3,545	
73	Direct and indirect holdings by the institution of the CET1 3 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	418		389	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2,240		2,539	
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,377		1,219	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		94	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1,226		1,150	

(In EURm)		31.12.2023		31.12.2022	
		Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JANUARY 2014 AND 1 JANUARY 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	-		-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-	
82	Current cap on AT1 instruments subject to phase out arrangements	-		-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-	
84	Current cap on T2 instruments subject to phase out arrangements	-		-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-	

The regulatory own funds items are used as a starting point to describe differences between balance sheet items used to calculate own funds and regulatory own funds.

Notes

I Common Equity Tier 1 (CET1): Instruments and reserves

1. difference due to deduction for holdings of own CET1 instruments;
2. difference linked to a limited recognition of minority interests.

II Common Equity Tier 1: Regulatory adjustments

3. other comprehensive income from changes in the fair value through equity of financial assets are not deducted from regulatory own funds, except gains and losses on derivatives held as cash flow hedges;
4. the differences between the amounts of the balance sheet under the prudential scope and under regulatory capital are related to taxes deferred on OCA and DVA;
5. goodwill and other intangible assets net of related deferred tax liabilities are fully deducted from regulatory own funds;
6. gains or losses on liabilities valued at fair value and recognised in the income statement resulting from changes in own credit spread (OCA) as well as gains or losses resulting from changes in credit spread on own liability derivatives (DVA) are deducted from Common Equity Tier 1 instruments.

III Additional Tier 1 (AT1) capital: Instruments

7. differences between balance sheet items used to calculate own funds and regulatory own funds are referring to the translation differences associated with these instruments;
8. minority interests recognised in Additional Tier 1 instruments receive the same accounting treatment as described in Note 2.

IV Additional Tier 1 (AT1) capital: Regulatory adjustments

9. discrepancy due to the exclusion of insurance subordinated loans in the consolidated balance sheet.

V Tier 2 (T2) capital: Instruments and provisions

10. difference due to instruments ineligible to a classification as regulatory own funds;
11. minority interests recognised in Tier 2 instruments receive the same accounting treatment as described in Note 2.

TLAC RATIO DETAILS

TABLE 22: TLAC – COMPOSITION (TLAC1)

(In EURm)		30.12.2023	31.12.2022
OWN FUNDS AND ELIGIBLE LIABILITIES AND ADJUSTMENTS			
1	Common Equity Tier 1 capital (CET1)	51,127	48,639
2	Additional Tier 1 capital (AT1)	9,383	10,089
6	Tier 2 capital (T2)	10,328	10,832
11	Total of eligible Own funds	70,838	69,559
OWN FUNDS AND ELIGIBLE LIABILITIES: NON-REGULATORY CAPITAL ELEMENTS			
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	36,002	36,912
EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities, issued prior to 27 June 2019 (subordinated grandfathered)	-	-
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items	3,704	3,348
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	13,283	11,301
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)	326	129
14	Amount of non subordinated instruments eligible, where applicable after application of Article 72b (3) CRR	13,609	11,430
17	Eligible liabilities items before adjustments	53,315	51,690
EU-17a	*of which subordinated*	39,706	*40,260*
OWN FUNDS AND ELIGIBLE LIABILITIES: ADJUSTMENTS TO NON-REGULATORY CAPITAL ELEMENTS			
18	Own funds and eligible liabilities items before adjustments	124,152	121,249
19	(Deduction of exposures between MPE resolution groups)	-	-
20	(Deduction of investments in other eligible liabilities instruments)	-	-
22	Own funds and eligible liabilities after adjustments	*124,152*	*121,249*
RWA AND LEVERAGE EXPOSURE MEASURE OF THE RESOLUTION GROUP			
23	Total RWA	388,825	360,465
24	Total exposure measure	1,422,247	1,344,870
RATIO OF OWN FUNDS AND ELIGIBLE LIABILITIES			
25	Own funds and eligible liabilities (as a percentage of total RWA)	31.93%	33.64%
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	8.73%	9.02%
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	7.45%	7.80%
28	Institution-specific combined buffer requirement	4.06%	*3.66%*
29	*of which capital conservation buffer requirement*	*2.50%*	*2.50%*
30	*of which countercyclical buffer requirement*	*0.56%*	*0.16%*
31	*of which systemic risk buffer requirement*	-	-
EU-31a	*of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*1.00%*	*1,00%*
MEMORANDUM ITEMS			
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) CRR	986,774	963,850

TABLE 23: TLAC – CREDITOR RANKING OF THE RESOLUTION ENTITY[1] (TLAC3)

(In EURm)		31.12.2023					
		Insolvency ranking					
		1	2	3	7	8	9
		(most junior)					
1	Description of insolvency ranking[2]	Equity	Deeply subordinated notes	Subordinated notes	Senior non preferred unsecured	Senior preferred unsecured	Deposits of natural persons and SME
2	Liabilities and own funds	51,127	9,095	15,878	42,428	628,953	38,561
3	*o.w. excluded liabilities*	-	-	-	-	*480,277*	*38,561*
4	Liabilities and own funds less excluded liabilities	51,127	9,095	15,878	42,428	148,676	-
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting TLAC	51,127	9,095	14,805	36,002	20,489	-
6	*o.w. residual maturity ≥ 1 year < 2 years*	-	-	*4,081*	*3,889*	*5,035*	-
7	*o.w. residual maturity ≥ 2 year < 5 years*	-	-	*1,777*	*17,444*	*10,884*	-
8	*o.w. residual maturity ≥ 5 years < 10 years*	-	-	*4,823*	*12,745*	*3,701*	-
9	*o.w. residual maturity ≥ 10 years, but excluding perpetual securities*	-	-	*4,125*	*1,925*	*869*	-
10	*o.w. perpetual securities*	*51,127*	*9,095*	-	-	-	-

(In EURm)		31.12.2023				
		Insolvency ranking				
		10	11	14	17	
					(most senior)	Sum of 1 to 17
1	Description of insolvency ranking[2]	Covered deposits	Pre-insolvency judgment claims with preferential right	Claims arising after the safeguard procedure	Super-privileged debts owed to employees	
2	Liabilities and own funds	130,772	258,038,872	282,028	1,474	1,200,574
3	*o.w. excluded liabilities*	*130,772*	*258,038,872*	*282,028*	*1,474*	*9,333,704*
4	Liabilities and own funds less excluded liabilities	-	-	-	-	267,204
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting TLAC	-	-	-	-	131,518
6	*o.w. residual maturity ≥ 1 year < 2 years*	-	-	-	-	*13,005*
7	*o.w. residual maturity ≥ 2 year < 5 years*	-	-	-	-	*30,104*
8	*o.w. residual maturity ≥ 5 years < 10 years*	-	-	-	-	*21,268*
9	*o.w. residual maturity ≥ 10 years, but excluding perpetual securities*	-	-	-	-	*6,919*
10	*o.w. perpetual securities*	-	-	-	-	*60,222*

(1) Scope of the resolution entity Societe Generale SA.

(2) For further details regarding the nature and definitions of creditor ranks as per French jurisdiction, please refer to the Single Resolution Board's documentation (part 8, page 29): https://www.srb.europa.eu/system/files/media/document/LDR%20-%20Annex%20on%20Insolvency%20ranking%202021%20v1.6_1.pdf.

(In EURm)		31.12.2022 Insolvency ranking 1 (most junior)	2	3	7	8	9
1	Description of insolvency ranking[(2)]	Equity	Deeply subordinated notes	Subordinated notes	Senior non preferred unsecured	Senior preferred unsecured	Deposits of natural personnes and SME
2	Liabilities and own funds	48,639	10,017	18,155	41,041	626,933	28,211
3	*o.w. excluded liabilities*	-	-	-	-	*452,232*	*28,211*
4	Liabilities and own funds less excluded liabilities	48,639	10,017	18,155	41,041	174,701	-
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting TLAC	48,639	10,017	15,733	36,912	11,631	-
6	*o.w. residual maturity ≥ 1 year < 2 years*	-	-	*938*	*6,384*	*202*	-
7	*o.w. residual maturity ≥ 2 year < 5 years*	-	-	*6,044*	*15,281*	*7,458*	-
8	*o.w. residual maturity ≥ 5 years < 10 years*	-	-	*4,243*	*13,850*	*3,775*	-
9	*o.w. residual maturity ≥ 10 years, but excluding perpetual securities*	-	-	*4,508*	*1,397*	*196*	-
10	*o.w. perpetual securities*	*48,639*	*10,017*	-	-	-	-

(In EURm)		31.12.2022 Insolvency ranking 10	11	14	17 (most senior)	Sum of 1 to 17
1	Description of insolvency ranking[(2)]	Covered deposits	Pre-insolvency judgment claims with preferential right	Claims arising after the safeguard procedure	Super-privileged debts owed to employees	
2	Liabilities and own funds	103,652	276	284,893	1,555	1,163,370
3	*o.w. excluded liabilities*	*103,652*	*276*	*284,893*	*1,555*	*870,818*
4	Liabilities and own funds less excluded liabilities	-	-	-	-	292,552
5	Subset of row 4 that are own funds and liabilities potentially eligible for meeting TLAC	-	-	-	-	122,932
6	*o.w. residual maturity ≥ 1 year < 2 years*	-	-	-	-	*7,523*
7	*o.w. residual maturity ≥ 2 year < 5 years*	-	-	-	-	*28,783*
8	*o.w. residual maturity ≥ 5 years < 10 years*	-	-	-	-	*21,868*
9	*o.w. residual maturity ≥ 10 years, but excluding perpetual securities*	-	-	-	-	*6,102*
10	*o.w. perpetual securities*	-	-	-	-	*58,656*

(1) Scope of the resolution entity Societe Generale SA.

(2) For further details regarding the nature and definitions of creditor ranks as per French jurisdiction, please refer to the Single Resolution Board's documentation (part 8, page 29): https://www.srb.europa.eu/system/files/media/document/LDR%20-%20Annex%20on%20Insolvency%20ranking%202021%20v1.6_1.pdf.

LEVERAGE RATIO DETAILS

TABLE 24: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES (LR1-LRSUM)

(In EURm)		31.12.2023	31.12.2022
1	Total assets as per published financial statements	1,554,045	1,486,818
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(157,349)	(146,954)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	(2,533)	(2,386)
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustment for eligible cash pooling transactions	-	(20)
8	Adjustments for derivative financial instruments	175	(7,197)
9	Adjustments for securities financing transactions “SFTs”	13,888	15,156
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	123,756	123,387
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(238)	(365)
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	(27,186)	(23,215)
12	Other adjustments	(82,311)	(100,355)
13	**Total exposure measure**	**1,422,247**	**1,344,870**

TABLE 25: LEVERAGE RATIO – COMMON DISCLOSURE (LR2-LRCOM)

(In EURm)		31.12.2023	31.12.2022
ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,048,769	1,007,844
2	(Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework)	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(25,051)	(31,920)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(10,621)	(7,911)
7	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**1,013,096**	**968,012**
DERIVATIVE EXPOSURES			
8	Replacement cost associated with SA-CCR derivatives transactions (*i.e.* net of eligible cash variation margin)	98,852	100,616
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	103,675	101,120
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	(110,767)	(102,610)
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	47,953	68,048
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(45,867)	(65,308)
13	**Total derivative exposures**	**93,846**	**101,867**
SECURITIES FINANCING TRANSACTION EXPOSURES			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	304,215	271,542
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(85 508)	(97,378)
16	Counterparty credit risk exposure for SFT assets	13,888	15,156
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**232,595**	**189,321**
OTHER OFF-BALANCE SHEET EXPOSURES			
19	Off-balance sheet exposures at gross notional amount	280,049	281,879
20	(Adjustments for conversion to credit equivalent amounts)	(156,363)	(158,547)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	(238)	(365)
22	**Other off-balance sheet exposures**	**123,448**	**122,967**
EXCLUDED EXPOSURES			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR) (on and off balance sheet)	(27,186)	(23,215)
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-

(In EURm)		31.12.2023	31.12.2022
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(13 551)	(14,083)
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans) (Other exempted exposures)	-	-
EU-22k	(Total exempted exposures)	(40,738)	(37,297)
CAPITAL AND TOTAL EXPOSURES			
23	Tier 1 capital	60,510	58,727
24	Total leverage ratio exposures	1,422,247	1,344,870
LEVERAGE RATIO			
25	**Leverage ratio (%)**	**4.25%**	**4.37%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.25%	4.37%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures) (%)	4.25%	4.37%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	*of which to be made up of CET1 capital (%)*	-	-
27	Leverage ratio buffer requirement (%)	0.50%	-
EU-27a	Overall leverage ratio requirement (%)	3.50%	3.00%
CHOICE ON TRANSITIONAL ARRANGEMENTS AND RELEVANT EXPOSURES			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
DISCLOSURE OF MEAN VALUES			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	230,625	188,993
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	218,706	174,164
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,434,166	1,359,699
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,434,166	1,359,699
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.22%	4.32%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.22%	4.32%

TABLE 26: LEVERAGE RATIO – SPLIT-UP OF ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES) (LR3-LRSPL)

(In EURm)		31.12.2023	31.12.2022
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**982,742**	**938,261**
EU-2	Trading book exposures	96,612	87,955
EU-3	Banking book exposures, of which:	886,130	850,306
EU-4	*Covered bonds*	*159*	*136*
EU-5	*Exposures treated as sovereigns*	*307,237*	*253,030*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*15,125*	*5,869*
EU-7	*Institutions*	*22,508*	*30,723*
EU-8	*Secured by mortgages of immovable properties*	*162,085*	*167,848*
EU-9	*Retail exposures*	*73,562*	*76,905*
EU-10	*Corporates*	*221,994*	*211,819*
EU-11	*Exposures in default*	*12,864*	*12,554*
EU-12	*Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)*	*70,595*	*91,422*

COUNTERCYCLICAL BUFFER DETAILS

The countercyclical capital buffer (or CCyB) rate is defined by country. The countercyclical capital buffer requirement is calculated by averaging the countercyclical rates of each country, weighted by the exposures relevant to credit risk in those countries. The countercyclical capital buffer rate came into effect on 1 January 2016, with a transitional period that ended in 2019. In France, the authority in charge of defining the countercyclical rate applicable to exposures in France and in charge of recognising any rates applicable in other countries is the High Council for Financial Stability (HCSF). The HCSF publishes quarterly the CCyB rate for France and the rates recognised for third countries. The rate applicable to the Group is recalculated whenever a country is subject to a rate change. As a result, there is no annual rate for this cushion, but a rate applicable on a given date.

TABLE 27: GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER (CCYB1)

	31.12.2022												
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures – Exposure value for non-trading book	Total exposure value	Own fund requirements						
(In EURm)	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	RWA	Own fund requirements weights *(%)*	Countercyclical buffer rate *(%)*
Europe	**113,896**	**407,560**	**252**	**372,004**	**33,256**	**926,969**	**19,638**	**20**	**24**	**19,682**	**246,031**	**82.21%**	
Germany	12,139	15,591	-	-	69,802	3,947	101,478	1,190	2	1	1,193	4.98%	0.75%
Bulgaria	66	35	-	-	21	-	123	5	-	-	5	0.02%	2.00%
Cyprus	2	547	-	-	10	-	558	17	-	-	17	0.07%	0.50%
Croatia	172	97	-	-	0	-	269	11	-	-	11	0.05%	1.00%
Denmark	982	737	-	-	7,645	-	9,364	93	-	-	94	0.39%	2.50%
Estonia	30	24	-	-	-	-	54	3	-	-	3	0.01%	1.50%
France	40,525	261,753	6	-	21,240	323,523	10,788	3	15	10,806	135,080	45.14%	0.50%
United Kingdom	8,635	15,115	-	86,142	2,205	112,096	871	4	2	877	10,961	3.66%	2.00%
Ireland	195	7,164	-	34,632	1,292	43,284	184	-	1	185	2,318	0.77%	1.00%
Iceland	-	1	-	-	-	1	0	-	-	-	-	0.00%	2.00%
Lituania	51	33	-	202	-	287	3	-	-	3	41	0.01%	1.00%
Luxembourg	2,307	15,607	-	43,888	1,974	63,776	459	1	2	462	5,772	1.93%	0.50%
Norway	448	1,089	-	8,978	0	10,515	82	-	-	82	1,031	0.34%	2.50%
Nederland	6,800	7,611	-	0	51	14,462	887	2	-	888	11,101	3.71%	1.00%
Czech republic	4,116	34,110	-	1,043	-	39,269	1,246	-	-	1,246	15,577	5.20%	2.00%
Roumania	10,412	131	219	705	-	11,467	501	2	-	503	6,283	2.10%	1.00%
Slovakia	1,316	929	-	14	-	2,258	117	-	-	117	1,463	0.49%	1.50%
Slovénia	53	40	-	1	-	94	5	-	-	5	61	0.02%	0.50%
Sweden	816	1,947	-	17,425	-	20,188	114	1	-	114	1,426	0.48%	2.00%
North America	**3,254**	**71,372**	**1,797**	**85,346**	**18,497**	**180,266**	**1,649**	**103**	**19**	**1,772**	**22,154**	**7.40%**	
Asia-Pacific	**1,454**	**22,717**	**0**	**88,182**	**4,154**	**116,508**	**552**	**7**	**4**	**563**	**7,038**	**2.35%**	
Australia	30	4,521	-	23,941	1,724	30,216	99	-	2	100	1,256	0.42%	1.00%
Hong Kong	158	1,082	-	4,448	-	5,689	23	-	-	23	286	0.10%	1.00%
Rest of the World	**23,513**	**16,545**	**334**	**34,378**	**-**	**74,770**	**1,920**	**4**	**-**	**1,924**	**24,049**	**8.04%**	
TOTAL	**142,118**	**518,194**	**2,383**	**579,910**	**55,908**	**1,298,513**	**23,759**	**135**	**48**	**23,942**	**299,272**	**100.00%**	**0.56%**

	31.12.2022												
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures – Exposure value for non-trading book	Total exposure value	Own fund requirements						
(In EURm)	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	RWA	Own fund requirements weights *(%)*	Countercyclical buffer rate *(%)*
Europe	**95,991**	**428,226**	**-**	**-**	**28,461**	**552,679**	**17,754**	**-**	**11**	**17,764**	**222,054**	**81.63%**	**13.50%**
Bulgaria	65	50	-	-	-	115	6	-	-	6	75	0.03%	1.00%
Czech Republic	3,853	33,754	-	-	-	37,608	1,213	-	-	1,213	15,158	5.57%	1.50%
Denmark	652	766	-	-	-	1,417	52	-	-	52	650	0.24%	2.00%
France	35,441	281,922	-	-	18,872	336,235	10,384	-	4	10,388	129,849	47.73%	0.00%
Norway	309	1,153	-	-	-	1,462	39	-	-	39	493	0.18%	2.00%
Slovakia	1,270	678	-	-	-	1,948	109	-	-	109	1,368	0.50%	1.00%
Sweden	593	1,561	-	-	-	2,155	74	-	-	74	920	0.34%	1.00%
Ireland	257	6,602	-	-	1,267	8,127	138	-	1	139	1,740	0.64%	-
Iceland	0	0	-	-	-	-	-	-	-	-	-	-	2.00%
Lithuania	47	31	-	-	-	79	3	-	-	3	35	0.01%	0.00%
Luxembourg	1,193	13,767	-	-	1,215	16,175	429	-	1	431	5,383	1.98%	0.50%
Roumania	9,266	58	-	-	-	9,324	455	-	-	455	5,688	2.09%	0.50%
Estonia	30	37	-	-	-	67	3	-	-	3	42	0.02%	1.00%
United Kingdom	8,715	16,356	-	-	1,794	26,865	813	-	2	814	10,181	3.74%	1.00%
North America	**2,870**	**70,644**	**-**	**-**	**18,337**	**91,851**	**1,525**	**-**	**18**	**1,543**	**19,287**	**7.09%**	**0.00%**
Asia-Pacific	**1,559**	**23,074**	**-**	**-**	**4,230**	**28,862**	**553**	**-**	**4**	**558**	**6,973**	**2.56%**	**1.00%**
Hong-Kong	210	1,122	-	-	-	1,333	23	-	-	23	292	0.11%	1.00%
Rest of the world	**22,330**	**19,589**	**-**	**-**	**15**	**41,933**	**1,896**	**-**	**-**	**1,897**	**23,706**	**8.71%**	**0.00%**
TOTAL	**122,750**	**541,533**	**-**	**-**	**51,043**	**715,325**	**21,729**	**-**	**33**	**21,762**	**272,021**	**100.00%**	**0.16%**

TABLE 28: AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER (CCYB2)

(In EURm)	31.12.2023	31.12.2022
Total RWA	388,825	360,465
Institution-specific countercyclical capital buffer (rate)	0.56%	0.16%
Institution-specific countercyclical capital buffer requirement (amount)	2,170	576

LINK BETWEEN PRUDENTIAL BALANCE SHEET AND TYPE OF RISK

TABLE 29: DIFFERENCES BETWEEN STATUTORY AND PRUDENTIAL CONSOLIDATED BALANCE SHEETS AND ALLOCATION TO REGULATORY RISK CATEGORIES (LI1)

Assets at 31.12.2023 *(In EURm)*	**Consolidated balance sheet (statutory scope)**	**Consolidated balance sheet within the prudential scope**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash, due from banks	223,048	223,048	223,048	-			
Financial assets at fair value through profit or loss	495,882	395,095	25,498	252,797	133	369,464	
Hedging derivatives	10,585	10,427	-	10,427	-	153	-
Financial assets at fair value through other comprehensive income	90,894	37,993	33,609		-	4,384	-
Securities at amortised cost	28,147	23,203	22,710		-	493	-
Due from banks at amortised cost	77,879	76,275	51,452	24,622	-	9,314	201
of which subordinated loans to credit institutions	*199*	*199*	*199*	-	-	-	-
Customer loans at amortised cost	485,449	486,187	447,047	9,413	17,982	21,159	-
Revaluation differences on portfilios hedged against interest rate risk	(432)	(432)	244	-	-	-	(676)
Investment and reinsurance contracts assets	459		-	-	-	-	
Tax assets	4,718	4,507	3,345	-	-	-	1,162
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,873*	*1,163*	*1*	-	-	-	*1,162*
of which deferred tax assets arising from temporary differences	*1,818*	*2,241*	*2,241*	-	-	-	
Other assets	69,765	69,738	40,612	-	-	8,589	20,536
of which defined-benefit pension fund assets	*49*	*49*	-	-	-	-	*49*
Non-current assets held for sale	1,763	1,763	1,763	-	-	-	-
Investments accounted for using the equity method	227	4,364	4,364	-	-	-	-
Tangible and intangible assets	60,714	59,934	57,116	-	-	5	2,814
of which intangible assets exclusive of leasing rights	*3,561*	*3,535*	*722*	-	-	-	*2,814*
Goodwill	4,949	4,594	-	-	-	-	4,631
TOTAL ASSETS	**1,554,045**	**1,396,696**	**910,807**	**297,260**	**18,115**	**413,560**	**28,668**

Liabilities at 31.12.2023 *(In EURm)*	**Consolidated balance sheet (statutory scope)**	**Consolidated balance sheet within the prudential scope**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Due to central banks	9,718	9,718	-	-	-		9,718
Financial liabilities at fair value through profit or loss	375,584	372,899	-	229,191	-	366,241	6,658
Hedging derivatives	18,708	18,705	-	18,705	-	163	0
Debt securities issued	160,506	160,844	-		-	37,020	123,823
Due to banks	117,847	115,219	-	2,680	-	2,488	112 539
Customer deposits	541,677	542,864	-	7,835	-	5,387	535,029
Revaluation differences on portfolios hedged against interest rate risk	(5,857)	(5,857)	-	-	-		(5,857)
Tax liabilities	2,402	2,208	-	-	-		2,208
Other Liabilities	93,658	84,111	-	-	-	4,336	79,775
Non-current liabilities held for sale	1,703	1,703	-	-	-		1,703
Insurance contracts related liabilities	141,723	(0)	-	-	-		(0)
Provisions	4,235	4,209	-	-	-	43	4,166
Subordinated debts	15,894	15,085	-	-	-		15,085
of which redeemable subordinated notes including revaluation differences on hedging items	*14,682*	*14,683*	-	-	-		*14,683*
TOTAL DEBTS	**1,477,798**	**1,321,706**	**-**	**258,410**	**-**	**415,677**	**884,849**
Sub-Total Equity, Group share	65,975	65,783	-	-	-		65,783
Issued common stocks, equity instruments and capital reserves	*30,110*	*30,110*	-	-	-		*30,110*
Retained earnings	*32,892*	*32,699*	-	-	-		*32,699*
Net income	*2,493*	*2,493*	-	-	-		*2,493*
Unrealised or deferred capital gains and losses	*481*	*481*	-	-	-		*481*
Minority interests	10,272	9,206	-	-	-		9,206
TOTAL EQUITY	**76,247**	**74,990**	**-**	**-**	**-**		**74,990**
TOTAL LIABILITIES	**1,554,045**	**1,396,696**	**-**	**258,410**	**-**	**415,677**	**959,839**

ASSETS at 31.12.2022 *(In EURm)*	**Consolidated balance sheet (statutory scope)**	**Consolidated balance sheet within the prudential scope**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash, due from banks	207,013	207,012	207,012	-			
Financial assets at fair value through profit or loss	329,437	340,571	32,874	209,457	293	307,404	
Hedging derivatives	32,850	32,860	-	32,860		(50)	
Financial assets at fair value through other comprehensive income	37,463	37,463	37,337	-		126	
Securities at amortised cost	21,430	21,430	20,694	-	5	731	
Due from banks at amortised cost	66,903	66,955	49,045	17,670		9,685	240
of which subordinated loans to credit institutions	*238*	*238*	*238*				
Customer loans at amortised cost	506,529	508,041	478,995	10,159	18,886	10,019	
Revaluation differences on portfolios hedged against interest rate risk	(2,262)	(2,262)	649	-			(2,911)
Investment of insurance activities	158,415	-	-	-			
Tax assets	4,697	4,292	3,224	-			1,068
o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,662*	*1,069*	*1*	-			*1,068*
o.w deferred tax assets arising from temporary differences	*2,215*	*2,540*	*2,540*	-			
Other assets	86,247	82,399	58,885	-		839	22,675
o.w defined-benefit pension fund assets	*47*	*47*	-				*48*
Non-current assets held for sale	1,081	1,081	1,081	-			
Investments accounted for using the equity method	146	3,541	3,541	-			
Tangible and intangible assets	33,089	33,025	30,822	-			2,203
o.w intangible assets exclusive of leasing rights	*2,881*	*2,840*	*637*	-			*2,203*
Goodwill	3,781	3,456	-	-			3,486
TOTAL ASSETS	**1,486,818**	**1,339,864**	**924,160**	**270,147**	**19,184**	**328,754**	**26,761**

Liabilities at 31.12.2022 *(In EURm)*	**Consolidated balance sheet (statutory scope)**	**Consolidated balance sheet within the prudential scope**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the securitisation framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Due to central bank	8,361	8,361	-	-	-		8,361
Financial liabilities at fair value through profit or loss	300,618	303,091	-	176,498	-	288,264	14,828
Hedging derivatives	46,164	46,183	-	46,183	-	(67)	(0)
Debt securities issued	133,176	133,512	-		-	34,270	99,241
Due to banks	132,988	130,820	-	1,560	-	1,091	129,260
Customer deposits	530,764	531,553	-	6,897	-	6,195	524,656
Revaluation differences on portfolios hedged against interest rate risk	(9,659)	(9,659)	-	-	-		(9,659)
Tax liabilities	1,637	1,470	-	-	-		1,470
Other Liabilities	107,552	102,042	-	-	-	7,600	94,443
Non-current liabilities held for sale	220	220	-	-	-		220
Liabilities related to insurance activities contracts	141,688	-	-	-	-		-
Provisions	4,579	4,558	-	-	-	197	4,360
Subordinated debts	15,946	15,986	-	-	-	(13)	15,986
of which redeemable subordinated notes including revaluation differences on hedging items	*15,521*	*15,563*	-	-	-		*15,563*
TOTAL DEBTS	**1,414,036**	**1,268,139**	**-**	**231,138**	**-**	**337,537**	**883,168**
Subtotal Equity, Group share	66,451	66,249	-	-	-		66,249
Issued common stocks, equity instruments and capital reserves	*30,384*	*30,384*	-	-	-		*30,384*
Retained earnings	*34,267*	*34,065*	-	-	-		*34,065*
Net income	*2,018*	*2,018*	-	-	-		*2,018*
Unrealised or deferred capital gains and losses	*(218)*	*(218)*	-	-	-		*(218)*
Minority interests	6,331	5,476	-	-	-		5,476
TOTAL EQUITY	**72,782**	**71,725**	**-**	**-**	**-**		**71,725**
TOTAL LIABILITIES	**1,486,818**	**1,339,864**	**-**	**231,138**	**-**	**337,537**	**954,893**

Some balance sheet items have been allocated to both “counterparty” and “market” risk categories: this is mostly the case for some derivative items at fair value through profit or loss as well as for reverse repos.

TABLE 30: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING AMOUNTS IN FINANCIAL STATEMENTS (LI2)

	31.12.2023				
(In EURm)	**Consolidated balance sheet within the prudential scope**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the securitisation framework**	**Subject to market risk**
Asset carrying value amount under the scope of regulatory consolidation	1,368,028	910,807	297,260	18,115	413,560
Liabilities carrying value amount under the scope of regulatory consolidation	(258,410)	-	(258,410)	-	(415,677)
TOTAL NET AMOUNT UNDER REGULATORY SCOPE OF CONSOLIDATION	**1,109,618**	**910,807**	**38,850**	**18,115**	**(2,117)**
Off-balance sheet amounts	**289,269**	**258,448**	**-**	**30,821**	
Differences in valuations	*(782)*	-	-	-	
Differences due to different netting rules	*90,473*	-	*90,473*	-	
Differences due to considerations for provisions	*6,406*	*6,406*	-	-	
Differences due to the use of Credit Risk Mitigation (CRM) techniques	*(13,244)*	*(13,244)*	-	-	
Differences due to Credit Conversion Factors (CCF)	*(146,778)*	*(146,778)*	-	-	
Differences due to securitisation with risk transfer	-		-	-	
Other differences	(179,299)	(42,624)	-	4,390	
EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES (EAD)	**1,155,664**	**973,015**	**129,322**	**53,326**	

	31.12.2022				
(In EURm)	**Consolidated balance sheet within the prudential scope**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the securitisation framework**	**Subject to market risk**
Asset carrying value amount under the scope of regulatory consolidation	1,313,103	924,160	270,147	19,184	328,754
Liabilities carrying value amount under the scope of regulatory consolidation	(231,138)	-	(231,138)	-	(337,537)
TOTAL NET AMOUNT UNDER REGULATORY SCOPE OF CONSOLIDATION	**1,081,965**	**924,160**	**39,008**	**19,184**	**(8,783)**
Off-balance sheet amounts	**306,778**	**279,763**	**-**	**27,015**	
Differences in valuations	*(852)*	-	-	-	
Differences due to different netting rules	*121,297*	-	*121,297*	-	
Differences due to considerations for provisions	*7,060*	*7,060*	-	-	
Differences due to the use of Credit Risk Mitigation (CRM) techniques	*(11,864)*	*(11,864)*	-	-	
Differences due to Credit Conversion Factors (CCF)	*(160,129)*	*(160,129)*	-	-	
Differences due to securitisation with risk transfer	-	-	-	-	
Other differences	*(225,148)*	*(131,232)*	-	*4,844*	
EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES (EAD)	**1,119,106**	**907,758**	**160,306**	**51,043**	

The table above features the various effects inducing the difference between accounting carrying values on prudential perimeter and regulatory exposures (EAD), split by type of risk.

As per BCBS recommendations and EBA instructions, total accounting carrying values correspond to those displayed in table LI1 without elements not subject to capital requirements or subject to deduction from capital.

The main factors illustrated by this table are the following ones:

- inclusion of gross off-balance sheet amounts: financing and guarantee commitments relating to credit risk as well as securitisation exposures;
- impact of the application of CCF on credit risk off-balance sheet amounts;
- reintegration of provisions associated with exposures treated under advanced approach, insofar as initial accounting carrying values are net of provisions while credit risk EAD in advanced approach is gross;
- impact on EAD treated under standardised approach of some Credit Risk Mitigation elements (cash collateral);
- prudential netting of counterparty credit risk;
- other differences: notably include the deduction of items subject to market risk that do not generate EAD.

TABLE 31: PRUDENT VALUATION ADJUSTMENTS (PVA) (PV1)

(In EURm)	31.12.2023									
	Risk category					Category level AVA – Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		of which Total core approach in the trading book	of which Total core approach in the banking book
Market price uncertainty	136	115	5	37	-	13	11	159	150	9
Close-out cost	68	117	5	20	-	3	8	110	100	10
Concentrated positions	119	87	2	9	-			216	172	44
Early termination	-	-	-	-	-				-	-
Model risk	118	12	-	2	-	91	1	112	67	46
Operational risk	-	-	-	-	-			-	-	-
Future administrative costs	185	-	-	-	-			185	185	-
TOTAL ADDITIONAL VALUATION ADJUSTMENTS (AVAS)								**782**	**673**	**109**

(In EURm)	31.12.2022									
	Risk category					Category level AVA – Valuation uncertainty		Total category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		of which Total core approach in the trading book	of which Total core approach in the banking book
Market price uncertainty	237	135	8	53	-	5	12	226	216	10
Close-out cost	55	109	2	26	-	2	9	101	87	14
Concentrated positions	201	99	7	8	-			316	276	40
Early termination	-	-	-	-	-			-	-	-
Model risk	173	25	-	-	-	144	-	173	120	54
Operational risk	-	-	-	-	-			-	-	-
Future administrative costs	36	-	-	-	-			36	36	-
TOTAL ADDITIONAL VALUATION ADJUSTMENTS (AVAS)								**852**	**735**	**117**

6

CREDIT RISK

IN BRIEF

Credit risk corresponds to the risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. This risk includes the risk linked to securitisation activities and may be further amplified by individual, country and sector concentration risk.

Credit risk RWA at end 2023

€304.4bn

(Credit risk RWA at end 2022: €276.9bn)

EAD calculated in IRB

(% of total credit risk):

84%

Credit risk corresponds to the risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments.

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

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

6.1 CREDIT RISK MONITORING AND SURVEILLANCE SYSTEM

General principles

Business Units translate the principles laid out in this section as necessary into credit policies, which must comply with all the following rules:

- a credit policy that defines lending criteria and, usually, limits on risk-taking by sector, type of loan, country/region or customer/customer category. These rules are defined particularly by the CORISQ and Credit Risk Committees (CRCs) and are drawn up in concert with the BU concerned;
- the credit policy forms part of the Group's risk management strategy in accordance with its risk appetite;
- credit policies concerning major issues must be periodically approved by DGLE and the Group Risk Committee (CORISQ). Those involving smaller issues or more specific in scope can be approved at BU level;
- credit policies rest on the principle that any commitment entailing credit risks depends on:
  - in-depth knowledge of the customer and their business,
  - an understanding of the purpose and nature of the transaction structure and the sources of income that will generate fund repayment,
  - the appropriateness of the transaction structure, to minimise risk of loss in the event of counterparty default;
- the analysis and the validation of the files, involving respectively and independently the responsibility of the Primary Customer Responsibility Unit (PCRU-SSC) and the dedicated risk units within the risk management function. To ensure a consistent approach to the Group's risk-taking, this PCRU-SSC and/or and this risk unit reviews all applications for authorisation relating to a given customer or category of customers except in the case of credit delegations granted by the PCRU-SSC and RISQ to certain SG entities, the monitoring being conducted on a consolidated customer basis for all these authorisations. The PCRU-SSC and risk unit must operate independently of each another;
- the allocation of rating or score, which is a key criterion of the granting policy. These ratings are validated by the dedicated risk unit. Particular attention is paid to the regular review of the ratings. On retail scope, cf. infra "Specificities of retail portfolios";
- for the non-retail scope, a delegation of authority regime, mainly based on the internal rating of counterparties, provides decision-making authority on the risk units on one hand and the PCRU-SSC on the other;
- proactive management and monitoring of counterparties whose situation has deteriorated to contain the risk of loss given a default of a counterparty.

Governance

The main mission of the Risk Department is to draw up the document formalising and defining with the Finance Department the Group's risk appetite, a mechanism aimed at defining the acceptable level of risk given the Group's strategic objectives.

The Risk Department is responsible for implementing the system to manage and monitor risks, including cross-Group risks. The Risk Department exercises hierarchical and functional oversight of the Risk management function in charge of Group credit risk giving it a comprehensive view of all the Group's credit risks.

The Risk Department helps define risk policies in light of each core business targets and the associated risk issues. It defines or approves the methods and procedures used to analyse, measure, approve and monitor risks and the risk IT system and makes sure these are appropriate to the core businesses' needs. As second line of defence, various Risk Departments (for Retail Banking, Corporate and Investment Banking and Market activities) are also in charge of credit risk and as such responsible for the independent control as second line of defence. These consist in independently reviewing and comparing any credit application that exceeds the authority delegated to core businesses or local Risk Department teams. The Risk Department also assesses the quality of first-level credit reviews and takes any remedial action necessary.

The Risk Department also approves transactions and limits proposed by core business lines in respect of credit risk.

Finally, as part of its responsibilities as a second line of defence, the Risk Department carries out permanent controls of credit risks. As such, the Risk Department provides independent control as a second line of defence on the detection and monitoring of the overshoot resolution.

The monthly Risk Monitoring Report presented to CORISQ by the Risk Department comments among others on the evolution of the Group's credit portfolio and ensures compliance with the guidelines. Changes in the credit portfolio, changes in credit policy validated by CORISQ and respect for the Group's risk appetite are presented at least quarterly to the Risk Committee of the Board of Directors.

As part of the quarterly reporting to the Board of Directors and to the Risk Committee of the Board of Directors, an overview of the main credit risk metrics supplemented by details of the thresholds and limits where applicable is presented. The following metrics are in particular the subject of a presentation with a quarterly history: net cost of risk, NPL rate (non-performing loans), coverage rate, average credit quality of portfolios, outstanding corporates placed under surveillance (watchlist), supervision of corporate exposures by sector of activity, *Grands Risques Réglementaires* (major regulatory risk exposures), environmental indicators of portfolio alignment, etc.

A monthly version of the report intended for the Risk Committee of the Board of Directors also provides additional information at a Business Unit level or on certain financing activities. A summary of the thematic CORISQs is also presented.

As part of the monthly CORISQ reporting to General Management, a summary of the main credit files is presented. Thematic presentations also provide recurring clarifications on certain perimeters and activities: personal real estate loans, consumer credit, non-retail credit risk, sector limits, country risks, major regulatory risks (*Grands Risques Réglementaires*), environmental indicators of portfolio alignment, etc.

Specificities of individual and professional portfolios (Retail)

Individual and professional portfolio (retail portfolio) have specific features in terms of risk management. This management is based on a statistical approach and on the use of tools and methods in the industrialisation of processes.

STATISTICAL APPROACH

The retail portfolio is made up of a sum of exposures of low unit amounts, validated in a partially automated manner, which together constitute significant outstanding at Group level and therefore a high level of risk.

Given the high number and standardisation of retail clients commitments, aggregate monitoring is necessary at all levels of the Risk function in charge of credit risk. This mass monitoring of retail customer exposure is based on the use of a statistical risk approach and monitoring by homogeneous risk class or any other relevant axes (economic sectors for the Professionals for instance).

In these circumstances, the risk monitoring system for the Retail portfolio cannot rely on the same procedures or the same tools as for corporates.

For instance, any change in marketing policy (shortening probationary period for loyalty, delegation of lending decisions to brokers, increase in margins, etc.) can have a rapid and massive impact and must therefore be tracked by a system that allows all actors (i) to identify as quickly as possible where any deterioration in exposures is coming from and (ii) to take remedial action.

Even if the IFRS 9 standard authorizes a collective approach and if the Group has a statistical approach on retail customers for the evaluation of the expected loss, the increase in risk for the purposes of the classification into stages is identified on an individual basis for this clientele. The available parameters (operating accounts and late payments) generally allow the assessment of the significant increase in credit risk at the level of individual exposure. The collective approach is currently only used in a very small number of instances within the Group.

IMPORTANCE OF TOOLS AND METHODS IN THE INDUSTRIALISATION OF PROCESSES

The Risk management function must support Business Units and subsidiary managers in managing their risks with an eye to:

- the effectiveness of lending policies;
- the quality of the portfolio and its development over the lifetime of exposures (from grant to recovery).

Risk Department structures its supervision around the following four processes:

- granting: this decision-making process can be more or less automated depending on the nature and complexity of the transactions, and hence the associated risk;
- monitoring: different entities use different systems for granting and managing retail risks systems (scoring, expert systems, rules, etc.) and an appropriate monitoring system must be in place for each to assess the appropriateness of the grant rules applied (notably *via* monitoring);
- recovery: recovery is an essential stage in the life cycle of Retail portfolio credits and makes a decisive contribution to our control of cost of risk. Whatever the organisation adopted (outsourcing, in-house collection, etc.), the establishment of an effective collection process is an essential element of good risk management. It makes a decisive contribution to controlling the cost of risk and limiting the level of our non-performing loans. If recovery is outsourced, it must conform to the Group's regulations governing outsourcing;
- provisioning: provisions against the Retail portfolio are decided at local level. They are calculated using the methodologies and governance methods defined and approved by the Risk Department.

Monitoring individual concentration

Société Générale complies with regulations governing large exposures (large regulatory risk exposure limit at 25% of eligible own funds). In addition, the Group has set a more restrictive internal limit of 10%. Since 30 September 2023, the High Council for Financial Stability imposes a supplementary capital requirement (systemic buffer) if the Group's exposure toward the most indebted companies established in France exceeds a limit of 5% of eligible own funds.

Internal systems are implemented to identify and manage the risks of individual concentrations, notably at credit origination. For example, concentration thresholds, based on the internal rating of counterparties, are set by a CORISQ and define the governance for validating the limits on Clients Groups falling under individual concentration monitoring. Exposure to groups of clients which are considered material are reviewed by the Large Exposure Committee chaired by the General Management. As part of the identification of its risks, the Group also carries out loss simulations by type of customer (on significant individual exposures that the Group could have).

The Group uses credit derivatives and insurances to reduce some exposures considered to be overly significant. Furthermore, the Group systematically seeks to share risks with other banking partners, at origination or through secondary sales, to avoid keeping a too large share in the banking pool, notably for large-companies.

Monitoring country risk

Global country risk limits and/or exposure monitoring are established on the basis of internal ratings and country governance indices (the highest rated countries are not framed in limits or thresholds). Frameworks are strengthened according to the level of risk presented by each country.

The country limits and thresholds are validated annually by the General Management. They can be revised downwards at any time depending on the deterioration or anticipation of the deterioration of a country's situation.

The procedure for placing a country under alert is triggered in the event of a deterioration in the country risk or in anticipation of such a deterioration by the Risk Management Division.

Sector monitoring

The Group regularly reviews its entire credit portfolio through analyses by business sector. To do this, it relies on industry sector studies (including a one-year anticipation of sectoral risk) and on sectoral concentration analyses.

In addition, the Group periodically reviews its exposures to the portfolio segments presenting a specific risk profile, at Group level or at Business Unit level. These identified sectors or sub-portfolios are, where appropriate, subject to specific supervision through portfolio exposure limits and specific granting criteria. The limits are monitored either at General Management level in the CORISQ at Risk Division levelor at Business Unit management level depending on the materiality and the level of risk of the portfolios.

As a complement, targeted sector-based research and business portfolio analyses may be requested by General Management, the Risk Department and/or the businesses, depending on current affairs. In that respect, certain sectors, weakened in 2022 by the Russian-Ukrainian crisis and its effects (for example the energy sector in Europe) or that could be impacted in 2023 by the situation in the Middle East, have been subject to dedicated monitoring or a specific focus. Portfolios specifically monitored by the Group CORISQ include:

- individual and professional credit portfolio (retail) in metropolitan France. The Group defines in particular a risk appetite target concerning the minimum share covered by *Crédit Logement* guarantee for real estate loans granted to individuals in France;
- oil and gas sectors, on which the Group has defined a specific approach adapted to the different types of activities, sector's players or geographies commercial real estate scope (*i.e.* corporates acting mainly as investors or developers in the field of real estate activities, to the benefit of third parties), on which the Group has defined a framework for origination and monitoring of exposures and limits according to the different types of financing, geographical areas and/or activities;
- leveraged finance, for which the Group applies the definition of the scope and the management guidelines recommended by the ECB in 2017 (guidance on leveraged transactions). The Group continues to pay a particular attention to the Leverage Buy-Out (LBO) sub-portfolio, as well as to the highly-leveraged transactions segment;
- exposures on hedge funds is subject to a specific attention. The Group incurs risk on hedge funds through derivative transactions and its financing activity guaranteed by shares in funds. Risks related to hedge funds are governed by individual limits and global limits on market risks and wrong way risks;
- exposures on shadow banking are managed and monitored in accordance with the EBA guidelines published in 2015 which specify expectations regarding the internal framework for identifying, controlling and managing identified risks. CORISQ has set a global exposure threshold for shadow banking.

Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Department works with the businesses to conduct a set of specific stress tests relating to a country, subsidiary or activity. These specific stress tests combine both recurring stress tests, conducted on those portfolios identified as structurally carrying risk, and *ad hoc* stress tests, designed to recognize emerging risks. Some of these stress tests are presented to CORISQ and used to determine how to frame the corresponding the activities concerned.

Credit risk stress tests complement the global analysis with a more granular approach and allow fine-tuning of the identification, assessment and operational management of risk, including concentration. They allow to calculate the expected credit losses on exposures which have undergone an event of default and on exposures which have not undergone an event of default, in accordance with the method prescribed in the standard IFRS 9. The perimeter covered may include counterparty credit risk on market activities when relevant.

Consideration of ESG risk factors in credit risk

For the Group, ESG risk factors do not constitute a new risk category but represent an aggravating factor of credit risk. Their integration is based on the governance and existing framework and follows a classical approach: Identification, Quantification, Definition of the risk appetite, Control and Mitigation of the risk.

ESG risk management is presented in Chapter 4.13 “Environmental, social and governance (ESG) risks” of this document.

6.2 CREDIT RISK HEDGING

Guarantees and collateral

The Group uses credit risk mitigation techniques for both market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

There are two main categories:

- personal guarantees are commitments made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (e.g.Crédit Logement in France), monoline or multiline insurers, export credit agencies, states in the context of the health crisis linked to Covid-19 and consequences of Ukraine conflict, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;
- collateral can consist of physical assets in the form of personal or real property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies.

Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

In order to reduce its risk-taking, the Group is pursuing active management of its securities, in particular by diversifying them: physical collateral, personal guarantees and others (including Credit Default Swaps).

For information, the mortgage loans of retail customers in France benefit overwhelmingly from a guarantee provided by the financing company *Crédit Logement*, ensuring the payment of the mortgage to the Bank in the event of default by the borrower (under conditions of compliance with the terms of collateral call defined by *Crédit Logement*).

During the credit approval process, an assessment is performed on the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements Directive (CRD) and in the Capital Requirements Regulation (CRR).

The guarantors are subject to an internal rating updated at least annually. Regarding collateral, regular revaluations are made based on an estimated disposal value composed of the market value of the asset and a discount. The market value corresponds to the value at which the good should be exchanged on the date of the valuation under conditions of normal competition. It is preferably obtained based on comparable assets, failing this by any other method deemed relevant (example: value in use). This value is subject to haircuts depending on the quality of the collateral and the liquidity conditions.

Regarding collateral used for credit risk mitigation and eligible for the RWA calculation, it should be noted that 95% of guarantors are investment grade. These guarantees are mainly provided by *Crédit Logement*, export credit agencies, the French State (within the *Prêts Garantis par l'État* framework of the loans guaranteed by the French State) and insurance companies.

In accordance with the requirements of European Regulation No. 575/2013 (CRR), the Group applies minimum collateralisation frequencies for all collateral held in the context of commitments granted (financial collateral, commercial real estate, residential real estate, other security interests, leasing guarantees).

More frequent valuations must be carried out in the event of a significant change in the market concerned, the default or litigation of the counterparty or at the request of the risk management function. In addition, the effectiveness of credit risk hedging policies is monitored as part of the LGD.

It is the responsibility of the risk management function to validate the operational procedures put in place by the business lines for the periodic valuation of collateral (guarantees and collateral), whether automatic valuations or on an expert opinion and whether during the credit decision for a new competition or during the annual renewal of the credit file.

The amount of guarantees and collateral is capped at the amount of outstanding loans less provisions, *i.e.* EUR 374.2 billion as at 31 December 2023 (compared with EUR 388.5 billion as at 31 December 2022), of which EUR 152.8 billion for retail customers and EUR 221.4 billion for other types of counterparties (compared with EUR 159.5 billion and EUR 229.1 billion as at 31 December 2022, respectively).

The outstanding loans covered by these guarantees and collateral correspond mainly to loans and receivables at amortised cost, which amounted to EUR 290.6 billion as at 31 December 2023, and to off-balance sheet commitments, which amounted to EUR 74.4 billion (compared with EUR 304.8 billion and EUR 75.2 billion as at 31 December 2022, respectively).

The amounts of guarantees and collateral received for performing outstanding loans (Stage 1) and under-performing loans (Stage 2) with payments past due amounted to EUR 3.8 billion as at 31 December 2023 (EUR 2.3 billion as at 31 December 2022), including EUR 1.2 billion on retail customers and EUR 2.6 billion on other types of counterparties (*versus* EUR 0.89 billion and EUR 1.4 billion at 31 December 2022 respectively).

The amount of guarantees and collateral received for non-performing outstanding loans as at 31 December 2023 amounted to EUR 5.6 billion (compared with EUR 5.8 billion as at 31 December 2022), of which EUR 1.5 billion on retail customers and EUR 4.1 billion on other types of counterparties (compared with EUR 1.4 billion and EUR 3.8 billion respectively as at 31 December 2022). These amounts are capped at the amount of outstanding.

Use of credit derivatives to manage Corporate concentration risk

The Group may use credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentrations and to implement a proactive risk and capital management approach.

Housed in the Corporate and Investment Banking arm, the Performance & Scarce Resources management (PSR) team works in close conjunction with the Risk Department and the businesses to reduce excessive portfolio concentrations, react quickly to any deterioration in the creditworthiness of a particular counterparty and recommend actions to improve the capital allocation. PSR is part of the department responsible for defining and effectively deploying the strategy, for monitoring performance and managing the scarce resources in the credit and loan portfolio.

Total outstanding purchases of protection through Corporate credit derivatives is stable at EUR 2.3 billion in nominal terms and a corresponding fair value of EUR -14.5 million at the end of December 2023 (compared to EUR 3.6 million at the end of December 2022). New operations have mainly been performed to reduce concentration risk (EUR 1.3 billion in nominal) and to a lower extend improve capital allocation (EUR 1 billion in nominal).

Over 2023, the credit default swaps (CDS) spreads of European investment grade issues (Itraxx index) experienced a significant change around an annual average of 78 bps (compared to 94 bps in 2022). The overall sensitivity of the portfolio (Price Value of a Basis Point) is slightly rising due to high market volatility.

The protection purchases (99% of outstanding as 31 December 2023) are mostly made against European clearing houses, and all against counterparties with “Investment Grade” ratings (rating at least equal to BBB-).

Moreover, the amounts recognised as assets (EUR 2 billion as at 31 December 2023 *versus* EUR 1.8 billion as at 31 December 2022) and liabilities (EUR 1 billion as at 31 December 2023 *versus* EUR 1.4 billion as at 31 December 2022) correspond to the fair value of credit derivatives mainly held under a transaction activity.

Credit insurance

The Group has developed relationships with private insurers over the last several years to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group’s General Management. The system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty, the latter being furthermore required to meet strict eligibility criteria. There is also a limit for insured transactions in Non-Investment Grade countries.

6.3 IMPAIRMENT

Information relating to impairment can be found in Note 3.8 to the consolidated financial statements, which is part of Chapter 6 of the present Universal Registration Document.

6.4 RISK MEASUREMENT AND INTERNAL RATINGS

General framework of the internal approach

Since 2007, Societe Generale has been authorised by its supervisory authorities to apply, for the majority of its exposures, the internal method (Internal Rating Based method – IRB) to calculate the capital required for credit risk.

The remaining exposures subject to the Standard approach mainly concern the portfolios of retail customers and SMEs (Small and Medium Enterprises) of the International Retail Banking activities. For exposures processed under the standard method excluding retail customers, which does not use the external note, the Group mainly uses external ratings from the Standard & Poor's, Moody's and Fitch rating agencies and the Banque de France. In the event that several Ratings are available for a third party, the second-best rating is applied.

In accordance with the texts published by the EBA as part of the "IRB Repair" program and following the review missions carried out by the ECB (TRIM – Targeted Review of Internal Models), the Group is reviewing its internal model system credit risk, so as to comply with these requirements, ensuring in particular:

- the simplification of the architecture of the models, and the improvement of its auditability: either by *ex nihilo* development of new models based on the New Definition of Default (NDoD), and natively integrating the expectations of the EBA and ECB, or by bringing certain existing models up to the new standards, or *via* RTLSA (Return To Less Sophisticated Approach) requests;
- improving the quality of data and its traceability throughout the chain;
- the right application of the roles and responsibilities of the LOD1 (first line of defense) and LOD2 (second line of defense) teams, particularly with regard to building and monitoring the system (ROE – Review Of Estimates);
- the rationalization and improvement of certain IT application bricks, particularly concerning the models referential and their monitoring;
- the establishment of a more complete normative base, and a more consistent relationship with the supervisor.

The remediation the changes of the IRB Group system are furthermore integrated into the Group roll-out plan.

As part of compliance with IRB Repair, evolutions to the rating systems and models have been and will be submitted to the ECB for validation.

To calculate its capital requirements under the IRB (Internal Rating Based) method, Societe Generale estimates the Risk-Weighted Assets (RWA) and the Expected Loss (EL) that may be incurred in light of the nature of the transaction, the quality of the counterparty (*via* internal rating) and all measures taken to mitigate risk.

The calculation of RWA is based on the Basel parameters, which are estimated using the internal risk measurement system:

- the Exposure at Default (EAD) value is defined as the Group's exposure in the event that the counterparty should default. The EAD includes exposures recorded on the balance sheet (such as loans, receivables, accrued income, etc.), and a proportion of off-balance sheet exposures calculated using internal or regulatory Credit Conversion Factors (CCF);
- the Probability of Default (PD): the probability that a counterparty will default within one year;
- the Loss Given Default (LGD): the ratio between the loss on an exposure in the event a counterparty defaults and the amount of the exposure at the time of the default.

The estimation of these parameters is based on a quantitative evaluation system which is sometimes supplemented by expert or business judgment.

In addition, a set of procedures sets out the rules relating to ratings (scope, frequency of review, grade approval procedure, etc.) as well as those for supervision, the review ROE – Review of Estimates – and the validation of models. These procedures allow, among other things, to facilitate critical human judgment, an essential complement to the models for non-retail portfolios.

The Group also takes into account:

- the impact of guarantees and credit derivatives, where applicable by substituting the PD, the LGD and the risk-weighting calculation of the guarantor for that of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favorable than that of the obligor;
- collateral used as guarantees (physical or financial) taken into account *via* the LGD level.

Societe Generale can also apply an IRB Foundation approach (where only the probability of default is estimated by the Bank, while the LGD and CCF parameters are determined directly by regulation) to a portfolio of specialised lending exposures, including those granted to the subsidiaries Franfinance Location, Sogelease and Star Lease.

Moreover, the Group has authorisation from the regulator to use the IAA (Internal Assessment Approach) method to calculate the regulatory capital requirement for ABCP (Asset-Backed Commercial Paper) securitisation.

In addition to the capital requirement calculation objectives under the IRBA method, the Group's credit risk measurement models contribute to the management of the Group's operational activities. They also constitute tools to structure, price and approve transactions and contribute to the setting of approval limits granted to business lines and the Risk function.

In case of capital requirement calculation in standard method, should an external rating be available, the corresponding exposure is assigned a risk weight according to the mapping tables provided in CRR (Articles 120-121-122) or more precisely to the tables published by the French supervisor ACPR (link: *https://acpr.banque-france.fr/sites/default/files/media/2021/07/08/20210707_notice_crdiv_college_clean.pdf*).

TABLE 32: CREDIT RATING AGENCIES USED IN STANDARDISED APPROACH

	MOODY'S	FITCH	S&P
Sovereigns	✓	✓	✓
Institutions	✓	✓	✓
Corporates	✓	✓	✓

TABLE 33: SCOPE OF THE USE OF IRB AND SA APPROACHES (CR6-A)

	31.12.2023					
(In EURm)	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB approach (%)	of which percentage subject to AIRB approach (%)
Central governments or central banks	298,709	311,379	4.41%	-	95.59%	95.58%
of which regional governments or local authorities		*545*	*46.31%*	-	*53.69%*	*53.69%*
of which public sector entities		*43*	*97.68%*	-	*2.32%*	*2.32%*
Institutions	39,736	41,062	8.45%	0.02%	91.53%	91.52%
Corporates	297,908	325,944	11.65%	0.48%	87.88%	86.47%
of which Corporates – Specialised lending, excluding slotting approach		*71,517*	*1.20%*	-	*98.80%*	*98.80%*
of which Corporates – Specialised lending under slotting approach		*1,039*	-	-	*100,00%*	*100.00%*
Retail	177,349	229,895	20.15%	2.32%	77.53%	77.53%
of which Retail – Secured by real estate SMEs		*6,494*	*25.54%*	*0.24%*	*74.22%*	*74.22%*
of which Retail – Secured by real estate non-SMEs		*133,671*	*10.69%*	*0.47%*	*88.84%*	*88.84%*
of which Retail – Qualifying revolving		*6,983*	*14.53%*	*25.35%*	*60.12%*	*60.12%*
of which Retail – Other SMEs		*34,716*	*40.39%*	*1.91%*	*57.70%*	*57.70%*
of which Retail – Other non-SMEs		*48,030*	*31.94%*	*4.68%*	*63.38%*	*63.38%*
Equity	5,714	7,138	19.95%	-	80.05%	80.05%
Other non-credit obligation assets	11,200	57,598	80.55%	-	19.45%	19.45%
TOTAL	**830,616**	**973,015**	**15.34%**	**0.71%**	**83.95%**	**83.47%**

TABLE 34: SCOPE OF APPLICATION OF THE IRB AND STANDARD APPROACHES FOR THE GROUP

	IRB approach	Standard approach
French Retail Banking and Private Banking	Majority of French Retail Banking (including Boursorama) and Private Banking portfolios	Some specific client or product types for which the modeling is currently not adapted SG Kleinwort Hambros subsidiary
International Retail Banking and Financial Services	Subsidiaries KB (Czech Republic), CGI, Fiditalia, GEFA, SG Leasing SPA and Fraer Leasing SPA, SGEF Italy Car leasing (Ayvens – LeasePlan part)	Other international subsidiaries (in particular BRD, SG Maroc, Hanseatik) Car Leasing (Ayvens – ALD part)
Global Banking and Investor Solutions	Majority of Corporate and Investment Banking portfolios	SGIL subsidiary, as well as specific client or product types for which the modeling is currently not adapted

Credit risk measurement for wholesale clients

The Group has implemented the following system for Corporate (including specialised financing), Banking and Sovereign portfolios.

RATING SYSTEM AND ASSOCIATED PROBABILITY OF DEFAULT

The rating system consists of assigning a score to each counterparty according to a specific internal scale per rating system (set of counterparties treated homogeneously whether in terms of granting, rating tool or recovery process). For perimeters on which an internal scale reviewed according to EBA IRB Repair standards has not yet been validated by the supervisor, each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's for over more than twenty years.

The Group is in the process of deploying a multi-scale approach differentiated by rating system. Thus, beyond the historical scale used until now, a scale dedicated to the SME France portfolio is now used (see indicative correspondence with the scales of the main external credit assessment organizations and the corresponding average default probabilities for these two scales).

The rating assigned to a counterparty is generally proposed by a model, and possibly adjusted by the LOD1, who then submits it for validation to the Risk Management function.

The counterparty rating models are structured in particular according to the type of counterparty (companies, financial institutions, public entities, etc.), geographic region and size of the Company (usually assessed through its annual revenue).

The Company rating models are underpinned by statistical models (regression methods) based on client default observations. They combine quantitative parameters derived from financial data that evaluate the Sustainability and solvency of companies and qualitative parameters that evaluate economic and strategic dimensions.

TABLE 35: SOCIETE GENERALE'S HISTORICAL INTERNAL RATING SCALE AND INDICATIVE CORRESPONDING SCALES OF RATING EXTERNAL AGENCIES (1)

Investment grade/ Non-investment grade	Probability of default range	Counterparty internal rating	Indicative equivalent Standard & Poor's	Indicative equivalent Fitch	Indicative equivalent Moody's	1 year internal probality of default (average)
Investment grade	0.00 to < 0.10	1	AAA	AAA	Aaa	0.009%
		2+	AA+	AA+	Aa1	0.014%
		2	AA	AA	Aa2	0.020%
		2-	AA-	AA-	Aa3	0.026%
		3+	A+	A+	A1	0.032%
		3	A	A	A2	0.036%
		3-	A-	A-	A3	0.061%
	0.10 to < 0.15	4+	BBB+	BBB+	Baa1	0.130%
	0.15 to < 0.25					
	0.25 to < 0.50	4	BBB	BBB	Baa2	0.257%
	0.50 to < 0.75	4-	BBB-	BBB-	Baa3	0.501%
Non-investment grade	0.75 to < 1.75	5+	BB+	BB+	Ba1	1.100%
	1.75 to < 2.5	5	BB	BB	Ba2	2.125%
	2.5 to < 5	5-	BB-	BB-	Ba3	3.260%
		6+	B+	B+	B1	4.612%
	5 to < 10	6	B	B	B2	7.761%
	10 to < 20	6-	B-	B-	B3	11.420%
		7+	CCC+	CCC+	Caa1	14.328%
	20 to < 30	7	CCC	CCC	Caa2	20.441%
		7-	C/CC/CCC-	CCC-	Caa3	27.247%
	30 to < 100					

(1) The Group is in the process of implementing a multi-scale approach differentiated by rating system.

LGD MODELS

The Loss Given Default (LGD) is an economic loss that is measured by taking into account all parameters pertaining to the transaction, as well as the fees incurred for recovering the receivable in the event of a counterparty default.

The models used to estimate the Loss Given Default (LGD) excluding retail clients are applied by regulatory sub-portfolios, type of asset, size and location of the transaction or of the counterparty, depending on whether or not collateral has been posted, and the nature thereof if applicable. This makes it possible to define homogeneous risk pools, particularly in terms of recovery, procedures and the legal environment.

These estimates are founded on statistics when the number of loans in default is sufficient. In such circumstances, they are based on recovery data observed over a long history. When the number of defaults is insufficient, the estimate is revised or determined by an expert.

CREDIT CONVERSION FACTOR (CCF) MODELS

For its off-balance sheet exposures, the Group is authorised to use the internal approach for "Term loan with drawing period" products and revolving credit lines.

TABLE 36 : MAIN CHARACTERISTICS OF MODELS AND METHODS- WHOLESALE CLIENTS

Parameter modeled	Portfolio/Category of Basel assets	Number of methods, models	Methodology Number of years default/loss
Wholesale clients			
Probability of Default (PD)	Sovereigns	1 method.	Econometric method. Low default portfolio.
	Public sector entities	4 models according to geographic region.	Statistical (regression)/expert methods for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Low default portfolio.
	Financial institutions	11 models according to type of counterparty: banks, insurance, funds, financial intermediaries, funds of funds.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Specialised financing	3 models according to type of transaction.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Large corporates	9 models according to geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
	Small- and medium-sized companies	17 models according to the size of the Company and the geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire, behavioral score. Defaults observed over a period of 8 to 10 years.
Loss Given Default (LGD)	Public sector entities – Sovereigns	6 models according to type of counterparty.	Calibration based on historical data and expert judgments. Losses observed over a period of more than 10 years.
	Large corporates – Flat-rate Approach	25 models Flat-rate approach according to type of collateral.	Calibration based on historical data adjusted by expert judgments. Losses observed over a period of more than 10 years.
	Large corporates – Discount Approach	16 models Discount approach according to type of recoverable collateral.	Statistical calibration based on historical market data adjusted by expert judgments. Losses observed over a period of more than 10 years.
	Small- and medium-sized companies	15 models Flat-rate approach according to type of collateral or unsecured.	Statistical calibration based on historical data adjusted by expert judgments. Losses observed over a period of more than 10 years.
	Project financing	9 models Flat-rate approach according to project type.	Statistical calibration based on historical data adjusted by expert judgments. Losses observed over a period of more than 10 years.
	Financial institutions	5 models Flat-rate approach according to type of counterparty: banks, insurance, funds, etc. and the nature of the collateral.	Statistical calibration based on historical data adjusted by expert judgments. Losses observed over a period of more than 10 years.
	Other specific portfolios	12 models: factoring, leasing with option to purchase and other specific cases.	Statistical calibration based on historical data adjusted by expert judgments. Losses observed over a period of more than 10 years.

Parameter modeled	Portfolio/Category of Basel assets	Number of methods, models	Methodology Number of years default/loss
Credit Conversion Factor (CCF)	Large corporates	5 models: term loans with drawing period, revolving credits, Czech Corporates.	Models calibrated by segment. Defaults observed over a period of more than 10 years.
Expected Loss (EL)	Real estate transactions	2 models by slotting.	Statistical model based on expert judgments and a qualitative questionnaire. Low default portfolio.

MONITORING THE PERFORMANCE OF INTERNALS MODELS

Performance monitoring of the entire wholesale client credit system is performed via review exercises (ROE – Review Of Estimates) carried out by LOD1 (OGM – On Going Monitoring) or by LOD2 (AR – Annual Review).

During these reviews, are compared, among others, the PD, LGD and CCF estimates to actual results by portfolio, thus making it possible to measure the prudence of the risk parameters used in the IRB approach. These results may justify the implementation of actions or remediation plans if the system is deemed to be insufficient efficient or/and prudent.

OGM results and associated actions or/and remediation plans are presented to the Rating System Committee for discussion and approval by the LOD1 stakeholders on a given Rating System. They are also shared to the LOD2 validation function, which for its part independently carries out annual review exercises (AR – Annual Review), whose results and conclusions are presented to the Expert Committee.

The results presented above cover the entire Group portfolios compare the estimated probability of default (arithmetic mean weighted by debtors) with the observed results (the historical annual default rate). The historical default rate was calculated on the basis of performing exposures over the period from 2008 to 2022.

The historic default rate remains stable across all the exposure classes. The estimated probability of default is higher than the historical default rates for all Basel portfolios and for most of the ratings. It should be noted that new internal models are being developed to comply with new regulatory requirements.

TABLE 37: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD WHOLESALE CLIENTS

	31.12.2022	
Basel Portfolio	**LGD IRBA(1)**	**Estimated losses excluding margin of prudence**
Large corporates	37%	30%
Small and medium sized companies	40%	25%

(1) Senior unsecuredLGD.
The "observed EAD/IRBA EAD" ratio calculation method is being revised.

Credit risk measurements of retail clients

The Group has implemented the following system for the retail portfolio made up of individual customers, SCIs (real estate investment companies – *Sociétés civiles immobilières*) and professional customers.

RATING SYSTEM AND ASSOCIATED PROBABILITY OF DEFAULT

The modeling of the probability of default of retail client counterparties is carried out specifically by each of the Group's subsidiaries using the IRBA method in consumer finance activities, equipment finance or in the Czech Republic. For French retail network, modelling is centralised within Group Risk Division. The models incorporate data on the account behavior of counterparties. They are segmented by type of customer and distinguish between retail customers, professional customers, very small businesses and real estate investment companies.

The counterparties of each segment are classified automatically, using statistical models, into homogeneous risk pools, each of which is assigned a probability of default. These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle, using a through-the-cycle (TTC) approach.

LGD MODELS

The models for estimating the Loss Given Default (LGD) of retail customers are specifically applied by business line portfolio and by product, according to the existence or not of collateral.

The expected losses are estimated using internal long-term historical recovery data for exposures that have defaulted. These estimates are adjusted by safety margins in order to reflect the possible impact of a downturn.

CCF MODELS

For its off-balance sheet exposures, Societe Generale applies its estimates for revolving loans and overdrafts on current accounts held by retail and professional customers.

TABLE 38 : MAIN CHARACTERISTICS OF MODELS AND METHODS USED - RETAIL CLIENTS

Parameter modeled	Portfolio/Category of Basel assets	Number of models	Methodology Number of years of default/loss
Retail clients			
Probability of Default (PD)	Residential real estate	4 models according to entity, type of guarantee (security, mortgage), type of counterparty: individuals or professionals/ VSB, real estate investment company (SCI).	Statistical model (regression), behavioral score. Defaults observed over a period of more than five years.
	Other loans to individual customers	12 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model (regression), behavioral score. Defaults observed over a period of more than five years.
	Renewable exposures	3 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model (regression), behavioral score. Defaults observed over a period of more than five years.
	Professionals and very small businesses (VSB)	8 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real estate investment company (SCI)).	Statistical model (regression or segmentation), behavioral score. Defaults observed over a period of more than five years.
Loss Given Default (LGD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), and type of counterparty: individuals or professionals/ VSB, real estate investment company (SCI).	Statistical model of expected recoverable flows based on the current flows. Losses and recoverable flows observed over a period of more than 10 years.
	Other loans to individual customers	16 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Renewable exposures	5 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Professionals and very small businesses	11 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real estate investment company (SCI)).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
Credit Conversion Factor (CCF)	Renewable exposures	8 calibrations by entity for revolving products and personal overdrafts.	Models calibrated by segment over a period of observation of defaults of more than five years.
	Residential real estate	4 calibrations by entity for real estate.	CCF flat rate of 100%. Relevance of this flat rate CCF is confirmed through the draw-down rate observed over a period of more than five years.

MONITORING THE PERFORMANCE OF INTERNAL MODELS

The performance level of the entire retail client credit system is measured by OGM exercises carried out by LOD1, which check the performance of PD, LGD and CCF models and compare estimates with actual results. The discriminating power of the models and the change of the composition of the portfolio are also measured. These results may justify the implementation of actions or remediation plans if the system is deemed to be insufficiently efficient or/and prudent.

Performance monitoring of the entire system for retail portfolio is performed via review exercises carried out by LOD1 (OGM – On Going Monitoring) or by LOD2 (AR – Annual Review).

During these reviews, are compared, among others, the PD, LGD and CCF estimates to actual results by portfolio, thus making it possible to measure the prudence of the risk parameters used in the IRB approach. These results may justify the implementation of actions or remediation plans if the system is deemed to be insufficiently efficient or/and prudent.

OGM results and associated actions or/and remediation plans are presented to the Rating System Committee for discussion and approval by the LOD1 stakeholders on a given Rating System. They are also shared to the LOD2 validation function, which for its part independently carries out annual review exercises (AR – Annual Review), whose results and conclusions are presented to the Experts Committee.

The results presented below cover all of the Group's portfolios. Backtests compare the estimated probability of default (arithmetic average weighted by the debtors) to the observed results (the historical annual default rate). The historical default rate was calculated on the basis of healthy outstandings over the period from 2010 to 2022. Creditors are included in accordance with the revised instructions of the EBA publication of 14 December 2016 (EBA/GL/2016/11).

In terms of risk monitoring, two effects were observed in 2023:

- On the one hand, the drop in outstandings on the PRO and PPI markets (amortization of PGE for the PRO market, and fall in production on real estate loans).
- On the other hand, an increase in defaults on PRO market linked to PGE.

In the Professional market, the deterioration in risk accelerated during the year in line with the repayment difficulties observed on PGE. It particularly focused on the building/construction, catering, and retail sectors. The close monthly monitoring made it possible to react as quickly as possible in order to tighten up the granting mechanism on the riskiest sectors of activity.

On real estate loans, production fell sharply in 2023 but risk indicators remain well-oriented, and the production coverage rate by Crédit Logement remains above the threshold set at 80%.

On consumer loans, credit scores were tightened in the first half of the year, limiting the upswing in risks.

Quantitative information on internal rating models

TABLE 39: INTERNAL APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS (FIXED PD SCALE) (CR9) – AIRB

		31.12.2023					
		Number of obligors at the end of the year					
Exposure class	PD scale		of which number of obligors which defaulted during the year	Observed average default rate *(%)*	31.12.2023 Exposures weighted average PD *(%)*	31.12.2022 Average PD *(%)*	Average historical annual default rate *(%)*
Central governments and central banks	0.00 to < 0.15	353	-	-	0.02%	0.02%	0.05%
	0.00 to < 0.10	*350*	-	-	*0.02%*	*0.02%*	*0.04%*
	0.10 to < 0.15	*3*	-	-	*0.13%*	*0.13%*	*0.50%*
	0.15 to < 0.25	-	-	-	0.00%	0.00%	-
	0.25 to < 0.50	10	-	-	0.26%	0.26%	-
	0.50 to < 0.75	9	-	-	0.50%	0.50%	-
	0.75 to < 2.50	10	-	-	1.41%	1.92%	0.29%
	0.75 to < 1.75	*2*	-	-	*1.10%*	*1.10%*	*0.59%*
	1.75 to < 2.50	*8*	-	-	*2.12%*	*2.12%*	-
	2.50 to < 10.00	169	-	-	6.54%	3.55%	0.55%
	2.50 to < 5.00	*161*	-	-	*3.73%*	*3.34%*	*0.35%*
	5.00 to < 10.00	*8*	-	-	*7.76%*	*7.76%*	*1.29%*
	10.00 to < 100.00	19	-	-	12.32%	13.80%	2.80%
	10.00 to < 20.00	*17*	-	-	*11.43%*	*12.62%*	*0.90%*
	20.00 to < 30.00	*2*	-	-	*20.44%*	*23.84%*	*11.76%*
	30.00 to < 100.00	-	-	-	-	-	-
	100.00 (default)	10	10	-	100,00%	100,00%	-
Institutions	0.00 to < 0.15	2,484	1	0.04%	0.03%	0.05%	0.18%
	0.00 to < 0.10	*2,095*	*1*	*0.05%*	*0.03%*	*0.04%*	*0.18%*
	0.10 to < 0.15	*389*	-	-	*0.13%*	*0.13%*	*0.24%*
	0.15 to < 0.25	-	-	-	-	-	-
	0.25 to < 0.50	327	1	0.31%	0.26%	0.26%	0.09%
	0.50 to < 0.75	136	-	-	0.50%	0.50%	0.26%
	0.75 to < 2.50	103	-	-	1.62%	1.57%	0.27%
	0.75 to < 1.75	*58*	-	-	*1.10%*	*1.10%*	*0.24%*
	1.75 to < 2.50	*45*	-	-	*2.12%*	*2.12%*	*0.33%*
	2.50 to < 10.00	538	2	0.37%	4.96%	3.52%	0.75%
	2.50 to < 5.00	*510*	*2*	*0.39%*	*3.88%*	*3.29%*	*0.63%*
	5.00 to < 10.00	*28*	-	-	*7.76%*	*7.76%*	*1.03%*
	10.00 to < 100.00	64	2	3.12%	19.78%	17.16%	4.24%
	10.00 to < 20.00	*38*	-	-	*13.46%*	*12.95%*	*1.89%*
	20.00 to < 30.00	*26*	*2*	*7.69%*	*25.25%*	*23.32%*	*9.87%*
	30.00 to < 100.00	*0*	-	-	-	-	-
	100.00 (default)	19	19	-	100.00%	100.00%	-

Exposure class	PD scale	31.12.2023 Number of obligors at the end of the year	of which number of obligors which defaulted during the year	Observed average default rate (%)	31.12.2023 Exposures weighted average PD (%)	31.12.2022 Average PD (%)	Average historical annual default rate (%)
Corporate – SME	0.00 to < 0.15	3,246	1	0.03%	0.11%	0.11%	0.35%
	0.00 to < 0.10	*952*	-	-	*0.05%*	*0.06%*	*0.19%*
	0.10 to < 0.15	*2,294*	*1*	*0.04%*	*0.13%*	*0.13%*	*0.31%*
	0.15 to < 0.25	357	1	0.28%	0.17%	0.16%	0.45%
	0.25 to < 0.50	6,634	13	0.20%	0.30%	0.37%	0.50%
	0.50 to < 0.75	7,998	22	0.28%	0.53%	0.56%	0.67%
	0.75 to < 2.50	19,387	142	0.73%	1.44%	1.66%	1.49%
	0.75 to < 1.75	*10,368*	*57*	*0.55%*	*1.02%*	*1.22%*	*0.58%*
	1.75 to < 2.50	*9,019*	*85*	*0.94%*	*2.05%*	*2.16%*	*0.93%*
	2.50 to < 10.00	20,163	493	2.45%	4.81%	4.73%	4.14%
	2.50 to < 5.00	*15,201*	*300*	*1.97%*	*3.88%*	*3.81%*	*1.72%*
	5.00 to < 10.00	*4,962*	*193*	*3.89%*	*7.57%*	*7.53%*	*3.18%*
	10.00 to < 100.00	7,153	846	11.83%	17.66%	16.89%	14.74%
	10.00 to < 20.00	*4,417*	*416*	*9.42%*	*12.49%*	*11.89%*	*5.89%*
	20.00 to < 30.00	*2,078*	*307*	*14.77%*	*24.11%*	*22.59%*	*9.72%*
	30.00 to < 100.00	*658*	*123*	*18.69%*	*35.99%*	*34.20%*	*15.58%*
	100.00 (default)	5,514	5,514	-	99.42%	98.08%	-
Corporate – Specialised lending	0.00 to < 0.15	188	-	-	0.06%	0.08%	0.25%
	0.00 to < 0.10	*106*	-	-	*0.04%*	*0.04%*	*0.23%*
	0.10 to < 0.15	*82*	-	-	*0.13%*	*0.14%*	*0.34%*
	0.15 to < 0.25	0	-	-	-	-	-
	0.25 to < 0.50	152	-	-	0.27%	0.27%	0.19%
	0.50 to < 0.75	400	3	0.75%	0.53%	0.53%	0.46%
	0.75 to < 2.50	972	17	1.75%	1.57%	1.60%	1.00%
	0.75 to < 1.75	*523*	*1*	*0.19%*	*1.13%*	*1.13%*	*0.49%*
	1.75 to < 2.50	*449*	*16*	*3.56%*	*2.17%*	*2.14%*	*1.55%*
	2.50 to < 10.00	690	16	2.32%	3.93%	4.19%	2.73%
	2.50 to < 5.00	*599*	*11*	*1.84%*	*3.60%*	*3.69%*	*1.92%*
	5.00 to < 10.00	*91*	*5*	*5.49%*	*7.31%*	*7.52%*	*6.09%*
	10.00 to < 100.00	140	13	9.29%	15.96%	16.53%	11.42%
	10.00 to < 20.00	*94*	*11*	*11.7%*	*13.23%*	*12.91%*	*9.84%*
	20.00 to < 30.00	*45*	*2*	*4.44%*	*23.86%*	*23.66%*	*17.10%*
	30.00 to < 100.00	*1*	*0*	-	*36.21%*	*36.21%*	-
	100.00 (default)	108	108	-	100.00%	100.00%	-
Corporate – Other	0.00 to < 0.15	3,541	1	0.03%	0.06%	0.14%	0.17%
	0.00 to < 0.10	*1,995*	-	-	*0.04%*	*0.09%*	*0.17%*
	0.10 to < 0.15	*1,546*	*1*	*0.06%*	*0.13%*	*0.20%*	*0.17%*
	0.15 to < 0.25	99	-	-	0.16%	0.16%	-
	0.25 to < 0.50	4,957	5	0.10%	0.26%	0.44%	0.23%
	0.50 to < 0.75	2,960	8	0.27%	0.50%	0.63%	0.45%
	0.75 to < 2.50	5,600	38	0.68%	1.52%	1.78%	1.11%
	0.75 to < 1.75	*3,124*	*17*	*0.54%*	*1.11%*	*1.36%*	*0.85%*
	1.75 to < 2.50	*2,476*	*21*	*0.85%*	*2.12%*	*2.30%*	*1.42%*
	2.50 to < 10.00	10,429	114	1.09%	4.30%	4.18%	2.94%
	2.50 to < 5.00	*8,838*	*85*	*0.96%*	*3.70%*	*3.59%*	*2.58%*
	5.00 to < 10.00	*1,591*	*29*	*1.82%*	*7.34%*	*7.42%*	*4.43%*
	10.00 to < 100.00	2,488	126	5.06%	15.3%	17.02%	10.17%
	10.00 to < 20.00	*1,247*	*50*	*4.01%*	*12.2%*	*11.95%*	*8.10%*
	20.00 to < 30.00	*1,176*	*72*	*6.12%*	*25.75%*	*21.32%*	*14.26%*
	30.00 to < 100.00	*65*	*4*	*6.15%*	*51.00%*	*31.56%*	*2.97%*
	100.00 (default)	1,080	1,080	-	99.43%	94.35%	-

		31.12.2023					
		Number of obligors at the end of the year					
Exposure class	**PD scale**		**of which number of obligors which defaulted during the year**	**Observed average default rate** (%)	**31.12.2023 Exposures weighted average PD** (%)	**31.12.2022 Average PD** (%)	**Average historical annual default rate** (%)
Retail – Secured by real estate SME	0.00 to < 0.15	29	-	-	0.03%	0.08%	0.31%
	0.00 to < 0.10	*15*	-	-	*0.03%*	*0.05%*	*0.27%*
	0.10 to < 0.15	*14*	-	-	*0.10%*	*0.10%*	-
	0.15 to < 0.25	14	-	-	0.19%	0.19%	0.15%
	0.25 to < 0.50	4,551	2	0.04%	0.39%	0.27%	0.22%
	0.50 to < 0.75	12,571	46	0.37%	0.64%	0.62%	0.37%
	0.75 to < 2.50	10,247	89	0.87%	1.29%	1.03%	0.82%
	0.75 to < 1.75	*9,906*	*89*	*0.90%*	*1.19%*	*0.99%*	*0.66%*
	1.75 to < 2.50	*341*	-	-	*2.17%*	*2.07%*	*1.29%*
	2.50 to < 10.00	2,313	40	1.73%	3.42%	2.84%	2.01%
	2.50 to < 5.00	*2,166*	*40*	*1.85%*	*3.41%*	*2.56%*	*1.58%*
	5.00 to < 10.00	*147*	-	-	*8.68%*	*6.92%*	*3.19%*
	10.00 to < 100.00	1,275	130	10.2%	18.54%	15.16%	12.29%
	10.00 to < 20.00	*1,196*	*127*	*10.62%*	*18.48%*	*14.39%*	*10.37%*
	20.00 to < 30.00	*79*	*3*	*3.8%*	*27.21%*	*26.84%*	*11.36%*
	30.00 to < 100.00	-	-	-	-	-	-
	100.00 (default)	654	654	-	100.00%	100.00%	-
Retail – Secured by real estate non-SME	0.00 to < 0.15	252,973	162	0.06%	0.07%	0.07%	0.05%
	0.00 to < 0.10	*161,977*	*80*	*0.05%*	*0.05%*	*0.06%*	*0.29%*
	0.10 to < 0.15	*90,996*	*82*	*0.09%*	*0.10%*	*0.10%*	*0.03%*
	0.15 to < 0.25	208,713	983	0.47%	0.19%	0.19%	0.10%
	0.25 to < 0.50	121,013	1,229	1.02%	0.39%	0.40%	0.17%
	0.50 to < 0.75	41,731	385	0.92%	0.56%	0.56%	0.28%
	0.75 to < 2.50	171,690	1,902	1.11%	1.22%	1.22%	0.49%
	0.75 to < 1.75	*129,570*	*1,416*	*1.09%*	*0.93%*	*0.93%*	*0.40%*
	1.75 to < 2.50	*42,120*	*486*	*1.15%*	*2.25%*	*2.11%*	*0.91%*
	2.50 to < 10.00	35,717	1,189	3.33%	5.35%	5.02%	2.05%
	2.50 to < 5.00	*25,898*	*748*	*2.89%*	*4.17%*	*3.85%*	*1.41%*
	5.00 to < 10.00	*9,819*	*441*	*4.49%*	*8.53%*	*8.11%*	*3.51%*
	10.00 to < 100.00	4,884	680	13.92%	26.04%	24.02%	11.05%
	10.00 to < 20.00	*1,749*	*107*	*6.12%*	*13.12%*	*13.61%*	*9.64%*
	20.00 to < 30.00	*2,751*	*432*	*15.7%*	*26.69%*	*25.97%*	*13.00%*
	30.00 to < 100.00	*384*	*141*	*36.72%*	*58.86%*	*57.54%*	*28.85%*
	100.00 (default)	11,366	11,366	-	100.00%	100.00%	-
Retail – Qualifying revolving	0.00 to < 0.15	1,806,088	4,723	0.26%	0.07%	0.07%	0.07%
	0.00 to < 0.10	*1,032,834*	*1,663*	*0.16%*	*0.05%*	*0.05%*	*0.01%*
	0.10 to < 0.15	*773,254*	*3,060*	*0.40%*	*0.11%*	*0.11%*	*0.06%*
	0.15 to < 0.25	874,273	1,923	0.22%	0.19%	0.19%	0.11%
	0.25 to < 0.50	467,746	3,323	0.71%	0.38%	0.37%	0.31%
	0.50 to < 0.75	35,861	937	2.61%	0.64%	0.67%	0.33%
	0.75 to < 2.50	1,254,487	18,254	1.46%	1.41%	1.31%	0.69%
	0.75 to < 1.75	*938,946*	*10,196*	*1.09%*	*0.99%*	*0.97%*	*0.35%*
	1.75 to < 2.50	*315,541*	*8,058*	*2.55%*	*2.34%*	*2.34%*	*0.36%*
	2.50 to < 10.00	507,357	29,221	5.76%	6.01%	5.85%	2.48%
	2.50 to < 5.00	*297,948*	*12,881*	*4.32%*	*4.26%*	*4.13%*	*0.89%*
	5.00 to < 10.00	*209,409*	*16,340*	*7.80%*	*8.17%*	*8.31%*	*1.74%*
	10.00 to < 100.00	193,546	32,097	16.58%	24.30%	24.85%	12.56%
	10.00 to < 20.00	*41,686*	*2,344*	*5.62%*	*12.58%*	*12.58%*	*3.84%*
	20.00 to < 30.00	*138,566*	*27,113*	*19.57%*	*27.10%*	*27.04%*	*6.06%*
	30.00 to < 100.00	*13,294*	*2,640*	*19.86%*	*42.88%*	*42.28%*	*27.77%*
	100.00 (default)	154,227	154,227	-	100.00%	100.00%	-

Exposure class	PD scale	31.12.2023 Number of obligors at the end of the year	of which number of obligors which defaulted during the year	Observed average default rate *(%)*	31.12.2023 Exposures weighted average PD *(%)*	31.12.2022 Average PD *(%)*	Average historical annual default rate *(%)*
Retail – Other SME	0.00 to < 0.15	238	1	0.42%	0.07%	0.07%	0.08%
	0.00 to < 0.10	*134*	*1*	*0.75%*	*0.05%*	*0.05%*	*0.05%*
	0.10 to < 0.15	*104*	*-*	*-*	*0.10%*	*0.10%*	*-*
	0.15 to < 0.25	5,993	38	0.63%	0.18%	0.21%	0.38%
	0.25 to < 0.50	74,541	598	0.80%	0.37%	0.34%	0.20%
	0.50 to < 0.75	35,186	723	2.05%	0.63%	0.57%	0.55%
	0.75 to < 2.50	141,823	2,515	1.77%	1.51%	1.55%	0.96%
	0.75 to < 1.75	*96,447*	*1,530*	*1.59%*	*1.21%*	*1.24%*	*0.42%*
	1.75 to < 2.50	*45,376*	*985*	*2.17%*	*2.12%*	*2.20%*	*-*
	2.50 to < 10.00	80,496	3,989	4.96%	5.10%	5.05%	3.22%
	2.50 to < 5.00	*52,512*	*2,405*	*4.58%*	*3.94%*	*4.10%*	*1.41%*
	5.00 to < 10.00	*27,984*	*1,584*	*5.66%*	*7.73%*	*6.58%*	*1.93%*
	10.00 to < 100.00	37,497	6,454	17.21%	22.84%	18.45%	10.90%
	10.00 to < 20.00	*24,072*	*2,788*	*11.58%*	*14.72%*	*12.48%*	*3.62%*
	20.00 to < 30.00	*8,947*	*1,874*	*20.95%*	*25.75%*	*23.56%*	*5.99%*
	30.00 to < 100.00	*4,478*	*1,792*	*40.02%*	*40.42%*	*40.90%*	*13.84%*
	100.00 (default)	35,342	35,342	-	99.67%	100.00%	-
Retail – Other non-SME	0.00 to < 0.15	69,043	133	0.19%	-	0.08%	0.14%
	0.00 to < 0.10	*25,302*	*52*	*0.21%*	*-*	*0.05%*	*2.44%*
	0.10 to < 0.15	*43,741*	*81*	*0.19%*	*-*	*0.10%*	*0.04%*
	0.15 to < 0.25	174,321	378	0.22%	-	0.18%	0.13%
	0.25 to < 0.50	361,763	1,970	0.54%	-	0.36%	0.25%
	0.50 to < 0.75	272,180	2,045	0.75%	0.01%	0.59%	0.36%
	0.75 to < 2.50	804,257	11,166	1.39%	0.01%	1.32%	0.74%
	0.75 to < 1.75	*659,375*	*7,334*	*1.11%*	*0.01%*	*1.14%*	*0.31%*
	1.75 to < 2.50	*144,882*	*3,832*	*2.64%*	*0.02%*	*2.13%*	*0.56%*
	2.50 to < 10.00	410,625	17,975	4.38%	0.05%	4.55%	2.50%
	2.50 to < 5.00	*282,648*	*8,691*	*3.07%*	*0.04%*	*3.46%*	*0.85%*
	5.00 to < 10.00	*127,977*	*9,284*	*7.25%*	*0.07%*	*6.95%*	*1.90%*
	10.00 to < 100.00	137,272	22,532	16.41%	0.24%	23.45%	15.79%
	10.00 to < 20.00	*53,915*	*5,952*	*11.04%*	*0.12%*	*12.45%*	*3.87%*
	20.00 to < 30.00	*63,256*	*10,125*	*16.01%*	*0.27%*	*26.63%*	*6.50%*
	30.00 to < 100.00	*20,101*	*6,455*	*32.11%*	*0.43%*	*42.99%*	*13.00%*
	100.00 (default)	174,889	174,889	-	1.00%	100.00%	-

TABLE 40: INTERNAL APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS (FIXED PD SCALE) (CR9) – FIRB

		31.12.2023					
		Number of obligors at the end of the year					
Exposure class	PD scale		of which number of obligors which defaulted during the year	Observed average default rate (%)	31.12.2023 Exposures weighted average PD (%)	31.12.2022 Average PD (%)	Average historical annual default rate (%)
Central governments and central banks	0.00 to < 0.15	294	-	-	0.00%	0.02%	-
	0.00 to < 0.10	*294*	-	-	*0.00%*	*0.02%*	-
	0.10 to < 0.15	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-
	0.50 to < 0.75	-	-	-	-	-	-
	0.75 to < 2.50	-	-	-	-	-	-
	0.75 to < 1.75	-	-	-	-	-	-
	1.75 to < 2.50	-	-	-	-	-	-
	2.50 to < 10.00	11	-	-	0.03%	3.26%	-
	2.50 to < 5.00	*11*	-	-	*0.03%*	*3.26%*	-
	5.00 to < 10.00	-	-	-	-	-	-
	10.00 to < 100.00	-	-	-	-	-	-
	10.00 to < 20.00	-	-	-	-	-	-
	20.00 to < 30.00	-	-	-	-	-	-
	30.00 to < 100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
Institutions	0.00 to < 0.15	20	-	-	0.03%	0.04%	0.05%
	0.00 to < 0.10	*18*	-	-	*0.03%*	*0.03%*	*0.05%*
	0.10 to < 0.15	*2*	-	-	*0.30%*	*0.13%*	-
	0.15 to < 0.25	0	-	-	-	-	-
	0.25 to < 0.50	0	-	-	0.26%	-	-
	0.50 to < 0.75	3	-	-	0.50%	0.50%	0.31%
	0.75 to < 2.50	2	-	-	-	1.61%	-
	0.75 to < 1.75	*1*	-	-	-	*1.10%*	-
	1.75 to < 2.50	*1*	-	-	-	*2.12%*	-
	2.50 to < 10.00	3	-	-	3.44%	4.76%	0.74%
	2.50 to < 5.00	*2*	-	-	*3.26%*	*3.26%*	*0.91%*
	5.00 to < 10.00	*1*	-	-	*7.76%*	*7.76%*	-
	10.00 to < 100.00	2	-	-	-	11.42%	5.50%
	10.00 to < 20.00	*2*	-	-	-	*11.42%*	*2.14%*
	20.00 to < 30.00	*0*	-	-	-	-	*6.11%*
	30.00 to < 100.00	*0*	-	-	-	-	-
	100.00 (default)	0	-	-	-	-	-
Corporate – SME	0.00 to < 0.15	298	-	-	0.13%	0.13%	0.25%
	0.00 to < 0.10	*2*	-	-	*0.03%*	*0.03%*	*0.11%*
	0.10 to < 0.15	*296*	-	-	*0.13%*	*0.13%*	*0.32%*
	0.15 to < 0.25	120	-	-	0.16%	0.16%	0.01%
	0.25 to < 0.50	740	1	0.14%	0.28%	0.27%	0.40%
	0.50 to < 0.75	1,236	-	-	0.54%	0.53%	0.55%
	0.75 to < 2.50	3,813	33	0.87%	1.43%	1.49%	1.51%
	0.75 to < 1.75	*2,057*	*10*	*0.49%*	*1.00%*	*1.09%*	*1.07%*
	1.75 to < 2.50	*1,756*	*23*	*1.31%*	*1.86%*	*1.97%*	*2.05%*
	2.50 to < 10.00	4,993	138	2.76%	4.87%	4.51%	4.64%
	2.50 to < 5.00	*3,906*	*85*	*2.18%*	*3.96%*	*3.67%*	*3.90%*
	5.00 to < 10.00	*1,087*	*53*	*4.88%*	*7.60%*	*7.57%*	*7.30%*
	10.00 to < 100.00	1,735	198	11.41%	18.23%	19.95%	15.26%
	10.00 to < 20.00	*989*	*111*	*11.22%*	*12.51%*	*12.55%*	*11.66%*
	20.00 to < 30.00	*383*	*58*	*15.14%*	*23.61%*	*24.37%*	*21.17%*
	30.00 to < 100.00	*363*	*29*	*7.99%*	*35.52%*	*35.94%*	*3.17%*
	100.00 (default)	977	977		100.00%	100.00%	-

		31.12.2023					
		Number of obligors at the end of the year					
Exposure class	**PD scale**		**of which number of obligors which defaulted during the year**	**Observed average default rate** *(%)*	**31.12.2023 Exposures weighted average PD** *(%)*	**31.12.2022 Average PD** *(%)*	**Average historical annual default rate** *(%)*
Corporate – Other	0.00 to < 0.15	498	-	-	0.07%	0.08%	0.09%
	0.00 to < 0.10	*279*	-	-	*0.05%*	*0.04%*	*0.06%*
	0.10 to < 0.15	*219*	-	-	*0,13%*	*0.13%*	*0.14%*
	0.15 to < 0.25	45	-	-	0.16%	0.16%	-
	0.25 to < 0.50	356	1	0.28%	0.27%	0.27%	0.24%
	0.50 to < 0.75	513	-	-	0.52%	0.53%	0.30%
	0.75 to < 2.50	1,073	5	0.47%	1.60%	1.57%	0.94%
	0.75 to < 1.75	*628*	*3*	*0.48%*	*1.19%*	*1.18%*	*0.68%*
	1.75 to < 2.50	*445*	*2*	*0.45%*	*2.12%*	*2.12%*	*1.27%*
	2.50 to < 10.00	2,483	51	2.05%	4.40%	4.09%	3.27%
	2.50 to < 5.00	*2,099*	*38*	*1.81%*	*3.67%*	*3.50%*	*2.80%*
	5.00 to < 10.00	*384*	*13*	*3.39%*	*7.31%*	*7.31%*	*5.23%*
	10.00 to < 100.00	522	24	4.60%	17.78%	17.35%	10.91%
	10.00 to < 20.00	*337*	*12*	*3.56%*	*12.44%*	*12.82%*	*8.52%*
	20.00 to < 30.00	*170*	*11*	*6.47%*	*25.91%*	*24.91%*	*14.70%*
	30.00 to < 100.00	*15*	*1*	*6.67%*	*33.68%*	*34.69%*	*3.15%*
	100.00 (default)	204	204	-	100.00%	100.00%	-

TABLE 41: INTERNAL APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS (ONLY FOR PD ESTIMATES ACCORDING TO POINT (F) OF ARTICLE 180(1) CRR) (CR9.1) – AIRB

		31.12.2023					
			Number of obligors at the end of the year				
Exposure class	PD range	External rating equivalent (S&P)		of which number of obligors which defaulted during the year	Observed average default rate *(%)*	31.12.2022 Average PD *(%)*	Average historical annual default rate *(%)*
Central governments and central banks	0.000 to < 0.011	AAA	29	-	-	0.01%	0.04%
	0.011 to < 0.017	AA+	257	-	-	0.01 %	-
	0.017 to < 0.023	AA	38	-	-	0.02%	-
	0.023 to < 0.029	AA-	11	-	-	0.03%	-
	0.029 to < 0.034	A+	11	-	-	0.03 %	-
	0.034 to < 0.047	A	5	-	-	0.04%	-
	0.047 to < 0.089	A-	3	-	-	0.06 %	-
	0.089 to < 0.183	BBB+	3	-	-	0.13 %	0.50%
	0.183 to < 0.359	BBB	10	-	-	0.26%	-
	0.359 to < 0.743	BBB-	9	-	-	0.50%	-
	0.743 to < 1.529	BB+	2	-	-	1.10 %	0.59 %
	1.529 to < 2.632	BB	8	-	-	2.12%	-
	2.632 to < 3.877	BB-	151	-	-	3.26%	0.69%
	3.877 to < 5.983	B+	10	-	-	4.61%	-
	5.983 to < 9.414	B	8	-	-	7.76 %	1.29 %
	9.414 to < 12.792	B-	10	-	-	11.42 %	0.69%
	12.792 to < 17.113	CCC+	7	-	-	14.33 %	1.71 %
	17.113 to < 23.6	CCC	1	-	-	20.44 %	10.00 %
	23.60 to < 100.00	C / CC / CCC-	1	-	-	27.25 %	10.12 %
	100.00 (default)	D / SD	10	10	-	100.00%	-
Institutions	0.000 to < 0.011	AAA	-	-	-	-	0.14%
	0.011 to < 0.017	AA+	-	-	-	-	-
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	1,398	-	-	0.03%	0.15%
	0.034 to < 0.047	A	332	1	0.30%	0.04%	0.40%
	0.047 to < 0.089	A-	374	-	-	0.06%	0.18%
	0.089 to < 0.183	BBB+	389	-	-	0.13%	0.24%
	0.183 to < 0.359	BBB	327	1	0.31%	0.26%	0.09%
	0.359 to < 0.743	BBB-	136	-	-	0.50%	0.26%
	0.743 to < 1.529	BB+	58	-	-	1.10%	0.24%
	1.529 to < 2.632	BB	45	-	-	2.12%	0.10%
	2.632 to < 3.877	BB-	476	2	0.42%	3.19%	0.57%
	3.877 to < 5.983	B+	34	-	-	4.61%	0.90%
	5.983 to < 9.414	B	28	-	-	7.76%	1.03%
	9.414 to < 12.792	B-	18	-	-	11.42%	2.16%
	12.792 to < 17.113	CCC+	20	-	-	14.33%	1.40%
	17.113 to < 23.6	CCC	15	1	6.67%	20.44%	6.05%
	23.60 to < 100.00	C / CC / CCC-	11	1	9.09%	27.25%	14.15%
	100.00 (default)	D / SD	19	19	-	100.00%	-

		31.12.2023					
			Number of obligors at the end of the year				
Exposure class	PD range	External rating equivalent (S&P)		of which number of obligors which defaulted during the year	Observed average default rate (%)	31.12.2022 Average PD (%)	Average historical annual default rate (%)
Corporate – SME	0.000 to < 0.011	AAA	-	-	-	-	-
	0.011 to < 0.017	AA+	-	-	-	-	1.11%
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	23	-	-	0.03%	0.81%
	0.034 to < 0.047	A	17	-	-	0.04%	1.39%
	0.047 to < 0.089	A-	906	-	-	0.06%	0.19%
	0.089 to < 0.183	BBB+	2,630	1	0.04%	0.13%	0.30%
	0.183 to < 0.359	BBB	4,386	7	0.16%	0.31%	0.41%
	0.359 to < 0.743	BBB-	6,376	16	0.25%	0.55%	0.67%
	0.743 to < 1.529	BB+	10,015	56	0.56%	1.22%	1.15%
	1.529 to < 2.632	BB	8,825	80	0.91%	2.24%	0.56%
	2.632 to < 3.877	BB-	9,083	160	1.76%	3.30%	2.86%
	3.877 to < 5.983	B+	6,146	155	2.52%	4.72%	4.61%
	5.983 to < 9.414	B	4,499	170	3.78%	7.72%	6.25%
	9.414 to < 12.792	B-	2,625	218	8.30%	10.61%	11.26%
	12.792 to < 17.113	CCC+	1,683	186	11.05%	13.36%	13.04%
	17.113 to < 23.6	CCC	1,022	142	13.89%	18.96%	16.88%
	23.60 to < 100.00	C / CC / CCC-	1,857	305	16.42%	27.92%	22.46%
	100.00 (default)	D / SD	5,450	5,450	-	98.06%	-
Corporate – Specialised lending	0.000 to < 0.011	AAA	-	-	-	-	1.75%
	0.011 to < 0.017	AA+	-	-	-	-	-
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	42	-	-	0.03%	0.52%
	0.034 to < 0.047	A	22	-	-	0.04%	0.15%
	0.047 to < 0.089	A-	42	-	-	0.06%	-
	0.089 to < 0.183	BBB+	82	-	-	0.14%	0.34%
	0.183 to < 0.359	BBB	152	-	-	0.27%	0.19%
	0.359 to < 0.743	BBB-	400	3	0.75%	0.53%	0.46%
	0.743 to < 1.529	BB+	523	1	0.19%	1.13%	0.49%
	1.529 to < 2.632	BB	450	16	3.56%	2.15%	0.50%
	2.632 to < 3.877	BB-	424	5	1.18%	3.29%	1.50%
	3.877 to < 5.983	B+	184	6	3.26%	4.67%	2.82%
	5.983 to < 9.414	B	82	5	6.10%	7.79%	6.16%
	9.414 to < 12.792	B-	48	3	6.25%	11.56%	7.78%
	12.792 to < 17.113	CCC+	46	8	17.39%	14.31%	18.25%
	17.113 to < 23.6	CCC	25	-	-	20.6%	16.69%
	23.60 to < 100.00	C / CC / CCC-	21	2	9.52%	27.9%	19.23%
	100.00 (default)	D / SD	108	108	-	100.00%	-

		31.12.2023					
			Number of obligors at the end of the year				
Exposure class	PD range	External rating equivalent (S&P)		of which number of obligors which defaulted during the year	Observed average default rate *(%)*	31.12.2022 Average PD *(%)*	Average historical annual default rate *(%)*
Corporate – Other	0.000 to < 0.011	AAA	-	-	-	-	2.18%
	0.011 to < 0.017	AA+	-	-	-	-	0.67%
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	926	-	-	0.12%	0.13%
	0.034 to < 0.047	A	332	-	-	0.09%	0.15%
	0.047 to < 0.089	A-	740	-	-	0.06%	0.16%
	0.089 to < 0.183	BBB+	1,642	1	0.06%	0.20%	0.16%
	0.183 to < 0.359	BBB	4,957	5	0.10%	0.44%	0.23%
	0.359 to < 0.743	BBB-	2,960	8	0.27%	0.63%	0.45%
	0.743 to < 1.529	BB+	3,124	17	0.54%	1.36%	0.85%
	1.529 to < 2.632	BB	2,650	21	0.79%	2.32%	0.38%
	2.632 to < 3.877	BB-	6,669	65	0.97%	3.30%	2.19%
	3.877 to < 5.983	B+	2,173	26	1.20%	4.62%	3.33%
	5.983 to < 9.414	B	1,467	25	1.70%	7.64%	4.45%
	9.414 to < 12.792	B-	787	27	3.43%	10.87%	8.29%
	12.792 to < 17.113	CCC+	416	21	5.05%	13.19%	8.68%
	17.113 to < 23.6	CCC	300	24	8.00%	17.90%	14.94%
	23.60 to < 100.00	C / CC / CCC-	999	56	5.61%	22.78%	14.27%
	100.00 (default)	D / SD	1,080	1,080	-	94.35%	-

TABLE 42: INTERNAL APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS (ONLY FOR PD ESTIMATES ACCORDING TO POINT (F) OF ARTICLE 180(1) CRR) (CR9.1) – FIRB

		31.12.2023					
			Number of obligors at the end of the year				
Exposure class	**PD range**	**External rating equivalent (S&P)**		**of which number of obligors which defaulted during the year**	**Observed average default rate** *(%)*	**31.12.2022 Average PD** *(%)*	**Average historical annual default rate** *(%)*
Central governments and central banks	0.000 to < 0.011	AAA	-	-	-	-	-
	0.011 to < 0.017	AA+	270	-	-	0.01%	-
	0.017 to < 0.023	AA	11	-	-	0.02%	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	-	-	-	-	-
	0.034 to < 0.047	A	12	-	-	0.04%	-
	0.047 to < 0.089	A-	1	-	-	0.06%	-
	0.089 to < 0.183	BBB+	-	-	-	-	-
	0.183 to < 0.359	BBB	-	-	-	-	-
	0.359 to < 0.743	BBB-	-	-	-	-	-
	0.743 to < 1.529	BB+	-	-	-	-	-
	1.529 to < 2.632	BB	-	-	-	-	-
	2.632 to < 3.877	BB-	11	-	-	3.26%	-
	3.877 to < 5.983	B+	-	-	-	-	-
	5.983 to < 9.414	B	-	-	-	-	-
	9.414 to < 12.792	B-	-	-	-	-	-
	12.792 to < 17.113	CCC+	-	-	-	-	-
	17.113 to < 23.6	CCC	-	-	-	-	-
	23.60 to < 100.00	C / CC / CCC-	-	-	-	-	-
	100.00 (default)	D / SD	-	-	-	-	-
Institutions	0.000 to < 0.011	AAA	-	-	-	-	-
	0.011 to < 0.017	AA+	-	-	-	-	-
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	16	-	-	0.03%	0.03%
	0.034 to < 0.047	A	2	-	-	0.04%	0.32%
	0.047 to < 0.089	A-	-	-	-	-	-
	0.089 to < 0.183	BBB+	2	-	-	0.13%	-
	0.183 to < 0.359	BBB	-	-	-	-	-
	0.359 to < 0.743	BBB-	3	-	-	0.50%	0.31%
	0.743 to < 1.529	BB+	1	-	-	1.10%	-
	1.529 to < 2.632	BB	1	-	-	2.12%	-
	2.632 to < 3.877	BB-	2	-	-	3.26%	0.93%
	3.877 to < 5.983	B+	-	-	-	-	0.83%
	5.983 to < 9.414	B	1	-	-	7.76%	-
	9.414 to < 12.792	B-	2	-	-	11.42%	4.58%
	12.792 to < 17.113	CCC+	-	-	-	-	-
	17.113 to < 23.6	CCC	-	-	-	-	-
	23.60 to < 100.00	C / CC / CCC-	-	-	-	-	5.83%
	100.00 (default)	D / SD	-	-	-	-	-

			31.12.2023				
			Number of obligors at the end of the year				
Exposure class	PD range	External rating equivalent (S&P)		of which number of obligors which defaulted during the year	Observed average default rate *(%)*	31.12.2022 Average PD *(%)*	Average historical annual default rate *(%)*
Corporate – SME	0.000 to < 0.011	AAA	-	-	-	-	-
	0.011 to < 0.017	AA+	-	-	-	-	-
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	1	-	-	0.03%	0.08%
	0.034 to < 0.047	A	1	-	-	0.04%	0.23%
	0.047 to < 0.089	A-	-	-	-	-	0.08%
	0.089 to < 0.183	BBB+	415	-	-	0.14%	0.31%
	0.183 to < 0.359	BBB	740	1	0.14%	0.27%	0.40%
	0.359 to < 0.743	BBB-	1,236	-	-	0.53%	0.55%
	0.743 to < 1.529	BB+	2,057	10	0.49%	1.09%	1.07%
	1.529 to < 2.632	BB	1,953	25	1.28%	2.03%	0.66%
	2.632 to < 3.877	BB-	2,445	51	2.09%	3.25%	3.29%
	3.877 to < 5.983	B+	1,445	44	3.04%	4.72%	5.00%
	5.983 to < 9.414	B	959	45	4.69%	7.84%	7.31%
	9.414 to < 12.792	B-	591	60	10.15%	11.01%	10.61%
	12.792 to < 17.113	CCC+	377	54	14.32%	14.53%	13.62%
	17.113 to < 23.6	CCC	206	29	14.08%	20.39%	16.95%
	23.60 to < 100.00	C / CC / CCC-	574	61	10.63%	32.53%	25.55%
	100.00 (default)	D / SD	977	977	-	100.00%	-
Corporate – Other	0.000 to < 0.011	AAA	-	-	-	-	-
	0.011 to < 0.017	AA+	-	-	-	-	-
	0.017 to < 0.023	AA	-	-	-	-	-
	0.023 to < 0.029	AA-	-	-	-	-	-
	0.029 to < 0.034	A+	99	-	-	0.03%	0.02%
	0.034 to < 0.047	A	77	-	-	0.04%	0.02%
	0.047 to < 0.089	A-	103	-	-	0.06%	0.12%
	0.089 to < 0.183	BBB+	262	-	-	0.14%	0.13%
	0.183 to < 0.359	BBB	356	1	0.28%	0.27%	0.24%
	0.359 to < 0.743	BBB-	513	-	-	0.53%	0.30%
	0.743 to < 1.529	BB+	628	3	0.48%	1.18%	0.68%
	1.529 to < 2.632	BB	509	2	0.39%	2.18%	0.33%
	2.632 to < 3.877	BB-	1,516	32	2.11%	3.22%	2.41%
	3.877 to < 5.983	B+	564	8	1.42%	4.50%	3.61%
	5.983 to < 9.414	B	349	12	3.44%	7.48%	5.25%
	9.414 to < 12.792	B-	190	6	3.16%	11.19%	7.92%
	12.792 to < 17.113	CCC+	130	4	3.08%	14.33%	10.05%
	17.113 to < 23.6	CCC	78	6	7.69%	19.79%	15.75%
	23.60 to < 100.00	C / CC / CCC-	130	9	6.92%	27.93%	15.74%
	100.00 (default)	D / SD	204	204	-	100.00%	-

TABLE 43: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – RETAIL CLIENTS

	31.12.2023		
Basel portfolio	**A-IRB LGD**	**Estimated losses excluding margin of prudence**	**Observed EAD/ A-IRB EAD**
Real estate loans (excl. guaranteed exposures)	18%	13%	-
Revolving credits	47%	23%	77%
Other loans to individual customers	30%	25%	-
VSB and professionals	28%	18%	81%
Total Group retail clients	**26%**	**19%**	**79%**

The changes in EAD can be explained by the merger of BDDF-CDN (Vision 2025).

	31.12.2022		
Basel portfolio	**A-IRB LGD**	**Estimated losses excluding margin of prudence**	**Observed EAD/ A-IRB EAD**
Real estate loans (excl. guaranteed exposures)	18%	12%	-
Revolving credits	49%	21%	79%
Other loans to individual customers	30%	25%	-
VSB and professionals	28%	19%	77%
Total Group retail clients	**26%**	**19%**	**79%**

Governance of the modeling of credit risk

Credit own funds estimation models are subject to the global model risk management framework (see Chapter 4.12 “Model risk”).

The first line of defence is responsible for designing, putting into production, using and monitoring models, in compliance with model risk management governance rules throughout the model lifecycle, which include for credit risk internal models traceability of development and implementation stages and annual backtesting. Depending on the specificities of each model family, in particular depending on the regulatory environment, the second line of defence (LOD2) may decide to perform the backtesting of the model family. In such case the LOD2 is responsible for defining a dedicated standard for the model family and informing the first line of defence (starting with the model owner) of the outcome of the backtesting.

The Model Risk Department, reporting directly to the Risk Department, acts as a second line of defence for all credit risk models. Independent model review teams rely, for the conduct of their missions, on principles of control of the theoretical robustness (assessment of the quality of the design and development) of the models, the conformity of the implementation and the use, the continuous follow-up of model relevance over time. The independent review process concludes with (i) a report summarising the scope of the review, the tests performed, the results of the review, the conclusions or recommendations and with (ii) Reviewing and Approval Committees (respectively *Comité Modèles* and *Comité Experts* in the case of credit risk models). The model control system gives rise to recurring reports to the Risk Department within the framework of various bodies and processes (Group Model Risk Management Committee, Risk Appetite Statement/ Risk Appetite Framework, monitoring of recommendations, etc.) and annually to the General Management (CORISQ). The Model Risk Department reviews, amongst others, new models, backtesting results and any change to the credit own funds estimation models. In accordance with the Delegated Regulation (EU) No. 529/2014 of 20 May 2014 relating to the follow-up of internal models used for own funds computation, any model change to the Group’s credit risk measurement system is then subjected to two main types of notification to the competent supervisor, depending on the significant nature of the change laid down by this regulation itself:

- significant changes which are subject to a request for approval prior to their implementation;
- other changes which should be notified to the competent authorities: (i) prior to their implementation: changes, according to the criteria defined by the regulation, are notified to the Supervisor (*ex-ante* notification); barring a negative response, these may be implemented within a two months period; (ii) after their implementation: these changes are notified to the competent authorities after their implementation at least once a year, through a specific report (*ex-post* notification).

The Internal Audit Department, as a third line of defence, is responsible for periodically assessing the overall effectiveness of the model risk management framework (relevance of the model risk governance and efficiency of second line of defence activities) and performing the independent model audit.

Climate risk – Measuring sensitivity to transition risk

Transition risk's impact on Societe Generale Corporate clients' credit risk has been identified as one of the main climate change-related risk for the Group.

To measure this impact, the Group has progressively integrated a Corporate Climate Vulnerability Indicator (CCVI), which is based on an Industry Climate Vulnerability Indicator (ICVI) concerning credit risk assessments carried out on customers for whom a credit risk rating is carried out, excluding Financial Institutions.

The ICVI score reflects the vulnerability to climate change of the companies that are least advanced on climate strategies in each business sector. The CCVI is a function of the ICVI and a company climate questionnaire assessing the climate strategy of individual companies.

(See section 4.13.4 "Incorporating the environment in the risk management framework").

6.5 QUANTITATIVE INFORMATION

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

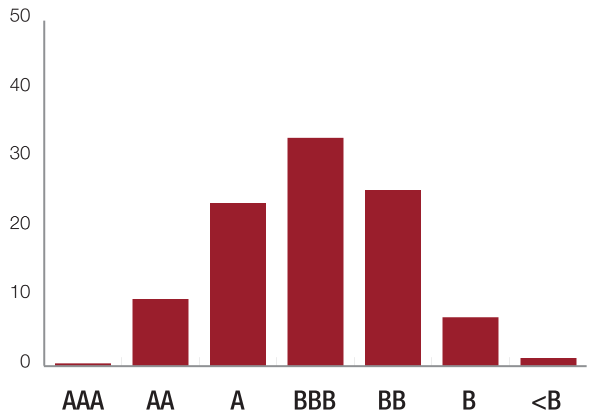
The grouping used is based on the main economic activity of counterparties. The EAD is broken down according to the guarantor's characteristics, after taking into account the substitution effect (unless otherwise indicated).

TABLE 44: EXPOSURE CLASSES

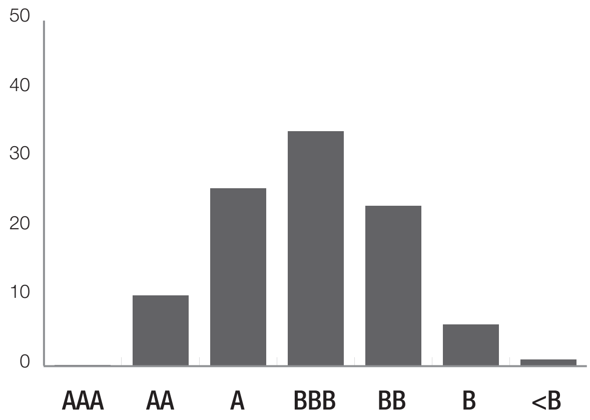
Sovereigns	Claims or contingent claims on sovereign governments, regional authorities, local authorities or public sector entities as well as on multilateral development banks enjoying a preferential weighting and international organisations.
Institutions	Claims or contingent claims on regulated credit institutions, as well as on governments, local authorities, multilateral development banks or other public sector entities that do not qualify as sovereign counterparties.
Corporates	Claims or contingent claims on corporates, which include all exposures not covered in the portfolios defined above. In addition, small/medium-sized enterprises are included in this category as a sub-portfolio, and are defined as entities with total annual sales below EUR 50 million.
Retail	Claims or contingent claims on an individual or individuals, or on a small or medium-sized entity, provided in the latter case that the total amount owed to the credit institution does not exceed EUR 1 million. Retail exposure is further broken down into residential mortgages, revolving credit and other forms of credit to individuals, the remainder relating to exposures to very small entities and self-employed.
Others	Claims relating to securitisation transactions, equity, fixed assets, accruals, contributions to the default fund of a CCP, as well as exposures secured by mortgages on immovable property under the standardised approach, and exposures in default under the standardised approach.

Corporate and banking clients' exposure

BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2023 (AS % OF EAD)



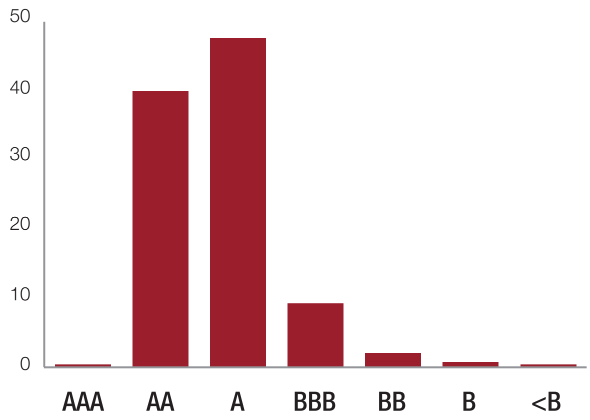
BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2022 (AS % OF EAD)



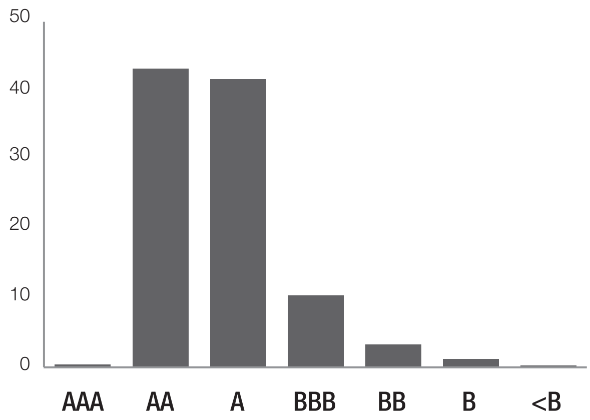
The scope includes performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialised financing) for the entire Corporate client portfolio, all divisions combined, and represents EAD of EUR 312 billion (out of total EAD for the Basel Corporate client portfolio of EUR 358 billion, standard method included). The breakdown by rating of the Group's Corporate exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

At 31 december 2023, the majority of the portfolio (67% of Corporate clients) had an investment grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB-. Transactions with non-investment grade counterparties were very often backed by guarantees and collateral in order to mitigate the risk incurred.

BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2023 (AS % OF EAD)



BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2022 (AS % OF EAD)



The scope includes performing loans recorded under the IRB method for the entire Bank client portfolio, all divisions combined, and represents EAD of EUR 59 billion (out of total EAD for the Basel Bank client portfolio of EUR 98 billion, standard method included). The breakdown by rating of the Societe Generale Group's bank counterparty exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

At 31 decembrer 2023, exposure on banking clients was concentrated in investment grade counterparties (97% of exposure).

Change in risk-weighted assets (RWA) and capital requirements for credit and counterparty credit risks

TABLE 45: CHANGE IN RISK-WEIGHTED ASSETS (RWA) BY APPROACH (CREDIT AND COUNTERPARTY CREDIT RISKS)

(In EURm)	RWA - IRB	RWA - Standard	RWA - Total	Capital requirements - IRB	Capital requirements - Standard	Capital requirements - total
RWA as at end of previous reporting period (31.12.2022)	**198,572**	**99,311**	**297,883**	**15,886**	**7,945**	**23,831**
Asset size	(5,373)	6,842	1,469	(430)	547	118
Asset quality	(185)	(429)	(614)	(15)	(34)	(49)
Model updates	8,023	-	8,023	642	-	642
Methodology and policy	(2,218)	-	(2,218)	(177)	-	(177)
Acquisitions and disposals	13,250	7,133	20,382	1,060	571	1,631
Foreign exchange movements	(1,499)	(266)	(1,766)	(120)	(21)	(141)
Other	-	-	-	-	-	-
RWA as at end of reporting period (31.12.2023)	**210,570**	**112,591**	**323,161**	**16,846**	**9,007**	**25,853**

The table above presents the data without CVA (Credit Valuation Adjustment).

The main effects explaining the EUR 25 billion increase in RWA (excluding CVA) over the year 2023 are the following:

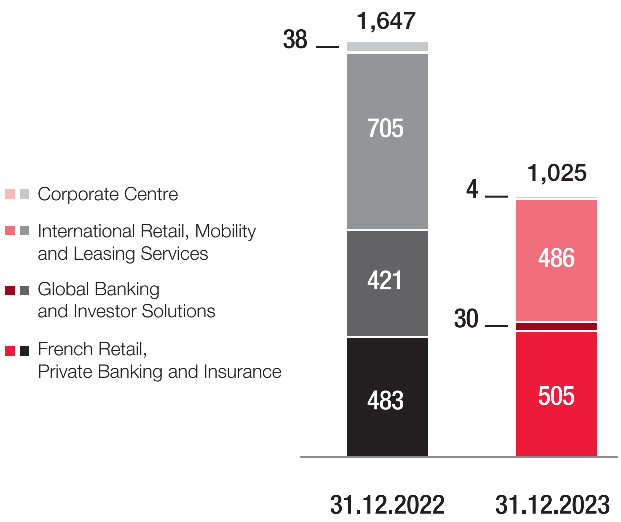
- an acquisition and disposal effect of EUR +20 billion mainly related to the acquisition of the entity LeasePlan;
- a methodological effect of EUR -2.0 billion mainly related to the computaion of the financial maturities using the cash flows on the Undrawn revolving credit lines;
- a model effect of EUR +8 billion in line with the main scope's changes in 2023 : review of the agencies network resulting from the merger of Crédit du Nord and Société Générale and the acquisition of the entity LeasePlan;
- A foreign exchange effect of EUR -1.8 billion euros mainly linked to the depreciation of the US dollar against the euro.

The effects are defined as follows:

- asset size: organic changes in book size and composition (including the creation of new business lines and maturing loans) but excluding changes due to acquisitions and disposals of entities;
- asset quality: changes in the quality of the Bank's assets due to changes in borrower risk, such as rating grade migration or similar effects;
- model updates: changes due to model implementation, changes in model scope or any changes intended to address model weaknesses;
- methodology and policy: changes due to methodological changes in calculations driven by regulatory changes, including both revisions to existing regulations and new regulations;
- acquisitions and disposals: changes in book size due to acquisitions and disposals of entities;
- foreign exchange movements: changes arising from market fluctuations, such as foreign currency translation movements;
- other: this category is used to capture changes that cannot be attributed to any other categories.

Net cost of risk

CHANGE IN GROUP NET COST OF RISK (IN EURM)



The Group's net cost of risk in 2023 is EUR -1,025 million, down by 38% compared to 2022. This decrease is broken down into a moderate rise of cost of risk on defaulted outstandings (stage 3) at 20 bp compared to 17 bp in 2022 and limited reversals on performing exposures (stage 1/ stage 2) of -3 bp as a result of the decrease of Russian counterparty exposure, vs +12 bp in 2022.

The cost of risk (expressed in basis points on the average of outstandings at the beginning of the period for the four quarters preceding the closing, including operating leases) thus stands at 17 basis points for the year 2023 compared to 28 basis points in 2022.

- In **French Retail Banking**, the cost of risk remains stable at 20 basis points, the same figure as 2022. This NCR includes a reversal of -2 bps on performing exposures (vs an allowance of 4 bp in 2022).
- At 32 basis points in 2023 (compared to 52 basis points in 2022), the cost of risk of the International **Retail Banking and Mobility and Leasing services** division marks a sharp fall, which can be attributed to a lower level of NCR on defaulted outstandings (stage 3) combined with a reduction in the cost of risk on performing exposures (stage 1/stage 2, +1 bp compared to +15 bp in 2022).
- The cost of risk for **Global Banking and Investor Solutions** presents a very moderate level of +2 bp (compared to 23 basis points in 2022), the increase of NCR on defaulted exposures (11 bp compared to 4 bp in 2022), being more than compensated by the decrease of the NCR on performing exposures (-9 bp compared to +20 bp in 2022).

NON-PERFORMING LOANS (NPL)

Non-performing loans (NPL) analysis

The following tables have been prepared in accordance with the technical instructions of the European Banking Authority (EBA) regarding the disclosure of non-performing and renegotiated exposures (EBA/ITS/2020/04).

They present the credit quality of restructured exposures and of performing and non-performing exposures, by geographical area and industry sector, with provisions and associated collateral, as well as details of the change over the period of outstanding loans and non-performing advances.

For information purposes, and in accordance with the ECB's recommendations, the concepts of Basel default, impaired assets and non-performing exposures are aligned within the Group.

The non-performing loans ratio at the end of December 2023 was 2.9%.

This ratio is calculated in accordance with the instructions relating to the requirements of prudential disclosures published by the EBA.

Restructured debt

For the Société Générale group, "restructured" debt refers to loans with amounts, terms or financial conditions contractually modified due to the borrower's financial difficulties (whether these financial difficulties have already occurred or will definitely occur unless the debt is restructured). Société Générale aligns its definition of restructured loans with the EBA one.

Restructured debt does not include commercial renegotiations involving customers for whom the Bank has agreed to renegotiate the debt in order to maintain or develop a business relationship, in accordance with credit approval rules and without any financial difficulties.

Any situation leading to a credit restructuring and involving a loss of value greater than 1% of the original debt or in which the customer's ability to repay the debt according to the new schedule appears compromised must result in the classification of the customer concerned in default. Basel and the classification of outstandings as impaired, in accordance with the EBA directives on the application of the definition of default according to Article 178 of European Regulation No. 575/2013. In this case, customers are kept in default as long as the Bank is uncertain about their ability to honor their future commitments and at least for one year from the date of the restructuring. In other cases, an analysis of the customer's situation makes it possible to estimate his ability to repay according to the new schedule. If this ability is proved, the client can be remained in performing loans. Otherwise, the customer is also transferred to Basel default.

The total balance sheet amount of restructured debt at 31 December 2023 mainly corresponds to loans and receivables at amortised cost for an amount of EUR 5.8 billion.

TABLE 46: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS (CR1)

	31.12.2023														
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
(In EURm)	Total	of which stage 1[(1)]	of which stage 2[(2)]	Total	of which stage 2[(2)]	of which stage 3[(3)]	Total	of which stage 1[(1)]	of which stage 2[(2)]	Total	of which stage 2[(2)]	of which stage 3[(3)]	Accumulated write-off	On performing exposures	On non performing exposures
Cash balances at central banks and other demand deposits	**259,654**	**255,991**	**3,663**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**535,465**	**480,497**	**39,392**	**16,059**	**-**	**16,059**	**(2,984)**	**(1,041)**	**(1,942)**	**(7,359)**	**-**	**(7,359)**	**(62)**	**285,175**	**5,422**
Central banks	13,828	13,828	-	-	-	-	(0)	(0)	-	-	-	-	-	21	-
General governments	29,725	21,468	917	111	-	111	(11)	(8)	(3)	(68)	-	(68)	-	8,099	20
Credit institutions	18,421	17,978	385	22	-	22	(3)	(3)	(0)	(8)	-	(8)	-	1,952	7
Other financial corporations	37,498	34,983	50	100	-	100	(15)	(14)	(1)	(100)	-	(100)	(62)	8,256	-
Non-financial corporations	241,514	215,444	20,716	10,000	-	10,000	(1,948)	(628)	(1,320)	(4,448)	-	(4,448)	-	118,879	3,946
of which SMEs	*57,480*	*50,009*	*6,564*	*5,259*	*-*	*5,259*	*(689)*	*(263)*	*(426)*	*(2,780)*	*-*	*(2,780)*	*-*	*36,889*	*1,902*
Households	194,479	176,796	17,324	5,826	-	5,826	(1,006)	(389)	(618)	(2,735)	-	(2,735)	-	147,970	1,449
Debt securities	**61,461**	**60,791**	**95**	**132**	**-**	**132**	**(38)**	**(6)**	**(32)**	**(48)**	**-**	**(48)**		**9,278**	**-**
Central banks	4,105	4,105	-	-	-	-	-	-	-	-	-	-		-	-
General governments	42,040	41,661	17	-	-	-	(5)	(5)	(0)	-	-	-		-	-
Credit institutions	5,668	5,668	-	-	-	-	(0)	(0)	-	-	-	-		892	-
Other financial corporations	1,868	1,804	1	-	-	-	(2)	(1)	(1)	-	-	-		1,266	-
Non-financial corporations	7,779	7,552	76	132	-	132	(31)	(0)	(30)	(48)	-	(48)		7,120	-
Off-balance-sheet exposures	**446,915**	**438,525**	**8,390**	**953**	**-**	**953**	**(535)**	**(215)**	**(321)**	**(285)**	**-**	**(285)**		**74,203**	**181**
Central banks	208	208	-	-	-	-	(0)	(0)	-	-	-	-		51	-
General governments	9,002	8,641	361	1	-	1	(3)	(2)	(1)	-	-	-		4,998	-
Credit institutions	138,184	137,934	250	75	-	75	(14)	(1)	(13)	(1)	-	(1)		400	-
Other financial corporations	83,114	82,907	207	-	-	-	(26)	(6)	(21)	-	-	-		12,556	-
Non-financial corporations	204,610	197,408	7,201	797	-	797	(440)	(184)	(256)	(256)	-	(256)		52,817	175
Households	11,797	11,426	371	81	-	81	(53)	(22)	(30)	(28)	-	(28)		3,380	6
TOTAL	**1,303,494**	**1,235,803**	**51,540**	**17,144**	**-**	**17,144**	**(3,557)**	**(1,262)**	**(2,295)**	**(7,692)**	**-**	**(7,692)**	**(62)**	**368,656**	**5,603**

(1) Assets without significant increase in credit risk since initial recognition.
(2) Assets with significant increase in credit risk since initial recognition, but not impaired..
(3) Impaired assets.

(In EURm)	31.12.2022														
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
	Total	of which stage 1[1]	of which stage 2[2]	Total	of which stage 2[2]	of which stage 3[3]	Total	of which stage 1[1]	of which stage 2[2]	Total	of which stage 2[2]	of which stage 3[3]	Accumulated write-off	On performing exposures	On non performing exposures
Cash balances at central banks and other demand deposits	**237,810**	**237,734**	**77**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**554,357**	**494,175**	**43,563**	**15,938**	**-**	**15,926**	**(3,168)**	**(1,036)**	**(2,131)**	**(7,689)**	**-**	**(7,684)**	**(143)**	**299,788**	**5,042**
Central banks	8,151	8,150	-	13	-	13	-	-	-	(13)	-	(13)	-	65	-
General governments	26,309	19,218	317	158	-	158	(10)	(7)	(2)	(71)	-	(71)	-	6,736	47
Credit institutions	19,744	19,357	375	21	-	21	(5)	(5)	(1)	(8)	-	(8)	-	2,863	13
Other financial corporations	44,137	41,448	79	147	-	147	(10)	(6)	(4)	(128)	-	(128)	-	9,790	18
Non-financial corporations	255,467	226,012	22,720	10,193	-	10,183	(2,080)	(642)	(1,438)	(4,724)	-	(4,719)	(143)	126,158	3,595
of which SMEs	*60,992*	*51,426*	*8,431*	*4,912*	*-*	*4,912*	*(658)*	*(244)*	*(414)*	*(2,552)*	*-*	*(2,552)*	*-*	*40,653*	*1,688*
Households	200,549	179,989	20,072	5,405	-	5,404	(1,063)	(376)	(687)	(2,744)	-	(2,744)	-	154,175	1,370
Debt securities	**58,791**	**58,338**	**146**	**216**	**-**	**216**	**(11)**	**(7)**	**(4)**	**(61)**	**-**	**(61)**		**8,444**	**-**
Central banks	3,234	3,234	-	-	-	-	-	-	-	-	-	-		-	-
General governments	41,691	41,506	73	74	-	74	(8)	(5)	(3)	(7)	-	(7)		-	-
Credit institutions	3,965	3,893	72	-	-	-	-	-	-	-	-	-		141	-
Other financial corporations	3,921	3,740	1	6	-	6	(2)	-	(1)	(6)	-	(6)		2,669	-
Non-financial corporations	5,981	5,966	-	137	-	137	(1)	(1)	-	(49)	-	(49)		5,634	-
Off-balance-sheet exposures	**455,724**	**441,382**	**14,342**	**972**	**-**	**972**	**(590)**	**(223)**	**(367)**	**(308)**	**-**	**(308)**		**75,011**	**211**
Central banks	323	323	-	-	-	-	-	-	-	-	-	-		3	-
General governments	17,721	17,698	24	-	-	-	(1)	(1)	-	-	-	-		4,342	-
Credit institutions	124,143	123,775	368	113	-	113	(1)	(1)	-	(3)	-	(3)		830	19
Other financial corporations	84,648	84,076	572	5	-	5	(18)	(7)	(11)	(6)	-	(6)		11,043	-
Non-financial corporations	213,924	202,440	11,484	810	-	810	(510)	(189)	(321)	(282)	-	(282)		54,853	187
Households	14,964	13,070	1,894	44	-	44	(60)	(26)	(35)	(19)	-	(19)		3,940	5
TOTAL	**1,306,681**	**1,231,629**	**58,127**	**17,126**	**-**	**17,114**	**(3,768)**	**(1,266)**	**(2,502)**	**(8,058)**	**-**	**(8,053)**	**(143)**	**383,243**	**5,253**

(1) Assets without significant increase in credit risk since initial recognition.
(2) Assets with significant increase in credit risk since initial recognition, but not impaired..
(3) Impaired assets.

TABLE 47: CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES (CR2)

	31.12.2023
(In EURm)	Gross carrying value defaulted exposures
Initial stock of non-performing loans and advances	**15,938**
Inflows to non-performing portfolios	5,113
Outflows from non-performing portfolios	(4,992)
Outflows due to write-offs	*(2,728)*
Outflow due to other situations	*(2,264)*
Final stock of non-performing loans and advances	**16,060**

TABLE 48: CREDIT QUALITY OF FORBORNE EXPOSURES (CQ1)

	31.12.2023							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
(In EURm)	Performing forborne	Total	of which defaulted	of which impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	**2,543**	**3,306**	**3,306**	**3,306**	**(121)**	**(1,270)**	**2,835**	**1,062**
Central banks	-	-	-	-	-	-	-	-
General governments	0	2	2	2	(0)	(1)	1	1
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	17	-	-	-	(0)	-	17	-
Non-financial corporations	2,247	2,090	2,090	2,090	(107)	(734)	2,438	810
Households	278	1,214	1,214	1,214	(13)	(535)	379	251
Debt Securities	-	-	-	-	-	-	-	-
Loan commitments given	**675**	**62**	**62**	**62**	**(11)**	**(7)**	**549**	**11**
TOTAL	**3,218**	**3,368**	**3,368**	**3,368**	**(131)**	**(1,277)**	**3,383**	**1,073**

(In EURm)	31.12.2022							
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing forborne	Total	of which defaulted	of which impaired	On performing forborne exposures	On non-performing forborne exposures	Total	of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**4,314**	**2,613**	**2,613**	**2,608**	**(101)**	**(942)**	**4,338**	**1,047**
Central banks	-	-	-	-	-	-	-	-
General governments	1	4	4	4	-	(1)	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	18	18	18	-	-	18	18
Non-financial corporations	3,524	1,587	1,587	1,582	(86)	(595)	3,544	785
Households	789	1,004	1,004	1,004	(15)	(345)	776	245
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**465**	**32**	**32**	**32**	**(7)**	**(3)**	**356**	**20**
TOTAL	**4,779**	**2,645**	**2,645**	**2,640**	**(108)**	**(945)**	**4,694**	**1,068**

TABLE 49: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS (CQ3)

	31.12.2023											
	Performing exposures			Non-performing exposures								
(In EURm)	Total performing	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total non performing	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted
Cash balances at central banks and other demand deposits	**259,654**	**259,654**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**535,465**	**531,126**	**4,338**	**16,059**	**11,160**	**635**	**943**	**881**	**1,300**	**587**	**553**	**16,059**
Central banks	13,828	13,828	0	-	-	-	-	-	-	-	-	-
General governments	29,725	29,624	101	111	43	1	6	0	10	6	46	111
Credit institutions	18,421	18,414	7	22	19	0	-	0	0	-	3	22
Other financial corporations	37,498	36,922	576	100	0	-	0	0	0	100	-	100
Non-financial corporations	241,514	239,444	2,070	10,000	7,770	253	516	381	585	217	278	10,000
of which SMEs	*57,480*	*57,011*	*469*	*5,259*	*3,720*	*195*	*351*	*259*	*319*	*197*	*220*	*5,259*
Households	194,479	192,894	1,585	5,826	3,328	381	421	500	705	264	226	5,826
Debt securities	**61,461**	**61,461**	**-**	**132**	**132**	**-**	**-**	**-**	**-**	**-**	**-**	**132**
Central banks	4,105	4,105	-	-	-	-	-	-	-	-	-	-
General governments	42,040	42,040	-	-	-	-	-	-	-	-	-	-
Credit institutions	5,668	5,668	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,868	1,868	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	7,779	7,779	-	132	132	-	-	-	-	-	-	132
Off-balance-sheet exposures	**446,915**	**-**	**-**	**953**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**953**
Central banks	208	-	-	-	-	-	-	-	-	-	-	-
General governments	9,002	-	-	1	-	-	-	-	-	-	-	1
Credit institutions	138,184	-	-	75	-	-	-	-	-	-	-	75
Other financial corporations	83,114	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	204,610	-	-	797	-	-	-	-	-	-	-	797
Households	11,797	-	-	81	-	-	-	-	-	-	-	81
TOTAL	**1,303,494**	**852,241**	**4,338**	**17,144**	**11,292**	**635**	**943**	**881**	**1,300**	**587**	**553**	**17,144**

(In EURm)	31.12.2022											
	Performing exposures			Non-performing exposures								
	Total performing	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total non performing	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted
Cash balances at central banks and other demand deposits	**237,810**	**237,810**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**554,357**	**552,123**	**2,233**	**15,938**	**11,421**	**581**	**872**	**753**	**1,504**	**301**	**507**	**15,938**
Central banks	8,151	8,151	-	13	-	-	-	-	-	-	13	13
General governments	26,309	26,286	22	158	62	20	-	1	28	1	46	158
Credit institutions	19,744	19,733	11	21	19	-	-	-	-	-	3	21
Other financial corporations	44,137	43,990	147	147	43	-	-	-	104	-	-	147
Non-financial corporations	255,467	254,510	957	10,193	7,929	235	573	354	688	138	276	10,193
of which SMEs	*60,992*	*60,728*	*264*	*4,912*	*3,570*	*164*	*223*	*205*	*412*	*111*	*227*	*4,912*
Households	200,549	199,454	1,095	5,405	3,368	327	298	398	685	161	169	5,405
Debt securities	**58,791**	**58,791**	**-**	**216**	**216**	**-**	**-**	**-**	**-**	**-**	**-**	**216**
Central banks	3,234	3,234	-	-	-	-	-	-	-	-	-	-
General governments	41,691	41,691	-	74	74	-	-	-	-	-	-	74
Credit institutions	3,965	3,965	-	-	-	-	-	-	-	-	-	-
Other financial corporations	3,921	3,921	-	6	6	-	-	-	-	-	-	6
Non-financial corporations	5,981	5,981	-	137	137	-	-	-	-	-	-	137
Off-balance-sheet exposures	**455,724**	**-**	**-**	**972**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**972**
Central banks	323	-	-	-	-	-	-	-	-	-	-	-
General governments	17,721	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	124,143	-	-	113	-	-	-	-	-	-	-	113
Other financial corporations	84,648	-	-	5	-	-	-	-	-	-	-	5
Non-financial corporations	213,924	-	-	810	-	-	-	-	-	-	-	810
Households	14,964	-	-	44	-	-	-	-	-	-	-	44
TOTAL	**1,306,681**	**848,724**	**2,233**	**17,126**	**11,637**	**581**	**872**	**753**	**1,504**	**301**	**507**	**17,126**

TABLE 50: CREDIT QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY (CQ4)

	31.12.2023						
	Gross carrying/nominal amount						
		of which non-performing					
(In EURm)	Total nominal	Total non performing	of which defaulted	of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On-balance sheet exposures	**613,117**	**16,191**	**16,191**	**596,966**	**(10,429)**		**-**
Europe	471,538	11,757	11,757	457,510	(7,251)		-
France	*283,245*	*8,939*	*8,939*	*270,363*	*(5,023)*		-
Czech Republic	*52,686*	*582*	*582*	*52,686*	*(504)*		-
Germany	*23,241*	*488*	*488*	*23,240*	*(271)*		-
Luxembourg	*18,380*	*20*	*20*	*18,295*	*(72)*		-
United Kingdom	*20,027*	*209*	*209*	*19,997*	*(104)*		-
Italy	*18,891*	*612*	*612*	*18,891*	*(521)*		-
Switzerland	*5,336*	*72*	*72*	*5,179*	*(15)*		-
Russian Federation	*531*	*134*	*134*	*531*	*(42)*		-
Romania	*11,764*	*236*	*236*	*11,764*	*(367)*		-
Spain	*5,856*	*97*	*97*	*5,489*	*(85)*		-
Other European countries: EU and EFTA	*24,271*	*333*	*333*	*23,765*	*(210)*		-
Other European countries	*7,311*	*34*	*34*	*7,311*	*(37)*		-
North America	67,252	541	541	66,538	(250)		-
United States	*63,102*	*538*	*538*	*62,388*	*(246)*		-
Other North American countries	*4,151*	*3*	*3*	*4,151*	*(4)*		-
Asia-Pacific	25,003	290	290	24,291	(143)		-
Japan	*1,617*	*0*	*0*	*1,617*	*(2)*		-
China	*5,292*	*36*	*36*	*5,292*	*(42)*		-
Other Asia-Pacific countries	*18,094*	*254*	*254*	*17,382*	*(100)*		-
Africa and Middle East	42,234	3,236	3,236	42,185	(2,668)		-
Morocco	*10,804*	*1,479*	*1,479*	*10,801*	*(1,100)*		-
Other Africa and Middle East countries	*31,430*	*1,757*	*1,757*	*31,384*	*(1,568)*		-
Latin America and Caribbean	7,090	369	369	6,442	(117)		-
Off-balance sheet exposures	**447,868**	**953**	**953**			**(820)**	
Europe	299,972	646	646			(576)	
France	*193,530*	*458*	*458*			*(371)*	
Czech Republic	*7,942*	*36*	*36*			*(26)*	
Germany	*20,548*	*13*	*13*			*(30)*	
Luxembourg	*11,806*	*4*	*4*			*(9)*	
United Kingdom	*18,004*	*0*	*0*			*(15)*	
Italy	*8,697*	*11*	*11*			*(24)*	

(In EURm)	31.12.2023						
	Gross carrying/nominal amount						
	Total nominal	of which non-performing: Total non performing	of which non-performing: of which defaulted	of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Switzerland	*6,870*	*0*	*0*			*(1)*	
Russian Federation	*230*	*75*	*75*			*(3)*	
Romania	*2,548*	*30*	*30*			*(60)*	
Spain	*5,533*	*3*	*3*			*(9)*	
Other European countries: EU and EFTA	*22,641*	*15*	*15*			*(27)*	
Other European countries	*1,624*	*0*	*0*			*(1)*	
North America	94,897	7	7			(97)	
United States	*90,869*	*7*	*7*			*(96)*	
Other North American countries	*4,029*	*0*	*0*			*(1)*	
Asia-Pacific	37,687	38	38			(8)	
Japan	*21,243*	*-*	*-*			*(1)*	
China	*3,351*	*-*	*-*			*(0)*	
Other Asia-Pacific countries	*13,092*	*38*	*38*			*(6)*	
Africa and Middle East	11,893	228	228			(134)	
Morocco	*2,381*	*102*	*102*			*(42)*	
Other Africa and Middle East countries	*9,512*	*127*	*127*			*(92)*	
Latin America and the Caribbean	3,419	34	34			(6)	
TOTAL	**1,060,985**	**17,144**	**17,144**	**596,966**	**(10,429)**	**(820)**	**-**

(In EURm)	31.12.2022						
	Gross carrying/nominal amount						
		of which non-performing					
	Total nominal	Total non performing	of which defaulted	of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On-balance sheet exposures	**629,301**	**16,154**	**16,154**	**612,370**	**(10,928)**		**-**
Europe	478,502	11,272	11,272	463,671	(7,412)		-
France	*295,595*	*8,192*	*8,192*	*283,872*	*(4,921)*		-
Czech Republic	*45,428*	*712*	*712*	*45,428*	*(553)*		-
Germany	*22,952*	*499*	*499*	*22,918*	*(320)*		-
Luxembourg	*15,828*	*223*	*223*	*15,708*	*(186)*		-
United Kingdom	*26,679*	*222*	*222*	*24,543*	*(94)*		-
Italy	*18,630*	*669*	*669*	*18,630*	*(556)*		-
Switzerland	*5,853*	*48*	*48*	*5,528*	*(19)*		-
Russian Federation	*581*	*5*	*5*	*581*	*(36)*		-
Romania	*10,369*	*252*	*252*	*10,369*	*(380)*		-
Spain	*5,075*	*116*	*116*	*4,921*	*(96)*		-
Other European countries: EU and EFTA	*23,484*	*247*	*247*	*23,145*	*(218)*		-
Other European countries	*8,028*	*88*	*88*	*8,027*	*(34)*		-
North America	65,820	179	179	65,263	(180)		-
United States	*63,134*	*160*	*160*	*62,577*	*(173)*		-
Other North American countries	*2,686*	*19*	*19*	*2,686*	*(6)*		-
Asia-Pacific	30,922	580	580	30,286	(281)		-
Japan	*1,889*	*14*	*14*	*1,889*	*(3)*		-
China	*7,256*	*97*	*97*	*7,122*	*(93)*		-
Other Asia-Pacific countries	*21,776*	*468*	*468*	*21,274*	*(184)*		-
Africa and Middle East	46,773	3,805	3,805	46,772	(2,947)		-
Morocco	*10,553*	*1,560*	*1,560*	*10,553*	*(1,083)*		-
Other Africa and Middle East countries	*36,220*	*2,244*	*2,244*	*36,219*	*(1,864)*		-
Latin America and Caribbean	7,285	318	318	6,378	(109)		-
Off-balance sheet exposures	**456,696**	**972**	**972**			**(898)**	
Europe	321,761	685	685			(656)	
France	*194,355*	*438*	*438*			*(376)*	
Czech Republic	*10,036*	*49*	*49*			*(38)*	
Germany	*22,483*	*15*	*15*			*(34)*	
Luxembourg	*10,572*	*2*	*2*			*(6)*	
United Kingdom	*29,411*	*0*	*0*			*(12)*	
Italy	*10,002*	*14*	*14*			*(21)*	

(In EURm)	31.12.2022						
	Gross carrying/nominal amount						
		of which non-performing					
	Total nominal	Total non performing	of which defaulted	of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Switzerland	*8,820*	*0*	*0*			*(1)*	
Russian Federation	*291*	*114*	*114*			*(5)*	
Romania	*2,394*	*34*	*34*			*(68)*	
Spain	*8,876*	*5*	*5*			*(17)*	
Other European countries: EU and EFTA	*23,316*	*14*	*14*			*(74)*	
Other European countries	*1,204*	*0*	*0*			*(1)*	
North America	84,266	8	8			(90)	
United States	*80,116*	*7*	*7*			*(89)*	
Other North American countries	*4,150*	*1*	*1*			*(1)*	
Asia-Pacific	33,692	80	80			(15)	
Japan	*15,981*	*0*	*0*			*(1)*	
China	*3,896*	*0*	*0*			*(1)*	
Other Asia-Pacific countries	*13,815*	*80*	*80*			*(13)*	
Africa and Middle East	13,381	197	197			(135)	
Morocco	*2,093*	*105*	*105*			*(40)*	
Other Africa and Middle East countries	*11,288*	*92*	*92*			*(95)*	
Latin America and the Caribbean	3,596	2	2			(3)	
TOTAL	**1,085,997**	**17,126**	**17,126**	**612,370**	**(10,928)**	**(898)**	**-**

TABLE 51: CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY (CQ5)

	31.12.2023					
	Gross carrying amount					
		of which non-performing				
(In EURm)	Total nominal	Total non performing	of which defaulted	of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry and fishing	2,332	132	132	2,293	(118)	
Mining and quarrying	7,193	130	130	6,895	(90)	
Manufacturing	36,059	1,699	1,699	35,814	(1,093)	
Electricity, gas, steam and air conditioning supply	18,900	365	365	18,872	(182)	
Water supply	1,927	42	42	1,851	(37)	
Construction	7,822	781	781	7,744	(510)	
Wholesale and retail trade	32,409	1,750	1,750	31,788	(1,241)	
Transport and storage	20,130	608	608	19,973	(377)	
Accommodation and food service activities	5,571	844	844	5,330	(467)	
Information and communication	12,084	254	254	11,635	(174)	
Financial and insurance actvities	18,332	226	226	17,934	(146)	
Real estate activities	35,904	1,205	1,205	35,030	(622)	
Professional, scientific and technical activities	7,729	378	378	7,637	(220)	
Administrative and support service activities	10,409	187	187	10,351	(143)	
Public administration and defence, compulsory social security	113	0	0	95	(0)	
Education	786	69	69	758	(31)	
Human health services and social work activities	3,233	540	540	3,193	(117)	
Arts, entertainment and recreation	1,492	68	68	1,452	(51)	
Other services	29,091	721	721	27,514	(778)	
TOTAL	**251,514**	**10,000**	**10,000**	**246,159**	**(6,396)**	

(In EURm)	31.12.2022					
	Gross carrying amount					Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which non-performing				
	Total nominal	Total non performing	of which defaulted	of which loans and advances subject to impairment	Accumulated impairment	
Agriculture, forestry and fishing	2,138	127	127	2,088	(114)	-
Mining and quarrying	7,871	128	128	7,862	(72)	-
Manufacturing	36,062	1,856	1,856	35,729	(1,176)	-
Electricity, gas, steam and air conditioning supply	18,075	266	266	18,043	(179)	-
Water supply	2,035	29	29	1,724	(30)	-
Construction	8,545	846	846	8,429	(574)	-
Wholesale and retail trade	33,500	1,802	1,802	32,800	(1,313)	-
Transport and storage	21,227	610	610	20,984	(381)	-
Accommodation and food service activities	5,703	854	854	5,481	(462)	-
Information and communication	10,814	109	109	10,479	(122)	-
Financial and insurance actvities	23,059	290	290	22,651	(177)	-
Real estate activities	40,317	888	888	38,502	(452)	-
Professional, scientific and technical activities	9,183	338	338	9,012	(239)	-
Administrative and support service activities	11,715	342	342	11,643	(185)	-
Public administration and defence, compulsory social security	2,027	4	4	1,776	(2)	-
Education	543	40	40	535	(26)	-
Human health services and social work activities	2,325	414	414	2,302	(122)	-
Arts, entertainment and recreation	930	78	78	894	(58)	-
Other services	29,591	1,174	1,174	27,986	(1,123)	-
TOTAL	**265,660**	**10,193**	**10,193**	**258,920**	**(6,804)**	**-**

TABLE 52: COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES (CQ7)

	31.12.2023	
	Collateral obtained by taking possession accumulated	
(In EURm)	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	31	(14)
Other than PP&E	67	(24)
Residential immovable property	*0*	*(0)*
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	*1*	-
Equity and debt instruments	-	-
Other	66	(24)
TOTAL	**98**	**(38)**

	31.12.2022	
	Collateral obtained by taking possession accumulated	
(In EURm)	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	23	(13)
Other than PP&E	97	(40)
Residential immovable property	-	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other	*97*	*(40)*
TOTAL	**120**	**(53)**

TABLE 53: MATURITY OF EXPOSURES (CR1-A)

	31.12.2023					
	Net exposure value					
(In EURm)	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
Loans and advances	14,647	225,969	141,988	168,919	0	551,524
Debt securities	7	22,051	21,275	18,259	-	61,593
TOTAL	**14,654**	**248,021**	**163,263**	**187,179**	**0**	**613,117**

(In EURm)	30.06.2023					
	Net exposure value					
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
Loans and advances	16,247	240,294	127,813	163,195	13,636	561,184
Debt securities	5	60,687	311	70	29	61,103
TOTAL	**16,252**	**300,981**	**128,124**	**163,265**	**13,664**	**622,287**

TABLE 54: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW (CR3)

	31.12.2023				
(In EURm)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	of which secured by collateral	of which secured by financial guarantees	of which secured by credit derivatives
Total loans	510,238	290,597	123,170	167,427	-
Total debt securities	52,228	9,278	9,155	124	
TOTAL EXPOSURES	**562,466**	**299,876**	**132,325**	**167,551**	**-**
of which non-performing exposures	*3,362*	*5,422*	*2,546*	*2,876*	-
of which defaulted	*3,362*	*5,422*	*2,546*	*2,876*	-

	31.12.2022				
(In EURm)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	of which secured by collateral	of which secured by financial guarantees	of which secured by credit derivatives
Total loans	492,418	304,830	128,393	176,437	-
Total debt securities	50,491	8,444	8,363	81	
TOTAL EXPOSURES	**542,909**	**313,274**	**136,756**	**176,518**	**-**
of which non-performing exposures	*3,362*	*5,042*	*2,389*	*2,653*	-
of which defaulted	*3,362*	*5,042*	*2,389*	*2,653*	-

6.6 ADDITIONAL QUANTITATIVE INFORMATION ON CREDIT RISK

DEFINITION OF REGULATORY METRICS

The main metrics used in the following tables are:

- Exposure: defined as all assets (*e.g.* loans, receivables, accruals, etc.) associated with market or customer transactions, recorded on- and off-balance sheet;
- EAD (Exposure At Default) is defined as the bank's exposure (on- and off-balance sheet) in the event of a counterparty's default. Unless otherwise specifically indicated to the contrary, the EAD is reported post-CRM (Credit Risk Mitigation), after factoring in guarantees and collateral. Under the Standardised approach, EADs are presented net of specific provisions and financial collateral;
- Risk-Weighted Assets (RWA): are computed from the exposures and the associated level of risk, which depends on the debtors' credit quality;
- Expected Loss (EL): potential loss incurred, given the quality of the structuring of a transaction and any risk mitigation measures such as collateral. Under the AIRB method, the following equation summarises the relation between these variables: EL = EAD x PD x LGD (except for defaulted exposures).

BREAKDOWN OF CREDIT RISK – OVERVIEW

TABLE 55: CREDIT RISK EXPOSURE, EAD AND RWA BY EXPOSURE CLASS AND APPROACH

	31.12.2023								
(In EURm)	IRB approach			Standardised approach			Total		
Exposure classes	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**
Sovereign	299,619	313,647	6,175	13,502	15,905	1,581	313,121	329,552	7,756
Institutions	48,284	37,141	4,380	5,418	6,169	1,958	53,702	43,310	6,338
Corporates	405,031	270,878	117,895	61,218	36,594	34,163	466,248	307,472	152,058
Retail	178,754	178,237	36,535	41,252	32,612	20,846	220,006	210,850	57,380
Others	72,483	62,317	31,672	83,365	72,876	49,150	155,848	135,192	80,822
TOTAL	**1,004,170**	**862,221**	**196,657**	**204,755**	**164,156**	**107,698**	**1,208,926**	**1,026,377**	**304,355**

	31.12.2022								
(In EURm)	IRB approach			Standardised approach			Total		
Exposure classes	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**	**Exposure**	**EAD**	**RWA**
Sovereign	262,233	271,739	5,853	6,461	8,565	1,742	268,694	280,305	7,595
Institutions	49,646	38,845	5,038	5,465	5,352	1,689	55,111	44,197	6,727
Corporates	412,410	267,695	110,356	48,451	31,227	29,371	460,861	298,922	139,727
Retail	193,572	193,547	37,027	37,255	29,611	19,264	230,827	223,158	56,291
Others	49,119	48,858	23,456	74,492	63,360	43,090	123,611	112,218	66,546
TOTAL	**966,980**	**820,684**	**181,730**	**172,123**	**138,116**	**95,155**	**1,139,103**	**958,800**	**276,885**

BREAKDOWN OF CREDIT RISK – DETAILS

TABLE 56: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS (CR4)

The credit conversion factor (CCF) is the ratio between the current undrawn part of a credit line which could be drawn and would therefore be exposed in the event of default and the undrawn part of this credit line. The significance of the credit line depends on the authorised limit, unless the unauthorised limit is greater.

The concept of "credit risk mitigation" (CRM) is a technique used by an institution to reduce the credit risk associated with its exposures.

In accordance with EBA instructions (EBA/ITS/2020/04), the amounts are presented without securitisation and contributions to default funds of central counterparties.

	31.12.2023					
(In EURm)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure classes	**On-balance sheet exposures**	**Off-balance sheet exposures**	**On-balance sheet exposures**	**Off-balance sheet exposures**	**RWA**	**RWA density** *(%)*
Central governments or central banks	12,564	131	14,678	245	1,581	11%
Regional government or local authorities	665	149	947	63	202	20%
Public sector entities	272	22	243	7	156	62%
Multilateral development banks	796	-	945	27	-	-
International organisations	10	-	10	-	-	-
Institutions	2,850	1,452	3,798	1,111	1,600	33%
Corporates	45,196	15,413	32,238	4,356	34,163	93%
Retail	32,319	8,454	30,906	1,707	20,846	64%
Secured by mortgages on immovable property	15,950	372	14,265	152	6,293	44%
Exposures in default	2,460	269	2,163	84	2,539	113%
Higher-risk categories	217	105	193	50	366	150%
Covered bonds	159	-	159	-	16	10%
Institutions and corporates with a short term credit assessment	-	-	-	-	-	
Collective investment undertakings	57	-	57	-	226	394%
Equity	1,367	-	1,367	-	1,318	96%
Other items	45,737	2,435	45,737	689	37,149	80%
TOTAL	**160,620**	**28,802**	**147,706**	**8,491**	**106,455**	**68%**

	31.12.2022 (R)					
(In EURm)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure classes	**On-balance sheet exposures**	**Off-balance sheet exposures**	**On-balance sheet exposures**	**Off-balance sheet exposures**	**RWA**	**RWA density** *(%)*
Central governments or central banks	7,961	69	9,833	131	1,684	17%
Regional government or local authorities	567	48	861	28	169	19%
Public sector entities	243	4	203	1	108	53%
Multilateral development banks	927	-	1,100	1	58	5%
International organisations	30	-	30	-	-	
Institutions	3,566	1,031	3,448	811	1,412	33%
Corporates	38,848	8,711	28,498	2,729	29,371	94%
Retail	30,557	6,195	28,369	1,243	19,264	65%
Secured by mortgages on immovable property	13,536	438	12,478	145	5,718	45%
Exposures in default	2,331	174	2,117	43	2,447	113%
Higher-risk categories	223	156	202	72	411	150%
Covered bonds	136	-	136	-	14	10%
Institutions and corporates with a short term credit assessment	-	-	-	-	-	
Collective investment undertakings	18	-	18	-	119	676%
Equity	1,222	-	1,222	-	1,098	90%
Other items	36,412	7,544	36,412	2,430	32,211	83%
TOTAL	**136,574**	**24,371**	**124,927**	**7,633**	**94,083**	**71%**

(R) : Restatement

TABLE 57: STANDARDISED APPROACH – CREDIT RISK EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS (CR5)

In accordance with EBA instructions (EBA/ITS/2020/04), the amounts are presented without securitisation and contributions to default funds of central counterparties.

	31.12.2023																
(In EURm)	Risk Weight																
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1,250%**	**Other Risk Weight**	**Total**	**of which unrated**
Central governments or central banks	13,187	-	-	195	175	-	113	-	-	818	435	-	-	-	-	14,923	3,243
Regional governments or local authorities	157	-	-	-	793	-	18	-	-	43	-	-	-	-	0	1,010	627
Public sector entities	0	-	-	-	117	-	0	-	-	132	-	-	-	-	0	250	213
Multilateral Development Banks	972	-	-	-	-	-	-	-	-	0	-	-	-	-	-	972	18
International Organisations	10	-	-	-	-	-	-	-	-	0	-	-	-	-	-	10	0
Institutions	79	327	0	-	3,333	-	651	-	-	511	-	-	-	8	-	4,909	1,415
Corporates	14	-	0-	-	1,586	-	1,082	-	-	31,720	2,189	-	-	2	-	36,594	28,996
Retail	-	-	-	-	-	1,471	-	-	31,141	-	-	-	-	-	-	32,612	31,596
Secured by mortgages on immovable property	-	-	-	-	-	8,810	2,700	-	2,827	67	12	-	-	-	1	14,417	12,621
Exposures in default	-	-	-	-	-	-	-	-	-	1,662	585	-	-	-	-	2,247	2,088
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	244	-	-	-	-	244	179
Covered bonds	-	-	-	159	-	-	-	-	-	-	-	-	-	-	-	159	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-	-	-	1	-	-	1	8	47	57	57
Equity exposures	243	-	-	-	-	-	-	-	-	995	-	129	-	-	-	1,367	1,367
Other exposures	4,141	-	-	13	866	0	4,905	-	1	26,216	2	2,239	-	-	8,044	46,426	43,530
TOTAL	**18,802**	**327**	**0**	**367**	**6,871**	**10,281**	**9,468**	**-**	**33,968**	**62,166**	**3,466**	**2,369**	**1**	**19**	**8,093**	**156,198**	**125,951**

(In EURm)	31.12.2022																
	Risk Weight																
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1,250%**	**Other Risk Weight**	**Total**	**of which unrated**
Central governments or central banks	5,746	-	-	-	165	-	-	-	-	1,268	255	-	-	-	-	7,435	2,606
Regional governments or local authorities	184	-	-	-	660	-	1	-	-	44	-	-	-	-	0	889	486
Public sector entities	0	-	-	-	121	-	0	-	-	83	-	-	-	-	0	204	193
Multilateral Development Banks	1,043	-	-	-	-	-	-	-	-	58	-	-	-	-	-	1,101	80
International Organisations	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-
Institutions	90	28	-	-	3,030	-	594	-	-	510	7	-	-	-	0	4,259	1,027
Corporates	20	-	-	-	1,434	-	618	904	49	26,716	1,482	-	-	-	5	31,227	25,165
Retail	-	-	-	-	-	626	-	-	28,765	181	-	-	-	-	39	29,611	28,863
Secured by mortgages on immovable property	-	-	-	-	-	7,943	1,608	-	2,827	245	-	-	-	-	1	12,624	11,683
Exposures in default	-	-	-	-	-	-	-	-	-	1,554	590	-	-	-	16	2,160	1,975
Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	274	-	-	-	-	274	205
Covered bonds	-	-	-	136	-	-	-	-	-	-	-	-	-	-	-	136	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-	-	-	1	-	-	1	9	7	18	18
Equity exposures	24	-	-	-	-	-	-	-	-	930	-	64	-	-	204	1,222	1,222
Other exposures	3,480	-	-	0	462	0	3,762	-	604	22,048	17	2,539	-	-	5,930	38,841	37,290
TOTAL	**10,616**	**28**	**-**	**136**	**5,872**	**8,569**	**6,582**	**904**	**32,245**	**53,640**	**2,625**	**2,602**	**1**	**9**	**6,203**	**130,031**	**110,812**

TABLE 58: INTERNAL APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE (CR6) – AIRB

The table below presents Group exposures subject to credit risk and for which an internal model is used with a view to calculating RWA.

	31.12.2023												
(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and Provisions
Central governments and central banks	0.00 to < 0.15	285,918	5,301	67%	303,654	0.02%	362	0.75%	1	1,599	0.53%	1	(3)
	0.00 to < 0.10	*282,054*	*5,300*	*67%*	*299,790*	*0.02%*	*359*	*0.61%*	*1*	*1,071*	*0.36%*	*1*	*(3)*
	0.10 to < 0.15	*3,864*	*1*	*48%*	*3,864*	*0.13%*	*3*	*11.63%*	*3*	*527*	*13.64%*	*1*	*()*
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	0	0
	0.25 to < 0.50	2,272	162	75%	4,101	0.26%	12	19.83%	3	1,049	25.58%	2	(13)
	0.50 to < 0.75	1,626	7	75%	1,628	0.50%	8	19.37%	1	540	33.19%	2	()
	0.75 to < 2.50	2,604	180	58%	2,751	1.41%	12	22.58%	3	1,300	47.26%	9	(1)
	0.75 to < 1.75	*1,862*	*104*	*57%*	*1,926*	*1.10%*	*5*	*23.08%*	*3*	*828*	*43.00%*	*5*	*(1)*
	1.75 to < 2.50	*741*	*76*	*60%*	*824*	*2.12%*	*7*	*21.41%*	*2*	*472*	*57.21%*	*4*	*()*
	2.50 to < 10.00	637	70	54%	692	6.54%	62	26.88%	2	764	110.45%	12	(1)
	2.50 to < 5.00	*156*	*70*	*54%*	*210*	*3.73%*	*50*	*29.65%*	*3*	*228*	*108.72%*	*2*	*()*
	5.00 to < 10.00	*481*	*0*	*75%*	*481*	*7.76%*	*12*	*25.67%*	*2*	*535*	*111.20%*	*10*	*(1)*
	10.00 to < 100.00	636	103	46%	692	12.32%	25	24.95%	3	911	131.67%	22	(4)
	10.00 to < 20.00	*568*	*103*	*46%*	*623*	*11.43%*	*17*	*22.81%*	*3*	*739*	*118.47%*	*16*	*(4)*
	20.00 to < 30.00	*68*	*0*	*75%*	*68*	*20.44%*	*8*	*44.58%*	*1*	*172*	*252.53%*	*6*	*()*
	30.00 to < 100.00	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0*
	100.00 (default)	57	0.00	75%	57	100.00%	8	77.08%	1	5	8.54%	67	(67)
	Subtotal	**293,749**	**5,823**	**66%**	**313,574**	**0.10%**	**489**	**1.41%**	**1**	**6,167**	**1.97%**	**115**	**(90)**
Institutions	0.00 to < 0.15	29,447	12,015	64%	34,069	0.03%	2,518	23.14%	3	2,309	6.78%	3	(12)
	0.00 to < 0.10	*28,705*	*11,643*	*64%*	*33,037*	*0.03%*	*2,120*	*23.13%*	*3*	*2,128*	*6.44%*	*2*	*(12)*
	0.10 to < 0.15	*742*	*372*	*60%*	*1,032*	*0.13%*	*398*	*23.34%*	*2*	*181*	*17.54%*	*0*	*()*
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	0	0
	0.25 to < 0.50	573	821	65%	1,074	0.26%	301	22.93%	2	296	27.59%	1	()
	0.50 to < 0.75	410	622	38%	649	0.50%	129	32.04%	2	331	50.98%	1	()
	0.75 to < 2.50	298	368	41%	413	1.62%	113	29.86%	1	275	66.44%	2	(20)
	0.75 to < 1.75	*58*	*334*	*43%*	*201*	*1.10%*	*63*	*33.92%*	*1*	*128*	*63.57%*	*1*	*(20)*
	1.75 to < 2.50	*240*	*35*	*27%*	*212*	*2.12%*	*50*	*26.01%*	*1*	*147*	*69.16%*	*1*	*()*
	2.50 to < 10.00	3,119	200	32%	513	4.96%	447	34.95%	2	667	129.97%	9	(5)
	2.50 to < 5.00	*2,989*	*162*	*32%*	*370*	*3.88%*	*423*	*35.15%*	*2*	*482*	*130.48%*	*5*	*(1)*
	5.00 to < 10.00	*130*	*38*	*35%*	*143*	*7.76%*	*24*	*34.44%*	*1*	*184*	*128.65%*	*4*	*(4)*
	10.00 to < 100.00	162	124	41%	307	19.78%	67	16.59%	2	302	98.45%	10	(1)
	10.00 to < 20.00	*128*	*61*	*23%*	*142*	*13.46%*	*37*	*12.70%*	*1*	*97*	*67.93%*	*2*	*()*
	20.00 to < 30.00	*34*	*63*	*57%*	*164*	*25.25%*	*30*	*19.96%*	*2*	*205*	*124.82%*	*7*	*(1)*
	30.00 to < 100.00	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0*
	100.00 (default)	44	78	87%	112	100.00%	19	24.69%	3	199	176.98%	17	(17)
	Subtotal	**34,053**	**14,228**	**62%**	**37,138**	**0.60%**	**3,594**	**23.48%**	**3**	**4,379**	**11.79%**	**42**	**(55)**
Corporate – SME	0.00 to < 0.15	2,021	830	66%	995	0.11%	5,652	33.11%	2	188	18.94%	1	(1)
	0.00 to < 0.10	*1,516*	*286*	*71%*	*240*	*0.05%*	*1,229*	*22.30%*	*3*	*32*	*13.36%*	*0*	*()*
	0.10 to < 0.15	*505*	*543*	*64%*	*755*	*0.13%*	*4,423*	*36.54%*	*2*	*156*	*20.71%*	*0*	*(1)*
	0.15 to < 0.25	53	18	42%	60	0.17%	235	37.77%	3	14	22.51%	0	()
	0.25 to < 0.50	2,379	1,043	54%	2,872	0.30%	8,975	38.43%	2	1,020	35.51%	4	(2)
	0.50 to < 0.75	2,289	1,214	51%	2,899	0.53%	7,330	33.23%	3	1,219	42.06%	5	(4)
	0.75 to < 2.50	13,953	2,956	55%	15,361	1.44%	20,641	23.64%	3	6,614	43.06%	54	(35)
	0.75 to < 1.75	*8,010*	*2,211*	*56%*	*9,035*	*1.02%*	*12,482*	*22.89%*	*2*	*3,276*	*36.25%*	*22*	*(13)*
	1.75 to < 2.50	*5,943*	*745*	*54%*	*6,326*	*2.05%*	*8,159*	*24.71%*	*4*	*3,339*	*52.78%*	*32*	*(22)*
	2.50 to < 10.00	9,421	1,354	52%	10,090	4.81%	19,146	32.93%	3	8,082	80.11%	160	(131)
	2.50 to < 5.00	*7,020*	*1,090*	*52%*	*7,550*	*3.88%*	*14,903*	*33.54%*	*3*	*5,786*	*76.63%*	*100*	*(76)*
	5.00 to < 10.00	*2,401*	*264*	*50%*	*2,539*	*7.57%*	*4,243*	*31.11%*	*3*	*2,296*	*90.43%*	*60*	*(54)*
	10.00 to < 100.00	2,427	316	47%	2,604	17.66%	6,653	29.68%	2	2,758	105.89%	138	(185)
	10.00 to < 20.00	*1,630*	*213*	*44%*	*1,741*	*12.49%*	*3,632*	*30.13%*	*2*	*1,763*	*101.26%*	*66*	*(96)*
	20.00 to < 30.00	*534*	*65*	*47%*	*574*	*24.11%*	*1,826*	*27.62%*	*2*	*634*	*110.36%*	*38*	*(53)*
	30.00 to < 100.00	*262*	*39*	*58%*	*290*	*35.99%*	*1,195*	*31.09%*	*2*	*361*	*124.83%*	*33*	*(36)*
	100.00 (default)	1,342	208	44%	1,432	99.42%	5,467	49.35%	2	2,356	164.46%	808	(691)
	Subtotal	**33,885**	**7,938**	**54%**	**36,314**	**7.20%**	**74,099**	**29.89%**	**3**	**22,251**	**61.27%**	**1,169**	**(1,050)**

	31.12.2023												
(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjust-ments and Provisions
Corporate – Specialised lending	0.00 to < 0.15	19,070	8,484	40%	15,666	0.06%	217	22.11%	3	1,864	11.90%	2	(13)
	0.00 to < 0.10	*15,822*	*6,329*	*40%*	*11,578*	*0.04%*	*117*	*22.50%*	*3*	*1,189*	*10.27%*	*1*	*(12)*
	0.10 to < 0.15	*3,247*	*2,155*	*39%*	*4,088*	*0.13%*	*100*	*21.01%*	*3*	*675*	*16.51%*	*1*	*(1)*
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	0
	0.25 to < 0.50	6,404	4,005	41%	7,228	0.27%	202	17.52%	3	1,331	18.42%	3	(2)
	0.50 to < 0.75	10,694	5,295	42%	12,915	0.53%	486	14.78%	3	3,407	26.38%	11	(7)
	0.75 to < 2.50	15,506	6,841	42%	18,385	1.57%	1,106	15.45%	3	7,493	40.76%	50	(37)
	0.75 to < 1.75	*9,064*	*3,300*	*44%*	*10532*	*1.13%*	*565*	*15.07%*	*3*	*3,926*	*37.28%*	*20*	*(13)*
	1.75 to < 2.50	*6,442*	*3,541*	*40%*	*7,852*	*2.17%*	*541*	*15.97%*	*3*	*3 ,567*	*45.42%*	*30*	*(23)*
	2.50 to < 10.00	5,202	3,474	37%	6,476	3.93%	783	24.27%	3	3,823	59.03%	50	(115)
	2.50 to < 5.00	*4,681*	*3,284*	*37%*	*5,895*	*3.60%*	*692*	*24.55%*	*3*	*3,368*	*57.13%*	*41*	*(97)*
	5.00 to < 10.00	*520*	*189*	*32%*	*581*	*7.31%*	*91*	*21.48%*	*2*	*455*	*78.33%*	*9*	*(18)*
	10.00 to < 100.00	1,080	200	42%	1,166	15.96%	132	22.58%	3	1,288	110.51%	43	(103)
	10.00 to < 20.00	*797*	*169*	*43%*	*870*	*13.23%*	*85*	*22.55%*	*3*	*952*	*109.44%*	*27*	*(38)*
	20.00 to < 30.00	*280*	*31*	*36%*	*292*	*23.86%*	*46*	*22.42%*	*3*	*329*	*112.59%*	*16*	*(58)*
	30.00 to < 100.00	*3*	*-*	*-*	*3*	*36.21%*	*1*	*45.00%*	*2*	*7*	*211.21%*	*1*	*(6)*
	100.00 (default)	1,203	54	38%	1,223	100.00%	131	37.05%	3	820	67.06%	433	(433)
	Subtotal	**59,159**	**28,353**	**40%**	**63,059**	**3.50%**	**3,057**	**18.66%**	**3**	**20,027**	**31.76%**	**593**	**(708)**
Corporate – Other	0.00 to < 0.15	42,991	103,341	45%	81,054	0.06%	4,584	30.45%	2	12,127	14.96%	20	(51)
	0.00 to < 0.10	*30 ,426*	*78,608*	*45%*	*58,769*	*0.04%*	*2,889*	*30.97%*	*2*	*7,366*	*12.53%*	*11*	*(44)*
	0.10 to < 0.15	*12,564*	*24,733*	*44%*	*22,284*	*0.13%*	*1,695*	*29.09%*	*2*	*4,761*	*21.36%*	*9*	*(8)*
	0.15 to < 0.25	111	47	61%	140	0.16%	162	37.40%	2	48	34.25%	0	(0)
	0.25 to < 0.50	12,103	18,732	50%	19,584	0.26%	5,450	28.20%	2	5,947	30.37%	14	(9)
	0.50 to < 0.75	11,639	18,225	41%	18,152	0.50%	3,722	31.78%	2	10,082	55.54%	30	(21)
	0.75 to < 2.50	13,962	12,888	42%	18,480	1.52%	7,184	29.75%	1	13,750	74.40%	87	(55)
	0.75 to < 1.75	*8,245*	*7,850*	*40%*	*10 ,922*	*1.11%*	*4,034*	*28.38%*	*1*	*7,045*	*64.50%*	*36*	*(22)*
	1.75 to < 2.50	*5,718*	*5,038*	*45%*	*7,558*	*2.12%*	*3,150*	*31.73%*	*2*	*6,705*	*88.72%*	*51*	*(33)*
	2.50 to < 10.00	19,196	8,667	46%	22,592	4.30%	11,162	28.38%	2	20,826	92.18%	274	(580)
	2.50 to < 5.00	*15,997*	*7,342*	*45%*	*18,843*	*3.70%*	*9,478*	*28.17%*	*2*	*16,419*	*87.13%*	*193*	*(419)*
	5.00 to < 10.00	*3 ,199*	*1,325*	*49%*	*3,749*	*7.34%*	*1,684*	*29.43%*	*0*	*4,408*	*117.57%*	*80*	*(161)*
	10.00 to < 100.00	3,307	1,513	42%	3,849	15.34%	3,276	31.11%	2	6,052	157.25%	184	(291)
	10.00 to < 20.00	*2,677*	*1,136*	*39%*	*3,137*	*12.20%*	*1,491*	*30.71%*	*2*	*4 ,01*	*149.86%*	*117*	*(204)*
	20.00 to < 30.00	*538*	*367*	*51%*	*621*	*25.75%*	*1,671*	*33.33%*	*3*	*1 224*	*196.92%*	*53*	*(81)*
	30.00 to < 100.00	*92*	*10*	*43%*	*91*	*51,00%*	*114*	*29.54%*	*3*	*128*	*140.94%*	*13*	*(7)*
	100.00 (default)	1,920	292	46%	2,055	99.43%	1 202	45.79%	2	2 223	108.18%	1,340	(862)
	Subtotal	**105,228**	**163,705**	**45%**	**165,906**	**2.46%**	**36,742**	**30.18%**	**2**	**71,055**	**42.83%**	**1,948**	**(1,870)**
Retail – Secured by real estate SME	0.00 to < 0.15	101	1	100%	102	0.03%	14,736	11.61%	0	18	17.20%	0	(1)
	0.00 to < 0.10	*96*	*1*	*100%*	*97*	*0.03%*	*14,710*	*11.24%*	*0*	*17*	*17.92%*	*0*	*(1)*
	0.10 to < 0.15	*5*	*-*	*0%*	*5*	*0.10%*	*26*	*18.56%*	*0*	*0*	*3.72%*	*0*	*(0)*
	0.15 to < 0.25	4	-	0%	4	0.19%	30	18.69%	0	0	6.07%	0	(0)
	0.25 to < 0.50	3	0	100%	3	0.39%	17	19.05%	0	0	10.32%	0	(0)
	0.50 to < 0.75	3	-	0%	3	0.64%	15	34.63%	0	1	27.74%	0	(0)
	0.75 to < 2.50	3,283	31	100%	3,314	1.29%	11,006	11.62%	0	525	15.83%	5	(1)
	0.75 to < 1.75	*2,956*	*28*	*100%*	*2,984*	*1.19%*	*10,630*	*11.47%*	*0*	*453*	*15.19%*	*4*	*(0)*
	1.75 to < 2.50	*327*	*3*	*100%*	*330*	*2.17%*	*376*	*12.94%*	*0*	*71*	*21.66%*	*1*	*(1)*
	2.50 to < 10.00	976	9	100%	985	3.42%	3,071	10.98%	0	265	26.94%	4	(1)
	2.50 to < 5.00	*975*	*9*	*100%*	*984*	*3.41%*	*3,067*	*10.97%*	*0*	*265*	*26.90%*	*4*	*(1)*
	5.00 to < 10.00	*1*	*-*	*0%*	*1*	*8.68%*	*4*	*17.59%*	*0*	*1*	*63.35%*	*0*	*(0)*
	10.00 to < 100.00	341	4	100%	345	18.54%	1,142	10.63%	0	190	55.20%	7	(4)
	10.00 to < 20.00	*338*	*4*	*100%*	*342*	*18.48%*	*1,139*	*10.39%*	*0*	*179*	*52.36%*	*7*	*(4)*
	20.00 to < 30.00	*2*	*0*	*100%*	*3*	*27.21%*	*3*	*43.71%*	*0*	*11*	*440.52%*	*0*	*(0)*
	30.00 to < 100.00	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0*
	100.00 (default)	68	0	100%	65	100.00%	589	47.22%	0	124	190.55%	23	(23)
	Subtotal	**4,778**	**46**	**100%**	**4,820**	**4.26%**	**30,606**	**11.92%**	**0**	**1,123**	**23.30%**	**39**	**(29)**

(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and Provisions
						31.12.2023							
Retail – Secured by real estate non-SME	0.00 to < 0.15	44,650	719	100%	45,365	0.07%	249,815	15.64%	0	1,587	3.50%	5	(11)
	0.00 to < 0.10	27,720	513	100%	28,229	0.05%	131,958	15.73%	0	948	3.36%	2	(11)
	0.10 to < 0.15	16,930	206	100%	17,136	0.10%	117,857	15.50%	0	640	3.73%	3	()
	0.15 to < 0.25	24,981	377	85%	25,307	0.19%	189,696	16.26%	0	1,614	6.38%	8	(5)
	0.25 to < 0.50	14,111	318	84%	14,319	0.39%	130,470	16.53%	0	1,626	11.36%	9	(7)
	0.50 to < 0.75	1,404	116	59%	1,465	0.56%	19,571	18.71%	0	245	16.73%	2	(2)
	0.75 to < 2.50	26,775	396	87%	27,104	1.22%	190,331	16.38%	0	6,311	23.29%	54	(32)
	0.75 to < 1.75	20,929	328	85%	21,198	0.93%	156,056	16.59%	0	4,296	20.27%	33	(17)
	1.75 to < 2.50	5,846	69	98%	5,906	2.25%	34,275	15.62%	0	2,015	34.13%	21	(15)
	2.50 to < 10.00	4,039	46	88%	4,075	5.35%	33,523	17.10%	0	2,399	58.88%	37	(29)
	2.50 to < 5.00	2,942	36	85%	2,970	4.17%	24,763	17.13%	0	1,575	53.02%	21	(17)
	5.00 to < 10.00	1,097	10	97%	1,105	8.53%	8,760	17.01%	0	824	74.61%	16	(12)
	10.00 to < 100.00	497	6	98%	500	26.04%	4,450	17.17%	0	497	99.40%	22	(15)
	10.00 to < 20.00	84	2	94%	85	13.12%	975	18.09%	0	83	98.30%	2	(2)
	20.00 to < 30.00	386	4	100%	390	26.69%	3,116	16.86%	0	391	100.33%	18	(10)
	30.00 to < 100.00	26	0	100%	26	58.86%	359	18.93%	0	23	88.91%	3	(3)
	100.00 (default)	643	2	87%	623	100.00%	7,834	40.60%	0	1,174	188.39%	196	(196)
	Subtotal	**117,099**	**1,981**	**89%**	**118,757**	**1.22%**	**825,690**	**16.27%**	**0**	**15,454**	**13.01%**	**333**	**(297)**
Retail – Qualifying revolving	0.00 to < 0.15	90	883	47%	1,225	0.07%	3,368,133	51.95%	0	33	2.72%	0	(1)
	0.00 to < 0.10	16	415	40%	720	0.05%	1,983,449	53.08%	0	15	2.06%	0	()
	0.10 to < 0.15	75	468	52%	506	0.11%	1,384,684	50.35%	0	19	3.66%	0	(1)
	0.15 to < 0.25	81	368	39%	524	0.19%	1,739,699	48.72%	0	30	5.71%	0	(1)
	0.25 to < 0.50	87	241	47%	327	0.38%	826,966	49.09%	0	32	9.82%	1	(1)
	0.50 to < 0.75	12	56	53%	43	0.64%	58,272	51.33%	0	7	15.86%	0	()
	0.75 to < 2.50	467	514	42%	998	1.41%	2,503,179	44.17%	0	242	24.31%	6	(10)
	0.75 to < 1.75	292	390	41%	688	0.99%	1,824,230	44.78%	0	133	19.30%	3	(6)
	1.75 to < 2.50	174	123	42%	309	2.34%	678,949	42.82%	0	110	35.46%	3	(4)
	2.50 to < 10.00	472	163	40%	635	6.01%	917,715	43.41%	0	427	67.17%	17	(20)
	2.50 to < 5.00	245	110	40%	352	4.26%	536,747	42.88%	0	189	53.73%	6	(8)
	5.00 to < 10.00	227	54	39%	284	8.17%	380,968	44.06%	0	238	83.82%	10	(11)
	10.00 to < 100.00	182	25	52%	219	24.30%	275,052	44.72%	0	292	133.24%	23	(19)
	10.00 to < 20.00	74	7	33%	76	12.58%	36,334	46.93%	0	87	113.92%	4	(5)
	20.00 to < 30.00	77	17	60%	112	27.10%	226,642	43.97%	0	163	145.61%	13	(7)
	30.00 to < 100.00	31	1	37%	31	42.88%	12,076	42.02%	0	42	136.01%	6	(8)
	100.00 (default)	230	6	7%	227	100.00%	207,502	64.32%	0	347	152.90%	127	(127)
	Subtotal	**1,621**	**2,256**	**44%**	**4,198**	**8.01%**	**9,896,518**	**48.47%**	**0**	**1,411**	**33.61%**	**174**	**(179)**
Retail – Other SME	0.00 to < 0.15	86	1	97%	75	0.07%	387	16.82%	0	6	8.03%	0	()
	0.00 to < 0.10	55	1	97%	44	0.05%	253	16.85%	0	5	10.43%	0	()
	0.10 to < 0.15	31	0	97%	31	0.10%	134	16.78%	0	1	4.66%	0	()
	0.15 to < 0.25	56	1	99%	57	0.18%	2,790	24.17%	0	5	7.88%	0	()
	0.25 to < 0.50	88	270	82%	324	0.37%	192,527	43.08%	0	75	22.99%	1	()
	0.50 to < 0.75	3,353	29	81%	3,376	0.63%	66,941	25.81%	0	844	25.01%	6	(6)
	0.75 to < 2.50	9,025	361	61%	9,318	1.51%	275,560	28.70%	0	2,785	29.88%	41	(21)
	0.75 to < 1.75	6,031	234	72%	6,197	1.21%	172,760	27.26%	0	1,647	26.58%	20	(8)
	1.75 to < 2.50	2,994	127	41%	3,122	2.12%	102,800	31.56%	0	1,138	36.44%	21	(13)
	2.50 to < 10.00	4,159	177	37%	4,326	5.10%	140,317	29.30%	0	1,686	38.96%	66	(52)
	2.50 to < 5.00	2,973	72	46%	3,004	3.94%	58,671	27.91%	0	1,094	36.41%	33	(22)
	5.00 to < 10.00	1,186	105	31%	1,322	7.73%	81,646	32.47%	0	592	44.76%	32	(29)
	10.00 to < 100.00	1,088	92	36%	1,234	22.84%	75,665	33.83%	0	811	65.71%	96	(74)
	10.00 to < 20.00	557	61	35%	655	14.72%	46,422	32.89%	0	361	55.18%	31	(28)
	20.00 to < 30.00	295	24	40%	332	25.75%	21,711	34.51%	0	251	75.63%	30	(21)
	30.00 to < 100.00	236	7	31%	248	40.42%	7,532	35.42%	0	199	80.30%	35	(24)
	100.00 (default)	1,348	5	25%	1,310	99.67%	37,398	48.65%	0	1,158	88.37%	738	(738)
	Subtotal	**19,204**	**936**	**61%**	**20,021**	**9.85%**	**791,585**	**30.14%**	**0**	**7,368**	**36.80%**	**947**	**(891)**

(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjust-ments and Provisions
	31.12.2023												
Retail – Other non-SME	0.00 to < 0.15	2,282	129	37%	2,342	0.08%	78,814	20.99%	0	109	4.65%	0	(4)
	0.00 to < 0.10	*1,104*	*103*	*22%*	*1,137*	*0.05%*	*26,661*	*19.72%*	*0*	*36*	*3.14%*	*0*	*(1)*
	0.10 to < 0.15	*1,179*	*26*	*96%*	*1,204*	*0.10%*	*52,153*	*22.19%*	*0*	*73*	*6.08%*	*0*	*(3)*
	0.15 to < 0.25	2,358	33	98%	2,386	0.19%	152,741	25.18%	0	264	11.07%	1	(10)
	0.25 to < 0.50	2,404	354	94%	2,709	0.38%	313,235	41.06%	0	740	27.33%	4	(7)
	0.50 to < 0.75	1,479	30	100%	1,509	0.58%	247,027	42.92%	0	585	38.76%	4	(3)
	0.75 to < 2.50	13,442	1,462	91%	14,652	1.17%	742,720	26.04%	0	4,606	31.44%	48	(59)
	0.75 to < 1.75	*11,761*	*1,400*	*91%*	*12,909*	*1.03%*	*603,418*	*25.46%*	*0*	*3,828*	*29.66%*	*36*	*(38)*
	1.75 to < 2.50	*1,681*	*63*	*100%*	*1,744*	*2.20%*	*139,302*	*30.33%*	*0*	*778*	*44.63%*	*11*	*(21)*
	2.50 to < 10.00	3,945	58	100%	4,001	4.60%	375,993	39.52%	0	2,588	64.67%	71	(79)
	2.50 to < 5.00	*2,711*	*52*	*100%*	*2,762*	*3.54%*	*249,305*	*37.72%*	*0*	*1,670*	*60.46%*	*36*	*(38)*
	5.00 to < 10.00	*1,233*	*6*	*100%*	*1,240*	*6.97%*	*126,688*	*43.54%*	*0*	*918*	*74.06%*	*35*	*(41)*
	10.00 to < 100.00	1,167	138	100%	1,304	23.78%	122,132	37.32%	0	1,223	93.79%	109	(106)
	10.00 to < 20.00	*441*	*3*	*100%*	*443*	*12.48%*	*40,066*	*49.18%*	*0*	*436*	*98.41%*	*27*	*(37)*
	20.00 to < 30.00	*568*	*134*	*100%*	*702*	*26.53%*	*64,904*	*30.15%*	*0*	*620*	*88.25%*	*56*	*(41)*
	30.00 to < 100.00	*158*	*0*	*100%*	*159*	*43.09%*	*17,162*	*35.92%*	*0*	*168*	*105.46%*	*25*	*(28)*
	100.00 (default)	1,543	7	99%	1,537	100.00%	172,374	53.72%	0	1,063	69.16%	856	(856)
	Subtotal	**28,621**	**2,212**	**89%**	**30,441**	**7.32%**	**2,205,036**	**31.41%**	**0**	**11,178**	**36.72%**	**1,093**	**(1,124)**
TOTAL		**697,397**	**227,477**	**47%**	**794,227**	**1.95%**	**13,867,416**	**15.53%**		**160,413**	**20.20%**	**6,454**	**(6,292)**

		31.12.2022											
(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjust-ments and Provisions
Central governments and central banks	0.00 to < 0.15	234,250	11,323	36%	238,964	0.01%	389	0.76%	1	821	0.34%	1	(0)
	0.00 to < 0.10	231,649	11,322	36%	235,571	0.01%	386	0.57%	1	392	0.17%	0	(0)
	0.10 to < 0.15	2,602	1	48%	3,393	0.15%	3	14.28%	3	429	12.63%	1	(0)
	0.15 to < 0.25	-	-	-	28	-	-	-	2	-	-	-	-
	0.25 to < 0.50	1,753	326	75%	2,819	0.26%	12	10.73%	3	348	12.36%	1	(0)
	0.50 to < 0.75	3,121	61	75%	6,006	0.51%	10	12.67%	2	1,302	21.67%	3	(0)
	0.75 to < 2.50	3,064	640	74%	7,588	1.59%	11	11.23%	4	1,358	17.90%	9	(3)
	0.75 to < 1.75	1,686	61	75%	3,920	1.10%	2	12.31%	4	908	23.16%	4	(1)
	1.75 to < 2.50	1,378	580	74%	3,668	2.12%	9	10.07%	3	450	12.27%	5	(2)
	2.50 to < 10.00	3,107	2,538	72%	9,907	5.03%	168	4.85%	4	818	8.25%	7	(2)
	2.50 to < 5.00	2,164	2,173	72%	7,412	4.11%	160	4.13%	4	558	7.53%	5	(1)
	5.00 to < 10.00	943	365	75%	2,495	7.76%	8	6.97%	3	259	10.39%	2	(1)
	10.00 to < 100.00	1,220	658	77%	5,150	15.27%	25	6.13%	3	995	19.32%	20	(7)
	10.00 to < 20.00	1,176	637	79%	2,783	11.05%	18	7.51%	3	828	29.75%	20	(3)
	20.00 to < 30.00	44	20	-	2,340	20.46%	7	4.57%	4	167	7.13%	1	(4)
	30.00 to < 100.00	-	-	-	27	-	-	-	2	-	-	-	-
	100.00 (default)	124	0	75%	1,217	100.00%	11	7.87%	2	206	16.90%	80	(81)
	Subtotal	**246,638**	**15,546**	**46%**	**271,679**	**0**	**626**	**0**	**1**	**5,847**	**0**	**122**	**(94)**
Institutions	0.00 to < 0.15	27,610	14,133	70%	32,864	0.03%	2,598	24.71%	2	1,875	5.71%	3	(1)
	0.00 to < 0.10	26,834	13,687	70%	31,379	0.03%	2,209	24.93%	2	1,688	5.38%	3	(0)
	0.10 to < 0.15	777	446	69%	1,485	0.13%	389	20.00%	2	187	12.62%	0	(0)
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	829	979	62%	1,640	0.26%	327	22.52%	2	394	24.02%	1	(0)
	0.50 to < 0.75	1,555	856	65%	1,080	0.50%	135	25.81%	2	587	54.39%	1	(0)
	0.75 to < 2.50	607	352	43%	1,005	1.56%	112	25.14%	2	421	41.89%	3	(0)
	0.75 to < 1.75	271	285	41%	465	1.10%	59	25.99%	2	207	44.56%	1	(0)
	1.75 to < 2.50	336	67	52%	540	1.96%	53	24.41%	2	214	39.58%	2	(0)
	2.50 to < 10.00	1,448	484	49%	1,556	4.97%	533	29.95%	2	807	51.88%	10	(21)
	2.50 to < 5.00	835	417	48%	1,233	4.24%	505	28.34%	2	629	51.03%	7	(19)
	5.00 to < 10.00	613	67	55%	324	7.76%	28	36.08%	2	178	55.14%	3	(1)
	10.00 to < 100.00	275	247	59%	389	15.01%	64	27.61%	1	360	92.62%	11	(5)
	10.00 to < 20.00	230	152	49%	277	12.03%	38	21.71%	1	145	52.34%	3	(1)
	20.00 to < 30.00	45	95	75%	111	22.51%	26	42.24%	2	215	193.46%	8	(4)
	30.00 to < 100.00	-	-	-	0	-	-	45.00%	1	0	10.79%	0	(0)
	100.00 (default)	129	143	88%	310	100.00%	20	38.34%	3	592	191.32%	449	(104)
	Subtotal	**32,452**	**17,192**	**68%**	**38,844**	**1.24%**	**3,789**	**25.01%**	**2**	**5,037**	**12.97%**	**478**	**(131)**
Corporate – SME	0.00 to < 0.15	1,607	1,926	63%	2,140	0.14%	4,760	36.25%	3	504	23.55%	1	(2)
	0.00 to < 0.10	320	363	74%	574	0.08%	1,285	34.60%	3	116	20.23%	0	(0)
	0.10 to < 0.15	1,288	1,563	61%	1,566	0.16%	3,475	36.86%	3	388	24.76%	1	(2)
	0.15 to < 0.25	78	23	68%	61	0.16%	366	38.08%	2	14	22.84%	0	(0)
	0.25 to < 0.50	1,964	1,006	77%	2,347	0.37%	8,160	36.80%	2	838	35.68%	4	(3)
	0.50 to < 0.75	6,007	2,823	81%	7,181	0.68%	9,492	24.90%	2	2,630	36.63%	9	(10)
	0.75 to < 2.50	11,962	2,411	74%	12,145	1.95%	20,276	27.65%	4	6,255	51.51%	61	(41)
	0.75 to < 1.75	5,468	1,612	73%	5,808	1.26%	11,427	30.68%	3	2,866	49.34%	23	(16)
	1.75 to < 2.50	6,494	799	77%	6,337	2.58%	8,849	24.88%	4	3,390	53.49%	38	(24)
	2.50 to < 10.00	8,665	1,509	75%	8,387	5.10%	19,805	32.30%	3	6,436	76.74%	137	(150)
	2.50 to < 5.00	6,866	1,236	75%	6,699	4.28%	15,461	32.86%	3	5,032	75.12%	95	(100)
	5.00 to < 10.00	1,799	273	77%	1,688	8.36%	4,344	30.06%	3	1,404	83.17%	42	(50)
	10.00 to < 100.00	2,333	276	70%	1,927	18.70%	6,525	29.27%	2	1,943	100.83%	105	(145)
	10.00 to < 20.00	1,487	157	71%	1,217	13.60%	3,834	29.40%	2	1,155	94.85%	50	(75)
	20.00 to < 30.00	700	104	68%	566	25.37%	2,015	30.48%	2	658	116.22%	43	(57)
	30.00 to < 100.00	147	15	66%	143	35.64%	676	23.37%	2	130	90.88%	12	(13)
	100.00 (default)	1,894	230	72%	1,598	100.00%	5,538	46.53%	2	2,471	154.62%	840	(753)
	Subtotal	**34,511**	**10,204**	**74%**	**35,786**	**7.50%**	**74,922**	**30.25%**	**3**	**21,092**	**58.94%**	**1,158**	**(1,103)**

		31.12.2022											
(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjust-ments and Provisions
Corporate – Specialised lending	0.00 to < 0.15	8,802	6,912	53%	11,168	0.10%	226	21.57%	3	1,230	11.01%	2	(2)
	0.00 to < 0.10	5,195	3,639	53%	6,682	0.07%	128	22.45%	3	640	9.57%	1	(1)
	0.10 to < 0.15	3,607	3,272	54%	4,485	0.14%	98	20.25%	2	590	13.16%	1	(1)
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	4,932	4,675	67%	6,804	0.27%	163	17.83%	2	1,130	16.60%	3	(2)
	0.50 to < 0.75	11,497	3,515	47%	12,115	0.58%	409	13.12%	4	3,786	31.25%	9	(8)
	0.75 to < 2.50	18,460	8,839	46%	19,890	1.69%	1,041	14.10%	3	6,267	31.51%	43	(23)
	0.75 to < 1.75	11,198	5,044	46%	11,936	1.27%	579	13.30%	3	3,603	30.18%	19	(11)
	1.75 to < 2.50	7,261	3,795	46%	7,955	2.32%	462	15.30%	3	2,664	33.49%	24	(12)
	2.50 to < 10.00	9,782	3,993	42%	8,970	4.33%	763	19.29%	3	3,929	43.80%	54	(189)
	2.50 to < 5.00	8,481	3,398	42%	8,051	4.05%	643	19.03%	3	3,413	42.39%	43	(152)
	5.00 to < 10.00	1,301	595	42%	919	6.81%	120	21.55%	2	516	56.13%	10	(37)
	10.00 to < 100.00	2,434	1,211	53%	1,765	15.45%	144	18.28%	3	1,139	64.54%	37	(159)
	10.00 to < 20.00	1,627	392	50%	1,458	14.03%	96	17.39%	3	836	57.36%	24	(99)
	20.00 to < 30.00	807	818	55%	307	22.20%	47	22.51%	4	303	98.61%	13	(50)
	30.00 to < 100.00	-	1	20%	0	36.21%	1	38.50%	1	0	150.15%	0	(10)
	100.00 (default)	1,574	83	43%	1,258	100.00%	112	40.28%	2	799	63.50%	527	(527)
	Subtotal	**57,480**	**29,227**	**51%**	**61,970**	**3.80%**	**2,858**	**17.07%**	**3**	**18,279**	**29.50%**	**675**	**(909)**
Corporate – Other	0.00 to < 0.15	32,115	99,029	53%	72,229	0.08%	4,680	30.99%	2	9,963	13.79%	17	(15)
	0.00 to < 0.10	18,509	70,854	55%	47,791	0.05%	3,094	32.04%	2	5,273	11.03%	7	(7)
	0.10 to < 0.15	13,607	28,175	47%	24,437	0.14%	1,586	28.94%	2	4,690	19.19%	9	(8)
	0.15 to < 0.25	55	21	44%	60	0.16%	102	35.78%	2	18	29.36%	0	(0)
	0.25 to < 0.50	13,450	26,508	48%	23,140	0.28%	6,002	29.02%	2	6,324	27.33%	15	(12)
	0.50 to < 0.75	12,382	17,429	45%	18,060	0.55%	3,258	31.56%	2	10,918	60.45%	25	(18)
	0.75 to < 2.50	17,428	15,689	50%	22,097	1.67%	6,259	31.39%	2	14,649	66.30%	97	(65)
	0.75 to < 1.75	8,751	9,172	48%	11,411	1.18%	3,399	32.01%	2	6,544	57.35%	34	(22)
	1.75 to < 2.50	8,676	6,517	52%	10,686	2.19%	2,860	30.72%	2	8,105	75.85%	64	(43)
	2.50 to < 10.00	19,015	10,106	58%	21,293	4.57%	11,179	29.55%	2	16,609	78.00%	221	(428)
	2.50 to < 5.00	15,841	8,600	57%	17,416	3.84%	9,605	29.36%	2	12,926	74.22%	155	(303)
	5.00 to < 10.00	3,174	1,506	66%	3,877	7.86%	1,574	30.40%	2	3,683	94.98%	66	(125)
	10.00 to < 100.00	5,037	1,919	54%	4,143	14.75%	2,569	33.41%	2	5,738	138.49%	162	(327)
	10.00 to < 20.00	3,029	1,232	56%	3,199	12.35%	1,283	34.23%	2	4,411	137.87%	107	(242)
	20.00 to < 30.00	1,961	669	49%	905	22.39%	1,207	30.45%	2	1,259	139.15%	52	(79)
	30.00 to < 100.00	47	18	60%	39	34.51%	79	34.82%	1	68	172.83%	3	(7)
	100.00 (default)	2,229	314	72%	1,945	100.00%	1,070	49.47%	2	1,916	98.53%	975	(976)
	Subtotal	**101,710**	**171,017**	**51%**	**162,968**	**2.53%**	**35,119**	**30.92%**	**2**	**66,135**	**40.58%**	**1,512**	**(1,841)**
Retail – Secured by real estate SME	0.00 to < 0.15	7	0	100%	7	0.08%	14,967	18.44%	-	0	2.86%	0	(0)
	0.00 to < 0.10	3	0	100%	3	0.05%	14,953	18.79%	-	0	2.11%	0	(0)
	0.10 to < 0.15	4	-	-	4	0.10%	14	18.15%	-	0	3.48%	0	(0)
	0.15 to < 0.25	1	-	-	1	0.19%	13	18.77%	-	0	5.88%	0	(0)
	0.25 to < 0.50	864	12	100%	876	0.27%	4,787	16.20%	-	57	6.56%	0	(0)
	0.50 to < 0.75	1,735	28	100%	1,764	0.62%	14	9.89%	-	122	6.91%	1	(0)
	0.75 to < 2.50	1,939	30	100%	1,969	0.37%	8,966	14.22%	-	302	15.33%	3	(1)
	0.75 to < 1.75	1,601	27	100%	1,628	0.01%	8,620	14.16%	-	222	13.64%	2	(0)
	1.75 to < 2.50	338	2	100%	341	2.07%	346	14.50%	-	80	23.38%	1	(0)
	2.50 to < 10.00	470	7	100%	477	2.84%	2,379	15.62%	-	143	29.94%	2	(1)
	2.50 to < 5.00	440	7	100%	447	2.56%	2,225	15.57%	-	128	28.52%	2	(1)
	5.00 to < 10.00	30	0	100%	30	6.94%	154	16.36%	-	15	51.18%	0	(0)
	10.00 to < 100.00	205	4	100%	209	15.30%	630	9.85%	-	87	41.61%	3	(1)
	10.00 to < 20.00	191	4	100%	194	14.48%	547	9.38%	-	76	39.10%	3	(1)
	20.00 to < 30.00	14	0	100%	14	26.52%	83	16.33%	-	11	76.00%	1	(0)
	30.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (default)	96	0	100%	94	100.00%	487	28.55%	-	116	123.25%	23	(24)
	Subtotal	**5,318**	**80**	**100%**	**5,397**	**2.97%**	**32,243**	**13.34%**	**-**	**827**	**15.32%**	**33**	**(26)**

		31.12.2022											
(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjust-ments and Provisions
Retail – Secured by real estate non-SME	0.00 to < 0.15	45,379	1,159	100%	46,516	0.07%	344,679	15.74%	-	1,349	2.90%	5	(5)
	0.00 to < 0.10	32,099	792	100%	32,870	0.06%	253,192	15.85%	-	844	2.57%	3	(2)
	0.10 to < 0.15	13,280	367	100%	13,646	0.10%	91,487	15.48%	-	505	3.70%	2	(3)
	0.15 to < 0.25	27,882	803	91%	28,576	0.19%	176,311	16.36%	-	1,847	6.46%	9	(9)
	0.25 to < 0.50	13,839	480	88%	14,143	0.40%	124,427	16.80%	-	1,638	11.58%	10	(11)
	0.50 to < 0.75	5,222	254	79%	5,393	0.56%	19,669	13.36%	-	1,021	18.93%	4	(2)
	0.75 to < 2.50	25,024	792	91%	25,679	1.31%	161,640	15.52%	-	5,708	22.23%	49	(39)
	0.75 to < 1.75	17,675	629	89%	18,185	0.94%	132,589	16.71%	-	3,706	20.38%	29	(26)
	1.75 to < 2.50	7,349	163	99%	7,493	2.21%	29,051	12.63%	-	2,002	26.72%	20	(13)
	2.50 to < 10.00	4,720	115	94%	4,816	5.03%	32,678	15.02%	-	2,357	48.95%	36	(21)
	2.50 to < 5.00	3,418	88	92%	3,490	3.87%	24,155	14.95%	-	1,509	43.23%	20	(13)
	5.00 to < 10.00	1,302	27	99%	1,326	8.10%	8,523	15.22%	-	848	63.97%	16	(8)
	10.00 to < 100.00	586	12	100%	595	23.10%	4,046	14.13%	-	471	79.14%	21	(10)
	10.00 to < 20.00	209	5	99%	212	13.63%	1,229	12.41%	-	139	65.59%	4	(3)
	20.00 to < 30.00	350	7	100%	356	26.07%	2,431	14.78%	-	309	86.81%	14	(5)
	30.00 to < 100.00	27	0	100%	27	58.96%	386	19.06%	-	23	84.68%	3	(3)
	100.00 (default)	1,041	3	99%	1,027	100.00%	7,353	28.46%	-	1,350	131.47%	200	(211)
	Subtotal	**123,692**	**3,617**	**93%**	**126,745**	**1.51%**	**870,803**	**15.92%**	**-**	**15,741**	**12.42%**	**334**	**(309)**
Retail – Qualifying revolving	0.00 to < 0.15	113	914	34%	1,824	0.07%	2,006,091	53.23%	-	47	2.58%	1	(1)
	0.00 to < 0.10	14	381	29%	1,069	0.05%	1,067,001	54.58%	-	21	1.95%	0	(0)
	0.10 to < 0.15	99	533	37%	755	0.11%	939,090	51.32%	-	26	3.47%	0	(1)
	0.15 to < 0.25	70	334	31%	656	0.19%	1,015,785	51.17%	-	36	5.52%	1	(1)
	0.25 to < 0.50	116	289	38%	388	0.37%	600,570	47.83%	-	34	8.79%	1	(1)
	0.50 to < 0.75	12	60	56%	43	0.64%	56,775	51.11%	-	172	399.63%	0	(0)
	0.75 to < 2.50	506	561	37%	1,133	1.37%	1,804,215	45.05%	-	253	22.31%	7	(9)
	0.75 to < 1.75	321	413	36%	799	0.97%	1,291,628	45.64%	-	143	17.84%	4	(5)
	1.75 to < 2.50	185	148	38%	334	2.33%	512,587	43.65%	-	110	32.99%	3	(4)
	2.50 to < 10.00	515	166	39%	688	5.77%	868,904	43.59%	-	416	60.40%	18	(19)
	2.50 to < 5.00	277	110	39%	389	4.06%	503,049	42.21%	-	184	47.20%	7	(8)
	5.00 to < 10.00	238	56	38%	299	7.98%	365,855	45.39%	-	232	77.55%	11	(11)
	10.00 to < 100.00	218	22	34%	258	23.10%	316,815	45.56%	-	315	122.22%	27	(20)
	10.00 to < 20.00	104	8	36%	107	12.72%	57,848	46.42%	-	109	102.19%	6	(5)
	20.00 to < 30.00	78	14	33%	114	26.92%	244,060	45.90%	-	160	139.79%	14	(6)
	30.00 to < 100.00	37	1	24%	37	41.24%	14,907	42.02%	-	46	125.68%	6	(9)
	100.00 (default)	238	6	52%	236	100.00%	158,941	60.97%	-	247	104.90%	135	(136)
	Subtotal	**1,789**	**2,352**	**36%**	**5,226**	**6.79%**	**6,828,096**	**49.48%**	**-**	**1,520**	**29.09%**	**189**	**(186)**
Retail – Other SME	0.00 to < 0.15	70	1	98%	71	0.08%	356	17.78%	-	9	12.07%	0	(0)
	0.00 to < 0.10	39	1	97%	40	0.05%	221	16.40%	-	6	14.12%	0	(0)
	0.10 to < 0.15	30	1	99%	31	0.11%	135	19.57%	-	3	9.43%	0	(0)
	0.15 to < 0.25	54	11	12%	66	0.19%	9,047	24.90%	-	5	7.72%	0	(0)
	0.25 to < 0.50	2,527	316	89%	2,769	0.38%	109,898	22.49%	-	304	11.00%	2	(2)
	0.50 to < 0.75	2,458	31	89%	2,457	0.59%	52,814	23.61%	-	1,531	62.33%	4	(5)
	0.75 to < 2.50	9,929	508	80%	10,398	1.51%	196,852	25.89%	-	2,532	24.35%	41	(28)
	0.75 to < 1.75	8,138	359	91%	8,449	1.33%	135,353	24.94%	-	1,906	22.56%	28	(20)
	1.75 to < 2.50	1,791	149	55%	1,949	2.28%	61,499	29.99%	-	626	32.11%	13	(8)
	2.50 to < 10.00	4,123	209	62%	4,344	5.08%	114,069	27.95%	-	1,636	37.65%	61	(82)
	2.50 to < 5.00	2,516	157	52%	2,692	3.97%	75,363	28.73%	-	903	33.55%	31	(49)
	5.00 to < 10.00	1,607	53	91%	1,652	6.88%	38,706	26.67%	-	732	44.34%	30	(33)
	10.00 to < 100.00	1,323	107	33%	1,471	18.81%	67,475	30.67%	-	747	50.78%	84	(76)
	10.00 to < 20.00	894	76	37%	1,005	13.06%	41,543	29.70%	-	440	43.79%	37	(35)
	20.00 to < 30.00	273	24	26%	299	25.53%	19,088	33.01%	-	192	64.27%	25	(18)
	30.00 to < 100.00	156	7	14%	167	41.37%	6,844	32.35%	-	115	68.68%	22	(22)
	100.00 (default)	1,310	5	95%	1,297	100.00%	37,646	37.64%	-	779	60.09%	668	(668)
	Subtotal	**21,793**	**1,189**	**75%**	**22,872**	**8.64%**	**588,157**	**26.57%**	**-**	**7,543**	**32.98%**	**861**	**(861)**

(In EURm)	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjust-ments and Provisions
	31.12.2022												
Retail – Other non-SME	0.00 to < 0.15	2,248	53	91%	2,295	0.08%	69,980	21.31%	-	103	4.48%	0	(4)
	0.00 to < 0.10	*1,026*	*27*	*87%*	*1,053*	*0.05%*	*25,479*	*19.41%*	-	*30*	*2.81%*	*0*	*(1)*
	0.10 to < 0.15	*1,222*	*26*	*96%*	*1,242*	*0.10%*	*44,501*	*22.92%*	-	*73*	*5.89%*	*0*	*(3)*
	0.15 to < 0.25	2,796	174	100%	2,971	0.18%	173,297	23.83%	-	277	9.31%	1	(8)
	0.25 to < 0.50	3,389	519	100%	3,869	0.43%	350,175	35.83%	-	914	23.63%	5	(8)
	0.50 to < 0.75	6,403	1,124	100%	7,223	0.73%	258,467	12.92%	-	1,737	24.05%	5	(5)
	0.75 to < 2.50	9,121	534	100%	9,585	1.38%	776,508	33.97%	-	3,764	39.27%	42	(54)
	0.75 to < 1.75	*7,548*	*454*	*100%*	*7,933*	*1.19%*	*635,922*	*34.25%*	-	*3,021*	*38.08%*	*31*	*(35)*
	1.75 to < 2.50	*1,573*	*80*	*100%*	*1,651*	*2.31%*	*140,586*	*32.61%*	-	*743*	*45.03%*	*11*	*(19)*
	2.50 to < 10.00	4,540	128	100%	4,665	4.42%	398,286	37.63%	-	2,679	57.43%	75	(80)
	2.50 to < 5.00	*3,269*	*112*	*100%*	*3,379*	*3.49%*	*271,744*	*35.70%*	-	*1,795*	*53.12%*	*40*	*(37)*
	5.00 to < 10.00	*1,270*	*17*	*100%*	*1,287*	*6.86%*	*126,542*	*42.71%*	-	*884*	*68.73%*	*36*	*(43)*
	10.00 to < 100.00	1,169	112	100%	1,278	23.80%	127,027	37.39%	-	1,099	86.04%	104	(107)
	10.00 to < 20.00	*528*	*8*	*100%*	*533*	*13.30%*	*47,094*	*45.71%*	-	*477*	*89.38%*	*31*	*(45)*
	20.00 to < 30.00	*476*	*104*	*100%*	*581*	*27.80%*	*61,145*	*29.45%*	-	*452*	*77.85%*	*44*	*(33)*
	30.00 to < 100.00	*166*	*0*	*100%*	*164*	*43.77%*	*18,788*	*38.43%*	-	*171*	*104.18%*	*28*	*(29)*
	100.00 (default)	1,427	6	100%	1,422	100.00%	169,122	52.79%	-	822	57.79%	813	(813)
	Subtotal	**31,092**	**2,650**	**100%**	**33,307**	**6.43%**	**2,322,862**	**29.29%**	**-**	**11,396**	**34.21%**	**1,047**	**(1,079)**
TOTAL		**656,476**	**253,075**	**54%**	**764,793**	**2.47%**	**10,759,475**	**16.40%**		**153,417**	**20.06%**	**6,408**	**(6,539)**

TABLE 59: INTERNAL APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE (CR6) – FIRB

	31.12.2023												
(In EURm)	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD *(%)*	Exposure weighted average maturity *(years)*	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
F-IRB Central governments and central banks	0.00 to <0.15	47	-	-	74	0.02%	334	44.89%	3	8	10.87%	0.01	(2)
	0.00 to <0.10	*47*	*-*	*-*	*74*	*0.02%*	*334*	*44.89%*	*3*	*8*	*10.87%*	*0.01*	*(2)*
	0.10 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
	1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	3.26%	10	45.00%	3	0.21	149.19%	0.00	-
	2.5 to <5	*-*	*-*	*-*	*-*	*3.26%*	*10*	*45.00%*	*3*	*0.21*	*149.19%*	*0.00*	*-)*
	5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal	**47**	**-**	**-**	**74**	**0.03%**	**344**	**44.89%**	**3**	**8**	**11.13%**	**0**	**(2)**
F-IRB Institution	0.00 to <0.15	2	-	75%	2	0.03%	25	44.94%	3	-	21.56%	-	(0)
	0.00 to <0.10	*2*	*-*	*75%*	*2*	*0.03%*	*23*	*44.96%*	*3*	*-*	*20.86%*	*-*	*(0)*
	0.10 to <0.15	*-*	*-*	*-*	*-*	*0.13%*	*2*	*44.54%*	*3*	*-*	*40.22%*	*-*	*(0)*
	0.15 to <0.25	-	-	-	-	-	0	-	0	-	-	-	0
	0.25 to <0.50	-	-	-	-	0.26%	3	45.00%	3	-	57.38%	-	(0)
	0.50 to <0.75	-	-	-	1	0.50%	2	45.00%	3	1	107.37%	-	(0)
	0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <1.75	-	-	-	-	-	-	-	-	-	-	-	-
	1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	3.44%	4	45.00%	3	0	173.54%	-	(0)
	2.5 to <5	*-*	*-*	*-*	*-*	*3.26%*	*3*	*45.00%*	*3*	*0*	*171.50%*	*-*	*(0)*
	5 to <10	*-*	*-*	*-*	*-*	*7.76%*	*1*	*45.00%*	*3*	*0*	*221.64%*	*-*	*0*
	10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	10 to <20	-	-	-	-	-	-	-	-	-	-	-	-
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal	**3**	**0**	**75%**	**3**	**0.21%**	**34**	**44.96%**	**3**	**2**	**50.54%**	**0**	**(0)**
F-IRB Corporate - SME	0.00 to <0.15	29	0	75%	8	0.13%	829	44.78%	3	9	115.43%	0	(0)
	0.00 to <0.10	*21*	*0*	*0%*	*0*	*0.03%*	*5*	*45.00%*	*3*	*7*	*240.92%*	*0*	*(0)*
	0.10 to <0.15	*8*	*0*	*75%*	*8*	*0.13%*	*824*	*44.78%*	*3*	*3*	*31.82%*	*0*	*(0)*
	0.15 to <0.25	12	2	75%	14	0.16%	65	44.60%	3	3	24.56%	0	(0)
	0.25 to <0.50	183	29	75%	201	0.28%	799	44.39%	3	51	25.17%	0	(0)
	0.50 to <0.75	157	26	75%	176	0.54%	1,325	44.97%	3	156	88.59%	0	(0)
	0.75 to <2.50	532	59	75%	577	1.43%	2,989	44.73%	3	383	66.35%	4	(1)
	0.75 to <1.75	*260*	*36*	*75%*	*287*	*1.00%*	*1,642*	*44.93%*	*3*	*165*	*57.65%*	*1*	*(1)*
	1.75 to <2.5	*272*	*24*	*75%*	*290*	*1.86%*	*1,347*	*44.53%*	*3*	*217*	*74.97%*	*2*	*(1)*
	2.50 to <10.00	702	61	75%	743	4.87%	4,469	45.14%	3	649	87.32%	15	(11)
	2.5 to <5	*529*	*45*	*75%*	*558*	*3.96%*	*3,561*	*45.20%*	*3*	*457*	*81.92%*	*9*	*(7)*
	5 to <10	*173*	*15*	*75%*	*185*	*7.60%*	*908*	*44.94%*	*3*	*192*	*103.61%*	*6*	*(4)*
	10.00 to <100.00	226	6	75%	230	18.23%	1,617	44.72%	3	311	135.07%	17	(14)
	10 to <20	*142*	*5*	*75%*	*146*	*12.51%*	*876*	*44.81%*	*3*	*178*	*121.66%*	*7*	*(6)*
	20 to <30	*51*	*0*	*75%*	*51*	*23.61%*	*247*	*44.28%*	*3*	*76*	*148.79%*	*5*	*(4)*
	30.00 to <100.00	*32*	*0*	*75%*	*33*	*35.52%*	*494*	*45.03%*	*3*	*57*	*173.89%*	*5*	*(4)*
	100.00 (Default)	104	1	75%	105	100.00%	1,084	44.86%	3	4	3.97%	43	(43)
	Subtotal	**1,945**	**184**	**75%**	**2,054**	**9.38%**	**13,177**	**44.87%**	**3**	**1,565**	**76.23%**	**79**	**(70)**

(In EURm)	PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD *(%)*	Exposure weighted average maturity *(years)*	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	31.12.2023												
F-IRB Corporate - Other than SME or specialised lending	0.00 to <0.15	447	4	75%	445	0.07%	492	44.95%	3	67	15.16%	0	(0)
	0.00 to <0.10	*361*	*4*	*75%*	*359*	*0.05%*	*286*	*44.97%*	*3*	*52*	*14.39%*	*0*	*(0)*
	0.10 to <0.15	*86*	*0*	*75%*	*86*	*0.13%*	*206*	*44.89%*	*3*	*16*	*18.37%*	*0*	*(0)*
	0.15 to <0.25	10	1	75%	11	0.16%	43	44.79%	3	5	41.92%	0	(0)
	0.25 to <0.50	163	15	75%	178	0.27%	356	45.01%	3	57	32.29%	0	(0)
	0.50 to <0.75	489	29	75%	511	0.52%	600	45.57%	3	392	76.69%	1	(1)
	0.75 to <2.50	491	29	75%	512	1.60%	1,271	45.70%	3	569	111.17%	4	(3)
	0.75 to <1.75	*277*	*13*	*75%*	*287*	*1.19%*	*730*	*46.11%*	*3*	*282*	*98.44%*	*2*	*(1)*
	1.75 to <2.5	*214*	*16*	*75%*	*226*	*2.12%*	*541*	*45.18%*	*3*	*287*	*127.33%*	*2*	*(2)*
	2.50 to <10.00	589	36	75%	620	4.40%	2,707	45.17%	3	870	140.34%	11	(12)
	2.5 to <5	*465*	*35*	*75%*	*496*	*3.67%*	*2,315*	*45.22%*	*3*	*661*	*133.22%*	*8*	*(8)*
	5 to <10	*124*	*1*	*75%*	*124*	*7.31%*	*392*	*44.99%*	*3*	*210*	*168.79%*	*4*	*(3)*
	10.00 to <100.00	133	2	75%	134	17.78%	507	45.38%	3	317	236.13%	10	(11)
	10 to <20	*83*	*1*	*75%*	*83*	*12.44%*	*324*	*45.45%*	*3*	*188*	*226.33%*	*5*	*(5)*
	20 to <30	*46*	*1*	*75%*	*47*	*25.91%*	*164*	*45.30%*	*3*	*119*	*250.77%*	*5*	*(5)*
	30.00 to <100.00	*4*	*0*	*0%*	*4*	*33.68%*	*19*	*44.99%*	*3*	*10*	*269.07%*	*1*	*(0)*
	100.00 (Default)	95	1	75%	95	100.00%	254	45.12%	3	3	2.82%	41	(24)
	Subtotal	**2,417**	**116**	**75%**	**2,507**	**6.31%**	**6,230**	**45.32%**	**3**	**2,281**	**90.99%**	**68**	**(50)**
TOTAL		**4,413**	**300**	**75%**	**4,638**	**7.57%**	**19,785**	**45.11%**	**3**	**3,856**	**83.15%**	**147**	**(121)**

(In EURm)	31.12.2022												
	PD scale	On-balance sheet exposures	Off-balance sheet exposures pre CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	RWA after SME supporting factor	Density of RWA	Expected loss amount	Value adjustments and provisions
Central governments and central banks	0.00 to < 0.15	48	-	-	48	0.01%	294	43.02%	3	5	9.42%	0	(0)
	0.00 to < 0.10	*48*	*-*	*-*	*48*	*0.01%*	*294*	*43.02%*	*3*	*5*	*9.42%*	*0*	*(0)*
	0.10 to < 0.15	*-*	*-*	*-*	*0*	*-*	*-*	*41.03%*	*3*	*0*	*6.75%*	*-*	*-*
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	0	-	-	41.45%	3	0	8.66%	0	(0)
	0.50 to < 0.75	-	-	-	0	-	-	40.37%	3	0	8.07%	0	(0)
	0.75 to < 2.50	-	-	-	1	-	-	41.25%	3	0	7.05%	0	(0)
	0.75 to < 1.75	*-*	*-*	*-*	*1*	*-*	*-*	*41.37%*	*3*	*0*	*7.01%*	*0*	*(0)*
	1.75 to < 2.50	*-*	*-*	*-*	*1*	*-*	*-*	*41.10%*	*3*	*0*	*7.10%*	*0*	*(0)*
	2.50 to < 10.00	0	-	-	7	2.67%	11	41.35%	3	1	11.16%	0	(0)
	2.50 to < 5.00	*0*	*-*	*-*	*6*	*3.26%*	*11*	*41.33%*	*3*	*1*	*12.10%*	*0*	*(0)*
	5.00 to < 10.00	*-*	*-*	*-*	*1*	*-*	*-*	*41.45%*	*3*	*0*	*6.92%*	*0*	*(0)*
	10.00 to < 100.00	-	-	-	2	-	-	41.15%	3	0	6.89%	0	(0)
	10.00 to < 20.00	*-*	*-*	*-*	*1*	*-*	*-*	*41.15%*	*3*	*0*	*6.97%*	*0*	*(0)*
	20.00 to < 30.00	*-*	*-*	*-*	*0*	*-*	*-*	*40.73%*	*3*	*0*	*6.70%*	*0*	*(0)*
	30.00 to < 100.00	*-*	*-*	*-*	*0*	*-*	*-*	*42.07%*	*3*	*0*	*6.97%*	*0*	*(0)*
	100.00 (default)	-	-	-	2	-	-	41.35%	3	0	8.92%	0	(0)
	Subtotal	**48**	**-**		**61**	**0.32%**	**305**	**42.67%**	**3**	**6**	**9.49%**	**0**	**(0)**
Institutions	0.00 to < 0.15	1	-	-	1	0.04%	20	44.26%	3	0	36.96%	0	(0)
	0.00 to < 0.10	*1*	*-*	*-*	*1*	*0.03%*	*18*	*44.25%*	*3*	*0*	*36.62%*	*0*	*(0)*
	0.10 to < 0.15	*0*	*-*	*-*	*0*	*0.13%*	*2*	*44.33%*	*3*	*0*	*39.63%*	*0*	*(0)*
	0.15 to < 0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to < 0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to < 0.75	0	-	-	0	0.50%	4	40.45%	3	0	92.80%	0	(0)
	0.75 to < 2.50	0	-	-	0	1.19%	2	44.58%	3	0	128.17%	0	(0)
	0.75 to < 1.75	*0*	*-*	*-*	*0*	*1.10%*	*1*	*45.00%*	*3*	*0*	*128.82%*	*0*	*(0)*
	1.75 to < 2.50	*0*	*-*	*-*	*0*	*2.12%*	*1*	*40.00%*	*3*	*0*	*121.07%*	*0*	*-*
	2.50 to < 10.00	0	-	-	0	3.76%	3	43.15%	3	0	168.34%	0	(0)
	2.50 to < 5.00	*0*	*-*	*-*	*0*	*3.26%*	*2*	*42.92%*	*3*	*0*	*161.97%*	*0*	*(0)*
	5.00 to < 10.00	*0*	*-*	*-*	*0*	*7.76%*	*1*	*45.00%*	*3*	*0*	*219.48%*	*0*	*(0)*
	10.00 to < 100.00	0	-	-	0	11.42%	2	40.00%	3	0	221.89%	0	-
	10.00 to < 20.00	*0*	*-*	*-*	*0*	*11.42%*	*2*	*40.00%*	*3*	*0*	*221.89%*	*0*	*-*
	20.00 to < 30.00	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
	30.00 to < 100.00	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
	100.00 (default)	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal	**1**	**-**		**1**	**0.55%**	**31**	**43.53%**	**3**	**1**	**58.69%**	**0**	**(0)**
Corporate – SME	0.00 to < 0.15	153	15	75%	164	0.21%	658	41.40%	3	46	28.31%	0	(0)
	0.00 to < 0.10	*1*	*-*	*-*	*1*	*0.27%*	*3*	*40.01%*	*3*	*0*	*29.31%*	*0*	*(0)*
	0.10 to < 0.15	*152*	*15*	*75%*	*163*	*0.21%*	*655*	*41.40%*	*3*	*46*	*28.31%*	*0*	*(0)*
	0.15 to < 0.25	23	2	75%	25	0.16%	120	40.87%	3	6	24.55%	0	(0)
	0.25 to < 0.50	164	13	75%	174	0.41%	700	41.42%	3	70	39.99%	0	(0)
	0.50 to < 0.75	311	33	75%	335	0.69%	1,507	41.34%	3	180	53.65%	1	(1)
	0.75 to < 2.50	751	77	75%	808	1.86%	3,826	41.65%	3	532	65.85%	6	(3)
	0.75 to < 1.75	*435*	*51*	*75%*	*473*	*1.33%*	*2,248*	*41.65%*	*3*	*290*	*61.25%*	*2*	*(2)*
	1.75 to < 2.50	*316*	*26*	*75%*	*335*	*2.60%*	*1,578*	*41.66%*	*3*	*242*	*72.33%*	*3*	*(2)*
	2.50 to < 10.00	669	65	75%	712	5.06%	4,470	41.89%	3	616	86.51%	14	(10)
	2.50 to < 5.00	*550*	*59*	*75%*	*589*	*4.36%*	*3,606*	*42.00%*	*3*	*492*	*83.42%*	*10*	*(6)*
	5.00 to < 10.00	*120*	*7*	*75%*	*123*	*8.42%*	*864*	*41.39%*	*3*	*125*	*101.33%*	*4*	*(4)*
	10.00 to < 100.00	151	3	75%	149	17.87%	1,434	41.69%	3	170	114.22%	9	(8)
	10.00 to < 20.00	*109*	*2*	*75%*	*108*	*13.86%*	*776*	*41.83%*	*3*	*113*	*105.11%*	*5*	*(5)*
	20.00 to < 30.00	*29*	*0*	*75%*	*29*	*24.81%*	*295*	*41.59%*	*3*	*37*	*129.87%*	*2*	*(2)*
	30.00 to < 100.00	*13*	*0*	*75%*	*13*	*35.91%*	*363*	*40.79%*	*3*	*20*	*155.43%*	*2*	*(1)*
	100.00 (default)	103	0	75%	101	100.00%	978	41.94%	3	2	1.72%	42	(47)
	Subtotal	**2,325**	**209**	**75%**	**2,469**	**7.39%**	**13,693**	**41.65%**	**3**	**1,622**	**65.72%**	**72**	**(69)**

	31.12.2022												
(In EURm)	**PD scale**	**On-balance sheet exposures**	**Off-balance sheet exposures pre CCF**	**Exposure weighted average CCF**	**Exposure post CCF and post CRM**	**Exposure weighted average PD**	**Number of obligors**	**Exposure weighted average LGD**	**Exposure weighted average maturity**	**RWA after SME supporting factor**	**Density of RWA**	**Expected loss amount**	**Value adjustments and provisions**
Corporate – Other	0.00 to < 0.15	1,009	6	75%	1,014	0.06%	500	41.51%	3	228	22.49%	0	(0)
	0.00 to < 0.10	*836*	*3*	*75%*	*838*	*0.05%*	*282*	*41.45%*	*3*	*168*	*20.07%*	*0*	*(0)*
	0.10 to < 0.15	*174*	*4*	*75%*	*176*	*0.13%*	*218*	*41.78%*	*3*	*60*	*33.97%*	*0*	*(0)*
	0.15 to < 0.25	8	0	75%	8	0.16%	45	40.48%	3	3	37.37%	0	(0)
	0.25 to < 0.50	241	10	75%	248	0.26%	357	42.04%	3	123	49.64%	0	(0)
	0.50 to < 0.75	445	7	75%	451	0.52%	515	41.82%	3	323	71.67%	1	(1)
	0.75 to < 2.50	694	31	75%	712	1.37%	1,192	42.20%	3	669	93.84%	4	(7)
	0.75 to < 1.75	*428*	*19*	*75%*	*438*	*0.84%*	*643*	*42.35%*	*3*	*357*	*81.66%*	*1*	*(5)*
	1.75 to < 2.50	*266*	*12*	*75%*	*275*	*2.21%*	*549*	*41.96%*	*3*	*311*	*113.22%*	*2*	*(1)*
	2.50 to < 10.00	680	21	75%	694	4.18%	2,384	41.70%	3	912	131.42%	11	(11)
	2.50 to < 5.00	*608*	*19*	*75%*	*621*	*3.75%*	*2,049*	*41.70%*	*3*	*791*	*127.50%*	*9*	*(9)*
	5.00 to < 10.00	*72*	*2*	*75%*	*74*	*7.77%*	*335*	*41.68%*	*3*	*121*	*164.47%*	*2*	*(3)*
	10.00 to < 100.00	143	2	75%	147	15.60%	493	40.78%	3	302	205.57%	9	(11)
	10.00 to < 20.00	*106*	*2*	*75%*	*110*	*12.40%*	*306*	*40.78%*	*3*	*218*	*197.61%*	*6*	*(6)*
	20.00 to < 30.00	*36*	*0*	*75%*	*36*	*24.95%*	*172*	*40.78%*	*3*	*82*	*229.38%*	*4*	*(4)*
	30.00 to < 100.00	*1*	*-*	*-*	*1*	*35.20%*	*15*	*40.00%*	*3*	*2*	*231.80%*	*0*	*(0)*
	100.00 (default)	63	0	75%	62	100.00%	205	41.60%	3	-	-	26	(21)
	Subtotal	**3,282**	**78**	**75%**	**3,338**	**3.82%**	**5,691**	**41.75%**	**3**	**2,561**	**76.72%**	**52**	**(50)**
TOTAL		**5,658**	**287**	**75%**	**5,868**	**5.28%**	**19,720**	**41.72%**		**4,190**	**71.39%**	**124**	**(120)**

TABLE 60: IRB APPROACH – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES (CR7)

	31.12.2023	
(In EURm)	**Pre-credit derivatives RWA**	**Actual RWA**
EXPOSURES UNDER FIRB	**3,856**	**3,856**
Central governments and central banks	6	8
Institutions	2	2
Corporates	3,848	3,846
of which Corporates – SMEs	*1,571*	*1,565*
of which Corporates – Specialised lending	-	-
EXPOSURES UNDER AIRB	**161,164**	**161,129**
Central governments and central banks	6,167	6,167
Institutions	4,379	4,379
Corporates	114,084	114,049
of which Corporates – SMEs	*22,251*	*22,251*
of which Corporates – Specialised lending	*20,777*	*20,742*
Retail	36,535	36,535
of which Retail – SMEs – Secured by immovable property collateral	*1,123*	*1,123*
of which Retail – Non-SMEs – Secured by immovable property collateral	*15,454*	*15,454*
of which Retail – Qualifying revolving	*1,411*	*1,411*
of which Retail – SMEs – Other	*7,368*	*7,368*
of which Retail – Non-SMEs – Other	*11,178*	*11,178*
TOTAL	**165,020**	**164,985**

	31.12.2022 (R)	
(In EURm)	**Pre-credit derivatives RWA**	**Actual RWA**
EXPOSURES UNDER FIRB	**4,190**	**4,190**
Central governments and central banks	5	6
Institutions	1	1
Corporates	4,184	4,183
of which Corporates – SMEs	*1,626*	*1,622*
of which Corporates – Specialised lending	-	-
EXPOSURES UNDER AIRB	**154,394**	**154,121**
Central governments and central banks	5,884	5,884
Institutions	5,037	5,037
Corporates	106,446	106,173
of which Corporates – SMEs	*21,092*	*21,092*
of which Corporates – Specialised lending	*18,946*	*18,946*
Retail	37,027	37,027
of which Retail – SMEs – Secured by immovable property collateral	*827*	*827*
of which Retail – Non-SMEs – Secured by immovable property collateral	*15,741*	*15,741*
of which Retail – Qualifying revolving	*1,520*	*1,520*
of which Retail – SMEs – Other	*7,543*	*7,543*
of which Retail – Non-SMEs – Other	*11,396*	*11,396*
TOTAL	**158,584**	**158,311**

(R) : Restatement

TABLE 61: INTERNAL APPROACH – DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES (CR7-A) – AIRB

	31.12.2023					
		Credit risk mitigation techniques				
				Funded credit Protection (FCP)		
(In EURm)	Total exposures	Part of exposures covered by Financial collaterals (%)	Part of exposures covered by other eligible collaterals (%)	Part of exposures covered by immovable property collaterals (%)	Part of exposures covered by receivables (%)	Part of exposures covered by other physical collateral (%)
Central governments and central banks	297,603	0.09%	0.17%	-	-	0.17%
Institutions	37,578	0.78%	0.45%	0.26%	0.03%	0.15%
Corporates	281,837	1.53%	17.13%	7.39%	4.61%	5.13%
of which Corporates – SMEs	*38,065*	*0.99%*	*16.74%*	*15.06%*	*0.82%*	*0.87%*
of which Corporates – Specialised lending	*71,697*	*1.82%*	*31.21%*	*16.75%*	*1.34%*	*13.11%*
of which Corporates – Other	*172,076*	*1.53%*	*11.36%*	*1.80%*	*6.81%*	*2.75%*
Retail	178,247	-	75.14%	72.37%	0.00%	2.77%
of which Retail – Immovable property SMEs	*4,820*	-	*95.03%*	*95.03%*	-	-
of which Retail – Immovable property Non-SMEs	*118,757*	-	*99.45%*	*99.45%*	-	-
of which Retail – Qualifying revolving	*4,198*	-	-	-	-	-
of which Retail – Other SMEs	*20,031*	-	*21.32%*	*7.22%*	-	*14.10%*
of which Retail – Other Non-SMEs	*30,441*	-	*22.94%*	*16.02%*	-	*6.91%*
TOTAL	**795,266**	**0.62%**	**23.00%**	**18.86%**	**1.64%**	**2.51%**

	31.12.2023			
	Credit risk mitigation techniques		Credit risk mitigation methods in the calculation of RWA	
	Unfunded credit Protection (UFCP)			
(In EURm)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	3.21%	-	5,341	6,167
Institutions	8.64%	-	4,278	4,379
Corporates	19.61%	0.06%	114,974	114,049
of which Corporates – SMEs	*6.03%*	*0.01%*	*22,634*	*22,251*
of which Corporates – Specialised lending	*28.27%*	-	*21,196*	*20,742*
of which Corporates – Other	*19.01%*	*0.09%*	*71,144*	*71,055*
Retail	0.82%	-	36,535	36,535
of which Retail – Immovable property SMEs	*3.58%*	-	*1,123*	*1,123*
of which Retail – Immovable property Non-SMEs	*0.44%*	-	*15,454*	*15,454*
of which Retail – Qualifying revolving	*0.01%*	-	*1,411*	*1,411*
of which Retail – Other SMEs	*0.47%*	-	*7,369*	*7,368*
of which Retail – Other Non-SMEs	*2.24%*	-	*11,178*	*11,178*
TOTAL	**8.74%**	**0.02%**	**161,129**	**161,129**

	30.06.2023					
		Credit risk mitigation techniques				
				Funded credit Protection (FCP)		
(In EURm)	**Total exposures**	**Part of exposures covered by Financial collaterals** *(%)*	**Part of exposures covered by other eligible collaterals** *(%)*	**Part of exposures covered by immovable property collaterals** *(%)*	**Part of exposures covered by receivables** *(%)*	**Part of exposures covered by other physical collateral** *(%)*
Central governments and central banks	275,578	0.08%	0.19%	0.00%	-	0.19%
Institutions	39,249	0.84%	0.51%	0.26%	0.06%	0.19%
Corporates	282,376	1.38%	16.53%	7.59%	4.52%	4.42%
of which Corporates – SMEs	*38,956*	*0.85%*	*16.81%*	*15.42%*	*0.78%*	*0.62%*
of which Corporates – Specialised lending	*67,656*	*1.16%*	*29.93%*	*17.89%*	*1.14%*	*10.89%*
of which Corporates – Other	*175,764*	*1.58%*	*11.32%*	*1.89%*	*6.66%*	*2.77%*
Retail	185,514	-	74.87%	72.11%	-	2.76%
of which Retail – Immovable property SMEs	*5,061*	-	*94.57%*	*94.57%*	-	-
of which Retail – Immovable property Non-SMEs	*122,640*	-	*99.54%*	*99.54%*	-	-
of which Retail – Qualifying revolving	*4,209*	-	-	-	-	-
of which Retail – Other SMEs	*21,246*	-	*20.81%*	*7.24%*	-	*13.57%*
of which Retail – Other Non-SMEs	*32,358*	-	*23.50%*	*16.60%*	-	*6.91%*
TOTAL	**782,717**	**0.57%**	**23.80%**	**19.84%**	**1.63%**	**2.32%**

	30.06.2023			
	Credit risk mitigation techniques		Credit risk mitigation methods in the calculation of RWA	
	Unfunded credit Protection (UFCP)			
(In EURm)	**Part of exposures covered by Guarantees** *(%)*	**Part of exposures covered by Credit Derivatives** *(%)*	**RWA without substitution effects (reduction effects only)**	**RWA with substitution effects (both reduction and sustitution effects)**
Central governments and central banks	3.19%	-	5,307	6,032
Institutions	7.98%	-	4,410	4,543
Corporates	19.95%	0.04%	109,046	108,189
of which Corporates – SMEs	*13.26%*	*0.01%*	*21,725*	*21,380*
of which Corporates – Specialised lending	*28.69%*	-	*19,845*	*19,436*
of which Corporates – Other	*18.07%*	*0.07%*	*67,477*	*67,373*
Retail	0.82%	-	38,652	38,652
of which Retail – Immovable property SMEs	*3.46%*	-	*1,079*	*1,079*
of which Retail – Immovable property Non-SMEs	*0.42%*	-	*16,147*	*16,147*
of which Retail – Qualifying revolving	*0.01%*	-	*1,350*	*1,350*
of which Retail – Other SMEs	*0.50%*	-	*8,175*	*8,175*
of which Retail – Other Non-SMEs	*2.21%*	-	*11,902*	*11,902*
TOTAL	**8.91%**	**0.02%**	**157,416**	**157,416**

TABLE 62: INTERNAL APPROACH – DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES (CR7-A) – FIRB

	31.12.2023					
		Credit risk mitigation techniques				
				Funded credit Protection (FCP)		
(In EURm)	Total exposures	Part of exposures covered by Financial collaterals *(%)*	Part of exposures covered by other eligible collaterals *(%)*	Part of exposures covered by Immovable property collaterals *(%)*	Part of exposures covered by receivables *(%)*	Part of exposures covered by other physical collateral *(%)*
Central governments and central banks	47	-	3.46%	-	-	3.46%
Institutions	3	-	0.67%	-	-	0.67%
Corporates	4,587	0.08%	7.71%	3.86%	0.16%	3.69%
of which Corporates – SMEs	*2,083*	*0.18%*	*11.80%*	*5.64%*	*0.27%*	*5.89%*
of which Corporates – Specialised lending	-	-	-	-	-	-
of which Corporates – Other	*2,504*	-	*4.30%*	*2.37%*	*0.07%*	*1.86%*
TOTAL	**4,638**	**0.08%**	**7.66%**	**3.81%**	**0.16%**	**3.69%**

	31.12.2023			
	Credit risk mitigation techniques		Credit risk mitigation methods in the calculation of RWA	
	Unfunded credit Protection (UFCP)			
(In EURm)	Part of exposures covered by Guarantees *(%)*	Part of exposures covered by Credit Derivatives *(%)*	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	-	-	6	8
Institutions	-	-	2	2
Corporates	0.85%	-	3,848	3,846
of which Corporates – SMEs	*1.59%*	-	*1,571*	*1,565*
of which Corporates – Specialised lending	-	-	-	-
of which Corporates – Other	*0.23%*	-	*2,278*	*2,281*
TOTAL	**0.84%**	**-**	**3,856**	**3,856**

(In EURm)	30.06.2023					
		Credit risk mitigation techniques				
				Funded credit Protection (FCP)		
	Total exposures	Part of exposures covered by Financial collaterals (%)	Part of exposures covered by other eligible collaterals (%)	Part of exposures covered by Immovable property collaterals (%)	Part of exposures covered by receivables (%)	Part of exposures covered by other physical collateral (%)
Central governments and central banks	40	-	74.54%	-	-	74.54%
Institutions	6	-	6.18%	-	-	6.18%
Corporates	4,803	-	66.87%	0.10%	-	66.76%
of which Corporates – SMEs	*1,963*	-	*66.28%*	*0.09%*	-	*66.20%*
of which Corporates – Specialised lending	-	-	-	-	-	-
of which Corporates – Other	*2,840*	-	*67.27%*	*0.12%*	-	*67.15%*
TOTAL	**4,850**	**-**	**66.85%**	**0.10%**	**-**	**66.75%**

(In EURm)	30.06.2023			
	Credit risk mitigation techniques		Credit risk mitigation methods in the calculation of RWA	
	Unfunded credit Protection (UFCP)			
	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWA without substitution effects (reduction effects only)	RWA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	-	-	4	5
Institutions	-	-	5	5
Corporates	0.58%	-	3,620	3,619
of which Corporates – SMEs	*1.24%*	-	*1,429*	*1,422*
of which Corporates – Specialised lending	-	-	-	-
of which Corporates – Other	*0.13%*	-	*2,192*	*2,197*
TOTAL	**0.58%**	**-**	**3,629**	**3,629**

TABLE 63: RWA FLOW STATEMENT OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH (CR8)

(In EURm)	Risk-weighted assets
RWA as at the end of the previous reporting period (31.09.2023)	**193,754**
Asset size (+/-)	4,278
Asset quality (+/-)	(52)
Model updates (+/-)	-
Methodology and policy (+/-)	-
Acquisitions and disposals (+/-)	37
Foreign exchange movements (+/-)	(1,363)
Other (+/-)	-
RWA as at the end of the reporting period (30.06.2023)	**196,654**

TABLE 64: SPECIALISED LENDING EXPOSURES – INTERNAL APPROACH (CR10.1-10.4)

	31.12.2023						
(In EURm)	Specialised lending: income-producing real estate and high volatility commercial real estate (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**RWA**	**Expected loss amount**
Category 1	Less than 2.5 years	142	913	50%	422	229	-
	Equal to or more than 2.5 years	18	146	70%	47	37	-
Category 2	Less than 2.5 years	278	419	70%	468	326	2
	Equal to or more than 2.5 years	1	3	90%	1	1	-
Category 3	Less than 2.5 years	45	106	115%	83	101	2
	Equal to or more than 2.5 years	-	-	115%	-	-	-
Category 4	Less than 2.5 years	1	19	250%	8	21	1
	Equal to or more than 2.5 years	-	-	250%	-	-	-
Category 5	Less than 2.5 years	9	2	-	9	-	5
	Equal to or more than 2.5 years	-	-	-	-	-	-
TOTAL	**Less than 2.5 years**	**475**	**1,458**		**990**	**678**	**10**
	Equal to or more than 2.5 years	**19**	**149**		**49**	**38**	**0**

	31.12.2022						
(In EURm)	Specialised lending: income-producing real estate and high volatility commercial real estate (Slotting approach)						
Regulatory categories	**Remaining maturity**	**On-balance sheet exposure**	**Off-balance sheet exposure**	**Risk weight**	**Exposure value**	**RWA**	**Expected loss amount**
Category 1	Less than 2.5 years	173	1,109	50%	492	235	-
	Equal to or more than 2.5 years	-	78	70%	16	11	0
Category 2	Less than 2.5 years	387	459	70%	574	340	2
	Equal to or more than 2.5 years	-	22	90%	4	4	0
Category 3	Less than 2.5 years	27	76	115%	53	52	1
	Equal to or more than 2.5 years	-	-	115%	-	-	-
Category 4	Less than 2.5 years	7	10	250%	11	24	1
	Equal to or more than 2.5 years	0	-	250%	0	1	0
Category 5	Less than 2.5 years	14	3	-	15	-	7
	Equal to or more than 2.5 years	-	-	-	-	-	-
TOTAL	**Less than 2.5 years**	**609**	**1,657**		**1,144**	**651**	**12**
	Equal to or more than 2.5 years	**0**	**100**		**21**	**15**	**0**

TABLE 65: EQUITY EXPOSURES UNDER THE SIMPLE RISK-WEIGHTED APPROACH (CR10.5)

(In EURm)	31.12.2023					
	Equity exposures under the simple risk-weighted approach					
Categories	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	RWA	Expected loss amount
Private equity exposures	1,055	-	190%	1,055	2,005	8
Exchange-traded equity exposures	17	-	290%	17	49	0
Other equity exposures	25	-	370%	25	91	1
TOTAL	**1,097**	**-**		**1,097**	**2,146**	**9**

(In EURm)	31.12.2022					
	Equity exposures under the simple risk-weighted approach					
Categories	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	RWA	Expected loss amount
Private equity exposures	1,051	-	190%	1,051	1,996	8
Exchange-traded equity exposures	56	-	290%	56	162	0
Other equity exposures	161	-	370%	161	594	4
TOTAL	**1,267**	**-**		**1,267**	**2,753**	**13**

7

COUNTERPARTY CREDIT RISK

IN BRIEF

Counterparty credit risk is the risk of losses stemming from market operations, should a counterparty fail to meet its payment obligations. The future market value of the exposure and the counterparty's credit quality are uncertain and may vary over time as underlying market parameters change.

Counterparty credit risk covers the replacement risk resulting from the default of a counterparty, the CVA (Credit Valuation Adjustment) risk related to the adjustment to the value of the Group portfolio, and the risk over central counterparties (CCP) following the clearing of market transactions. It is also affected by the wrong-way risk.

Counterparty credit risk RWA at end 2023:

€18.8bn

(Counterparty credit risk RWA at end 2022: €20.9bn)

7.1 DETERMINING LIMITS AND MONITORING FRAMEWORK

Counterparty credit risk (CCR) is driven by market transactions (derivatives transactions and repos). Counterparty credit risk is therefore a multidimensional risk, combining credit and market risks, in the sense that the future value of the exposure to a counterparty and its credit quality are uncertain and variable in time (credit component), whilst also being impacted by changes in market parameters (market component). Counterparty credit risk can be broken down into the following categories:

- default risk: it corresponds to the replacement risk to which the Societe Generale Group is exposed in the event of a counterparty's failure to comply with its payment obligations. In this case, following the counterparty's default SG must replace this transaction with a new transaction. Potentially, this must be done under stressed market conditions, with reduced liquidity and sometimes even facing a Wrong Way Risk (WWR);
- Credit Valuation Adjustment (CVA) risk: it corresponds to the variability of the value adjustment due to counterparty credit risk, which is the market value of the Counterparty Credit Risk (CCR) for derivatives and repos, that is an adjustment to the transaction price factoring in the credit quality of the counterparty. It is measured as the difference between the price of a contract with a risk-free counterparty and the price of the same contract factoring in the counterparty's default risk;
- risk on CCPs (Central Clearing Counterparty): it is related to the default of another clearing member of the central clearing house, which could result in losses for the Group on its contribution to the default fund.

Transactions involving counterparty credit risk include delivered pensions, securities lending and borrowing, and derivative contracts, whether they are dealt with principal activity or on behalf of third parties (agency activities or client clearing) in the context of market activities.

Main principles

Counterparty credit risk is framed through a set of limits that reflect the Group's appetite for risk.

Counterparty credit risk management mainly relies on dedicated first and second lines of defence as described below:

- the first lines of defence (LoD1) notably include the business lines that are subject to counterparty credit risk, the Primary Client Responsibility Unit that is in charge of handling the overall relationship with the client and the group to which it belongs, dedicated teams within Global Banking & Advisory and Global Markets Business Units responsible for monitoring and managing the risks within their respective scope of activities;
- the Risk Department acts as a second line of defence (LoD2) through the setup of a counterparty credit risk control system, which is based on standardised risk measures, to ensure the permanent and independent monitoring of counterparty credit risks.

The fundamental principles of limit granting policy are:

- dedicated LoD1 and LoD2 must be independent of each other;
- the Risk Department has a division dedicated to counterparty credit risk management in order to monitor and analyse the overall risks of counterparties whilst taking into account the specificities of counterparties;
- a system of delegated authorities, mainly based on the internal rating of counterparties, confers decision-making powers to LoD1 and LoD2;
- the limits and internal ratings defined for each counterparty are proposed by LoD1 and validated by the dedicated LoD2 (1). The limits may be set individually, at the counterparty level, or globally through framing a (sub) set of counterparties (for example: supervision of stress test exposures).

These limits are subject to annual or *ad hoc* reviews depending on the needs and changes in market conditions.

A dedicated team within the Risk Department is in charge of production, reporting and controls on risk metrics, namely:

- ensuring the completeness and reliability of the risk calculation by taking into account all the transactions booked by the transaction processing department;
- producing daily certification and risk indicator analysis reports;
- controlling compliance with defined limits, at the frequency of metrics calculation, most often on a daily basis: breaches of limits are reported to Front Office and dedicated LoD2 for remediation actions.

In addition, a specific monitoring and approval process is implemented for the most sensitive counterparties or the most complex categories of financial instruments.

Comitology

While not a substitute for CORISQ or for the Risk Committee of the Board of Directors (see the section on Risk management governance), the Counterparty Credit Risk Committee (CCRC) closely monitors counterparty credit risk through:

- a global overview on exposure and counterparty credit risk metrics such as the global stress tests, the Potential Future Exposure PFE, etc., as well as focuses on specific activities such as collateralised financing, or agency business;

(1) For Hedge Funds and PTG (Proprietary Trading Group) counterparties, the rating proposal is delegated to LoD2.

- dedicated analysis on one or more risks or customer categories or frameworks or in case of identification of emerging risk areas.

This Committee, chaired by the Risk Department on a monthly basis, brings together representatives from the Global Banking and Investment Solutions (GBIS), from the Market Activities and the Global Banking and Advisory Business Units, but also departments that, within the risk management function, are in charge of monitoring counterparty credit risks on market transactions and credit risk. The CCRC also provides an opinion on the changes to the risk frameworks within its authority. The CRCC also identifies key CCR topics that need to be escalated to the management.

Replacement risk

The Group frames the replacement risks by limits that are defined by credit analysts and validated by LoD2 based on the Group's risk appetite.

The limits are defined at the level of each counterparty and then aggregated at the level of each client group, each category of counterparties and finally consolidated at the entire Societe Generale Group portfolio level.

The limits used for managing counterparty credit risk are:

- defined at the counterparty level;
- consolidated across all products types authorised with the counterparty;
- established by maturity buckets to control future exposure using the Potential Future Exposure (PFE) measure also known as CVaR within Societe Generale;
- calibrated according to the credit quality and the nature of the counterparty, the nature/maturity of the financial instruments contemplated (FX transactions, repos transactions, security lending transactions, derivatives, etc.), and the economic understanding, the contractual legal framework agreed and any other risk mitigants.

The Group also considers other measures to monitor replacement risk:

- a multifactor stress test on all counterparties, which allows to holistically quantify the potential loss on market activities following market movements which could trigger a wave of defaults on these counterparties;
- a set of single-factor stress tests to monitor the general wrong-way risk (see section 4.6.3.3 on Wrong Way Risk).

CVA (Credit Valuation Adjustment) risk

In addition to the replacement risk, the CVA (Credit Valuation Adjustment) measures the adjustment of the value of the Group's derivatives and repos portfolio in order to take into account the credit quality of the counterparties facing the Group (see section 4.6.3.2 "Credit Valuation Adjustment").

Positions taken to hedge the volatility of the CVA (credit, interest rate or equity instruments) are monitored through:

- sensitivity limits;
- stress test limits: scenarios representative of the market risks impacting the CVA (credit spreads, interest rates, exchange rates and equity) are applied to carry out the stress test on CVA.

The different indicators and the stress tests are monitored on the net amount (the sum of the CVA exposure and of their hedges).

Risk on central counterparties

Clearing of transactions is a common market practice for Societe Generale, notably in compliance with the EMIR (European Market Infrastructure Regulation) regulations in Europe and the DFA (Dodd-Frank Act) in the United States, which require that the most standardised over-the-counter transactions be compensated *via* clearing houses approved by the authorities and subject to prudential regulation.

As a member of the clearing houses with which it operates, the Group contributes to their risk management framework through deposits into the default funds, in addition to margin calls.

The counterparty credit risk stemming from the clearing of derivatives and repos with central counterparties (CCP) is subject to a specific framework on:

- initial margins, both for house and client activities (client clearing);
- the Group's contributions to the CCP default funds (guarantee deposits);
- a stress test defined to capture the impact of a scenario where a major CCP member should default.

See table "EAD and RWA on central counterparties" of section 4.6.3.4 "Quantitative Information" for more information.

7.2 MITIGATION OF COUNTERPARTY CREDIT RISK ON MARKET TRANSACTIONS

The Group uses various techniques to reduce this risk:

- the signing, in the most extensive way possible, of close-out netting agreements for over-the-counter (OTC) transactions and Securities Financing Transactions (SFT);
- the collateralisation of market operations, either through clearing houses for eligible products (listed products and certain of the more standardised OTC products), or through a bilateral margin call exchange mechanism which covers both current exposure (variation margins) but also future exposure (initial margins).

Close-out netting agreements

Societe Generale's standard policy is to conclude master agreements including provisions for close-out netting.

These provisions allow on the one hand the immediate termination (close out) of all transactions governed by these agreements when one of the parties' defaults, and on the other hand the settlement of a net amount corresponding to the total value of the portfolio, after netting of mutual debts and claims. This balance may be the subject of a guarantee or collateralisation. It results in a single net claim owed by or to the counterparty.

In order to reduce the legal risk associated with documentation and to comply with key international standards, the Group documents these agreements under the main international standards as published by national or international professional associations such as International Swaps and Derivatives Association (ISDA), International Capital Market Association (ICMA), International Securities Lending Association (ISLA), French Banking Federation (FBF), etc.

These contracts establish a set of contractual terms generally recognised as standard and give way to the modification or addition of more specific provisions between the parties in the final contract, for example regarding the triggering events. This standardisation reduces implementation times and secures operations. The clauses negotiated by clients outside the bank's standards are approved by the decision-making bodies in charge of the master agreements standards – Normative Committee and/or Arbitration Committee – made up of representatives of the Risk Division, the Business Units, the Legal Division and other decision-making departments of the Bank. In accordance with regulatory requirements, the clauses authorising global close-out netting and collateralisation are analysed by the Bank's legal departments to ensure that they are enforceable under the legal provisions applicable to clients.

Collateralisation

Most of over-the-counter transactions are collateralised. There are two types of collateral exchanges:

- initial margin (IM) or Independent Amount (IA[1]): an initial amount of collateral aiming at covering Potential Future Exposure (PFE), *i.e.* the unfavourable change in the Mark-to-Market of positions in the time period between the last collection of margins and the liquidation of positions following the counterparty default;
- variation margin (VM): collateral collected to cover current exposure arising from Mark-to-Market changes, used as an approximation of the actual loss resulting from the default of one of the counterparties.

All aspects of the margining regime are defined in collateral arrangements, such as credit support annexes (CSA[2]). The main features defined are:

- the scope covered (*i.e.* the nature of transactions allowed);
- the eligible collateral and the applicable haircut: main types of collateral exchanged are cash or high-quality and liquid assets according to the Group's policy, and are subject to a haircut, which is the valuation percentage applicable to each type of collateral, based on liquidity and price volatility of the underlying during both normal and stressed market conditions;
- the timing and frequency of the calculation of the margin call and exchanges, usually daily;
- the margin call thresholds if not under regulatory obligation;
- the Minimum Transfer Amount (MTA).

In addition, specific parameters or optional features can be defined depending on the type of counterparty/transaction, such as an additional guarantee amount (flat-rate increase of the exposure allowing the party making a margin call to be "over-collateralised"), or rating-dependent clauses, typically mutual in nature, where additional collateral is requested in case of a party's rating downgrade.

The Group monitors given and received collateral exchanges. In case of discrepancies between the parties with respect to margin call amounts, dedicated teams from the operations and the Risk Departments are in charge of analysing the impacted transactions to ensure they are correctly valued and of addressing the issue.

BILATERAL COLLATERAL EXCHANGE

The initial margin, historically very rare except with hedge funds, was generalised by EMIR and DFA regulations which introduced the mandatory use of master agreements and related CSA, prior to or when entering into an uncleared OTC derivatives transactions. It is now mandatory for the Group to exchange IM and VM for non-cleared OTC derivatives transactions with a large number of its counterparties (its financial counterparties and some non-financial counterparties above certain thresholds defined by the regulation, with compliance dates depending on the volume of transactions).

The Regulatory Technical Standards (RTS) on Initial Margin Model Validation (IMMV) under EMIR allows counterparties subject to mandatory bilateral collateral exchange requirements to waive these rules in certain circumstances. The Group has incorporated a waiver application process for intra-group entities into its risk management policies. The eligibility criteria for this waiver are framed and monitored as required by the Delegated Regulation.

CLEARING HOUSES

EMIR and DFA regulations have also required that the most standard over-the-counter derivatives transactions be compensated through clearing houses. The Group thus compensates its own operations (principal activity), but also client clearing activities (agency-type activity). Compensated derivatives are subject to systematic margin calls to mitigate counterparty credit risk, daily variation margins and initial margins, in order to cover current exposure and future exposure.

OTHER MEASURES

In addition to margin requirements for some counterparties or mandatory clearing for the most standardised derivatives transactions, DFA and EMIR provide for an extensive framework for the regulation and transparency of OTC derivatives markets, such as reporting of OTC derivatives, timely confirmation or trade acknowledgement.

(1) IA (Independent Amount) is the same concept as initial margin, but applies to different perimeters (OTC swaps not cleared for IA).
(2) The Credit Support Annex (CSA) is a legal document under ISDA contract that regulates the management of collateral between two counterparties.

7.3 COUNTERPARTY CREDIT RISK MEASURES

REPLACEMENT RISK

Audited I The measure of replacement risk is based on an internal model that determines the Group's exposure profiles. As the value of the exposure to a counterparty is uncertain and variable over time, we estimate the potential future replacement costs over the lifetime of the transactions.

Principles of the model

The future fair value of market transactions with each counterparty is estimated from Monte Carlo models based on a historical analysis of market risk factors.

The principle of the model is to represent the possible future financial markets conditions by simulating the evolutions of the main risk factors to which the institution's portfolio is sensitive. For these simulations, the model uses different diffusion models to account for the characteristics inherent in the risk factors considered and uses a 10-year history for calibration.

The transactions with the various counterparties are then revalued according to these different scenarios at the different future dates until the maturity of the transactions, taking into account the terms and conditions defined in the contractual legal framework agreed and the credit mitigants, notably in terms of netting and collateralisation only to the extent we believe that the credit mitigants provisions are legally valid and enforceable.

The distribution of the counterparty exposures thus obtained allows the calculation of regulatory capital for counterparty credit risk and the economic monitoring of positions.

The Risk Department responsible for Model Risk Management at Group level, assesses the theoretical robustness (review of the design and development quality), the compliance of the implementation, the suitability of the use of the model and continuous monitoring of the relevance of the model over time. This independent review process ends with (i) a report that describes the scope of the review, the tests carried out, the results of the review, the conclusions or recommendations and (ii) review and approval Committees. This model review process gives rise to (i) recurring reports to the Risk Management Department within the framework of various Committees and processes (Group Model Risk Management Committee, Risk Appetite Statement/Risk Appetite Framework, monitoring of recommendations, etc.) and (ii) a yearly report to the Board of Directors (CORISQ).

Regulatory indicator

With respect to the calculation of capital requirements for counterparty credit risk, the ECB, following the Targeted Review of Internal Models, has renewed the approval for using the internal model described above to determine the Effective Expected Positive Exposure (EEPE) indicator.

For products not covered by the internal model as well as for entities in the Societe Generale Group that have not been authorised by the supervisor to use the internal model, the Group uses the market-price valuation method for derivatives [1] and the general financial security-based method for securities financing transactions (SFT [2]).

The effects of compensation agreements and collateralisation are taken into account either by their simulation in the internal model when such credit risk mitigant or guarantees meet regulatory criteria, or by applying the rules as defined in the market-price valuation method or the financial security-based method, by subtracting the value of the collateral.

These exposures are then weighted by rates resulting from the credit quality of the counterparty to compute the Risk Weighted Assets (RWA). These rates can be determined by the standard approach or the advanced approach (IRBA).

As a general rule, when EAD is modelled in EEPE and weighted according to IRB approach, there is no adjustment of the LGD according to the collateral received as it is already taken into account in the EEPE calculation.

The RWA breakdown for each approach is available in the "Analysis of Counterparty Credit Risk Exposure by Approach" table in Section 4.6.3.4 "Quantitative Information".

Economic indicator

For the economic monitoring of positions, Societe Generale relies mainly on a maximum exposure indicator determined from the Monte Carlo simulation, called internally Credit Value-at-Risk (CVaR) or PFE (Potential Future Exposure). This is the maximum amount of loss that could occur after eliminating 1% of the most adverse occurrences. This indicator is calculated at different future dates, which are then aggregated into segments, each of them being framed by limits.

In order to monitor the CCR in an aggregated way at the level of its customer portfolio, the Group relies mainly on two metrics:

- Global Adverse Stressed Loss (GASEL), a CCR measure designed to holistically monitor the risks induced by market activities. This stress test assumes sudden market movements (identical to those applied on MARK trading desks) triggering a general increase in the probability of default among all counterparties. The market scenarios used by GASEL are the same as those used to manage market risks.
- the stress test on collateralised financing activities (STT FinCollat) that measures the aggregate stressed loss across all counterparties for an activity with significant adverse correlation risks (wrong-way risk), as collateral generally has lower liquidity under stressed market conditions.

CREDIT VALUATION ADJUSTMENT

Main principles

The CVA (Credit Valuation Adjustment) is an adjustment to marked-to-market of the derivatives and repos portfolio to take into account the credit quality of each counterparty facing the Group in the valuation. This adjustment is equivalent to the counterparty credit risk hedging cost usually based on in the Credit Default Swap (CDS) market.

(1) In this method, the EAD (Exposure At Default) relating to the Bank's counterparty credit risk is determined by aggregating the positive market values of all transactions (replacement cost) supplemented by an add-on factor.
(2) Securities Financing Transactions.

For a specific counterparty, the CVA is determined on the basis of:

- the positive expected exposure to the counterparty, which is the average of the positive hypothetical future exposure values for a transaction, or a group of transactions, weighted by the probability that a default event will occur. It is mainly determined using risk neutral Monte Carlo simulations of risk factors that may affect the valuation of the derivatives transactions. The transactions are revalued through time according to the different scenarios, taking into account the terms and conditions defined in the contractual legal framework agreed, notably in terms of netting and collateralisation (*i.e.* that transactions with appropriate credit mitigants will generate lower expected exposure compared to transactions without credit mitigants);
- the probability of default of the counterparty, which is linked to the level of CDS spreads;
- the amount of losses in the event of default (LGD – Loss Given Default taking into account the recovery rate).

The Group calculates this adjustment for all counterparties which are not subject to a daily margin call or for which collateral only partially covers the exposure.

Capital requirement for CVA risk

The financial institutions are subject to the calculation of a capital requirement under the CVA, to cover its variation over ten days. The scope of counterparties is reduced to financial counterparties as defined in EMIR (European Market Infrastructure Regulation) or to certain Corporates that may use derivatives beyond certain thresholds and for purposes other than hedging.

The CVA charge is determined by the Group mainly using the advanced method:

- the positive expected exposure to the counterparty is mainly determined using the internal model described in section 4.6.3.1, which estimates the future exposure profiles to a counterparty, taking into account counterparty credit risk mitigants;
- the VaR and the Stressed VaR on CVA are determined using a similar methodology to the one developed for the calculation of the market VaR (see "Market risk" chapter). This method consists of an "historical" simulation of the change in the CVA due to fluctuations in the credit spreads observed on the counterparties in portfolio, with a confidence interval of 99%. The calculation is made on the credit spreads variation observed, on the one hand, over a one-year rolling period (VaR on CVA), and, on the other hand, over a fixed one-year historical window corresponding to the period of greatest tension in terms of credit spreads (stressed VaR on CVA);
- the capital charge is the sum of two elements: VaR on CVA and Stressed VaR on CVA multiplied by a coefficient set by the regulator, specific to each bank.

The positions not taken into account in the advanced method are subject to a capital charge determined through the standard method by applying a normative weighting factor to the product of the EAD (Exposure At Default) by a maturity calculated according to the rules defined by the CRR (Capital Requirement Regulation); see the "Transactions subject to own funds requirements for CVA risk" table in Section 4.6.3.4 "Quantitative Information" for the breakdown of CVA-related RWA between advanced and standard methods.

CVA risk management

The management of this exposure and of this regulatory capital charge led the Bank to purchase hedging instruments such as Credit Default Swap (CDS) from large credit institutions on certain identified counterparties or on indices composed of identifiable counterparties. In addition to reducing credit risk, it decreases the variability of the CVA and the associated capital amounts resulting from fluctuations in counterparty credit spreads.

The CVA desk (or the Societe Generale Group) also handles instruments for hedging interest rate or foreign exchange risks, which helps to limit the variability of the CVA's share from positive exposure.

UNFAVORABLE CORRELATION RISK (WRONG-WAY RISK)

Wrong-way risk is the risk of the Group's exposure to a counterparty increasing significantly, combined with a simultaneous increase in the probability of the counterparty defaulting.

There are two different cases:

- general wrong-way risk arises when the likelihood of default by counterparties is positively correlated with general market risk factors;
- specific wrong-way risk arises when future exposure to a specific counterparty is positively correlated with the counterparty's probability of default due to the nature of the transaction with the counterparty.

Specific wrong-way risk, in the case of a legal link between the counterparty and the underlying of a transaction concluded with the counterparty, is subject to dedicated regulatory capital requirements, calculated on the perimeter of transactions carrying such risk. Furthermore, for counterparties subject to such a specific risk, the Potential Future Exposure (PFE) is also increased, so that the transactions allowed by the limits in place will be more constrained than in the absence of specific risk.

The general wrong-way risk is controlled *via* a set of stress tests applied to transactions made with a given counterparty, based on scenarios common with the market stress tests. This set-up is based on:

- a quarterly analysis of stress tests on all counterparties (financial institutions, corporates, sovereigns, hedge funds and proprietary trading groups) for principal and agency (client clearing) businesses, allowing to understand the most adverse scenarios related to a joint deterioration in the quality of counterparties and the associated positions;
- a weekly monitoring of dedicated single-factor stress tests for hedge fund counterparties and Proprietary Trading Groups, subject to limits at the counterparty level.

7.4 QUANTITATIVE INFORMATION

TABLE 66: COUNTERPARTY CREDIT RISK EXPOSURE, EAD AND RWA BY EXPOSURE CLASS AND APPROACH

Counterparty credit risk is broken down as follows:

	31.12.2023								
(In EURm)	IRB			Standard			Total		
Exposure classes	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	19,885	19,885	137	21	21	22	19,906	19,906	159
Institutions	21,571	21,591	3,930	33,556	33,562	850	55,128	55,152	4,780
Corporates	47,762	47,743	9,837	2,890	2,885	2,849	50,652	50,627	12,686
Retail	47	47	6	9	9	6	56	56	12
Other	13	13	7	3,581	3,580	1,165	3,594	3,594	1,172
TOTAL	**89,279**	**89,279**	**13,916**	**40,058**	**40,057**	**4,893**	**129,337**	**129,336**	**18,809**

	31.12.2022								
(In EURm)	IRB			Standard			Total		
Exposure classes	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	26,228	26,226	235	2,551	2,551	33	28,779	28,777	267
Institutions	18,979	18,994	3,574	31,948	32,019	613	50,927	51,013	4,187
Corporates	55,555	55,543	13,027	2,972	2,901	2,808	58,527	58,444	15,835
Retail	68	68	7	21	21	14	89	89	21
Other	-	-	-	3,514	3,514	688	3,514	3,514	688
TOTAL	**100,830**	**100,830**	**16,842**	**41,006**	**41,006**	**4,155**	**141,836**	**141,836**	**20,998**

The tables above feature amounts excluding the CVA (Credit Valuation Adjustment) which represents EUR 3 billion of risk-weighted assets (RWA) at 31 December 2023 (*vs.* EUR 2.8 billion at 31 December 2022).

TABLE 67: ANALYSIS OF COUNTERPARTY CREDIT RISK EXPOSURE BY APPROACH (CCR1)

	31.12.2023							
(In EURm)	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
Original Exposure Method (for derivatives)	-	-		1	-	-	-	-
Simplified SA-CCR (for derivatives)	-	-		1	-	-	-	-
SA-CCR (for derivatives)	1,454	9,656		1	43,003	15,554	15,609	5,374
IMM (for derivatives and SFTs)			*33,477*	*2*	*637,412*	*58,584*	*58,676*	*11,070*
of which securities financing transactions netting sets			*14,995*		*568,062*	*26,242*	*26,289*	*2,247*
of which derivatives and long settlement transactions netting sets			*18,014*		*69,335*	*31,524*	*31,569*	*8,821*
of which from contractual cross-product netting sets			*467*		*15*	*818*	*818*	*3*
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					34,426	20,292	20,292	911
VaR for SFTs					-	-	-	-
TOTAL					**714,840**	**94,430**	**94,577**	**17,354**

	31.12.2022							
(In EURm)	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
Original Exposure Method (for derivatives)	-	-		1	-	-	-	-
Simplified SA-CCR (for derivatives)	-	-		1	-	-	-	-
SA-CCR (for derivatives)	1,938	35,665		1	92,752	52,644	52,645	6,649
IMM (for derivatives and SFTs)			38,283	2	444,207	63,311	63,348	12,381
of which securities financing transactions netting sets			*18,727*		*370,235*	*29,089*	*29,089*	*2,137*
of which derivatives and long settlement transactions netting sets			*19,493*		*72,565*	*34,113*	*34,151*	*10,239*
of which from contractual cross-product netting sets			*62*		*1,407*	*109*	*109*	*5*
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					23,324	11,291	11,291	1,050
VaR for SFTs					-	-	-	-
TOTAL					**560,282**	**127,246**	**127,284**	**20,080**

TABLE 68: EXPOSURES TO CENTRAL COUNTERPARTIES (CCR8)

	31.12.2023		31.12.2022	
(In EURm)	**Exposure value**	**RWA**	**Exposure value**	**RWA**
Exposures to QCCPs (total)		**1,380**		**918**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which:	9,125	183	7,443	149
(i) OTC derivatives	1,800	36	2,190	44
(ii) Exchange-traded derivatives	5,163	103	4,025	81
(iii) SFTs	1,960	39	1,022	20
(iv) Netting sets where cross-product netting has been approved	202	4	206	4
Segregated initial margin	18,989		18,063	
Non-segregated initial margin	2,720	54	4,002	80
Pre-funded default fund contributions	3,410	1,143	3,199	688
Unfunded default fund contributions	-	-	-	-
Exposures to non-QCCPs		**193**		**-**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions), of which:	18	18	-	-
(i) OTC derivatives	3	3	-	-
(ii) Exchange-traded derivatives	15	15	-	-
(iii) SFTs	1	1	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	286		-	
Non-segregated initial margin	28	28	-	-
Pre-funded default fund contributions	2	22	-	-
Unfunded default fund contributions	10	125	-	-

TABLE 69: COMPOSITION OF COLLATERAL FOR COUNTERPARTY CREDIT RISK EXPOSURES (CCR5)

	31.12.2023							
	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
(In EURm)	Segragated	Un-segragated	Segragated	Un-segragated	Segragated	Un-segragated	Segragated	Un-segragated
Cash – domestic currency	24,861	9,811	6,723	18,939	-	51,355	-	53,927
Cash – other currencies	63,283	22,161	11,934	48,884	-	7,724	-	19,813
Domestic sovereign debt	-	-	-	-	-	536	-	273
Other sovereign debt	33	-	-	-	-	9,013	-	10,787
Government agency debt	13,437	2,131	872	1,438	-	365,040	-	294,568
Corporate bonds	3	142	-	-	-	6,196	-	7,527
Equity securities	1,133	30	0	-	-	35,990	-	49,254
Other collateral	343	2	-	-	-	26,676	-	25,221
TOTAL	**103,092**	**34,276**	**19,530**	**69,260**	**-**	**502,529**	**-**	**461,370**

	31.12.2022							
	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
(In EURm)	Segragated	Un-segragated	Segragated	Un-segragated	Segragated	Un-segragated	Segragated	Un-segragated
Cash – domestic currency	24,446	24,805	12,873	23,346	-	45,204	-	51,338
Cash – other currencies	92,277	42,543	24,813	72,493	-	6,874	-	16,033
Domestic sovereign debt	-	1	-	-	-	196	-	99
Other sovereign debt	20	-	-	-	-	8,763	-	4,446
Government agency debt	15,260	4,684	144	1,796	-	312,749	-	299,469
Corporate bonds	2	132	-	-	-	6,873	-	6,652
Equity securities	690	13	0	37	-	31,642	-	60,190
Other collateral	519	122	-	3	-	19,574	-	20,122
TOTAL	**133,214**	**72,300**	**37,830**	**97,675**	**-**	**431,875**	**-**	**458,348**

TABLE 70: TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK (CCR2)

	31.12.2023		31.12.2022	
(In EURm)	Exposure value	RWA	Exposure value	RWA
Total transactions subject to the Advanced Method	32,137	2,233	36,947	2,222
(i) VaR component (including the 3×multiplier)		291		329
(ii) Stressed VaR component (including the 3×multiplier)		1,942		1,893
Transactions subject to the Standardised Method	8,626	780	8,665	582
Transactions subject to the Alternative approach (based on Original Exposure Method)	-	-	-	-
Total transactions subject to own funds requirements for CVA risk	**40,762**	**3,013**	**45,612**	**2,805**

TABLE 71: INTERNAL APPROACH – COUNTERPARTY CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD SCALE (CCR4)

The table below presents Group exposures subject to counterparty credit risk and for which an internal model is used with a view to calculating RWA. In accordance with EBA instructions, CVA charges and exposures cleared through CCPs have been excluded.

	31.12.2023							
(In EURm)	**PD scale**	**Exposure value**	**Exposure weighted average PD** *(%)*	**Number of obligors**	**Exposure weighted average LGD** *(%)*	**Exposure weighted average maturity** *(years)*	**RWA**	**RWA density**
Central governments and central banks	0.00 to < 0.15	19,655	0.01%	100	1.54%	1	55	0.28%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	131	0.26%	8	20.06%	1	23	17.81%
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	93	2.12%	3	20.01%	1	46	49.34%
	2.50 to < 10.00	1	3.45%	3	36.48%	1	1	106.97%
	10.00 to < 100.00	5	14.24%	5	45.00%	1	11	228.79%
	100.00 (default)	-	-	-	-	-	-	-
	Subtotal	**19,885**	**0.03%**	**119**	**1.76%**	**1**	**137**	**0.69%**
Institutions	0.00 to < 0.15	19,638	0.05%	696	33.59%	2	2,793	14.22%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	658	0.26%	99	38.20%	1	235	35.63%
	0.50 to < 0.75	591	0.50%	85	41.04%	2	413	69.91%
	0.75 to < 2.50	233	1.54%	126	41.39%	2	217	93.38%
	2.50 to < 10.00	458	3.53%	122	26.99%	1	227	49.49%
	10.00 to < 100.00	12	17.84%	48	63.31%	1	45	365.50%
	100.00 (default)	-	-	-	-	-	-	-
	Subtotal	**21,591**	**0.17%**	**1,176**	**33.90%**	**2**	**3,930**	**18.20%**
Corporate	0.00 to < 0.15	38,617	0.05%	5,643	34.73%	1	4,256	11.02%
	0.15 to < 0.25	1	0.17%	5	38.50%	1	0	25.33%
	0.25 to < 0.50	3,033	0.26%	914	32.33%	2	1,013	33.41%
	0.50 to < 0.75	2,516	0.51%	1,079	29.65%	2	1,138	45.25%
	0.75 to < 2.50	1,844	1.66%	1,730	33.21%	2	1,436	77.86%
	2.50 to < 10.00	1,566	4.03%	2,060	35.96%	1	1,744	111.38%
	10.00 to < 100.00	118	13.47%	340	33.11%	1	184	155.94%
	100.00 (default)	49	100.00%	79	39.93%	2	64	132.80%
	Subtotal	**47,743**	**0.42%**	**11,850**	**34.29%**	**1**	**9,837**	**20.60%**
Retail	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	4	0.42%	1,222	49.00%	-	1	33.77%
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	41	0.85%	51	8.12%	-	3	8.16%
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	2	24.71%	187	24.00%	-	1	61.41%
	100.00 (default)	-	-	-	-	-	-	-
	Subtotal	**47**	**2.04%**	**1,460**	**12.26%**	**-**	**6**	**12.98%**
TOTAL		**89,265**	**0.27%**	**14,605**	**26.94%**	**1**	**13,910**	**15.58%**

		31.12.2022(R)						
(In EURm)	**PD scale**	**Exposure value**	**Exposure weighted average PD** *(%)*	**Number of obligors**	**Exposure weighted average LGD** *(%)*	**Exposure weighted average maturity** *(years)*	**RWA**	**RWA density**
Central governments and central banks	0.00 to < 0.15	14,691	0.02%	102	0.07%	1	61	0.42%
	0.15 to < 0.25	-	-	-	-	0	-	-
	0.25 to < 0.50	122	0.26%	9	23.98%	1	35	28.31%
	0.50 to < 0.75	-	-	-	-	-	-	-
	0.75 to < 2.50	110	2.06%	2	19.41%	1	49	44.70%
	2.50 to < 10.00	2	3.60%	8	3.75%	1	1	79.13%
	10.00 to < 100.00	53	19.54%	7	18.97%	0	51	95.89%
	100.00 (default)	-	-	-	-	-	-	-
	Subtotal	**14,978**	**0.11%**	**128**	**0.47%**	**1**	**197**	**1.32%**
Institutions	0.00 to < 0.15	16,561	0.05%	691	33.29%	1	2,001	12.08%
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	933	0.25%	95	37.75%	1	379	40.59%
	0.50 to < 0.75	434	0.49%	77	43.86%	2	364	83.72%
	0.75 to < 2.50	310	1.46%	112	40.88%	2	296	95.51%
	2.50 to < 10.00	620	3.48%	117	25.45%	1	467	75.37%
	10.00 to < 100.00	39	13.14%	62	34.91%	0	67	170.42%
	100.00 (default)	96	100.00%	5	100.00%	2	-	-
	Subtotal	**18,994**	**0.73%**	**1,159**	**33.96%**	**1**	**3,574**	**18.82%**
Corporate	0.00 to < 0.15	43,665	0.06%	4,783	34.69%	1	5,025	11.51%
	0.15 to < 0.25	2	0.17%	12	38.61%	1	0	23.30%
	0.25 to < 0.50	3,003	0.28%	790	30.88%	2	1,033	34.41%
	0.50 to < 0.75	2,295	0.51%	1,002	34.15%	2	1,749	76.21%
	0.75 to < 2.50	3,803	1.58%	1,767	31.60%	2	2,482	65.27%
	2.50 to < 10.00	2,551	4.22%	2,318	31.46%	2	2,357	92.38%
	10.00 to < 100.00	151	14.29%	328	32.12%	2	232	153.53%
	100.00 (default)	72	92.30%	80	50.44%	2	148	206.45%
	Subtotal	**55,543**	**0.54%**	**11,080**	**34.11%**	**1**	**13,027**	**23.45%**
Retail	0.00 to < 0.15	-	-	-	-	-	-	-
	0.15 to < 0.25	-	-	-	-	-	-	-
	0.25 to < 0.50	66	-	955	28.62%	-	6	8.87%
	0.50 to < 0.75	0	-	230	37.50%	-	0	53.05%
	0.75 to < 2.50	-	-	-	-	-	-	-
	2.50 to < 10.00	-	-	-	-	-	-	-
	10.00 to < 100.00	1	-	1	24.00%	-	1	63.71%
	100.00 (default)	-	-	-	-	-	-	-
	Subtotal	**68**	**-**	**1,186**	**28.57%**	**-**	**7**	**9.99%**
TOTAL		**89,582**	**0.51%**	**13,553**	**28.45%**	**1**	**16,805**	**18.76%**

(R) *Resumitted*

TABLE 72: STANDARDISED APPROACH – COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS (CCR3)

In accordance with EBA instructions, the amounts are presented without securitisation.

(In EURm)	31.12.2023											
	Risk weight											
Exposure Classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks	-	-	-	-	-	-	-	-	20	1	-	21
Regional government or local authorities	-	-	-	-	6	-	-	-	-	-	-	6
Public sector entities	-	-	-	-	78	-	-	-	28	-	-	106
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	19,295	12,952	6	-	595	351	-	-	251	-	-	33,450
Corporates	-	28	-	-	-	9	-	-	2,836	11	-	2,885
Retail	-	-	-	-	-	-	-	9	-	-	-	9
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	0	-	0
TOTAL	**19,295**	**12,980**	**6**	**-**	**679**	**360**	**-**	**9**	**3,136**	**12**	**0**	**36,477**

(In EURm)	31.12.2022											
	Risk weight											
Exposure Classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks	2,529	-	-	-	-	-	-	-	-	22	-	2,551
Regional government or local authorities	-	-	-	-	7	-	-	-	-	-	-	7
Public sector entities	-	-	-	-	80	-	-	-	8	-	0	88
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	18,066	12,707	0	-	835	243	-	-	43	-	30	31,925
Corporates	0	86	-	-	1	22	-	-	2,772	21	0	2,901
Retail	-	-	-	-	-	-	-	21	0	-	0	21
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	0	-	0
TOTAL	**20,595**	**12 793**	**0**	**-**	**922**	**266**	**-**	**21**	**2,823**	**43**	**31**	**37,492**

TABLE 73: CREDIT DERIVATIVES EXPOSURES (CCR6)

	31.12.2023	
	Credit derivative hedges	
(In EURm)	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	21,554	32,751
Index credit default swaps	17,875	9,564
Total return swaps	9,276	-
Credit options	740	268
Other credit derivatives	4,832	1,646
TOTAL NOTIONALS	**54,277**	**44,229**
Fair values		
Positive fair value (asset)	*252*	*860*
Negative fair value (liability)	*(1,286)*	*(180)*

	31.12.2022	
	Credit derivative hedges	
(In EURm)	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	32,105	45,529
Index credit default swaps	21,592	15,343
Total return swaps	6,226	-
Credit options	1,091	740
Other credit derivatives	6,099	3,303
TOTAL NOTIONALS	**67,113**	**64,915**
Fair values		
Positive fair value (asset)	*1,319*	*848*
Negative fair value (liability)	*(991)*	*(741)*

TABLE 74: RWA FLOW STATEMENT OF COUNTERPARTY CREDIT RISK EXPOSURES UNDER THE IMM (CCR7)

IMM is the internal model method applied to calculate exposures to counterparty credit risk. The banking models used are subject to approval of the supervisor.

The application of these internal models has an impact on the method used to calculate the EAD of market transactions but also on the Basel maturity calculation method.

(In EURm)	**RWA**
RWA as at end of previous reporting period (30.09.2023)	**12,555**
Asset size	(1,307)
Credit quality of counterparties	(195)
Model updates (IMM only)	-
Methodology and policy (IMM only)	-
Acquisitions and disposals	-
Foreign exchange movements	130
Other	-
RWA as at end of reporting period (31.12.2023)	**11,183**

The table above displays data without CVA (Credit Valuation Adjustment) which amounts to EUR 3 billion in advanced method.

8

SECURITISATION

IN BRIEF

This section provides information on Societe Generale's securitisation positions, which have already been incorporated into the relevant sections (credit risk and market risk).

They are subject to specific capital requirements according to European regulations.

Regulatory capital requirements for securitisations in the Banking Book at end 2023

€614m

(Amount at end 2022: €582m)

Regulatory capital requirements for securitisations in the Trading Book at end 2023

€40m

(Amount at end 2022: €12m)

8.1 SECURITISATIONS AND REGULATORY FRAMEWORK

This section presents information on Societe Generale's securitisation activities, acquired or carried out for proprietary purposes or for its customers. It describes the risks associated with these activities and the management of those risks. Finally, it contains quantitative information to describe these activities during 2023 as well as the capital requirements for the Group's regulatory banking book and trading book within the scope defined by prudential regulations.

As defined in prudential regulations, the term securitisation refers to a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is divided into tranches, having the following characteristics :

- the transaction achieves significant risk transfer, in case of origination;
- payments in the transaction or scheme are contingent on the performance of the exposure or pool of exposures;
- subordination of some tranches determines the distribution of losses during the ongoing life of the transaction or risk transfer scheme.

The securitisation transactions are subject to the regulatory treatment defined:

- in Regulation (EU) No 2017/2401 amending Regulation (EU) No 575/2013 relating to the capital requirements applicable to credit institutions and to credit and investment firms;
- in Regulation (EU) No 2017/2402 creating a general framework for securitisation as well as a specific framework for simple, transparent, and standardised securitisations (STS).

Regulation No 2017/2401 presents the hierarchy of methods for weighting securitisation positions (see section 8.6). The floor weighting rate is 15% (10% for STS securitisations).

Regulation No 2017/2402 defines the criteria for the identification of "simple, transparent and standardised" (STS) securitisations to which specific and lower capital charges are applicable. The text also specifies the authorisation procedure for third-party organisations that will be involved in ensuring compliance with requirements relating to STS securitisations. The risk retention requirement for the transferor is set at a minimum level of 5%.

The securitisatin framework has been amended by 2 new regulations published on April 6th, 2021:

- regulation (EU) 2021/557 amending regulation (EU) 2017/2402 and creating a specific STS framework for synthetic on-balance sheet securitisations;
- regulation (EU) 2021/558 amending regulation (EU) no 575/2013, a specific prudential framework for non-performing exposures (NPE) securitisations.

Guidelines or Regulatory Technical Standards issued by the technical authorities, ESMA and the EBA, clarify some aspects of the level 1 European regulations.

8.2 ACCOUNTING METHODS

The securitisation transactions that Societe Generale invests in (i.e. the Group invests directly in certain securitisation positions, is a liquidity provider or a counterparty of derivative exposures) are recognised in accordance with Group accounting principles, as set forth in the notes to the consolidated financial statements included in the 2023 Universal Registration Document.

In the financial statements, the classification of securitisation positions depends on their contractual characteristics and the way the entity manages those financial instruments.

When analysing the contractual cash flow of financial assets issued by a securitisation vehicle, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a "look-through approach" to identify the underlying instruments that are creating the cash flows.

Contractual flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement (SPPI flows: Solely Payments of Principal and Interest).

In the financial statements, the basic securitisation positions (SPPI) are classified into two categories, depending on the business model used to manage them:

- when they are managed under a "Collect and Sell" business model, the positions are classified as "Financial assets at fair value through other comprehensive income". Accrued or earned income on these positions is recorded in profit or loss based on the effective interest rate, under Interest and similar income. At the reporting date, these instruments are measured at fair value, and changes in fair value, excluding income, are recorded under Unrealised or deferred gains and losses. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or losses under Cost of risk with a corresponding entry to Unrealised or deferred gains and losses;
- when they are managed under a "Hold to Collect" business model, the positions are measured at amortised cost. Subsequent to initial recognition, these positions are measured at amortised cost using the effective interest method, and their accrued or earned income is recorded in the income statement under Interest and similar income. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under Cost of risk with a corresponding impairment of amortised cost under balance sheet assets.

The securitisation positions that are not basic (non–SPPI) will be measured at fair value through profit or loss, regardless of the business model for managing them.

At the balance sheet date, these assets are recorded in the balance sheet under Financial assets at fair value through profit or loss and changes in the fair value of these instruments (excluding interest income) are recorded in the income statement under Net gains or losses on financial instruments at fair value through profit or loss.

Interest income and expense are recorded in the income statement under Interest and similar income and Interest and similar expense.

Securitisation positions classified among the financial assets at amortised cost or among the financial assets at fair value through other comprehensive income, are systematically subject to impairment or a loss allowance for expected credit losses. These impairments and loss allowances are booked on initial recognition of the assets, without waiting for objective evidence of impairment to occur.

To determine the amount of impairment to be recorded at each reporting date, these assets are classified into one of three categories based on the increase in credit risk observed since initial recognition. Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within 12 months; Stages 2 and 3 exposures are impaired for the amount of credit losses that the Group expects to incur over the life of the exposures.

For securitisation positions measured at fair value through profit or loss, their fair value includes already the expected credit loss, as assessed by the market participant, on the residual lifetime of the instrument.

Reclassification of securitisation positions is only required in the exceptional event that the Group changes the business model used to manage these assets.

Synthetic securitisations in the form of Credit Default Swaps follow accounting recognition rules specific to trading derivatives.

The securitisation transactions are derecognised when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all the risks and rewards linked to the ownership of the asset. Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained because of transferring the asset. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

Securitisation of securitised assets recognised in the Group balance sheet follow the same accounting treatment described above.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity.

8.3 STRUCTURED ENTITIES' SPECIFIC CASE

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

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

- the purpose and design of the entity;
- the structuring of the entity (especially, the power to direct the relevant activities of the entity);
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

Within the framework of the consolidation of structured entities that are controlled by the Group, the shares of those entities that are not held by the Group are recognised under "Debt" in the balance sheet.

When customer loans are securitised and partially sold to external investors, the entities carrying the loans are consolidated if the Group retains control and remains exposed to the majority of the risks and benefits associated with these loans.

Any financial support outside of any binding contractual arrangement provided to unconsolidated entities, over securitised assets, would be recognised as a liability on balance sheet if it met the relevant IFRS criteria, or gave rise to a provision under IAS 37, and must be disclosed.

8.4 MANAGEMENT OF SECURITISATION RISKS

The management of risks associated with securitisation operations follows the rules established by the Group depending on whether these assets are recorded in the banking book (credit and counterparty credit risks) or in the trading book (market risk and counterparty credit risk).

The securitisation risk is monitored by the Client Relations and Financing and Advisory Solutions department (Global Banking & Advisory - GLBA) and, in respect of transactions for own account, by the Group Treasury Department of the Financial Department [DFIN/GTR/FUN] in LoD1 and supervised in the credit risk management system by the "Corporate and Investment Banking" division (CIB) of the Risks department in LoD2.

ROLE OF GLOBAL BANKING AND ADVISORY (GLBA)

Only the Asset-Backed Products division of GLBA has the mandate to deal with transactions generating securitisation risk.

These operations consist in:

- structuring and/or primary distribution of ABS (Asset-Backed Securities), which can take the form of RMBS (Residential Mortgage-Backed Securities), CMBS (Commercial Mortgage-Backed Securities) and CLOs (Collateralised Loan Obligations), structured or co-arranged by Societe Generale, for the benefit of issuers (companies and specialised financial companies) also called "public securitisation". These transactions do not generate any securitisation risk for the Group if no exposure is retained by Societe Generale;
- financing of customer needs, via commercial paper backed by assets issued by Societe Generale conduits or, marginally, on the balance sheet, also called "private securitisation". These activities generate credit risk for Societe Generale and are overseen by the "Corporate and Investment Banking" (CIB) division of the Risk Department;
- structuring of securitisation transactions for its own (i.e., the underlying portfolio consisting of receivables booked on the Group's balance sheet). This activity does not generate additional credit risk for the Group; the role of the Corporate and Investment Banking (CIB) division of the Risk Department [RISQ/CIB] is to ensure that the structure is robust;
- securitised products are also used as underlying on the secondary market in collateralised financing and trading transactions. These transactions generate both credit risk and market risk for the Group and are overseen by the "Corporate and Investment Banking" (CIB) and the Risks on Market Activities divisions of the Risk Department.

ROLE OF THE RISK DEPARTMENT

The Risk Department, within the framework of various CORISQs chaired by General Management and in compliance with the risk appetite of Societe Generale group, formalises, jointly with the "Global Banking and Advisory" department, the Group's risk appetite with regard to securitisation activities.

These frameworks are established by type of product (primary securitisation, sale of securitisation products in secondary, collateralised financing, etc.) and aim to define the acceptable level of risk with regard to the Group's strategic objectives via limits and guidelines for granting credit.

The role and responsibilities of the Risk Department are divided according to the main risk (credit or market).

The Risk Department contributes to the definition of risk policies, taking into account the objectives of the business lines and the corresponding risk issues.

The Risk Department defines or validates the methods and procedures for analysing, measuring, approving and monitoring risks and, ultimately, ensures that they are in line with the needs of the businesses.

The Risk Department validates the operations transactions and certain limits, the others being presented in CORISQ proposed by Business Managers.

The Business Unit does not have signing authority delegations for securitisation risk. Only certain authorised persons within RISQ can approve a transaction generating securitisation risk.

CREDIT RISK

Securitisation exposures subject to credit risk are approved through the Group's standard credit approval process. New operations are presented by the business lines (LoD1) to the Risk Department, after approval by the business line manager. The Risk Department gives its opinion on these new transactions, which are approved according to the delegations in force. All exhibitions are subject to an annual review by the business line and the Risk Department.

The rating of the transaction and the borrower as well as the LGD are therefore subject to an initial validation and an annual review for each transaction. In particular, the data used within the framework of the IAA (Internal Assessment Approach) securitisation model and the result of the calculations of this model are subject to specific validation. Regular monitoring is carried out independently of the business line and portfolio reviews are produced quarterly specifically on the bank's securitisation exposures. This monitoring makes it possible to identify any changes in the behaviour of securitised assets.

Portfolio-level limits are granted by the Risk Committee for securitisation exposures. Stress tests are also carried out on these portfolios.

The analysis of the credit risk of securitisation transactions covers the standard elements of credit risk: the performance of the underlying assets as well as that of the assignor/collector. Risk factors are reduced by structural elements of each transaction including default triggers, excess spread, delinquencies, segregated accounts and back-up collector. Some other types of risk are also assessed during the review of a transaction, including the legal, operational, reputational and fraud risks. The monitoring of the credit risk on these transactions, of the performance of the underlying assets and of the covenants, is reviewed at portfolio level by the "Corporate and Investment Banking" division of the Risks department each quarter during the Quarterly Portfolio Review prepared by the "Global Business Service Unit" with a focus on major events and sent to the "Corporate and Investment Banking" division of the Risk Department with a dedicated meeting every quarter. A follow-up at the level of each transaction is carried out in detail each year during the Annual Review with a revalidation of the rating of the transaction.

Resecuritisation exposures go through the same approval and monitoring process.

MARKET RISK

Securitisation exposures subject to market risk are monitored and controlled through Societe Generale's market risk standard market approval process, with additional controls specific to securitisation.

The analysis of the market risk of securitisation transactions covers the standard elements of market risk: credit, spread, liquidity risk, interest rate risk (hedged with standard liquid interest rate instruments (US Treasuries, Eurodollar futures, interest rate swaps)).

Securitisation exposures are subject to strict supervision through the setting of limits on specific assets in the securitisation field (CMBS, CLO, RMBS, ABS), according to several types of indicators:

- Value at Risk (VaR) and Stressed Value at Risk (SVaR): synthetic indicators, allowing day-to-day monitoring of market risk;
- stress test measurements, based on ten-year risk type indicators. These metrics make it possible to limit the Group's exposure to systemic risks and cases of exceptional market shocks impacting securitisation activities;
- "sensitivity" and "nominal" indicators, which allow the size of positions to be controlled;
- other specific indicators: nominal limits on the sizes of ABS market-making inventories, cash at risk and stress test limits on financing activities collateralised by ABS, which makes it possible in particular to monitor the behaviour of the underlying assets under stress and supervise the Group's exposure in the event of market shocks.

The Risk Department on Market Operations is in charge of examining limit requests made by the front office. These limits make it possible to ensure that the Group respects the appetite for the market validated by the Board of Directors, on a proposal from General Management.

The daily monitoring of compliance with the limits by the front office is carried out by the Risk Department on market transactions. This continuous monitoring of the risk profile is the subject of frequent exchanges between the risk and business teams, which may result in various positions hedging actions by the front office aimed at reducing the level of risk of complying with the framework defined. In the event of an overrun, the front office must detail the reasons for the management concerned, and take the necessary measures to return to the defined framework, or otherwise request a temporary or permanent increase in the limit if customer demand, market conditions or risk assessment justify it.

Resecuritisation exposures go through the same approval and monitoring process.

STRUCTURAL RISKS

The management of structural interest rate and change risks in securitisation activities does not differ from that of other Group assets.

The management of the structural interest rate risk is described in Chapter 11 of this document.

The liquidity risk linked to securitisation activities is monitored both at the level of the responsible business lines but also, centrally, at the level of the Finance Department, with in particular the measurement of the impact of these activities on liquidity ratios, stress tests and the Group's liquidity gaps. The organisation and management of liquidity risk are covered in Chapter 12 of this document.

OPERATIONAL RISK

The monitoring of operational risk on securitisation activities is taken into account in the Group's operational risk management systems. Thus, the operational risks on these activities are notably regulated by the limits of the appetite for operational risk, identified and assessed by the Risk Control Self-Assessment exercise and any incidents are collected and analysed according to Group standards. The management of operational risk is described in Chapter 10 of this document.

8.5 SOCIETE GENERALE'S SECURITISATION ACTIVITIES

Securitisation activities allow the Group to raise liquidity or manage risk exposures, for proprietary purposes or on behalf of customers. Within the framework of these activities, the Group can act as originator, sponsor/arranger or investor:

- as an originator, the Group directly or indirectly participates in the initial agreement on assets which subsequently serve as underlying in securitisation transactions, primarily for refinancing purposes;
- as a sponsor, the Group establishes and manages a securitisation programme used to refinance customers' assets, mainly *via* the Antalis and Barton conduits and *via* certain other special purpose vehicles;
- as an investor, the Group invests directly in certain securitisation positions, is a liquidity provider or a counterparty of derivative exposures.

This information must be considered within the context of the specific structure of each transaction and vehicle, which cannot be described in this report.

Securitisation initiatives are part of the portfolio management program. They are efficient tools for optimizing capital management and managing credit risk exposure while maintaining a strong level of commercial dynamic. Several transactions with significant risk transfer (SRT) have been executed since mid-2019, mostly under a synthetic format and on different portfolios, to manage underlying credit risks and associated capital requirement. The SRT policy is documented in terms of internal governance, control framework as well as ongoing monitoring and reporting.

Taken separately, the level of payments past due or in default does not provide sufficient information on the types of exposures securitised by the Group, mainly because the default criteria may vary from one transaction to another. Furthermore, these data reflect the situation of the underlying assets.

In securitisation transactions, past due exposures are generally managed *via* structural mechanisms that protect the most senior positions.

Impaired exposures belong mainly to CDOs of US subprime residential mortgages, dating back to 2014.

As part of its securitisation activities, the Group does not provide any implicit support in accordance with Article 250 of revised CRR (regulation (UE) 2017/2401).

Since the protection purchased is financed, there is no counterparty credit risk on the vendor of the insurance. The Group does not intend to purchase unfunded protection at this stage.

TABLEAU 75: QUALITY OF SECURITISATION POSITIONS RETAINED OR ACQUIRED

Positions in the securitisation trading book are exclusively high ranking and mezzanine tranches, and 79.7% are high ranking positions as of 31 December 2023.

In the banking book senior thanches are more than 97% of securitisation exposures retained or purchased as of 31 December 2023.

		31.12.2023					
		Exposure At Default (EAD)					
		Highest-ranking tranche		Mezzanine tranche		Initial Loss tranche	
(In EURm)		STS	Non STS	STS	Non STS	STS	Non STS
Banking book							
Securitisation		20,740	30,973	1,127	381	10	71
	Originator	13,684	2,48	1,127	372	10	71
	Investor	-	13	-	-	-	-
	Sponsor	7,055	28,512	-	9	-	-
Re-Securitisation							
Trading book							
Securitisation		43	1,663	8	426	-	-
	Investor	43	1,663	8	426	-	-
Re-Securitisation		-	1	-	-	-	-
	Investor	-	1	-	-	-	-

		31.12.2022					
		Exposure At Default (EAD)					
		Highest-ranking tranche		Mezzanine tranche		Initial Loss tranche	
(In EURm)		STS	Non STS	STS	Non STS	STS	Non STS
Banking book							
Securitisation		18,704	31,053	880	327	7	72
	Originator	13,435	4,383	880	317	7	72
	Investor	202	2,281	-	-	-	-
	Sponsor	5,067	24,388	-	9	-	-
Re-Securitisation		-	-	-	-	-	-
Trading book							
Securitisation		37	1,875	5	309	-	-
	Investor	37	1,875	5	309	-	-
Re-Securitisation		-	2	-	-	-	-
	Investor	-	2	-	-	-	-

SOCIETE GENERALE AS ORIGINATOR

As part of its refinancing activities, the Group undertakes securitisations of some of its portfolios of receivables originated with individuals or corporate customers. The securities created in these transactions can be either sold to external investors, thus providing funding to the Group, or retained by the Group to be used as collateral in repurchase transactions, notably with the European Central Bank.

In 2023, the following securitsation transactions were carried out:

Liquidity purpose only:

- EUR 3.4 billions securitisation of real estate loans in France, fully subscribed by Société Générale or its subsidiaries and pledged as collateral at Eurosystem to enhance group's contingent liquidity profile;
- EUR 0.69 billion securitisation of auto leases in France (including residual value risk), deriving from long-term leasing contracts, placed forf EUR 0.5 billion;
- EUR 0.63 billion securitisation of auto leases in Netherland (including residual value risk), deriving from long-term leasing contracts, placed for EUR 0.5 billion.
- three securitisation operations of EUR 0.63 billion, EUR 0.57 billion and EUR 0.63 billion of auto leases in Netherlands (including residual value risk) deriving from long-term contracts placed for EUR 0.5 billion, EUR 0.45 billion and EUR 0.5 billion respectively;
- EUR 0.68 billion securitisation of auto leases in Germany (including residual value risk) deriving from long-term contracts placed for EUR 0.5 billion.

Both liquidity and RWA relief purposes:

- EUR 0.75 billion securitisation of auto loans in Germany, placed in the market. This securitisation served on the one hand, to refinance the Group and, on the other hand, to reduce RWA consumption;
- EUR 0.55 billion securitisation of auto loans in Italy, placed in the market. This securitisation served on the one hand, to refinance the Group and, on the other hand, to reduce RWA consumption;

Securitised loans cannot be used as guarantee or collateral or sold within the framework of other operations.

The total outstanding of the receivables securitised for financing the Group amounted to EUR 22.8 billion as at 31 December 2023, including EUR 13.4 billion of French home loans, EUR 6.8 billion of auto loans and leases and EUR 2.6 billion of French consumer loans.

Besides, the Group also detains several synthetic securitisation programmes in which the risk transfer is made by using credit derivatives or financial guarantees and where the portfolio is kept in the balance sheet of the Group.

The securitised stock of these transactions stood at EUR 29.2 billion as of 31 December 2023, mainly composed of loans to corporates.

SOCIETE GENERALE AS SPONSOR

The Societe Generale group carries out transactions on behalf of its customers or investors. As at 31 December 2023, there were two consolidated multi-seller vehicles in operation (Barton and Antalis), structured by the Group on behalf of clients. This ABCP (Asset-Backed Commercial Paper) activity funds the working capital requirements of some of the Group's customers by backing short-term financing with traditional assets such as trade receivables or consumer loans. Total assets held by these vehicles and financed through the issuance of commercial paper amounted to EUR 20.7 billion on 31 December 2023 (EUR 18.5 billion on 31 December 2022).

As part of the implementation of the new IFRS 10 standards on 1 January 2014, Societe Generale has consolidated these two vehicles, Barton and Antalis, from this date onwards.

ABCP activity remained solid in 2023, with newly securitised outstanding amounts predominantly comprising trade receivables and leasing.

SOCIETE GENERALE AS INVESTOR

Societe Generale also acts as a market-maker for securitised assets, resulting in securitisation positions in the Group's trading book. Since 31 December 2011, CRD3 has required the same prudential treatment regardless of prudential classification. The following tables show the securitisation exposures retained or purchased by the Group, by type of underlying assets, by role and by type of securitisation, etc. Separately for the banking book and for the trading book. These tables only feature the exposures with an impact on the Group's regulatory capital.

TABLE 76: SECURITISATION EXPOSURES IN THE NON-TRADING BOOK (SEC1)

	31.12.2023														
	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic			Traditional				Traditional			
	STS		Non-STS												
(In EURm)		of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
TOTAL EXPOSURES	**2,552**	**2,552**	**134**	**134**	**28,362**	**28,362**	**31,048**	**5,904**	**20,079**	**-**	**25,983**	**-**	**13**	**-**	**13**
Retail (total)	**2,552**	**2,552**	**-**	**-**	**970**	**970**	**3,522**	**1,864**	**10,756**	**-**	**12,620**	**-**	**6**	**-**	**6**
Residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit card	-	-	-	-	-	-	-	-	2,005	-	2,005	-	-	-	-
Other retail exposures	2,552	2,552	-	-	970	970	3,522	1,864	8,751	-	10,615	-	6	-	6
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale (total)	**-**	**-**	**134**	**134**	**27,392**	**27,392**	**27,526**	**4,040**	**9,323**	**-**	**13,363**	**-**	**7**	**-**	**7**
Loans to corporates	-	-	134	134	27,392	27,392	27,526	150	4,658	-	4,808	-	-	-	-
Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease and receivables	-	-	-	-	-	-	-	3,840	3,102	-	6,941	-	7	-	7
Other wholesale	-	-	-	-	-	-	-	50	1,563	-	1,613	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

As of end of December 2023, securitisation exposures in the banking book amounted to EUR 57 billion. The bulk of the amount consists predominantly of liquidity lines linked to the Group's sponsor conduit activity. The main underlying assets are corporate loans, consumer loans and trade receivables. In 2023, banking book exposures increased by EUR 7 billion, up 14% year-on-year.

60% of banking book securitization exposures were STS. Since 2022, several synthetic programmes have been qualified as STS.

	31.12.2022														
	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic			Traditional				Traditional			
	STS		Non-STS												
(In EURm)		of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
TOTAL EXPOSURES	**2,413**	**2,413**	**273**	**273**	**18,129**	**18,129**	**20,816**	**5,312**	**23,090**	**-**	**28,402**	**202**	**1,396**	**-**	**1,597**
Retail (total)	**2,413**	**2,413**	**-**	**-**	**-**	**-**	**2,413**	**346**	**13,264**	**-**	**13,610**	**202**	**157**	**-**	**358**
Residential mortgage	-	-	-		-	-	-	-	-						
Credit card	-	-	-		-	-	-	-	2,935	-	2,935	-	40	-	40
Other retail exposures	2,413	2,413	-		-	-	2,413	346	10,330	-	10,676	202	117	-	318
Re-securitisation	-	-	-		-	-	-	-	-	-	-	-		-	-
Wholesale (total)	**-**		**273**	**273**	**18,129**	**18,129**	**18,403**	**4,966**	**9,826**	**-**	**14,792**	**-**	**1,239**	**-**	**1,239**
Loans to corporates	-		273	273	18,129	18,129	18,403	150	4,596	-	4,746	-	1,112	-	1,112
Commercial mortgage	-	-	-	-	-	-	-	-	-	-		-	-	-	
Lease and receivables	-	-	-	-	-	-	-	4,816	3,965	-	8,781	-	7	-	7
Other wholesale	-	-	-	-	-	-	-	-	1,265	-	1,265	-	120	-	120
Re-securitisation	-	-	-	-	-	-	-	-	-	-		-	-	-	

TABLE 77: SECURITISATION EXPOSURES IN THE TRADING BOOK (SEC2)

	31.12.2023											
	Institution acts as originator				Institution acts as sponsor				Institution acts as investor			
	Traditional				Traditional				Traditional			
(In EURm)	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
TOTAL EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**671**	**1,393**	**2,114**
Retail (total)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**273**	**20**	**343**
Residential mortgage	-	-	-	-	-	-	-	-	8	80	20	108
Credit card	-	-	-	-	-	-	-	-	-	19	-	19
Other retail exposures	-	-	-	-	-	-	-	-	42	174	-	216
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale (total)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**398**	**1,373**	**1,771**
Loans to corporates	-	-	-	-	-	-	-	-	-	242	-	242
Commercial mortgage	-	-	-	-	-	-	-	-	-	155	1,373	1,528
Lease and receivables	-	-	-	-	-	-	-	-	-	1	-	1
Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

The securitisation positions on the trading book are exclusively investor positions for a total of EUR 2.1 billion nominal as of 31 December 2023. Most of the positions relate to corporate financing, especially on mortgage loans.

For the trading portfolio, 98% of the transactions are non-STS as of 31 December 2023.

	31.12.2022											
	Institution acts as originator				Institution acts as sponsor				Institution acts as investor			
	Traditional				Traditional				Traditional			
(In EURm)	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
TOTAL EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41**	**203**	**1,983**	**2,228**
Retail (total)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41**	**41**	**40**	**122**
Residential mortgage	-	-	-	-	-	-	-	-	-	26	40	65
Credit card	-	-	-	-	-	-	-	-	-	-	-	-
Other retail exposures	-	-	-	-	-	-	-	-	41	14	-	55
Re-securitisation	-	-	-	-	-	-	-	-	-	2	-	2
Wholesale (total)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**162**	**1,944**	**2,105**
Loans to corporates	-	-	-	-	-	-	-	-	-	55	-	55
Commercial mortgage	-	-	-	-	-	-	-	-	-	106	1,944	2,050
Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 78: EXPOSURES SECURITISED BY THE INSTITUTION – EXPOSURES IN DEFAULT AND SPECIFIC CREDIT RISK ADJUSTMENTS (SEC5)

	31.12.2023		
	Exposures securitised by the institution – Institution acts as originator or as sponsor		
	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
(In EURm)		of which exposures in default	
TOTAL EXPOSURES	**81,416**	**240**	**6**
Retail (total)	**35,623**	**40**	**6**
Residential mortgage	19,481	18	-
Credit card	2,005	-	-
Other retail exposures	14,137	22	6
Re-securitisation	-	-	-
Wholesale (total)	**45,793**	**200**	**-**
Loans to corporates	33,050	181	-
Commercial mortgage	-	-	-
Lease and receivables	11,130	10	-
Other wholesale	1,613	-	-
Re-securitisation	-	-	-

	31.12.2022		
	Exposures securitised by the institution – Institution acts as originator or as sponsor		
	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
(In EURm)		of which exposures in default	
TOTAL EXPOSURES	**49,218**	**272**	**7**
Retail (total)	**16,024**	**14**	**7**
Residential mortgage	-	-	-
Credit card	2,935	-	-
Other retail exposures	13,089	14	7
Re-securitisation	-	-	-
Wholesale (total)	**33,195**	**258**	**-**
Loans to corporates	23,148	258	-
Commercial mortgage	-	-	-
Lease and receivables	8,781	-	-
Other wholesale	1,265	-	-
Re-securitisation	-	-	-

8.6 PRUDENTIAL TREATMENT OF SECURITISATION POSITIONS

APPROACH FOR CALCULATING RISK-WEIGHTED EXPOSURES

Whenever traditional or synthetic securitisations, for which sponsorship, origination, structuring or management of Societe Generale is involved, achieve a substantial and documented risk transfer compliant with the regulatory framework, the underlying assets are excluded from the bank's calculation of risk-weighted exposures for traditional credit risk.

For the securitisation positions that Societe Generale decides to hold either on- or off-balance sheet, capital requirements are determined based on the bank's exposure, irrespective of its underlying strategy or role.

Institutions use one of the methods described in the hierarchy below to calculate the weighted exposure amounts:

- SEC-IRBA (approach based on internal ratings), when certain conditions are met;
- when the SEC-IRBA cannot be used, the intitution uses the SEC-SA (standardised approach);
- when the SEC-SA cannot be used, the institution uses the SEC-ERBA (approach based on external ratings) for positions with an external credit rating or those for which it is possible to infer such a note.

The unrated liquidity lines granted to ABCP programmes can be determined using the Internal Assessment Approach (IAA). Regarding the liquidity lines that the bank grants to the securitisation conduits it sponsors, Societe Generale obtained approval in 2009 to use the internal assessment approach. As such, Societe Generale has developed a rating model (IAA approach), which estimates the expected loss (Expected Loss - EL) for each Group's exposure to securitisation conduits, which automatically leads to a capital weighting by application of a correspondence table defined by the regulations. The IAA model mainly applies to underlying assets such as trade receivables, auto loans and auto lease. An annual review of the model makes it possible to verify that the performance and conservatism of the model. Also, in-depth analyses are carried out on inputs (transaction details such as default, dilution, or reserve rates), model parameters (transition matrices, PD, LGD) and an EL backtest. The backtest of the outputs themselves being not feasible due to the limited number of transactions, the backtest of the IAA model consists in the backtest of the inputs (including for example default rate and default rate standard deviation) and the parameters as well as a model behavoir analysis. Methodological benchmarks are also regularly carried out in order to validate our internal approach in comparison with the best practices of the market. The relevance of the IAA approach is regularly monitored and reviewed by the Risk Department responsible for Model Risk Management at Group level, as second line of defense. The independent review process ends with (i) review and approval Committees and (ii) an independent review report detailing the scope of the review, the tests performed and their outcomes, the recommendations, and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

In the other cases, the securitisation positions receive a risk weight of 1,250%.

EXTERNAL CREDIT ASSESSMENT INSTITUTIONS USED BY SOCIETE GENERALE

Assets securitised by Societe Generale are usually rated by one or more ECAIs (External Credit Assessment Institutions), the list of which is established by the French prudential supervisory authority ACPR (Autorité de Contrôle Prudentiel et de Résolution). The agencies used are DBRS Morningstar, FitchRatings, Moody's Investors Service, Standard & Poor's and Scope ratings. All rating agencies have been registered with and supervised by the European Securities and Market Authority (ESMA). The capital requirements for securitisation positions valued using the standardised approach are calculated based on the lowest external rating of the securitisation exposure.

An equivalence (see table 79 below) between external ratings and Societe Generale's internal rating scale is provided, presenting Societe Generale's internal rating scale and the corresponding scales of the main ECAIs, as well as the corresponding average estimated probabilities of default.

TABLE 79: CREDIT RATING AGENCIES USED IN SECURITISATIONS BY TYPE OF UNDERLYING ASSETS

Underlying assets	MOODY'S	FITCH	S&P	Scope
Residential mortgages	✓	✓	✓	
Commercial mortgages	✓	✓	✓	
Credit card receivables	✓		✓	
Leasing	✓		✓	
Loans to corporates and SMEs	✓	✓	✓	
Consumer loans	✓	✓	✓	✓
Trade receivables				
Other assets	✓	✓	✓	
Covered bonds				
Other liabilites				

REGULATORY CAPITAL REQUIREMENTS

The following tables present, by type of securitisation position, the approaches for calculating the weighted exposure amounts that Société Générale applies to its securitisation activities.

The following tables show the bank's securitisation exposures and corresponding regulatory capital requirements for the Banking Book as at 31 December 2023.

TABLE 80: SECURITISATION EXPOSURES IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – INSTITUTION ACTING AS ORIGINATOR OR AS SPONSOR (SEC3)

	31.12.2023				
	Exposure values (by RW bands/deductions)				
(In EURm)	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1,250% RW	1,250% RW/deductions
TOTAL EXPOSURES	**51,555**	**1,647**	**111**	**-**	**42**
Traditional transactions	**34,191**	**1,415**	**111**	**-**	**9**
Securitisation	34,191	1,415	111	-	9
Retail underlying	16,097	889	5	-	9
of which STS	*1,958*	-	-	-	*9*
Wholesale	18,094	526	106	-	-
of which STS	*5,106*	-	-	-	-
Re-securitisation	-	-	-	-	-
Synthetic transactions	**17,365**	**232**	**-**	**-**	**33**
Securitisation	17,365	232	-	-	33
Retail underlying	870	-	-	-	4
Wholesale	16,495	232	-	-	28
Re-securitisation	-	-	-	-	-

	31.12.2023											
	Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
(In EURm)	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions
TOTAL EXPOSURES	**17,728**	**27,660**	**7,925**	**42**	**1,998**	**4,201**	**1,243**	**-**	**160**	**336**	**99**	**-**
Traditional transactions	**132**	**27,660**	**7,925**	**9**	**20**	**4,201**	**1,243**	**-**	**2**	**336**	**99**	**-**
Securitisation	132	27,660	7,925	9	20	4,201	1,243	-	2	336	99	-
Retail underlying	1	16,002	988	9	-	2,612	133	-	-	209	11	-
of which STS	*1*	*1,298*	*660*	*9*	-	*131*	*65*	-	-	*11*	*5*	-
Wholesale	132	11,658	6,937	-	20	1,589	1,110	-	2	127	89	-
of which STS	-	*5,106*	-	-	-	*511*	-	-	-	*41*	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic transactions	**17,596**	**-**	**-**	**33**	**1,978**	**-**	**-**	**-**	**158**	**-**	**-**	**-**
Securitisation	17,596	-	-	33	1,978	-	-	-	158	-	-	-
Retail underlying	870	-	-	4	97	-	-	-	8	-	-	-
Wholesale	16,726	-	-	28	1,881	-	-	-	150	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

Most of the STS EAD transactions of the banking book (EUR 21.7 billion) are in IAA methodology (SG sponsor EUR 7 billion) and in SEC-IRBA methodology (SG originator EUR 15.7 billion).

	31.12.2022				
	Exposure values (by RW bands/deductions)				
(In EURm)	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1,250% RW	1,250% RW/deductions
TOTAL EXPOSURES	**46,683**	**1,529**	**230**	**64**	**54**
Traditional transactions	**30,534**	**1,432**	**21**	**64**	**17**
Securitisation	30,534	1,432	21	64	17
Retail underlying	15,761	593	-	-	17
of which STS	*2,741*	-	-	-	*17*
Wholesale	14,773	839	21	64	-
of which STS	*4,712*	-	-	-	-
Re-securitisation	-	-	-	-	-
Synthetic transactions	**16,148**	**97**	**209**	**-**	**37**
Securitisation	16,148	97	209	-	37
Retail underlying	-	-	-	-	-
Wholesale	16,148	97	209		37
Re-securitisation	-	-		-	-

	31.12.2022											
	Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
(In EURm)	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions
TOTAL EXPOSURES	**17,231**	**25,300**	**5,974**	**54**	**2,706**	**3,889**	**706**	**-**	**216**	**311**	**56**	**-**
Traditional transactions	**777**	**25,300**	**5,974**	**17**	**44**	**3,889**	**706**	**-**	**4**	**311**	**56**	**-**
Securitisation	777	25,300	5,974	17	44	3,889	706	-	4	311	56	-
Retail underlying	576	13,967	1,810	17	-	2,298	-	-	-	184	-	-
of which STS	*576*	*355*	*1,810*	*17*	-	*35*	-	-		*3*	-	-
Wholesale	200	11,333	4,164	-	44	1,591	706	-	4	127	56	-
of which STS	-	*4,712*	-	-	-	*471*	-	-	-	*38*	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic transactions	**16,455**	**-**	**-**	**37**	**2,662**	**-**	**-**	**-**	**213**	**-**	**-**	**-**
Securitisation	16,455	-	-	37	2,662	-	-	-	213	-	-	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	16,455	-	-	37	2,662	-	-	-	213	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 81: SECURITISATION EXPOSURES IN THE NON-TRADING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – INSTITUTION ACTING AS INVESTOR (SEC4)

	31.12.2023				
	Exposure values (by RW bands/deductions)				
(In EURm)	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1,250% RW	1,250% RW/deductions
TOTAL EXPOSURES	**-**	**13**	**-**	**-**	**-**
Traditional securitisation	**-**	**13**	**-**	**-**	**-**
Securitisation	-	13	-	-	-
Retail underlying	-	6	-	-	-
of which STS	-	-	-	-	-
Wholesale	-	7	-	-	-
of which STS	-	-	-	-	-
Re-securitisation	-	-	-	-	-
Synthetic securitisation	**-**	**-**	**-**	**-**	**-**
Securitisation	-	-	-	-	-
Retail underlying	-	-	-	-	-
Wholesale	-	-	-	-	-
Re-securitisation	-	-	-	-	-

	31.12.2023											
	Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
(In EURm)	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions
TOTAL EXPOSURES	**-**	**13**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**0**	**-**	**-**
Traditional securitisation	**-**	**13**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**0**	**-**	**-**
Securitisation	-	13	-	-	-	7	-	-	-	0	-	-
Retail underlying	-	6	-	-	-	3	-	-	-	0	-	-
of which STS	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	7	-	-	-	3	-	-	-	0	-	-
of which STS	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-

	31.12.2022				
	Exposure values (by RW bands/deductions)				
(In EURm)	≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1,250% RW	1,250% RW/deductions
TOTAL EXPOSURES	**2**	**0**	**0**	**-**	**-**
Traditional securitisation	**2**	**0**	**0**	**-**	**-**
Securitisation	*2*	0	0	-	-
Retail underlying	*0*	0	0	-	-
of which STS	*0*	-	-		-
Wholesale	*2*	*5*	0	-	-
of which STS	-	-	-	-	-
Re-securitisation	-	-	-	-	-
Synthetic securitisation	**-**	**-**	**-**	**-**	**-**
Securitisation	-	-	-	-	-
Retail underlying	-	-	-	-	-
Wholesale	-	-	-	-	-
Re-securitisation	-	-	-	-	-

	31.12.2022											
	Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
(In EURm)	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions	SEC -IRBA	SEC-ERBA (including IAA)	SEC-SA	1,250%/ deductions
TOTAL EXPOSURES	**-**	**0**	**2**	**-**	**-**	**0**	**0**	**-**	**-**	**0**	**0**	**-**
Traditional securitisation	**-**	**0**	**2**	**-**	**-**	**0**	**0**	**-**	**-**	**0**	**0**	**-**
Securitisation	-	*0*	*2*	-	-	*0*	*0*	-	-	*0*	*0*	-
Retail underlying	-	*0*	*1*	-	-	*0*	*0*	-	-	*0*	*0*	-
of which STS	-	-	*0*	-	-	-	-	-	-	-	-	
Wholesale	-	*0*	*1*	-	-	*0*	*0*	-	-	*0*	*0*	-
of which STS	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Securitisation	-	-	-	-	-	-	-	-	-	-	-	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-		-	-	-	-	-	-	-

8.7 PERIMETER OF SECURITISATION VEHICLES

List of SSPEs which acquire exposures originated by the institutions[(1)]:

Business Line	Originator	SPPE	Description of types of institutions' exposures[(2)]
Retail Banking and International Financial Services	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH (BDK)	RED & BLACK AUTO GERMANY 7 UG	Auto loans
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH (BDK)	RED & BLACK AUTO GERMANY 8 UG	Auto loans
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH (BDK)	RED & BLACK AUTO GERMANY 9 UG	Auto loans
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH (BDK)	RED & BLACK AUTO GERMANY 10 UG	Auto loans
	FIDITALIA SPA	RED & BLACK AUTO ITALY SRL	Auto loans
Retail banking	SOCIETE GENERALE	RED & BLACK HOME LOANS FRANCE2	Residential loans
	SOGEFINANCEMENT	RED & BLACK CONSUMER FRANCE 2013	Consumer loans
	BOURSORAMA	BOURSORAMA MASTER HOME LOANS FRANCE	Residential loans
Mobility services and leasing	LEASEPLAN DEUTSCHLAND GMBH	BUMPER DE S.A.	Leasing automobile
	LEASEPLAN FLEET MANAGEMENT N.V.	BUMPER BE	Leasing automobile
	LEASEPLAN FRANCE S.A.S.	BUMPER FR 2022-1	Leasing automobile
	LEASEPLAN NEDERLAND N.V.	BUMPER NL 2020-1 B.V.	Leasing automobile
	LEASEPLAN NEDERLAND N.V.	BUMPER NL 2023-1 B.V.	Leasing automobile
	LEASEPLAN UK LIMITED	BUMPER UK 2021-1 FINANCE PLC	Leasing automobile
	TEMSYS	RED & BLACK AUTO LEASE FRANCE 1	Auto leases
	TEMSYS	RED & BLACK AUTO LEASE FRANCE 2	Auto leases
	AXUS NETHERLAND B.V.	RED & BLACK AUTO LEASE GERMANY 3 S.A.	Auto leases

(1) *Public securitisations.*
(2) *Société Générale or an affiliate of the Group may provide cash reserves to the SSPE in certain circumstances and hold the junior tranches.*

List of SSPEs sponsored by the institutions:

Business Line	Country	SSPE
Global Banking & Investor Solutions	France	ANTALIS SA
	Luxembourg	BARTON CAPITAL SA
	United States of America	MOUNTCLIFF FUNDING LLC
	Jersey Island	INSTITUTIONAL SECURED FUNDING LTD

List of SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services:

Business Line	Country	Management company
Global Banking & Investor Solutions	France	CLARESCO FINANCE
		RSM France
		EQUITIS GESTION
		EUROTITRISATION
		FINXKAP AM
		FRANCE TITRISATION
		GTI ASSET MANAGEMENT
		IQEQ
		PARIS TITRISATION
		SIENNA AM FRANCE
	Luxembourg	VAULT
		CARS ALLIANCE

On SGSS side, other asset managers are providing different categories of funds other than securitisation.

List of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions:

Country	Legal entities
Germany	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH (BDK)
	ALD AUTOLEASING GMBH
Belgium	AXUS SA/NV
Luxembourg	LEASEPLAN FLEET MANAGEMENT N.V.
Spain	SOCGEN FINANCIACIONES IBERIA, SL
France	BOURSORAMA
	LEASEPLAN FRANCE S.A.S.
	SOCIETE GENERALE
	SOGELEASE FRANCE
	SOGEFINANCEMENT
	TEMSYS
Great Britain	ALD AUTOMATIVE LIMITED
Ireland	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY
Italie	FIDITALIA SPA
Luxembourg	SGBTCI
	SGBT ASSET BASED FUNDING SA
	SOCIETE GENERALE FINANCING AND DISTRIBUTION
Netherlands	AXUS NEDERLAND B.V
	LEASEPLAN NEDERLAND N.V.

List of SPPEs included in the institutions'regulatory scope of consolidation

Country	SSPE
Germany	RED & BLACK AUTO GERMANY 7 UG
	RED & BLACK AUTO GERMANY 8 UG
	RED & BLACK AUTO GERMANY 9 UG
	RED & BLACK AUTO GERMANY 10 UG
Belgium	AXUS FINANCE SA/NV
	BUMPER BE
France	ANTALIS SA
	BOURSORAMA MASTER HOME LOANS FRANCE
	BUMPER FR 2022-1
	FCT LA ROCHE
	RED & BLACK CONSUMER FRANCE 1
	RED & BLACK HOME LOANS FRANCE 2
	RED & BLACK AUTO LEASE FRANCE 2013
	RED & BLACK HOME LOANS FRANCE 2
Great Britain	RED & BLACK AUTO LEASE UK 1 PLC
	BUMPER UK 2021-1FINANCE PLC
Italy	RED & BLACK AUTO ITALY SRL
Luxembourg	BARTON CAPITAL SA
	BUMPER DE S.A.
	RED & BLACK AUTO LEASE GERMANY 3 S.A.
	ZEUS FINANCE LEASING SA
Netherlands	AXUS FINANCE NL B.V.
	BUMPER NL 2020-1 B.V.
	BUMPER NL 2022-1 B.V.

9

MARKET RISK

IN BRIEF

Market risk is the risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equities or bonds), commodities, derivatives and other assets.

Market risk RWA at end 2023

€12.5bn

(Amount at end 2022: €13.8bn)

Annual average VaR
(1 day, 99%) - 2023

€23m

(Annual average VaR 2022: €18m)

Share of RWA calculated
via the internal model

74%

Market risk is the risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters, and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equities or bonds), commodities, derivatives and other assets.

9.1 ORGANISATION OF MARKET RISK MANAGEMENT

Main functions

Although primary responsibility for managing risk exposure relies on the front office managers, the supervision system comes under the Market Risk Department of the Risk Department, which is independent from the businesses.

The main missions of this department are:

- the definition and proposal of the Group's market risk appetite;
- the proposal of appropriate market risk limits by Group activity to the Group Risk Committee (CORISQ);
- the assessment of the limit requests submitted by the different businesses within the framework of the overall limits authorised by the Board of Directors and General Management, and based on the use of these limits;
- the permanent verification of the existence of an effective market risk monitoring framework based on suitable limits;
- coordination of the review by the Risk Department of the strategic initiatives of the Market Risk Department;
- the definition of the indicators used to monitor market risk;
- the daily calculation and certification of the market risk indicators, of the P&L resulting from market activities, based on formal and secure procedures, and then of the reporting and the analysis of these indicators;
- the daily monitoring of the limits set for each activity;
- the risk assessment of new products or market activities.

In order to perform its tasks, the department also defines the architecture and the functionalities of the information system used to produce the risk and P&L indicators for market transactions, and ensures it meets the needs of the different businesses and of the Market Risk Department.

This department contributes to the detection of possible rogue trading operations through a monitoring mechanism based on alert levels (on gross nominal value of positions for example) applied to all instruments and desks.

Governance

Market risks oversight is provided by various Committees at different levels of the Group:

- the Risk Committee of the Board of Directors (1) is informed of the Group's major market risks; in addition, it issues a recommendation on the most substantial proposed changes in terms of market risk measurement and framework (after prior approval by the CORISQ); this recommendation is then referred to the Board of Directors for a decision;
- the Group Risk Committee (2) (CORISQ), chaired by the Chief Executive Officer of the Group (DGLE), is regularly informed of Group-level market risks. Moreover, upon a proposal from the Risk Department, it validates the main choices with regard to market risk measurement, as well as the key developments on the architecture and implementation of the market risk framework at Group level. The global market risk limits with a Board or DGLE delegation level are reviewed in CORISQ at least once a year;
- the market risks are reviewed during the Market Risk Committee (3) (MRC) led by the Market Risk Department, chaired by the Risk Department and attended by the Head of the Global Banking and Investor Solutions Division and the Head of the Global Markets Division. This Committee provides information on risk levels for the main risk indicators as well as for some specific activities pointed out depending on market or business driven events. It also provides an opinion on the market risk framework changes falling under the remit of the Risk Department. In this context, a systematic review of all the limits with a Head of the Risk Division level is organized at least once a year.

During these Committees, several metrics for monitoring market risks are reported:

- stress test measurements: Global Stress Test on market activities and Market Stress Test;
- regulatory metrics: Value-at-Risk (VAR) and Stressed Value-at-Risk (SVAR).

In addition to these Committees, detailed and summary market risk reports, produced on a daily, weekly, monthly or quarterly basis, either related to various Group levels or geographic areas, are sent to the relevant business line and risk function managers.

In terms of governance, within the Market Risk Department, the main functional and transversal subjects are dealt with during Committees organised according the nature of activity in question.

(1) The Risk Committee met eight times in 2023, covering topics related to market activities.
(2) 2 CORISQ meetings dedicated to market activities took place in 2023.
(3) The Market Risk Committee met 10 times in 2023.

9.2 MARKET RISK MONITORING PROCESS

Market risk appetite

The business development strategy of the Group for market activities is primarily focused on meeting clients' needs, with a comprehensive range of products and solutions. The risk resulting from these market activities is strictly managed through a set of limits for several indicators:

- the Value-at-Risk (VaR) and stressed Value-at-Risk (sVaR): these global indicators are used for market risk calculations for RWA and for the day-to-day monitoring of the market risks incurred by the Group within the scope of its trading activities;
- stress test measurements, based on decennial shock-type indicators, which make it possible to restrict the Group's exposure to systemic risk and exceptional market shocks. These measurements can be global, multi-risk factor (based on historical or hypothetical scenarios), by activity or risk factor in order to take into account extreme risks on a specific market, or event-driven, to temporarily monitor a particular situation;
- sensitivity and nominal indicators used to manage the size of positions:
  - sensitivities are used to monitor the risk incurred locally on a given type of position (*e.g.* sensitivity of an option to changes in the underlying asset),
  - while nominal indicators are used for significant positions in terms of risk;
- additional indicators such as concentration risk or holding period, maximum maturity, etc.

The Market Risk Department is responsible for the assessment and validation of the limit requests submitted by the different business lines. These limits ensure that the Group complies with the market risk appetite approved by the Board of Directors.

Determining and monitoring limits

The choice and calibration of these limits ensure the operational transposition of the Group's market risk appetite through its organisation:

- these limits are allocated at various levels of the Group's structure and/or by risk factor;
- their calibration is determined using a detailed analysis of the risks related to the portfolio managed. This analysis may include various elements such as market conditions, specifically liquidity, position maneuverability, risk/rewards analysis, ESG criteria, etc.;
- regular reviews make it possible to manage risks according to the prevailing market conditions;
- specific limits, or even bans, may be put in place to manage risks for which the Group has little or no risk appetite.

The desk mandates and Group policies stipulate that the traders must have a sound and prudent management of positions and must respect the defined frameworks. The allowed transactions, as well as risk hedging strategies, are also described in the desk mandates. The limits set for each activity are monitored daily by the Market Risk Department. This continuous monitoring of the market risk profile is the object of regular discussions between the risk and business teams, further to which various risk hedging or mitigation initiatives may be taken by the front office in order to remain within the defined limits. In the event of a breach of the risk framework, and in compliance with the limits follow-up procedure, the front office must detail the reasons, and take the necessary measures to return within the defined framework, or otherwise request a temporary or permanent increase of limit if the client's request and if market conditions justify such a course of action.

The management and good understanding of the market risk to which the Group is exposed are thus ensured on the one hand (i) through the governance in place between the different sub-departments within the Risk Department and the business lines, but also on the other hand (ii) through the daily monitoring of consumption of the various limits in place, to which products/solutions distributed to customers contribute as well as various market-making activities.

9.3 MAINMARKET RISK MEASURES

Stress test assessment

Societe Generale monitors its exposure using stress test simulations to take into account exceptional market disruptions.

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected.

Two major metrics are defined and used:

- the Global Stress Test on market activities, which estimates the losses linked to market risks, market/counterparty cross-risk, and dislocation and carry risk on exotic activities, that could arise simultaneously in the event of a severe but plausible systemic crisis. This stress test is modeled on five scenarios;
- the Market Stress Test, which focuses solely on market risks, applying the same scenarios as the Global Stress Test and additional scenarios corresponding to different market conditions.

The various scenarios for those stress tests are reviewed by the Risk Division on a regular basis. These reviews are presented during dedicated biannual Committees, chaired by the Market Risk Department and attended by economists and representatives of Societe Generale's trading activities. These Committees cover the following topics: changes in scenarios (introduction, removal, shock review), appropriate coverage of the risk factors by the scenarios, review of the approximations made in terms of calculation, correct documentation of the whole process. The delegation level needed to validate the changes in stress test methodology depends on the impact of the change in question.

The Global Stress Test on market activities limits and the Market Stress Test limits play a central role in the definition and the calibration of the Group's appetite for market risk: these indicators cover all activities and the main market risk factors and related risks associated with a severe market crisis, this allows both to limit the overall amount of risk and to take into account any diversification effects.

This system is complemented by stress-testing frameworks on four risk factors on individual risk factors, in particular equities and interest rates, on which the Group has significant exposures.

GLOBAL STRESS TEST ON MARKET ACTIVITIES

The Global Stress Test on market activities is the main risk indicator used on this scope. It covers all the risks on market activities that would occur simultaneously in case of a severe, but plausible, market crisis. The impact is measured over a short period of time with an expected occurrence of once per decade. The Global Stress Test uses five market scenarios and has three components, each of which are considered in each of the five scenarios in order to ensure consistency within the same scenario:

- market risk;
- dislocation and carry risks on exotic activities related to concentration effects and crowded trades;
- market/counterparty cross-risks arising in transactions with weak counterparties (hedge funds and proprietary trading groups).

The Global Stress Test corresponds to the least favorable results arising from the five scenarios and their respective components.

Market risk component

It corresponds to:

- the results of the Market Stress Test [1] restricted to scenarios that could cause dislocation effects on market positions and default by weak counterparties. These scenarios all simulate a sharp fall in the equity markets and a widening in credit spreads which could trigger dislocation effects. Following the last review of the scenarios at the end of 2020, it was decided to use for the calculation of the stress test three theoretical scenarios (generalised (*i.e.* financial crisis scenario), eurozone crisis, general decline in risk assets) and two historical scenarios focusing respectively on the period of early October 2008 and early March 2020.

-This component includes the impact of the stress test scenario on the counterparty credit risk reserves (Credit Value Adjustment) and funding risk reserves (Funding Value Adjustment) whose variation in case of a crisis affects the trading activities.

Dislocation and carry risk component

Additional market risks to those assessed in the Market Stress Test can occur in market situation in which one or more participants – generally structured products sellers – have concentrated or crowded trades. Dynamic risk hedging strategies can cause larger market dislocations than those calibrated in the Market Stress Test, and these dislocations can extend beyond the shock timeline used due to an imbalance between supply and demand.

Equity, credit, fixed income, currency and commodity trading activities are regularly reviewed to identify these areas of risk and to define a scenario that takes into account the specific features of each activity and position. Each scenario associated with an identified area of risk is added to the market risk component if – and only if – it is compatible with the market scenario in question.

Market/counterparty cross-risk component on weak counterparties

Some counterparties may be significantly affected by a major crisis on the financial markets and their probability of default may increase. The third component of the Global Stress Test therefore aims to take into account this increased risk on certain types of weak counterparties (hedge funds and proprietary trading groups).

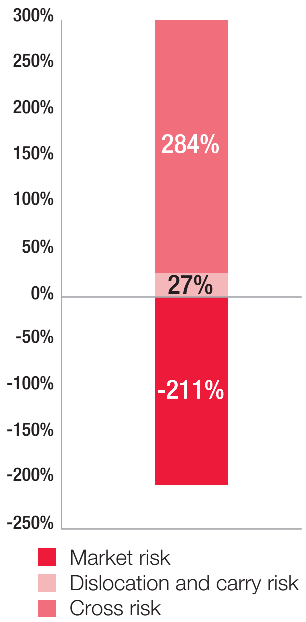
Four measurements are used:

- **the collateralised financing stress test:** this stress test focuses on collateralised financing activities and more specifically on weak counterparties. It applies a dislocation shock to several asset classes with the assumption of extremely tight liquidity conditions. Collateral and counterparty default rates are stressed concomitantly, taking into account any consanguinity with the collateral posted;

(1) Measurement of the impact in the Net Banking Product in case of shocks to all risk factors (refer to description below).

- **the adverse stress test on hedge funds and proprietary trading groups (PTG):** this stress test applies three pairs of stress scenarios to all market transactions generating replacement regarding this type of counterparty. Each set of scenarios consists of a short-term scenario (scenario derived from the Market Stress Test) applied to positions with margin calls, and a long-term scenario (whose shocks are generally more severe) for positions without margin calls. Stressed current exposures are weighted by the probability of default of each counterparty and by the loss given default (LGD), then aggregated;
- **the adverse stress test on products whose underlying is a hedge fund:** this type of underlying poses a risk of illiquidity in the event of a crisis. The purpose of this stress test is to estimate the corresponding potential loss on transactions with this type of underlying and presenting a "gap risk";
- **the Clearing House (CCP) Member stress test:** it estimates the potential loss in the event of a default of a CCP member of which Societe Generale is also a member.

AVERAGE CONTRIBUTION OF THE COMPONENTS IN 2023 GLOBAL STRESS TEST ON MARKET ACTIVITIES



MARKET STRESS TEST

This metric focuses on market risk and estimates the loss resulting from shocks on the set of risk factors. This stress test is based on 12 scenarios [(1)], three historical and nine hypothetical. The main principles are as follows:

- the scenario considered in the market stress test is the worst of the different scenarios defined;
- the shocks applied are calibrated on time horizons specific to each risk factor (the time horizon can range from five days for the most liquid risk factors to three months for the least liquid);
- risks are calculated every day for each of the Bank's market activities (all products together), using each of the historical and hypothetical scenarios.

Historical scenarios

This method consists of an analysis of the major economic crises that have affected the financial markets: changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analysed in order to define scenarios for potential variations in these main risk factors which, when applied to the Bank's trading positions, could generate significant losses. Accordingly, this approach makes it possible to determine the historical scenarios used for the calculation of the stress test. This set of scenarios is also the subject of regular reviews. In 2020, two new historical scenarios related to the Covid-19 crisis were integrated: a crisis scenario (marked by a decline in equity indices and an increase in credit spreads) as well as a rebound scenario (marked by an increase in equity indices and a decrease in credit spreads). In 2023, the historical rebound scenario in financial markets observed in 2020 was replaced by two hypothetical scenarios based on the same market context. Societe Generale is currently using three historical scenarios in the calculation of the stress test, which cover the periods from October to December 2008 and March 2020.

Hypothetical scenarios

The hypothetical scenarios are defined with the Group's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (*e.g.* European crisis, a drop in assets, etc.). The Group's aim is to select extreme but plausible events which would have major repercussions on all international markets. Accordingly, Societe Generale has defined nine hypothetical scenarios. In 2023, an obsolete scenario corresponding to the Russian crisis of 1998 was replaced by a new theoretical scenario centered on an inflationary crisis and two new hypothetical scenarios corresponding to bull markets were added.

(1) Including the scenarios used in the global stress tests on market activities.

Regulatory indicators

99% VALUE-AT-RISK (VAR)

Methodology

The Internal VaR Model was introduced at the end of 1996 and has been approved by the French supervisor within the scope of the regulatory capital requirements. This approval was renewed in 2020 at the Target Review of Internal Models (TRIM).

The Value-at-Risk (VaR) assesses the potential losses on positions over a defined time horizon and for a given confidence interval (99% for Societe Generale). The method used is the “historical simulation” method, which implicitly takes into account the correlation between the various markets, as well as general and specific risk. It is based on the following principles:

- storage in a database of the risk factors that are representative of Societe Generale’s positions (*i.e.* interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.). Controls are regularly performed in order to check that all major risk factors for the trading portfolio of the Group are taken into account by the internal VaR model;
- definition of 260 scenarios corresponding to one-day variations in these market parameters over a rolling one-year period; these scenarios are updated daily with the inclusion of a new scenario and the removal of the oldest scenario. There are three coexisting methods for modeling scenarios (relative shocks, absolute shocks and hybrid shocks), the choice between these methods for a given risk factor is determined by its nature and its historical trend;
- the application of these 260 scenarios to the market parameters of the day;
- revaluation of daily positions, on the basis of the 260 sets of adjusted market parameters: in most cases this calculation involves a full re-pricing. Nonetheless, for certain risk factors, a sensitivity-based approach may be used.

Main risk factors	Description
Interest rates	Risk resulting from changes in interest rates and their volatility on the value of a financial instrument sensitive to interest rates, such as bonds, interest rate swaps, etc.
Share prices	Risk resulting from variations in prices and volatility of shares and equity indices, in the level of dividends, etc.
Exchange rates	Risk resulting from the variation of exchange rates between currencies and of their volatility.
Commodity prices	Risk resulting from changes in prices and volatility of commodities and commodity indices.
Credit Spreads	Risk resulting from an improvement or a deterioration in the credit quality of an issuer on the value of a financial instrument sensitive to this risk factor such as bonds, credit derivatives (credit default swaps for example).

Within the framework described above, the one-day 99% VaR, calculated according to the 260 scenarios, corresponds to the weighted average (1) of the second and third largest losses computed, without applying any weighting to the other scenarios.

The day-to-day follow-up of market risk is performed *via* the one-day VaR, which is calculated on a daily basis at various granularity levels. Regulatory capital requirements, however, oblige us to take into account a ten-day horizon, thus we also calculate a ten-day VaR, which is obtained by multiplying the one-day VaR aggregated at Group level by the square root of ten. This methodology complies with regulatory requirements and has been reviewed and validated by the supervisor.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limits of which are as follows:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of the risk of loss under normal market conditions and does not take into account exceptionally significant fluctuations;
- VaR is computed using closing prices, meaning that intraday fluctuations are not taken into account;
- the use of a historical model is based on the assumption that past events are representative of future events and may not capture all potential events.

The Market Risk Department monitors the limitations of the VaR model by measuring the impacts of integrating a risk factor absent from the model (RNIME (2) process). Depending on the materiality of these missing factors, they may be capitalised. Other complementary measures also allow to control the limitations of the model.

The same model is used for the VaR computation for almost all of Global Banking & Investor Solution’s activities (including those related to the most complex products) and the main market activities of Retail Banking and Private Banking. The few activities not covered by the VaR method, either for technical reasons or because the stakes are too low, are monitored using stress tests, and capital charges are calculated using the standard method or through alternative in-house methods. For example, the currency risk of positions in the banking book is not calculated with an internal model because this risk is not subject to a daily revaluation and therefore cannot be taken into account in a VaR calculation.

Backtesting

The relevance of the model is checked through continuous backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval. The results of the backtesting are audited by the Risk Department in charge of the validation of internal models, which, as second line of defence, also assesses the theoretical robustness (from a design and development standpoint), the correctness of the implementation and the adequacy of the model use. The independent review process ends with (i) review and approval Committees and (ii) an Audit Report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to reporting to the appropriate authorities.

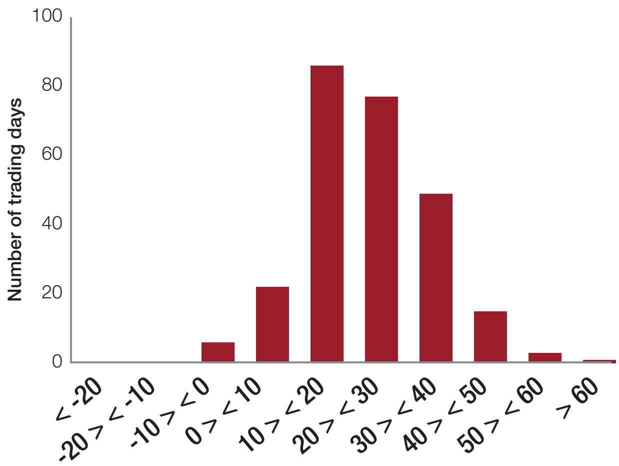
(1) 39% of the second-highest risk and 61% of the third-highest risk.
(2) Risk Not In Model Engine.

In compliance with regulations, backtesting compares the VaR to the (i) actual and (ii) hypothetical change in the portfolio's value:

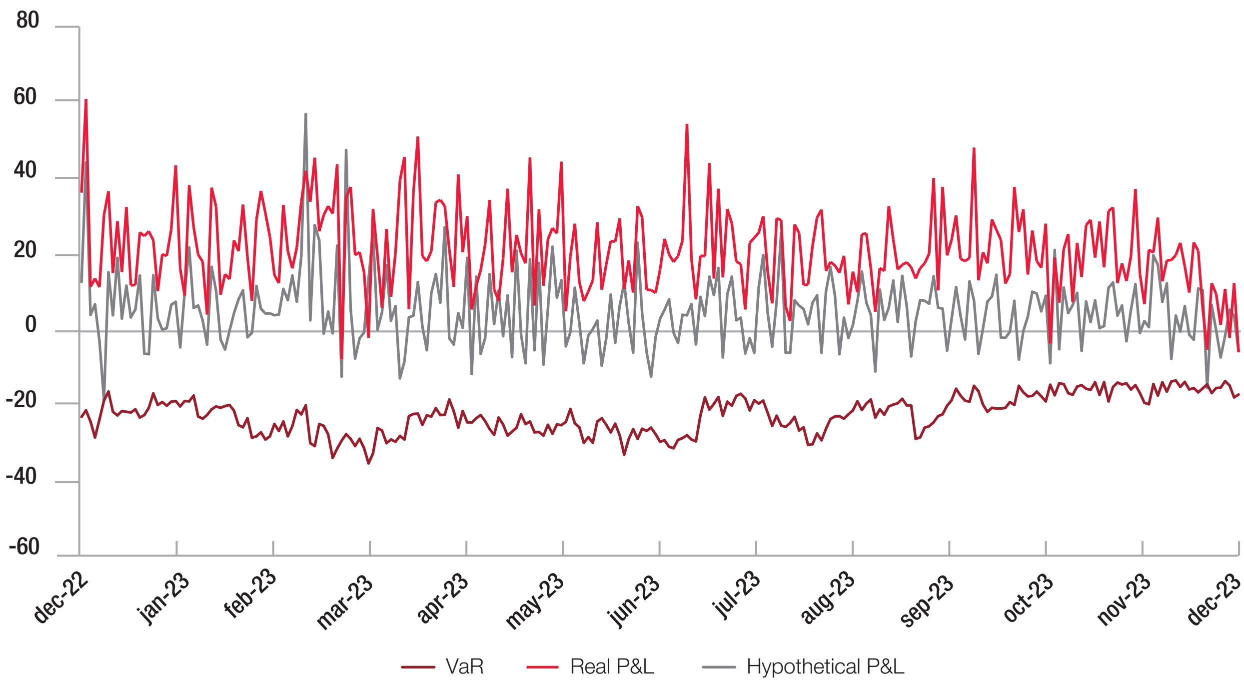
- in the first case (backtesting against "actual P&L"), the daily P&L (1) includes the change in book value, the impact of new transactions and of transactions modified during the day (including their sales margins) as well as provisions and values adjustments made for market risk;
- in the second case (backtesting against "hypothetical P&L"), the daily P&L (2) includes only the change in book value related to changes in market parameters and excludes all other factors.

In 2023, we observed one breach against hypothetical P&L (in Q4).

BREAKDOWN OF THE DAILY P&L OF MARKET (3) ACTIVITIES (2023, IN EURM)



TRADING VAR (ONE-DAY, 99%), DAILY ACTUAL (4) P&L AND DAILY HYPOTHETICAL (5) P&L OF THE TRADING PORTFOLIO (2023, IN EURM)



(1) "Actual P&L" by agreement hereinafter.
(2) "Hypothetical P&L" by agreement hereinafter.
(3) Actual P&L.
(4) Daily result used for backtesting the VaR against the effective value of the portfolio as defined in the paragraph "Value-at-Risk 99% (VaR)".
(5) Daily result used for backtesting the VaR against the hypothetical value of the portfolio as defined in the paragraph "Value-at-Risk 99% (VaR)".

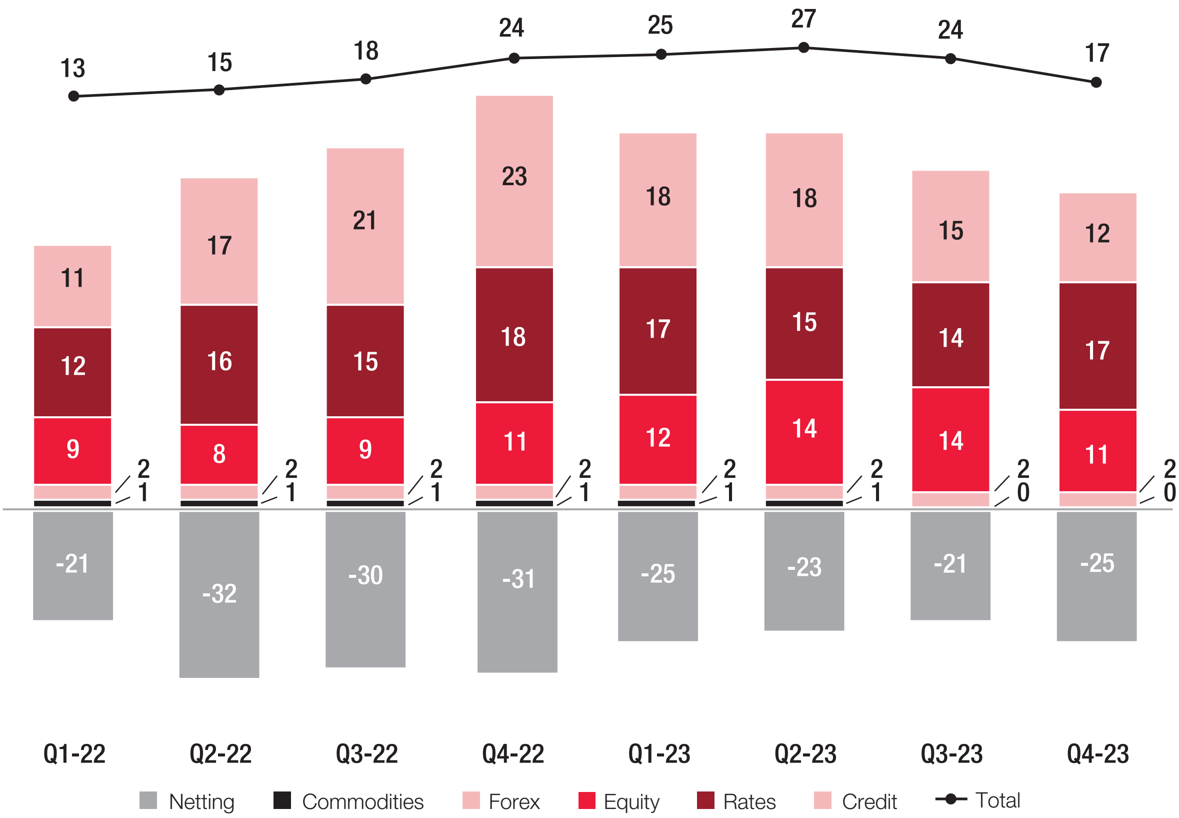
VaR Changes

TABLE 82: REGULATORY TEN-DAY 99% VAR AND ONE-DAY 99% VAR

	31.12.2023		31.12.2022	
(In EURm)	VaR (10 days, 99%)[1]	VaR (1 day, 99%)[1]	VaR (10 days, 99%)[1]	VaR (1 day, 99%)[1]
Period start	61	19	25	8
Maximum value	116	37	95	30
Average value	72	23	56	18
Minimum value	43	14	22	7
Period end	52	16	75	24

(1) Over the scope for which capital requirements are assessed by the internal model.

BREAKDOWN BY RISK FACTOR OF TRADING VAR (ONE-DAY, 99%) – CHANGES IN QUARTERLY AVERAGE OVER THE 2022-2023 PERIOD (IN EURM)



The VaR was riskier in 2023 (EUR 23 million *versus* EUR 18 million in 2022 on average), mainly due to the entry of new and more volatile scenarios following the deterioration of market conditions related to the banking crisis in March. The increase in risk is particularly evident in the Equities and Rates activities.

STRESSED VAR (SVAR)

The Internal Stressed VaR model (SVaR) was introduced at the end of 2011 and has been approved by the Regulator within the scope of the regulatory capital requirements on the same scope as the VaR. As with the VaR model, this approval was renewed in 2020 at the Target Review of Internal Models (TRIM).

The calculation method used for the 99% one-day SVaR is the same as as the one for the VaR. It consists in carrying out an historical simulation with one-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, SVaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

Following a validation of the ECB obtained at the end of 2021, a new method for determining the fixed historical stress window is used. It consists in calculating an approximate SVaR for various risk factors selected as representative of the Societe Generale portfolio (related to equity, fixed income, foreign exchange, credit and commodity risks): these historical shocks are weighted according to the portfolio's sensitivity to each of these risk factors and aggregated to determine the period of highest stress for the entire portfolio [(1)]. The historical window used is reviewed annually. In 2023, this window was "September 2008-September 2009".

The ten-day SVaR used for the computation of the regulatory capital is obtained, as for VaR, by multiplying the one-day SVaR by the square root of ten.

As for the VaR, the Market Risk Department controls the limitations of the SVaR model by measuring the impact of integrating a risk factor absent from the model (RNIME process). Depending on the materiality of these missing factors, they may be capitalised. Other complementary measures also control the limitations of the model.

The continuous backtesting performed on VaR model cannot be replicated to the SVaR model as, by definition, it is not sensitive to the current market conditions. However, as the VaR and the SVaR models rely on the same approach, they have the same advantages and limits.

The relevance of the SVaR is regularly monitored and reviewed by the Risk Department in charge of the validation of internal models, as a second line of defence. The independent review process ends with (i) review and approval Committees and (ii) an Audit Report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

SVaR increased on average in 2023 (EUR 37 million *versus* EUR 32 million in 2022). Slightly up over the year the SVaR has evolved with a variability comparable to that of 2022 mainly due to the activities on exotic equities. The level of the SVaR remains explained by the indexing and financing action activities, and by the interest rate scopes.

TABLE 83: REGULATORY TEN-DAY 99% SVAR AND ONE-DAY 99% SVAR

	31.12.2023		31.12.2022	
(In EURm)	Stressed VaR (10 days, 99%)[(1)]	Stressed VaR (1 day, 99%)[(1)]	Stressed VaR (10 days, 99%)[(1)]	Stressed VaR (1 day, 99%)[(1)]
Period start	92	29	96	30
Maximum value	189	60	165	52
Average value	114	37	101	32
Minimum value	64	20	55	17
Period end	115	36	145	46

(1) Over the scope for which capital requirements are assessed by the internal model.

IRC AND CRM

At end-2011, Societe Generale received approval from the Regulator to expand its internal market risk modeling system by including IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as for VaR. As with the VaR model, the approval of the IRC [(2)] model was renewed in 2020 at the Target Review of Internal Models (TRIM).

They estimate the capital charge on debt instruments that is related to rating migration and issuer default risks. These capital charges are incremental, meaning they are added to the charges calculated based on VaR and SVaR.

In terms of scope, in compliance with regulatory requirements:

- IRC is applied to debt instruments, other than securitisations and the credit correlation portfolio. In particular, this includes bonds, CDS and related derivatives;
- CRM exclusively covers the correlation portfolio, *i.e.* CDO tranches and First-to-Default products (FtD), as well as their hedging using CDS and indices.

Societe Generale estimates these capital charges using internal models [(3)]. These models determine the loss that would be incurred following especially adverse scenarios in terms of rating changes or issuer defaults for the year that follows the calculation date, without ageing the positions. IRC and CRM are calculated with a confidence interval of 99.9%: they represent the highest risk of loss obtained after eliminating 0.1% of the most unfavorable scenarios simulated.

The internal IRC model simulates rating transitions (including default) for each issuer in the portfolio, over a one-year horizon [(4)]. Issuers are classified into five categories: US-based companies, European companies, companies from other regions, financial institutions and sovereigns. The behaviours of the issuers in each category are correlated with one other through a systemic factor specific to each category. In addition, a correlation between these five systemic factors is integrated to the model. These correlations, along with the rating transition probabilities, are calibrated from historical data observed over the course of a full economic cycle. In case of change in an issuer's rating, the decline or improvement in its financial health is modeled by a shock in its credit spread: negative if the rating improves and positive in the opposite case. The price variation associated with each IRC scenario is determined after revaluation of positions *via* a sensitivity approach, using the delta, the gamma as well as the level of loss in the event of default (Jump to Default), calculated with the market recovery rate for each position.

(1) At the request of the ECB, a posteriori check is carried out to verify the relevance of this historical window by making calculations for full revaluation.
(2) The CRM model was not included in the Target Review of Internal Models.
(3) The same internal model is used for all portfolios for which an IRC calculation is required. The same is true for the portfolios on which a CRM calculation is performed. Note that the scope covered with internal models (IRC and CRM) is included in the VaR scope: only entities authorised for a VaR calculation via an internal model can use an internal model for IRC and CRM calculation.
(4) The use of a constant one-year liquidity horizon means that shocks that are applied to the positions to calculate IRC and CRM, are instantaneous one-year shocks. This hypothesis appears to be the most prudent choice in terms of models and capital, rather than shorter liquidity horizons.

The CRM model simulates issuer's rating transitions in the same way as the internal IRC model. In addition, the dissemination of the following risk factors is taken into account by the model:

- credit spreads;
- basis correlations;
- recovery rate excluding default (uncertainty about the value of this rate if the issuer has not defaulted);
- recovery rate in the event of default (uncertainty about the value of this rate in case of issuer default);
- First-to-Default valuation correlation (correlation of the times of default used for the valuation of the First-to-Default basket).

These dissemination models are calibrated from historical data, over a maximum period of ten years. The price variation associated with each CRM scenario is determined thanks to a full repricing of the positions. In addition, the capital charge computed with the CRM model cannot be less than a minimum of 8% of the capital charge determined with the standard method for securitisation positions.

The internal IRC and CRM models are subject to similar governance to that of other internal models meeting the Pillar 1 regulatory requirements. More specifically, an ongoing monitoring allows to follow the adequacy of IRC and CRM models and of their calibration. This monitoring is based on the review of the modeling hypotheses at least once a year. This review includes:

- a check of the adequacy of the structure of the rating transition matrices used for IRC and CRM models;
- a backtesting of the probabilities of default used for these two models;
- a specific backtesting of the amount of IRC in relation to any losses incurred as a result of the defaults or rating migrations noted;
- a check of the adequacy of the models for the dissemination of recovery rates, spread dissemination and dissemination of basic correlations used in the CRM calculation.

Regarding the checks on the accuracy of these metrics:

- the IRC calculation being based on the sensitivities of each instrument – delta, gamma – as well as on the level of loss in the event of default (Jump to Default) calculated with the market recovery rate, the accuracy of this approach is checked against a full repricing every six months;
- such a check on CRM is not necessary as its computation is performed following a full repricing;
- these metrics are compared to normative stress tests defined by the regulator. In particular, the EBA stress test and the risk appetite exercise are performed regularly on the IRC metric. These stress tests consist of applying unfavorable rating migrations to issuers, shocking credit spreads and shocking rating transition matrices. Other stress tests are also carried out on an *ad hoc* basis to justify the correlation hypotheses between issuers and those made on the rating transition matrix;
- a weekly analysis of these metrics is carried out by the production and certification team for market risk metrics;
- the methodology and its implementation have been initially validated by the French Prudential and Resolution Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR). Thereafter, a review of the IRC and the CRM is regularly carried out by the Risk Department in charge of the validation of internal models as second line of defence. This independent review process ends with (i) review and approval Committees and (ii) an Audit Report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

Moreover, regular operational checks are performed on the completeness of the scope's coverage as well as the quality of the data describing the positions.

TABLE 84: IRC (99.9%) AND CRM (99.9%)

(In EURm)	31.12.2023	31.12.2022
Incremental Risk Charge (99.9%)		
Period start	55	67
Maximum value	101	114
Average value	62	71
Minimum value	37	50
Period end	94	53
Comprehensive Risk Measure (99.9%)		
Period start	37	41
Maximum value	95	133
Average value	46	51
Minimum value	26	39
Period end	29	42

9.4 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

Allocation of exposures in the trading book

The on- and off-balance sheet items must be allocated to one of the two portfolios defined by prudential regulations: the banking book or the trading book.

The banking book is defined by elimination: all on- and off-balance sheet items not included in the trading book are included by default in the banking book.

The trading book consists of all positions in financial instruments and commodities held by an institution either for trading purposes or in order to hedge other positions in the trading book. The trading interest is documented as part of the traders' mandates.

The prudential classification of instruments and positions is governed as follows:

- the Finance Department's prudential regulation experts are responsible for translating the regulations into procedures, together with the Risk Department for procedures related to holding period and liquidity. They also analyse specific cases and exceptions. They share these procedures to the business lines;
- the business lines comply with these procedures as 1st line of defense (LOD1). In particular, they document the trading interest of the positions taken by traders;
- the Risk Department is the 2nd line of defense (LOD2).

The following controls are implemented in order to ensure that activities are managed in accordance with their prudential classification:

- new product process: any new product or activity is subject to an approval process that covers its prudential classification and regulatory capital treatment for transactions subject to validation;
- holding period: the Market Risk Department has designed a control framework for the holding period of certain instruments;
- liquidity: on a case-by-case basis or on demand, the Market Risk Department performs liquidity controls based on certain criteria (negotiability/transferability, bid/ask size, market volumes, etc.);
- strict process for any change in prudential classification, involving the business line and the Finance and Risk Divisions;
- internal audit: through its various periodic assignments, Internal Audit verifies or questions the consistency of the prudential classification with policies/procedures as well as the suitability of the prudential treatment in light of existing regulations.

Quantitative information

At the end of September 2023, around 86% of Societe Generale capital requirements related to market risk are determined using an internal model approach. The standard approach is mainly used for positions with currency risk and not belonging to the prudential trading book, for positions of the Collective Investment Units (CIU) or securitisation positions as well as for the Group's subsidiaries that do not have access to the core IT tools developed internally. The main entities concerned are some International Retail Banking and Financial Services entities such as SG Maroc, SG Ghana, SG Algérie, BRD, SG Tunisie, etc.

Capital requirements for market risk decreased in 2023. This decrease is mainly reflected in VaR and capital add-ons, partially offset by an increase in risks calculated using the standard approach:

- the VaR capital requirement gradually decreased in 2023, mainly due to the decrease in the multiplier factor following the steady decline in the number of backtesting breaches in a rolling year;
- capital add-ons decreased, mainly due to the reserve variability, which is calculated over a 3-year rolling window and which has benefited from the gradual exit of the high variation scenarios of the Reserve Policies observed in 2020 during the COVID crisis;
- the risks calculated in the standard approach are increasing mainly due to the risks assessed for currency positions.

TABLE 85: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY RISK FACTOR

	Risk-weighted assets			Capital requirement		
(In EURm)	31.12.2023	31.12.2022	Change	31.12.2023	31.12.2022	Change
VaR	1,992	3,504	(1,512)	159	280	(121)
Stressed VaR	5,604	6,886	(1,282)	448	551	(103)
Incremental Risk Charge (IRC)	1,173	811	362	94	65	29
Correlation portfolio (CRM)	445	615	(170)	36	49	(14)
Total market risk assessed by internal model	**9,214**	**11,816**	**(2,602)**	**737**	**945**	**208**
Specific risk related to securitisation positions in the trading portfolio	504	150	354	40	12	28
Risk assessed for currency positions	1,918	987	931	153	79	75
Risks assessed for interest rates (excl. securitisation)	550	421	129	44	34	10
Risk assessed for ownership positions	333	374	(41)	27	30	(3)
Risk assessed for commodities	0	0	0	0	0	0
Total market risk assessed by standard approach	**3,305**	**1,932**	**(1,373)**	**264**	**155**	**110**
TOTAL	**12,518**	**13,747**	**(1,229)**	**1,001**	**1,100**	**(98)**

TABLE 86: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY TYPE OF RISK

	Risk-weighted assets		Capital requirement	
(In EURm)	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Risk assessed for currency positions	2,179	1,336	174	107
Risk assessed for credit (excl. deductions)	2,122	3,816	170	305
Risk assessed for commodities	18	24	1	2
Risk assessed for ownership positions	3,459	5,403	277	432
Risk assessed for interest rates	4,740	3,168	379	253
TOTAL	**12,518**	**13,747**	**1,001**	**1,100**

9.5 FINANCIAL INSTRUMENT VALUATION

Management risk related to the valuation of financial products relies jointly on the Markets Department and the team of valuation experts (Valuation Group) within the Finance Department that both embody the first line of defense and by the team of independent review of valuation methodologies within the Market Risk Department.

Governance

Governance on valuation topics is enforced through three valuation Committees, both attended by representatives of the Global Markets Division, the Market Risk Department and the Finance Division:

- the Valuation Risk Committee meets quarterly to monitor and approve changes in the valuation risk management framework; monitor indicators on this risk and propose or set a risk appetite; evaluate the control system and the progress of recommendations; and finally, prioritize the tasks. This Committee is chaired by the Risk Department and organised by its independent review team of valuation methodologies;
- the Valuation Methodology Committee gathers whenever necessary to approve financial products valuation methodologies. This Committee, chaired by the Risk Department and organised by its independent review team of valuation methodologies, has global accountability with respect to the approval of the valuation policies;
- the MARK P&L Explanation Committee monthly analyses the main sources of economic P&L as well as changes in reserves and other accounting valuation adjustments. The analytical review of adjustments is carried out by the Valuation Group, which also provides a quarterly analytical review of adjustments under regulatory requirements for prudent valuation.

Lastly, a corpus of documents describes the valuation governance and specify the breakdown of responsibilities between the stakeholders.

Valuation principles and associated controls

Market products at fair value are marked to market, when such market prices exist; otherwise, they are valued using parameter-based models, in compliance with the IFRS 13 principles defining fair value.

On the one hand, each model designed by the front office is subject to an independent review by the Market Risks Department as second line of defence that especially checks the conceptual relevance of the model, its performance (especially in case of stressed conditions) and its implementation. Following this review, the validation status of the model, its scope of use and the recommendations to be dealt with are formalised in a report.

On the other hand, the parameters used in the valuation models, whether they come from observable data on the markets or not, are described in marking policies (1) written by the front office and reviewed by the Market Risk Department. This system is complemented by specific controls carried out by the LOD1 (in particular the Independent Price Verification process performed by the Finance Department).

If necessary the resulting valuations are supplemented by reserves or adjustments (mainly covering liquidity, parameter or model uncertainties) the calculation methodologies of which are developed jointly by the Valuation Group and the front office and reviewed by the Market Risk Department. These adjustments are made under fair value accounting requirements or prudent valuation regulatory requirements. The latter aim to capture valuation uncertainty in accordance with the procedures prescribed by the regulations through additional valuation adjustments in relation to the fair value (Additional Valuation Adjustments or AVA) directly deducted from Common Equity Tier 1 capital.

(1) Document describing the parameter determination methodology.

9.6 ADDITIONAL QUANTITATIVE INFORMATION ON MARKET RISK

TABLE 87: MARKET RISK UNDER THE STANDARDISED APPROACH (MR1)

	Risk-weighted assets	
(In EURm)	31.12.2023	31.12.2022
Outright products		
Interest rate risk (general and specific)	531	421
Equity risk (general and specific)	220	374
Foreign exchange risk	1,937	987
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	113	-
Scenario approach	-	-
Securitisation (specific risk)	**504**	**150**
TOTAL	**3,305**	**1,932**

(1) Outright products refer to positions in products that are not optional.

TABLE 88: MARKET RISK UNDER THE INTERNAL MODEL APPROACH (MR2-A)

		Risk-weighted assets		Capital requirements	
	(In EURm)	31.12.2023	31.12.2022	31.12.2023	31.12.2022
1	**VaR (higher of values a and b)**	**1,992**	**3,504**	**159**	**280**
(a)	Previous day's VaR (Article 365(1) (VaRt-1))			52	75
(b)	Average of the daily VaR (Article 365(1)) on each of the preceding sixty business days (VaRavg) x multiplication factor ((mc) in accordance with Article 366)			159	280
2	**SVaR (higher of values a and b)**	**5,604**	**6,886**	**448**	**551**
(a)	Latest SVaR (Article 365(2) (SVaRt-1))			116	145
(b)	Average of the SVaR (Article 365(2) during the preceding sixty business days (SVaRavg) x multiplication factor (ms) (Article 366)			448	551
3	**Incremental risk charge – IRC (higher of values a and b)**	**1,173**	**811**	**94**	**65**
(a)	Most recent IRC value (incremental default and migration risks section 3 calculated in accordance with Section 3 articles 370/371)			94	53
(b)	Average of the IRC number over the preceding 12 weeks			70	65
4	**Comprehensive Risk Measure – CRM (higher of values a, b and c)**	**445**	**615**	**36**	**49**
(a)	Most recent risk number for the correlation trading portfolio (article 377)			29	42
(b)	Average of the risk number for the correlation trading portfolio over the preceding 12-weeks			36	49
(c)	8% of the own funds requirement in SA on most recent risk number for the correlation trading portfolio (Article 338(4))			22	46
5	**Other**		-		-
6	**TOTAL**	**9,214**	**11,816**	**737**	**945**

TABLE 89: INTERNAL MODEL APPROACH VALUES FOR TRADING PORTFOLIOS (MR3)

(In EURm)	31.12.2023	31.12.2022
VaR (10 days, 99%)[(1)]		
Maximum value	116	95
Average value	72	56
Minimum value	43	22
Period end	52	75
Stressed VaR (10 days, 99%)[(1)]		
Maximum value	189	165
Average value	114	101
Minimum value	64	55
Period end	116	145
Incremental Risk Charge (99.9%)		
Maximum value	101	114
Average value	62	71
Minimum value	37	50
Period end	94	53
Comprehensive Risk capital charge (99.9%)		
Maximum value	95	133
Average value	46	51
Minimum value	26	39
Period end	29	42

(1) (On the perimeter for which the capital requirements are assessed by internal model.

TABLE 90: RWA FLOW STATEMENT OF MARKET RISK EXPOSURES UNDER THE INTERNAL MODEL APPROACH (MR2-B)

(In EURm)	VaR	SVaR	IRC	CRM	Other	Total RWA	Total own funds requirements
RWA at end of previous reporting period (30.09.2023)	**2,805**	**5,443**	**818**	**595**	**-**	**9,662**	**773**
Regulatory adjustment	*(2,153)*	*(3,792)*	-	*(97)*	-	*(6,042)*	*(483)*
RWA at the previous quarter-end (end of the day)	*652*	*1,651*	*818*	*498*	-	*3,620*	*290*
Movement in risk levels	192	680	355	(142)	-	1,085	87
Model updates/changes	(199)	(907)	-	-	-	(1,106)	(88)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	2	21	-	-	-	23	2
Other	-	-	-	-	-	-	-
RWA at the end of the disclosure period (end of the day)	*648*	*1,445*	*1,173*	*356*	-	*3,623*	*290*
Regulatory adjustment	*1,344*	*4,158*	-	*88*	-	*5,591*	*447*
RWA at end of reporting period (31.12.2023)	**1,992**	**5,604**	**1,173**	**445**	**-**	**9,214**	**737**

Effects are defined as follows:

- regulatory adjustment: difference between RWA used for the purpose of regulatory RWA calculation on the one hand and RWA of the last day or of the last week of the period on the other hand;
- movement in risk levels: changes due to position changes;
- model updates/changes: significant updates to the model to reflect recent experience (*e.g.* recalibration), as well as significant changes in model scope;
- methodology and policy: methodology changes to the calculations driven by regulatory policy changes;
- acquisitions and disposals: modifications due to acquisition or disposal of business/product lines or entities;
- foreign exchange movements: changes arising from foreign currency fluctuations.

10

OPERATIONAL RISK

IN BRIEF

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk RWA at end 2023

€50.1bn

(Amount at end 2022: €46bn)

Share of RWA calculated *via* the advanced approach at end 2023

91%

In line with the Group's Risk taxonomy, operational risk is one of the non-financial risks monitored by the Group. Operational risk is the risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.

Societe Generale's operational risk classification is divided into seven event categories:

- commercial dispute;
- compliance and other dispute with authorities;
- errors in pricing or risk evaluation including model error;
- execution errors;
- fraud and other criminal activities;
- loss of operating environment/capability;
- IT system interruptions.

This classification ensures consistency throughout the system and enabling cross-business analyses throughout the Group (see section 4.10.2), particularly on the following risks:

- risks related to information and communication technologies and security (cybercrime, IT systems failures, etc.);
- risks related to outsourcing of services and business continuity;
- risks related to the launch of new products/services/activities for customers;
- non-compliance risk (including legal and tax risks) represents the risk of legal, administrative or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with national or European legislation, regulations, rules, related self-regulatory organisation standards, and Codes of Conduct applicable to its banking activities;
- reputational risk arises from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;
- misconduct risk resulting from actions (or inaction) or behaviour of the Bank or its employees inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the Bank's Sustainability or reputation at risk.

The framework relating to the risks of non-compliance, reputation and inappropriate conduct is detailed in Chapter 4.11 "Compliance risk".

10.1 ORGANISATION OF OPERATIONAL RISK MANAGEMENT

Governance

The Group operational risk management framework, other than non-compliance risks detailed in Chapter 4.11 "Compliance risk" is structured around a three-level system comprising:

- a first line of defence in each core Business Units/Service Units, responsible for applying the framework and putting in place controls that ensure risks are identified, analysed, measured, monitored, managed, reported and contained with the limits set by the Group-defined risk appetite;
- a second line of defence, namely the Non-Financial Risk and permanent control Department in the Group's Risk Division, in charge of the management of operational risks frameworks.

  As such, the Non-Financial Risk and permanent control Department:

  - conducts a critical examination of the BU/SUs management of operational risks (including fraud risk, risks related to information systems and information security, and risks related to business continuity and crisis management),
  - sets regulations and procedures for operational risk systems and production of cross Group analyses,
  - produces risk and oversight indicators for operational risk frameworks.

  To cover the entire Group, the Non-Financial Risk and permanent control Department has a central team supported by regional hubs. The regional hubs report back to the department, providing all information necessary for a consolidated overview of the Bank's risk profile that is holistic, prospective and valid for both internal oversight purposes and regulatory reporting.

  The regional hubs are responsible for implementing the Operational Risk Division's briefs in accordance with the demands of their local regulators.

  The Non-Financial Risk and permanent control Department communicates with the first line of defence through a network of operational risk correspondents in each Business/Service Units.

  Concerning risks specifically linked to business continuity, crisis management and information, of persons and property, the Non-Financial Risk and permanent control Department carries out the critical review of the management of these risks in connection with the Group Security Division. Specifically, regarding IT risks, the Non-Financial Risk and permanent control Department carries out the critical review of the management of these risks in connection with the Resources and Digital Transformation Department;
- a third line of defence in charge of internal audits, carried out by the General Inspection and Audit Division.

First and second-level control

The implementation and monitoring of the operational risk management framework is part of the Group's internal control framework:

- level 1 control is performed as part of operations within each SG Group BU/SU/entity, including managerial supervision and operational controls. This permanent control framework is supervised by the Normative Controls Library (NCL), which brings together, for the entire Group, the control objectives defined by the expertise functions, the business lines, in connection with the second lines of defence;
- level 2 control is carried out by dedicated teams in the Risk Division to carry out this mission on operational risks covering the risks specific to the various businesses (including operational risks related to credit and market risks), as well as the risks associated with purchases, communication, real estate, human resources and information system.

Risk related to security of persons and property

Protecting persons and property, and compliance with the laws and regulations governing security are major objectives for Societe Generale Group. It is the mission of the Group Security Division to manage human, organisational and technical frameworks that guarantee the smooth operational functioning of the Group in France and internationally, by reducing exposure to threats (in terms of security and safety) and reducing their impact in the event of crisis.

The security of persons and property encompasses two very specific areas:

- security, which comprises all the human, organisational and technical resources combined to deal with technical, physical, chemical and environmental accidents that can harm people and property;
- safety, which comprises all the human, organisational and technical resources combined to deal with spontaneous or premeditated acts aimed at harming or damaging the Bank with the intent of obtaining psychological and/or financial profit.

The management of all these risks is based on operational risk systems and the second line of defence is provided by the Risk Department.

Risks related to information and communication technology (ICT) and security risks

Given the importance for the Group of its information system and the data it conveys and the continuous increase in the cybercriminal threat, the risks related to information and communication technologies (ICT) and to security are major for Societe Generale. Their supervision, integrated into the general operational risk management system, is steered as the first line of defence by a dedicated area of expertise (Information and Information Systems Security – ISS) and the second line of defence is provided by the Risk Department. They are subject to specific monitoring by the management bodies through sessions dedicated to Group governance (Risk Committee, CORISQ, CCCIG, ISCO) and a quarterly dashboard which presents the risk situation and action plans on the main information and communication technologies risks.

The Group Security Department, housed within the General Secretariat, is responsible for protecting information. The information provided by customers, employees and also the collective knowledge and know-how of the bank constitute Societe Generale's most valuable information resources. To this end, it is necessary to put in place the human, organisational and technical mechanisms which make it possible to protect the information and ensure that it is handled, communicated to and shared by only the people who are authorised to know.

The person in charge of risks related to information and communication technologies (ICT) and security of information systems is housed at the Corporate Resources and Digital Transformation Division. Under the functional authority of the Head of Group Security, he recommends the strategy to protect digital information and heads up the IT Security Department. The IT security framework is aligned with the market standards (NIST, ISO 27002, ISO 27001, ISO 27035), and implemented in each Business/Service Unit. Societe Generale policies and process tend to be compliant with their requirements and conducts regular control on this compliance.

Risk management associated with cybercrime is carried out through the tri-annual Information Systems Security (ISS) master plan.

In order to take into account the development of the cyber threat, in a sustainable way on SG Group and in line with the Group strategy, with a budget of EUR 1 billion is allocated over the four coming years, the 2024-2026 cyber security strategy is structured around five pillars that guide actions out to 2026:

- decrease the SG Group's exposure to cyber risk by increasing protection levels and response capacity. In particular, by improving the deployment of key cyber risk controls through a commitment of Executive Committee members on results;
- empower SG staff with regard to cyber security, ensuring that core security rules are fully enforced, in particular by ensuring production of Group's assets are secured by design;
- improve the operational efficiency of cyber security teams by optimizing more automated and more preventive cyber controls, to reduce the run cost and deploy additional protection measures;
- support business transformation with the appropriate involvement of cyber security teams, to anticipate new trends (*e.g.* Artificial Intelligence or blockchain);
- improve the human resources management of the sector, in particular on developing the skills and attractiveness of the Group's security function.

At the operational level, the Group relies on a CERT (Computer Emergency Response Team) unit in charge of incident management, security watch and the fight against cybercrime. This team uses multiple sources of information and monitoring, both internal and external. Since 2018, this unit has also been strengthened by the establishment of an internal Red Team whose main tasks are to assess the effectiveness of the security systems deployed and to test the detection and reaction capabilities of the defence teams (Blue Teams) during an exercise simulating a real attack. The services of the Red Team enable the Group to gain a better understanding of the weaknesses in the security of the Societe Generale information system, to help in the implementation of global improvement strategies, and also to train cybersecurity defence teams. CERT works closely with the Security Operation Center (SOC), which is in charge of detecting security events and processing them.

A team at the Resources and Digital Transformation Department is in charge of ensuring the consistency of the implementation of operational risk management systems and their consolidation for IT processes. The main tasks of the team are as follows:

- identify and evaluate the major IT risks for the Group, including extreme risk scenarios (*e.g.* cyberattack, failure of a provider), to enable the Bank to improve its knowledge of its risks, be better prepared for extreme risk scenarios and better align their investments with their IT risks;
- produce the indicators that feed the IT risks monitoring dashboard, intended for management bodies and Information Systems Directors. They are reviewed regularly with the second line of defence in order to remain aligned with the IS and SSI strategy and their objectives;
- more generally, ensure the quality and reliability of all devices addressing IT operational risks. Particular attention is paid to the permanent control system for its IT risks, which is based on the definition of normative IT and security controls and the support of the Group in the deployment of managerial supervision on this topic. Since 2022, the SSI normative controls were reviewed, *i.e.* around 200 controls covering cyber topics in addition to the IT controls already in place. The IS/SSI Departments monitor the deployment of these controls across the Group, the progress of which is aligned with the objectives set by the Group.

In terms of awareness, a multilingual online training module on information security is mandatory for all internal Group staff and for all service providers who use or access our information system. It was updated in early 2023 in order to incorporate changes to the new Group Information Security Policy.

Risks related to fraud (including non-authorised market activities)

The supervision of fraud risk, whether internal or external, is integrated into the general operational risk management framework which allows the identification, assessment, mitigation and monitoring of the risk, whether it is potential or actual.

It is steered in the first line of defence by dedicated expert teams working on fraud risk management, in addition to the teams in charge of operational risk management specific to each of the banking businesses. These teams are in charge of the definition and operational implementation of the means of raising awareness, preventing, detecting and dealing with frauds. The second line of defence is provided by the Non-Financial Risks and permanent control Department with a fraud risk manager. The second line defines and verifies compliance with the principles of fraud risk management in conjunction with the first line teams, and ensures that the appropriate governance is in place.

Finally, the teams, whether they are in the first or second line of defence, work jointly with teams of experts in charge of information security, the fight against cyber crime, know your client (KYC), anti-money laundering and combating corruption. Likewise, the teams work closely with the teams in charge of credit risk and market risk. The sharing of information contributes to the identification and increased responsiveness in the presence of a situation of proven fraud or weak signals. This active collaboration makes it possible to initiate investigative measures, blocking attempted fraud or initiating the recovery of funds or the activation of associated guarantees and insurance payments in the event of successful fraud.

10.2 OPERATIONAL RISK MONITORING PROCESS

The Group's main frameworks for controlling operational risks are as follows:

- collection and analysis of internal operational losses and significant incidents that do not have a financial impact;
- risk and control self-assessment (RCSA);
- oversight of key risk indicators (KRI);
- development of scenario analyses;
- analysis of external losses;
- framework of new products and services;
- management of outsourced services;
- crisis management and business continuity;
- management of risks related to information and communication technologies (ICT).

Collection of internal operational losses and significant incidents without any financial impact

Internal losses and significant incidents without any financial impact are compiled throughout the Group. The process:

- monitors the cost of operational risks as they have materialised in the Group and establishes a historical data base for modelling the calculation of capital to be allocated to operational risk;
- learns from past events to minimise future losses.

Analysis of external losses

External losses are operational losses data shared within the banking sector. These external data include information on the amount of actual losses, the importance of the activity at the origin of these losses, the causes and circumstances and any additional information that could be used by other establishments to assess the relevance of the event as far as they are concerned and enrich the identification and assessment of the Group's operational risk.

Risk and control self-assessment

Under the Risk and Control Self-Assessment (RCSA), each manager assesses the exposure to operational risks of its activities within its scope of responsibility, in order to improve their management.

The method defined by the Group consists of taking a homogeneous approach to identifying and evaluating operational risks and frameworks to control these risks, in order to guarantee consistency of results at Group level. It is based notably on Group repositories of activities and risks in order to facilitate a comprehensive assessment.

The objectives are as follows:

- identifying and assessing the major operational risks (in average amount and frequency of potential loss) to which each activity is exposed (the intrinsic risks, *i.e.* those inherent in the nature of an activity, while disregarding prevention and control systems). Where necessary, risk mapping established by the functions (*e.g.* Compliance, Information Systems Security, etc.) contributes to this assessment of intrinsic risks;
- assessing the quality of major risk prevention and mitigation measures;
- assessing the risk exposure of each activity that remains once the risk prevention and mitigation measures are taken into account (the "residual risk"), while disregarding insurance coverage;
- remedying any shortcomings in the prevention and control systems, by implementing corrective action plans and defining key risk indicators; if necessary, in the absence of an action plan, risk acceptance will be formally validated by the appropriate hierarchical level;
- adapting the risk insurance strategy, if necessary.

The exercise includes, in particular, risks of non-compliance, tax risks, accounting risks, risks related to information systems and their security, as well as those related to human resources.

Key risk indicators

Key risk indicators (KRIs) supplement the overall operational risk management system by providing a dynamic view (warning system) of changes in business risk profiles.

Their follow-up provides managers of entities with a regular measure of improvements or deteriorations in the risk and the environment of prevention and control of activities within their scope of responsibility.

KRIs help BU/SU/Entities and the Senior Management proactively and prospectively manage their risks, taking into account their tolerance and risk appetite.

An analysis of Group-level KRIs and losses is presented to the Group's Executive Committee on a quarterly basis in a specific dashboard.

Analyses of scenarios

The analyses of scenarios serve two purposes: informing the Group of potential significant areas of risk and contributing to the calculation of the capital required to cover operational risks.

These analyses make it possible to build an expert opinion on a distribution of losses for each operational risk category and thus to measure the exposure to potential losses in scenarios of very severe severity, which can be included in the calculation of the prudential capital requirements.

In practice, various scenarios are reviewed by experts who gauge the severity and frequency of the potential impacts for the Group by factoring in internal and external loss data as well as the internal framework (controls and prevention systems) and the external environment (regulatory, business, etc.). Analyses are peformed either at Group level (cross-business scenarios) or at business level.

Governance is established in particular to:

- enable approval of the annual scenarios update program by Senior Management through the Group Risk Committee (CORISQ);
- enable approval of the scenarios by the businesses (for example during the Internal Control Coordination Committees of the BUs and SUs concerned or during *ad hoc* meetings) and a challenge of scenario analyses by LoD2;
- conduct an overall review of the Group's risk hierarchy and of the suitability of the scenarios by CORISQ.

New product Committees

Each division submits its plans for a new product and services to the New Product Committee. The Committee, jointly coordinated by a representative of the Group Risk Division and a representative of the relevant businesses division, is a decision-making body which decides the production and marketing conditions of new products and services to clients.

The Committee aims to ensure that, before the launch of any product or service, or before any relevant changes to an existing product or service, all types of induced risks (among them, credit, market, liquidity and refinancing, country, operational, legal, accounting, tax, financial, information systems risks as well as the risks of non-compliance, reputation, protection of personal data, corporate social and environmental responsibility risks, etc.) have been identified, assessed and, if necessary, subjected to mitigation measures allowing the acceptance of residual risks.

Management of outsourced services

Some banking services are outsourced outside the Group or within the Group (*e.g.* in our shared service centres). These two subcontracting channels are supervised in a manner adapted to the risks they induce.

The management framework for outsourced services ensures that the operational risk linked to outsourcing is controlled, and that the terms imposed by the Group under the sub-contracting agreement are respected.

The objectives are to:

- decide on outsourcing with knowledge of the risks taken; the entity remains fully responsible for the risks of the outsourced activity;
- monitor outsourced services until they are completed, ensuring that operational risks are controlled;

- map the Group's outsourcing activities with an identification of the activities and BUs concerned in order to prevent excessive concentrations on certain service providers.

Crisis management and business continuity

Crisis management and business continuity measures aim to minimise as much as possible the impact of potential disasters on clients, staff, activities or infrastructures, and thus to preserve the Group's reputation and image as well as its financial strength.

Business continuity is managed by developing in each Societe Generale Group entity, organisations, procedures and resources that can deal with natural or accidental damage, or acts of deliberate harm, with a view to protect their personnel, assets and activities and to allow the provision of essential services to continue, if necessary, temporarily in reduced form, then restoring service to normal.

10.3 OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA) allowed by the Capital Requirements Directive to measure operational risk. This approach, implemented across the main Group entities, notably makes it possible to:

- identify the businesses that have the greatest risk exposures;
- identify the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's management of operational risks.

Operational risk modeling

The statistical method used by the Group for operational risk modeling is based on the Loss Distribution Approach (LDA) for AMA internal model.

Under this approach, operational risks are modeled using segments, each segment representing a type of risk and a Group core business. The frequency and severity of operational risks, based on past internal losses, external losses, the internal and external environment, and scenario analyses, are estimated and the distribution of annual losses is calculated for each segment. This approach is supplemented by cross-business scenario analyses that measure cross-business risks for core businesses, such as cybercriminality and the flooding of the river Seine.

Aside from the individual risks associated with each segment or cross-business scenario analysis, the model takes into account the diversification between the various types of risk and the core businesses, dependency effects between extreme risks as well as the effect of insurance policies taken out by the Group. The Group's regulatory capital requirements for operational risks within the scope covered by the (AMA) internal model are then defined as the 99.9% quantile of the Group's annual loss distribution.

For some Group entities, notably in retail banking activities abroad, the standard method is applied: the calculation of capital requirements is defined as the average over the last three years of a financial aggregate based on the Product Net Banking multiplied by factors defined by the regulator and corresponding to each category of activity. To make the calculation, all of the Group's business lines are broken down into the eight regulatory activities.

Societe Generale's total capital requirements for operational risks were EUR 4.0 billion at the end of 2023, representing EUR 50 billion in risk-weighted assets. This assessment includes the capital requirement of AMA and Standard perimeters.

Insurance cover in risk modeling

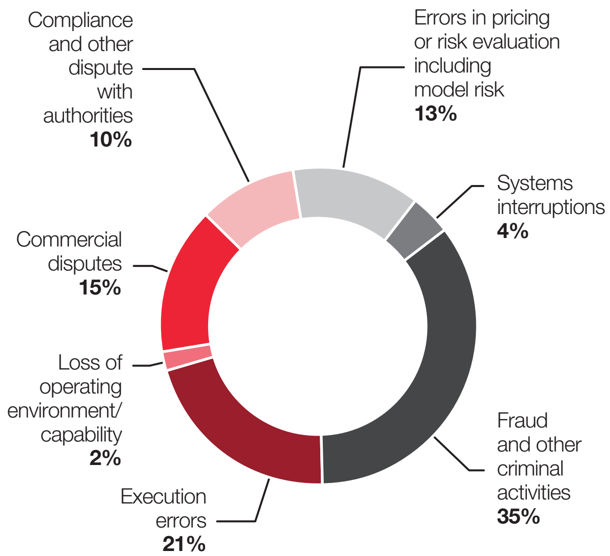
In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements. These insurance policies cover part of the Group's major risks, *i.e.* civil liability, fraud, fire and theft, as well as systems interruptions.

Risk reduction through insurance policies resulted in a 6.4% decrease in total capital requirements for operational risks.

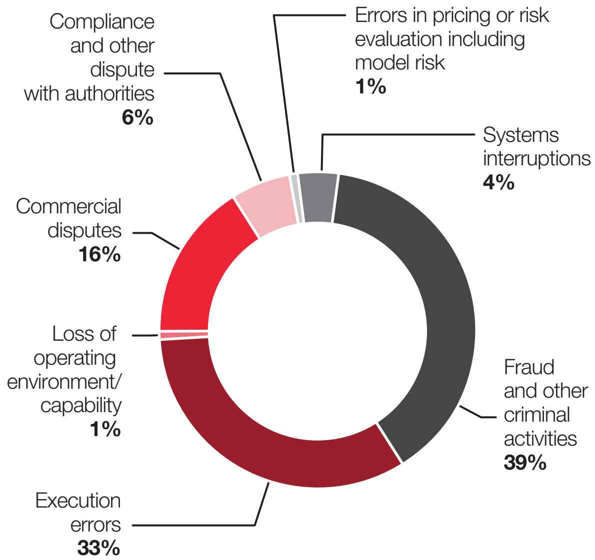
Quantitative data

The following charts break down operating losses by risk category for the 2019-2023 period.

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – AMOUNTS



OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE – NUMBER OF EVENTS



Over the past five years, Societe Generale's operational risks have, on average, concentrated on five types, accounting for 94% of the Group's total operating losses:

- fraud and other criminal activities represented 35% of the amount of operating losses over the period. They are mainly composed of external frauds on financing files (falsified financial statements by the client, theft or misappropriation of collateral/guarantees, etc.), fraud on manual means of payment (electronic payments, transfers and cheques) and supplier fraud on financed equipment. To be noted a decrease of 20% in 2023 compared to 2022 due to the absence of new significant case;
- execution errors represented 21% of total operational losses, thereby constituting the second leading cause of loss for the Group; The decrease trend that began in 2021, continued in 2023 thanks to the proper execution of the remediation plans;
- commercial disputes, the third largest category, represented 15% of the Group's operational losses over the period;Increased in 2023 is due to the settlement of old cases;
- pricing or risk assessment errors, including model risk, represent 13% of the total amount of losses;
- litigation with authorities represented 10% of total Group operating losses.

The other categories of Group operational risk (activities not authorised on the markets, system interruptions, loss of operating environment/capability) were still relatively insignificant, representing on average 6% of the Group's losses over the 2019 to 2023 period.

10.4 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

Societe Generale's capital requirements for operational risk are mainly calculated using the Advanced Measurement Approach (AMA) via its internal model (91% in 2023).

The amount of RWA on the AMA scope increased in 2023 (EUR +4.1 billion, i.e. +8.9%). This increase is mainly linked to LeasePlan integration.

The following table breaks down the Group's risk-weighted assets and the corresponding capital requirements at 31 December 2023.

TABLE 91: WEIGHTED EXPOSURES AND CAPITAL REQUIREMENTS FOR OPERATIONAL RISK BY APPROACH (OR1)

	31.12.2023				
(In EURm)	Relevant indicator			Own funds requirements	Risk-weighted assets
Banking activities	**31.12.2021**	**31.12.2022**	**31.12.2023**		
Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches	2,351	3,087	2,563	381	4,759
Subject to TSA	*2,351*	*3,087*	*2,563*		
Subject to ASA	-	-	-	-	-
Banking activities subject to advanced measurement approaches AMA	23,980	27,186	29,640	3,629	45,365

Historical data including the updates, reflecting some changes in the scope of entities, which occurred during the year.

	31.12.2022				
(In EURm)	Relevant indicator			Own funds requirements	Risk-weighted assets
Banking activities	**31.12.2020**	**31.12.2021**	**31.12.2022**		
Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches	1,184	1,337	1,245	103	1,290
Subject to TSA	*1,184*	*1,337*	*1,245*		
Subject to ASA	-	-	-		
Banking activities subject to advanced measurement approaches AMA	21,964	23,980	27,186	3,579	44,733

Historical data including the updates, reflecting some changes in the scope of entities, which occurred during the year.

10.5 OPERATIONAL RISK INSURANCE

General policy

Since 1993, Societe Generale has implemented a global policy of hedging Group operational risks through insurance.

This consists of searching the market for the most extensive cover available for the risks incurred and enabling all entities to benefit from such cover wherever possible. Policies are taken out with leading insurers. Where required by local legislation, local policies are taken out, which are then reinsured by insurers that are part of the global program.

In addition, special insurance policies may be taken out by entities that perform specific activities.

A Group internal reinsurance company intervenes in several policies in order to pool high-frequency, low-level risks between entities. This approach contributes to the improvement of the Group's knowledge and management of its risks.

Description of main general risk coverage

Buildings and their contents, including IT equipment, are insured at their replacement value. The guarantee covering acts of terrorism abroad has been renewed.

Liability other than professional liability (*i.e.* relating to operations, Chief Executive Officers and Directors, etc.) is covered. The amounts insured vary from country to country, according to operating requirements.

Description of main risks arising from operations

Insurance is only one of the measures used to offset the consequences of the risks inherent in the Group's activity. It complements the Group's risk management policy.

THEFT/FRAUD

These risks are included in the "Banker's Blanket Bond" policy that insures all the Group's financial activities around the world.

Internal fraud (committed by an employee or by a third party acting with the aid of an employee) and external fraud (committed by a third party acting alone), with the intent to obtain illicit personal gain or to harm the Group, are covered.

PROFESSIONAL LIABILITY

The consequences of any legal action in respect of staff or managers in the Group's subsidiaries professional activities are insured under a global policy.

CYBERATTACKS

A cyber risk insurance policy has been taken out amid an environment not specific to the banking sector which is seeing a rapid development of new forms of crime mainly involving breach of data or the compromise, unavailability or destruction of computer systems.

11

STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

IN BRIEF

Structural interest rate and exchange rate risks correspond to the risk of losses of interest margin or value of the fixed rate structural position arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks arise from commercial activities and from transactions entered into by the Corporate Centre.

This section describes the monitoring of structural risks and provides information on structural interest rate and exchange rate risks.

Interest rate and foreign exchangerisks are linked to:

- trading book activities;
- positions relating to long term employee benefit commitments and their hedging, which are monitored under a dedicated system;
- the Banking Book activities, including commercial transactions and their hedging, but excluding positions linked to employee commitments covered by the dedicated system. This is the Group's structural exposure to interest rate and foreign exchange risks. The general principle for managing structural interest rate and exchange rate risks within consolidated entities is to ensure that movements in interest and foreign exchange rates do not significantly threaten the Group’s financial base or its future earnings.

The general principle for managing structural interest rate and exchange rate risks within consolidated entities is to ensure that movements in interest and foreign exchange rates do not significantly threaten the Group’s financial base or its future earnings.

Within the entities, commercial and corporate centre operations must therefore be matched in terms of interest rates and exchange rates as much as possible. At the consolidated level, a structural foreign exchange position is maintained in order to minimise the variation of the Group's Common Equity Tier 1 (CET1) ratio to exchange rates fluctuations.

11.1 ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within the Group’s Finance Division leads the control framework of the first line of defence. The ALM department of the Risk Department assumes the role of second line of defence supervision.

The Group ALM Committee, a General Management Body

The purpose of the Group ALM Committee is to:

- validate and ensure the adequacy of the system for monitoring, managing and supervising structural risks;
- review changes in the Group’s structural risks through consolidated reporting;
- review and validate the measures and the adjustments proposed by the Group's Finance Department.

The Group ALM Committee gives delegation to the Global Rate Forex Committee chaired by the Finance Department and the Risk Division for the validation of frameworks not exceeding defined amounts.

The ALM Department, within the Group’s Finance Division

The ALM (Asset and Liability Management) Department is responsible for:

- defining the structural risk policies for the Group and formalising risk Appetite to structural risks;
- analysing the Group’s structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment concerning structural risk;
- defining the ALM principles for the Group;
- defining the modelling principles applied by the Group’s entities regarding structural risks;
- identifying, consolidating and reporting on Group structural risks;
- monitoring compliance with structural risk limits.

The ALM Risk Control Department within the Risk division

Within the Risk Division, the ALM Risk Department oversees structural risks and assesses the management system for these risks. As such, this department is in charge of:

- interest and foreign exchange rates risks identification of the Group;
- defining the steering indicators and overall stress test scenarios of the different types of structural risks and setting the main limits for the business divisions and the entities and Business Units (BU) and Service Units (SU);
- defining the normative environment of the structural risk metrics, modelling and framing methods.

In addition, by delegation of MRM, this department ensures the validation of ALM models for which it organises and chairs the Validation Committee of Models.

Finally, he chairs the Model Validation Committee and the ALM Standards Validation Committee and thus ensures that the regulatory framework is correctly read and properly adapted to Société Générale environment.

The entities and BU/SU are responsible for ALM risk management

Each entity, each BU/SU, manages its structural risks and is responsible for regularly assessing risks incurred, producing the risk report and developing and implementing hedging options. Each entity, each BU/SU is required to comply with Group standards and to adhere to the limits assigned to it.

As such, the entities and the BUs/SUs apply the standards defined at Group level and develop the models, with the support of the central modelling teams of the Finance Department.

An ALM manager reporting to the Finance Department in each entity, is responsible for monitoring these risks. This manager is responsible for reporting ALM risks to the Group Finance Department. All entities have an ALM Committee responsible for implementing validated models, managing exposure to interest rate and exchange rate risks and implementing hedging programs in accordance with the principles set out by the Group and the limits validated by the Finance Committee and the BU/SU ALM Committees.

11.2 STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is generated by commercial transactions and their hedging, as well as the management operations specific to each of the consolidated entities.

The Group’s objective

The Group's objective is to ensure that each entity's exposure to interest rate risk remains within the Risk Appetite defined by the Group.

To this end, the Board of Directors, the Group ALM Committee, the Global Rate and Exchange Committee and the ALM Committees of the Business Units set variation limits (in terms of value and income) for the Group, the BUs/SUs and the entities respectively.

Measuring and monitoring of structural interest rate risk

The Supersisory Outlier Test (SOT) regulatory metrics are calculated and monitored at Group level by applying the rate shocks specified in EBA's RTS 2022/10 (including the post-shock rate floor). The Group's standards require the inclusion of commercial margins in the calculation of value metrics. For regulatory income metrics based on constant outstandings, outstandings migration assumptions are made, in particular between non-interest-bearing deposits and interest-bearing deposits.

Societe Generale uses several further indicators to measure the Group’s overall interest rate risk. The three important indicators are:

- the variation of the net present value (NPV) to the risk of interest rate mismatch. It is measured as the variation of the net present value of the static balance sheet to a change in interest rates. This measure is calculated for all currencies to which the Group is exposed;
- the variation of the interest margin to changes in interest rates in various interest rate scenarios. It takes into account the variation generated by future commercial production;
- the change in market value (MVC: Market Value Change) of instruments recognised at fair value (mainly government bonds and derivatives not documented as hedging instruments from an accounting perspective) in various interest rate scenarios, measured over two years;
- the variation of NPV to basis risk (risk associated with decorrelation between different variable rate indices).

Limits on these indicators are applicable to the Group, the BUs/SUs and the various entities. The Group perimeter is obtained as the sum of the perimeters that constitute it. All these metrics are also calculated on a monthly basis over significant perimeters and the frameworks are monitored at the same frequency at Group level.

Limits on these indicators are applicable to the Group, the BUs/SUs and the various entities. Limits are set for shocks at +0.1% and for stressed shocks (±1% for value variation and ±2% for income variation) without floor application. Only the variation of income over the first two years is framed. The measurements are computed monthly 10 months a year (with the exception of the months of January and July for which no Group-level closing is achieved). For value metrics, some limits are set for measurements made by taking into account only negative variations. An additional synthetic measurement of value variation – all currencies – is framed for the Group. In addition, a stressed value metric (application of an upward or downward shock differentiated by currency) is defined at Group level.

To comply with these frameworks, the entities combine several possible approaches:

- orientation of the commercial policy so as to offset interest rate positions taken on the asset and liability side;
- implementation of a swap operation or – failing this in the absence of such a market – use of a loan/borrowing operation;
- purchase/sale of options on the market to cover optional positions takenforwards our clients.

Assets and liabilities are analysed without prior allocation of resources to employment. The maturities of the outstandings are determined by taking into account the contractual characteristics of the operations, adjusted for the results of the modelling of customer behaviour (in particular for demand deposits, savings and early loan repayments), as well as a number of disposal agreements, including equity and ouwn funds. The discount rate used for value management metrics includes liquidity spreads for balance sheet products.

As at 31 December 2023, the main models applicable for the calculation of interest rate risk measurements are models (sometimes dependent rate) on part of the deposits without a maturity date leading to an average duration of less than 5 years, the schedule may in some cases to reach the maximum maturity of 20 years.

The automatic balance sheet options are taken into account:

- either *via* the Bachelier formula or possibly from Monte-Carlo type calculations for value variation calculations;
- by taking into account the pay-offs depending on the scenario considered in the income variation calculations.

Hedging transactions are mainly documented in the accounting plan: this can be carried out either as micro-hedging (individual hedging of commercial transactions) or as macro-hedging under the IAS 39 "carve-out" arrangement (global backing of portfolios of similar commercial transactions within a Treasury Department; macro-hedging concerns essentially French retail network entities).

Macro-hedging derivatives are essentially interest rate swaps in order to maintain networks' net asset value and result variation within limit frameworks, considering hypotheses applied. For macro-hedging documentation, the hedged item is an identified portion of a portfolio of commercial client or interbank operations. Conditions to respect in order to document hedging relationships are reminded in Note 3.2 to the consolidated financial statements.

The Group also measures and controls its change in value due to the Credit Spread in the Banking Book for a shock of +0.1% applied to items mesured at fair value and to all bond portfolios within the scope of consolidation. A shock differentiated according to the quality of the counterparty is under consideration as well as a review of the scope.

Finally, the Group measures and monitors the difference between the fair value and amortised cost of fixed income securities of the banking book.

TABLE 92: INTEREST RATE RISK OF NON-TRADING BOOK ACTIVITIES (IRRBB1)

		31.12.2023	
(In EURm)		Changes of the economic value of equity (EVE)	Changes of the net interest income (NII)
Supervisory shock scenarios*			
1	Parallel up	(1,821)	621
2	Parallel down	(1,231)	(741)
3	Steepener	1,621	
4	Flattener	(2,110)	
5	Short rates up	(1,890)	
6	Short rates down	2,223	

		31.12.2022 (R)	
(In EURm)		Changes of the economic value of equity (EVE)	Changes of the net interest income (NII)
Supervisory shock scenarios*			
1	Parallel up	(1,914)	375
2	Parallel down	(133)	(1,102)
3	Steepener	2,023	
4	Flattener	(2,530)	
5	Short rates up	(2,425)	
6	Short rates down	2,527	

(R) restatement STE IRRBB.

11.3 STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk, understood as resulting from all transactions that do not belong to the Trading Book, results from:

- exposures related to net investments abroad in foreign currencies, i.e in subsidiaries and branches. FX positions generated by an imperfect hedge are valued through other comprehensive income;
- exposures related to activities made by entities in currencies that are not their reporting currency;
- open positions taken on the balance sheet with the aim of making the CET1 ratio insensitive to changes in the exchange rate of currencies against the euro.

To achieve its objective of making the CET1 ratio insensitive to fluctuations in exchange rates against the euro, the following actions are taken:

- Group entities are asked to individually hedge the results related to activities in currencies other than their reporting currency;
- the foreign exchange position generated by investments in foreign holdings and branches, as well as by the conversion of their results into euros, is partially covered centrally: at the level of the Group Finance Division. Societe Generale retains a target exposure multiplied by the RWA generated in this currency in each RWA constituent currency equivalent to the level of the CET1 Target Group ratio and covers the balance by borrowings or forward foreign exchange transactions denominated in the currency of investments and recognised as investment hedging instruments (cf. Note 3.2).

For each currency, the difference between actual and target exposure is governed by limits validated by the Finance Committee and the Board of Directors.

Similarly, the sensitivities of the CET1 ratio to shocks of +/-10% per currency are framed.

TABLE 93: SENSITIVITY OF THE GROUP'S COMMON EQUITY TIER 1 RATIO TO A 10% CHANGE IN THE CURRENCY (IN BASIS POINTS)

	Impact of a 10% currency depreciation on the Common Equity Tier 1 ratio		Impact of a 10% currency appreciation on the Common Equity Tier 1 ratio	
Currency	31.12.2023	31.12.2022	31.12.2023	31.12.2022
USD	(2.3)	0.6	2.4	(0.6)
GBP	(0.7)	0.2	0.7	(0.2)
XAF	0.6	(0.6)	(0.6)	0.6
XOF	(0.5)	(0.4)	0.5	0.4
CZK	(0.3)	(0.4)	0.3	0.4
TRY	(0.3)	0.2	0.3	(0.2)
SEK	(0.2)	(0.1)	0.2	0.1
RON	(0.2)	0.3	0.2	(0.3)
XPF	0.2	0.4	(0.2)	(0.4)
Others	(0.4)	(0.8)	0.4	0.8

12

LIQUIDITY RISK

IN BRIEF

Liquidity risk is defined as the Group's inability to meet its financial obligations at a reasonable cost. Funding risk is defined as the risk of the Group being unable to finance the development of its activities in line with its commercial objectives and at a competitive cost.

Liquidity reserve at end 2023

€316bn

(Amount at end 2022: €279bn)

Liquidity risk is defined as the risk that the bank does not have the necessary funds to meet its commitments. Funding risk is defined as the risk that the Group will no longer be able to finance its activities with appropriate column of assets and at a reasonable cost.

12.1 OBJECTIVES AND GUIDING PRINCIPLES

The liquidity and funding management set up at Societe Generale aims at ensuring that the Group can:

(i) fulfil its payment obligations at any moment in time, during normal course of business or under lasting financial stress conditions (management of liquidity risks);

(ii) raise funding resources in a sustainable manner, at a competitive cost compared to peers (management of funding risks). Doing so, the liquidity and funding management ensures compliance with risk appetite and regulatory requirements.

To achieve these objectives, Societe Generale has adopted the following guiding principles:

- liquidity risk management is centralised at Group level, ensuring pooling of resources, optimisation of costs and consistent risk management. Businesses must comply with static liquidity deadlocks in normal situations, within the limits of their supervision and the operation of their activities, by carrying out operations with the "own management" entity, where appropriate, according to an internal refinancing schedule. Assets and liabilities with no contractual maturity are assigned maturities according to agreements or quantitative models proposed by the Finance Department and by the business lines and validated by the Risk Division;
- funding resources are based on business development needs and the risk appetite defined by the Board of Directors (see section 2);
- financing resources are diversified by currencies, investor pools, maturities and formats (vanilla issues, structured, secured notes, etc.). Most of the debt is issued by the parent company. However, Societe Generale also relies on certain subsidiaries to raise resources in foreign currencies and from pools of investors complementary to those of the parent company;
- liquid reserves are built up and maintained in such a way as to respect the stress survival horizon defined by the Board of Directors. Liquid reserves are available in the form of cash held in central banks and securities that can be liquidated quickly and housed either in the banking book, under direct or indirect management of the Group Treasury, or in the trading book within the market activities under the supervision of the Group Treasury;
- the Group has options that can be activated at any time under stress, through an Emergency Financing Plan (EFP) at Group level (except for insurance activities, which have a separate contingency plan), defining leading indicators for monitoring the evolution of the liquidity situation, operating procedures and remedial actions that can be activated in a crisis situation.

12.2 OPERATIONAL IMPLEMENTATION

The key operational steps of liquidity and funding management are as follows:

- risk identification is a process which is set out and documented by the Risk Division, in charge of establishing a mapping of liquidity risks. This process is conducted yearly with each Business Unit and within the Group Treasury Department, aimed at screening all material risks and checking their proper measurement and capturing the control framework. In addition, a Reverse Stress Testing process exists, which aims at identifying and quantifying the risk drivers which may weigh most on the liquidity profile under assumptions even more severe than used in the regular stress test metrics;
- definition, implementation and periodic review of liquidity models and conventions used to assess the duration of assets and liabilities and to assess the liquidity profile under stress. Liquidity models are managed along the overall Model Risk Management governance, also applicable to other risk factors (market, credit, operational), controlled by the Group Risk division;
- yearly definition of the risk appetite for liquidity and funding risks, whereby the Board of Directors approves financial indicators framing that have been proposed by General Management. Such risk appetite targets are then cascaded down per Business Units. The risk appetite is framed along the following metrics:
  - key regulatory indicators (LCR, Adjusted LCR excess in USD, and NSFR),
  - the footprint of the Group in Short-Term Wholesale funding markets,
  - the survival horizon under an adverse stress scenario, combining a severe market and systemic shock and an idiosyncratic shock. In addition to the main adverse scenario, Societe Generale also checks its survival horizon under an extreme stress scenario. For both scenarios, the idiosyncratic shock is characterised by one of its main consequences, which would be an immediate 3-notch downgrade of Societe Generale's long-term rating. In such adverse or extreme scenarios, the liquidity position of the Group is assessed over time, taking into account the negative impacts of the scenarios, such as deposit outflows, drawing by clients of the committed facilities provided by Societe Generale, increase in margin calls related to derivatives portfolios, etc. The survival horizon is the moment in time when the net liquidity position under such assumptions becomes negative,

- the overall transformation position of the Group (static liquidity deadlock in normal situation matured up to a maturity of 5 years),
- the amount of free collaterals providing an immediate access to central bank funding, in case of an emergency (only collaterals which do not contribute to the numerator of the LCR are considered, *i.e.* non-HQLA collaterals);

- the financial trajectories under baseline and stressed scenarios are determined within the framework of the funding plan to respect the risk appetite. The budget's baseline scenario reflects the central assumptions for the macro-economic environment and the business strategy of the Group, while the stressed scenario is factoring both an adverse macro-economic environment and idiosyncratic issues;
- the funding plan comprises both the long-term funding program, which frames the issuance of plain vanilla bonds and structured notes, and the plan to raise short-term funding resources in money markets;
- the Funds Transfer Pricing (FTP) mechanism, drawn up and maintained within the Group Treasury, provides internal refinancing schedules that enable businesses to recover their excess liquidity and finance their needs through transactions carried out with its own management;
- production and broadcasting of periodic liquidity reports, at various frequencies (daily indicators, weekly indicators, monthly indicators), leveraging in most part on the central data repository, operated by a dedicated central production team. The net liquidity position under the combined (idiosyncratic and market/systemic) stress scenario is reassessed on a monthly basis and can be analysed along multiple axes (per product, Business Unit, currency, legal entity). Each key metric (LCR, NSFR, transformation positions, net liquidity position under combined stress) is reviewed formally on a monthly basis by the Group Finance and Risk divisions. Forecasts are made and revised weekly by the Strategic and Financial Steering Department and reviewed during a Weekly Liquidity Committee chaired by the Head of Group Treasury. This Weekly Liquidity Committee gives tactical instructions to Business Units, with the objective to adjust in permanence the liquidity and funding risk profile, within the limits and taking into account business requirements and market conditions;
- preparation of a Contingency Funding Plan, which is applicable Group-wide, and provides for: (i) a set of early warning indicators (*e.g.* market parameters or internal indicators); (ii) the operating model and governance to be adopted in case of an activation of a crisis management mode (and the interplay with other regimes, in particular Recovery management); (iii) the main remediation actions to be considered as part of the crisis management.

These various operational steps are part of the ILAAP (Internal Liquidity Adequacy Assessment Process) framework of Societe Generale.

Every year, Societe Generale produces for its supervisor, the ECB, a self-assessment of the liquidity risk framework in which key liquidity and funding risks are identified, quantified and analysed with both a backward and a multi-year forward-looking perspective. The adequacy self-assessment also describes qualitatively the risk management set up (methods, processes, resources, etc.), supplemented by an assessment of the adequacy of the Group's liquidity.

12.3 GOVERNANCE

The main liquidity risk governance bodies are as follows:

- the Board of Directors, which:
  - sets yearly the level of liquidity risk tolerance as part of the Group's risk appetite, based on a set of key metrics, which includes both internal and regulatory metrics, in particular the period of time during which the Group can operate under stressed conditions ("survival horizon"),
  - approves financial indicators framing including the scarce resources indicators framing,
  - reviews at least quarterly the Group's liquidity and funding situation: key liquidity metrics, including stressed liquidity gap metrics as evaluated through Societe Generale group models, the regulatory metrics LCR and NSFR, the pace of execution of the funding plan and the related cost of funds;
- General Management, which:
  - allocates liquidity and funding targets to the various Business Units and the Group Treasury entity, upon proposal from the Group Finance division,
  - defines and implements the liquidity and funding risk strategy, based on inputs from the Finance and Risk Divisions and the Business Units. In particular, the General Management chairs the Finance Committee, held every 6 weeks and attended by representatives from the Finance and Risk Divisions and Business Units, which is responsible for monitoring structural risks and managing scarce resources:
    - validation and monitoring of the set of limits for structural risks, including liquidity risk,
    - monitoring of budget targets and decisions in case of a deviation from the budget,
    - definition of principles and methods related to liquidity risk management (*e.g.* definition of stress scenarios),
    - assessment of any regulatory changes and their impacts;
- the Group Finance Division, which is responsible for the liquidity and funding risks as first line of defence, interacting closely with Business Units. Within the Group Finance Division, there are three main departments involved respectively in the preparation and implementation of decisions taken by the abovementioned bodies:
  - the Strategic and Financial Steering Department is responsible for framing and steering the Group's scarce resources, including liquidity, within the Group's risk appetite and financial indicators framing,
  - the Group Treasury Department is in charge of all aspects of the operational management of liquidity and funding across the Group, including managing the liquidity position, executing the funding plan, supervising and coordinating treasury functions, providing operational expertise in target setting, managing the liquidity reserves and the collateral used in funding transactions, managing the corporate centre,
  - the Asset and Liability Management Department is in charge of the definition of modelling and monitoring structural risks, including liquidity risk alongside interest rate and foreign exchange risks in the Banking Book;
  - also sitting with the Group Finance Division, the Metrics Production Department runs the management information system regarding liquidity and funding risks across the Group. For liquidity metrics, the Group relies on a centralised system architecture, with all Business Units feeding a central data repository from which all metrics are produced, either regulatory metrics (e.g. the LCR or the NSFR) or metrics used for internal steering (e.g. stress test indicators);

- the ALM Risk Department, which perform as the second line of defence functions, ensure the supervision of liquidity risks and evaluates the management system for these risks. As such, it is in charge of:
  - defining liquidity indicators and the setting of the main existing limits within the Group;
  - defining the normative framework for measuring, modelling methods and monitoring these risks.

In addition, by delegation of MRM, this department ensures the validation of ALM models for which it organises and chairs the Validation Committee of Models.

Finally, it ensures the correct interpretation of the regulatory framework as well as an adequate implementation in the Societe Generale environment.

12.4 ASSET ENCUMBRANCE

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

Analysis of the balance sheet structure

Total Group encumbrance amounts to 34.7% over 2023, measured according to the EBA [(1)] definition Securities encumbrance is 77.3%, while loan encumbrance is 12.6%.

The majority of the Group's encumbered assets (around 80%) is in the form of securities as a result of the relative size of capital market activities, mainly through repos, reverse repos and collateral swaps.

Securities encumbrance is concentrated in Société Générale parent entity and its branches, where Group market activities are located.

The main sources of encumbrance are repo-like operations and debt securities issued. Encumbrance of assets in US dollars stems mainly from debt securities.

The level of encumbered loans varies among Group entities mainly due to their respective business models, funding strategies and the type of underlying loans, as well as to the law governing them. The main sources of loans encumbrance are in EUR and to a lesser extent in USD. A few points are noteworthy:

- at Société Générale parent entity level, the loan encumbrance rate amounts to close to 24% [(2)] at 2023 year-end, stemming mainly from housing loans. Encumbered loans are affected as collateral for the ECB's TLTRO operations as well as long-term refinancing mechanisms which are broadly used by banks for covered bonds (SG Société de Financement de l'Habitat, SG Société de Crédit Foncier and Caisse de Refinancement de l'Habitat), securitisations or specific mechanisms;
- at subsidiary level, the loan encumbrance rate stands at 16.2% [(2)] overall, with variance between entities due to different funding strategies. The highest levels of secured funding relate to entities which contribute to the pooling scheme (see below) or have implemented external funding programmes through securitisations such as BDK (Bank Deutsches Kraftfahrzeuggewerbe) and Ayvens, or other forms of secured funding.

As far as loan encumbrance is concerned, there is a pooling scheme in which subsidiaries (Boursorama, Sogefinancement, and to a lesser extent BFCOI, Genefim, and Sogefimur) bring a share of their loan portfolio to the Group in order to supply refinancing schemes (such as the SG Société de Financement de l'Habitat Covered Bond vehicle). Not all the assets brought to Covered Bond vehicles are effectively encumbered from a Group-consolidated perspective, because Covered Bonds issued are in part self-retained by Société Générale as opposed to being distributed to investors. The portion of subsidiaries' loan portfolio encumbered at subsidiary level but not encumbered from a Group-consolidated perspective amounts to EUR 5.7 billion.

Over 2023 (median level over the year), Société Générale was holding itself EUR 35.6 billion of self-issued Covered Bonds and EUR 16.6 billion of self-issued Asset Back Securities, with underlying collateral portfolios of respectively EUR 43.8 and 18.1 billion. These underlying collateral portfolios were indirectly encumbered in proportions of respectively 57.4% for Covered Bond assets and 51.4% for Asset Back Securities assets, through TLTRO drawings or market reverse purchase transactions.

With respect to the two main Covered Bond vehicles of the Société Générale Group, namely SG Société de Crédit Foncier et and SG Société de Financement de l'Habitat, their level of over-collateralisation was respectively at 133% and 120% at the end of 2023.

As far as SG Société de Financement de l'Habitat is concerned, collaterals are made of mortgage loans guaranteed by Crédit Logement. Regarding SG Société de Crédit Foncier, collaterals are made of loans to the public sector.

The unencumbered "Other Assets" (excluding loans), in the EBA template, include derivatives and options positions (interest rate swaps, cross currency swaps, currency options, warrants, futures, forward contracts…) in an amount of EUR 94 billion as of end 2023, as well as some other assets that cannot be encumbered in the normal course of business, including goodwill, fixed assets, deferred tax, adjustment accounts, sundry debtors and other assets. Overall, assets that cannot be encumbered (derivatives products and other assets listed above) represent 17% of the total balance sheet as of end 2023.

(1) Median values on quaterly data
(2) According to a methodologiy consisting of encumbering the least liquid eligible assets (encumbered loans/total loans) first

TABLE 94: ENCUMBERED AND UNENCUMBERED ASSETS (AE1)

	31.12.2023(1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
(In EURm)		of which EHQLA & HQLA		of which EHQLA & HQLA		of which EHQLA & HQLA		of which EHQLA & HQLA
Assets of the reporting institution	**218,466**	**70,940**			**1,193,953**	**264,976**		
Equity instruments	42,877	35,260	42,877	35,260	33,446	14,613	33,446	14,613
Debt securities	41,428	35,320	41,428	35,320	57,016	33,701	57,016	33,701
of which covered bonds	*381*	*309*	*381*	*309*	*480*	*427*	*480*	*427*
of which asset-backed securities	*173*	*42*	*173*	*42*	*2,141*	*28*	*2,141*	*28*
of which issued by general governments	*34,823*	*34,107*	*34,823*	*34,107*	*37,032*	*29,722*	*37,032*	*29,722*
of which issued by financial corporations	*3,970*	*580*	*3,970*	*580*	*8,612*	*3,101*	*8,612*	*3,101*
of which issued by non-financial corporations	*2,288*	*616*	*2,288*	*616*	*8,955*	*330*	*8,955*	*330*
Other assets	131,453	1,045			1,100,517	213,443		
of which Loans on demand	*7,152*	*-*			*252,037*	*209,618*		
of which Loans and advances other than loans on demand	*118,714*	*1,045*			*621,672*	*1,514*		
of which other	*4,874*	*-*			*240,277*	*2,378*		

(1) Table's figures are calculated as medians of the four quarters across 2023.

	31.12.2022(1)							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
(In EURm)		of which EHQLA & HQLA		of which EHQLA & HQLA		of which EHQLA & HQLA		of which EHQLA & HQLA
Assets of the reporting institution	**245,260**	**66,953**			**1,170,947**	**239,564**		
Equity instruments	44,314	34,744	44,314	34,744	34,809	10,745	34,809	10,745
Debt securities	37,035	32,946	37,035	32,946	53,416	34,491	53,416	34,491
of which covered bonds	*237*	*116*	*237*	*116*	*213*	*207*	*213*	*207*
of which asset-backed securities	*198*	*62*	*198*	*62*	*3,969*	*44*	*3,969*	*44*
of which issued by general governments	*32,245*	*31,836*	*32,245*	*31,836*	*27,519*	*27,519*	*27,519*	*27,519*
of which issued by financial corporations	*4,945*	*667*	*4,945*	*667*	*11,397*	*2,586*	*11,397*	*2,586*
of which issued by non-financial corporations	*1,092*	*416*	*1,092*	*416*	*8,780*	*241*	*8,780*	*241*
Other assets	157,853	371			1,080,829	195,972		
of which Loans on demand	*7,533*	*-*			*227,227*	*191,248*		
of which Loans and advances other than loans on demand	*148,455*	*371*			*568,399*	*2,008*		
of which other	*1,799*	*-*			*264,610*	*2,498*		

(1) Table's figures are calculated as medians of the four quarters across 2022.

TABLE 95: COLLATERAL RECEIVED (AE2)

	31.12.2023[1]			
	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
(In EURm)		of which EHQLA & HQLA[1]		of which EHQLA & HQLA[1]
Collateral received by the reporting institution	**449,567**	**389,020**	**64,900**	**52,401**
Loans on demand	-	-	-	-
Equity instruments	71,819	50,528	9,880	6,408
Debt securities	378,931	342,279	56,382	46,827
of which covered bonds	*9,691*	*3,916*	*1,279*	*367*
of which asset-backed securities	*6,971*	*2,393*	*9,165*	*4,919*
of which issued by general governments	*340,052*	*330,793*	*43,708*	*41,802*
of which issued by financial corporations	*28,603*	*5,214*	*6,954*	*600*
of which issued by non-financial corporations	*11,877*	*5,485*	*6,969*	*5,459*
Loans and advances other than loans on demand	-	-	-	-
Other collateral received	-	-	-	-
Own debt securities issued other than own covered bonds or asset-backed securities	**6,073**	**-**	**54**	**-**
Own covered bonds and asset-backed securities issued and not yet pledged			**22,473**	**-**
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**672,521**	**459,298**		

(1) Table's figures are calculated as medians of the four quarters across 2023.

(In EURm)	31.12.2022[1] Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
		of which EHQLA & HQLA[1]		of which EHQLA & HQLA[1]
Collateral received by the reporting institution	**434,458**	**365,124**	**58,616**	**47,748**
Loans on demand	-	-	-	-
Equity instruments	94,565	52,173	9,649	5,849
Debt securities	339,536	311,931	48,890	41,462
of which covered bonds	*3,833*	*2,057*	*2,724*	*2,415*
of which asset-backed securities	*4,338*	*840*	*6,382*	*2,142*
of which issued by general governments	*308,331*	*303,518*	*37,511*	*36,407*
of which issued by financial corporations	*20,528*	*4,179*	*8,146*	*2,567*
of which issued by non-financial corporations	*10,136*	*4,442*	*3,535*	*2,349*
Loans and advances other than loans on demand	-	-	-	-
Other collateral received	-	-	-	-
Own debt securities issued other than own covered bonds or asset-backed securities	**1,857**	**-**	**39**	**-**
Own covered bonds and asset-backed securities issued and not yet pledged			**8,585**	**-**
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**676,627**	**432,077**		

(1) *Table's figures are calculated as medians of the four quarters across 2022.*

TABLE 96: SOURCES OF ENCUMBRANCE (AE3)

(In EURm)	31.12.2023[1] Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**391,555**	**435,116**

(1) *Table's figures are calculated as medians of the four quarters across 2023.*

(In EURm)	31.12.2022[1] Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**407,205**	**447,332**

(1) *Table's figures are calculated as medians of the four quarters across 2022.*

12.5 LIQUIDITY RESERVE

The Group's liquidity reserve encompasses cash at central banks and assets that can be used to cover liquidity outflows under a stress scenario. The reserve assets are available, *i.e.* not used in guarantee or as collateral on any transaction. They are included in the reserve after applying a haircut to reflect their expected valuation under stress. The Group's liquidity reserve contains assets that can be freely transferred within the Group or used to cover subsidiaries' liquidity outflows in the event of a crisis: non-transferable excess cash (according to the regulatory ratio definition) in subsidiaries is therefore not included in the Group's liquidity reserve.

The liquidity reserve includes:

- central bank deposits, excluding mandatory reserves;
- High-Quality Liquid Assets (HQLAs), which are securities that can be quickly monetised on the market *via* sale or repurchase transactions; these include government bonds, corporate bonds and equities listed on major indices (after haircuts). These HQLAs meet the eligibility criteria for the LCR, according to the most recent standards known and published by regulators. The haircuts applied to HQLA securities are in line with those indicated in the most recent known texts on determining the numerator of the LCR;
- non-HQLA Group assets that are central bank-eligible, including receivables as well as covered bonds and securitisations of Group receivables held by the Group.

TABLE 97: LIQUIDITY RESERVE

(In EURbn)	31.12.2023	31.12.2022
Central bank deposits (excluding mandatory reserves)	214	195
HQLA securities available and transferable on the market (after haircut)	74	59
Other available central bank-eligible assets (after haircut)	28	24
TOTAL	**316**	**279**

12.6 REGULATORY RATIOS

Regulatory requirements for liquidity risk are managed through two ratios:

- the Liquidity Coverage Ratio (LCR), which aims to ensure that banks hold sufficient liquid assets or cash to survive to a significant stress scenario combining a market crisis and a specific crisis and lasting for one month The minimum regulatory requirement is 100% at all times;
- the Net Stable Funding Ratio (NSFR), a long-term ratio of the balance sheet transformation, which compares the financing needs generated by the activities of institutions with their stable resources; The minimum level required is 100%.

In order to meet these requirements, the Group ensures that its regulatory ratios are managed well beyond the minimum regulatory requirements set by Directive 2019/878 of the European Parliament and of the Council of 20 May 2019 (CRD5) and Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (CRR2) (1).

Societe Generale's LCR ratio has always been above 100%: 160% at the end of 2023 compared to 141% at the end of 2022. Since it came into force, the NSFR ratio has always been above 100% and stands at 119% at the end of 2023 compared to 114% at the end of 2022.

In addition, in order to complete its system, the Group has adapted monitoring indicators, in particular the monitoring of liquidity gap under various stress scenarios and under normal conditions, by significant currency and all currencies combined, which may be subject to additional constraints in terms of objective and minimum level. USD liquidity indicators are also specifically monitored.

The Group manages its liquidity risk through the LCR, the NSFR and liquidity gaps, under stress and under normal conditions of activity, and accumulated (all currencies combined), and this, by making sure at any time that the liquidity is transferable across the main currencies.

Since the implementation of the European regulatory LCR requirement in October 2015, Societe Generale's LCR has consistently stood at over 100%. The LCR stood at 160% at end of December 2023 (vs. 147% at end of September 2023).

(1) Several amendments to European regulatory standards were adopted in May 2019: the text on the CRL, published in October 2014, has since been supplemented by a Delegated Act corrigendum which entered into force on 30 April 2020. The minimum level of the required ratio has been 100% since 1 January 2018. The NSFR requirement included in CRR2 (EU) 2019/876 of 20 May 2019 has applied since June 2021. The required ratio is 100%.

TABLE 98: LIQUIDITY COVERAGE RATIO (LIQ1)

The liquidity coverage ratio is calculated as the simple average of month-end observations over the twelve months preceding the end of each quarter.

The table featured hereinafter takes into account some modifications of historical data, notably aiming at a better alignment with the technical instructions emanating from the European Banking Authority (EBA/ITS/2020/04).

Prudential Group *(In EURm)*	**Total unweighted value (in average)**				**Total weighted value (in average)**			
Quarter ending on	**31.12.2023**	**30.09.2023**	**30.06.2023**	**31.03.2023**	**31.12.2023**	**30.09.2023**	**30.06.2023**	**31.03.2023**
High-quality liquid assets								
Total high-quality liquid assets (HQLA)					**271,976**	**263,594**	**257,650**	**251,709**
Cash – Outflows								
Retail deposits and deposits from small business customers, of which:	234,822	233,292	232,240	231,433	18,097	18,150	18,332	18,447
Stable deposits	*139,911*	*138,753*	*134,954*	*130,516*	*6,996*	*6,938*	*6,748*	*6,526*
Less stable deposits	*87,877*	*88,802*	*92,684*	*96,367*	*11,082*	*11,189*	*11,561*	*11,898*
Unsecured wholesale funding	286,028	290,177	296,493	302,525	142,374	146,907	153,360	159,438
Operational deposits (all counterparties) and deposits in networks of cooperative banks	*67,201*	*68,687*	*70,015*	*70,962*	*16,306*	*16,693*	*17,017*	*17,262*
Non-operational deposits (all counterparties)	*210,633*	*212,345*	*216,012*	*219,944*	*117,874*	*121,069*	*125,878*	*130,558*
Unsecured debt	*8,194*	*9,145*	*10,466*	*11,618*	*8,194*	*9,145*	*10,466*	*11,618*
Secured wholesale funding					80,863	96,510	101,332	101,721
Additional requirements	218,353	219,326	219,695	218,726	75,946	77,459	78,743	79,021
Outflows related to derivative exposures and other collateral requirements	*34,615*	*38,782*	*42,390*	*44,525*	*31,698*	*36,110*	*40,035*	*42,405*
Outflows related to loss of funding on debt products	*16,140*	*14,428*	*12,503*	*11,100*	*16,140*	*14,428*	*12,503*	*11,100*
Credit and liquidity facilities	*167,599*	*166,115*	*164,801*	*163,101*	*28,108*	*26,921*	*26,205*	*25,515*
Other contractual funding obligations	77,680	73,082	71,300	67,416	77,680	73,082	71,299	67,416
Other contingent funding obligations	99,544	88,968	77,781	71,197	5,706	4,489	3,045	1,963
TOTAL CASH OUTFLOWS					**400,665**	**416,598**	**426,112**	**428,006**
CASH – INFLOWS								
Secured lending (eg reverse repos)	330,621	324,179	319,225	314,084	78,224	95,900	101,905	101,517
Inflows from fully performing exposures	41,760	45,254	48,963	52,533	33,197	37,078	41,060	44,690
Other cash inflows	122,676	119,941	120,346	118,105	118,025	115,003	115,275	113,046
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
(Excess inflows from a related specialised credit institution)					-	-	-	-
TOTAL CASH INFLOWS	**495,057**	**489,373**	**488,534**	**484,723**	**229,446**	**247,981**	**258,240**	**259,253**
Fully exempt Inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	393,567	*387,794*	*387,715*	*384,397*	229,446	247,981	*258,240*	*259,253*
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**271,976**	**263,594**	**257,650**	**251,709**
TOTAL NET CASH OUTFLOWS					**171,220**	**168,617**	**167,871**	**168,752**
LIQUIDITY COVERAGE RATIO *(%)*					**159.31%**	**156.84%**	**154.00%**	**149.63%**

As at 31 December 2023, the average of Societe Generale's LCR stood at 159% (arithmetic average of the 12 LCR monthly values from January 2023 to December 2023, in accordance with the prudential disclosure requirement emanating from Regulation (EU) No 2019/876).

Reported LCR was 160% as at 31 December 2023, or EUR 108 billion of liquidity surplus over the regulatory requirement of 100%. This compares to 147%, or EUR 89 billion of liquidity surplus, as at 30 September 2023. The LCR numerator was EUR 288 billion as at 31 December 2023, increasing by EUR 6 billion compared with 30 September 2023, resulting from cash raising on debt markets. The net cash outflows decreased by EUR 13 billion over the same period.

As at 31 December 2023, the numerator of the LCR included EUR 214 billion of withdrawable central bank reserves (74%) and EUR 63 billion of Level 1 high-quality securities (22%), as well as 11 billion (4%) of Level 2 or assimilated. The LCR numerator, which amounted to EUR 281 billion as at 30 September 2023, contained withdrawable central bank reserves and Level 1 high-quality securities representing 97% of the buffer.

The euro accounted for 57% of Societe Generale's total high-quality liquid assets as at 31 December 2023. The US dollar also accounted for more than 5% of liquid assets, with a weight of 23%. The liquidity profile of the Group in US dollars is framed by a set of thresholds and metrics, including indicators of liquidity excess under stress, in US dollars.

Societe Generale ensures it does not overly rely on any given individual counterparty or segment by setting and monitoring concentration risk metrics on secured and unsecured markets. For instance, unsecured short-term funding is subject to thresholds by counterparty type (Corporates, Central banks, Public sector, Asset managers, etc). Secured funding is framed to ensure that the drying up of liquidity in any segment of the repo market (counterparty segments, underlying collateral segments, currencies) would not materially impair the refinancing of inventories in capital markets. In addition to this, the Group's long-term funding is structurally diversified. The plain vanilla funding programme is split into various currencies, instruments and geographies and seeks to continuously expand the investor base. Structured issuances are highly granular (multiple distributing networks) and provide a diversification in terms of nature of investors.

Societe Generale impacts its LCR computation to factor in collateral needs for covered bonds issuance vehicles and other vehicles used in capital markets activities, in case of a 3-notch downgrade of Societe Generale's credit rating. Societe Generale also impacts its LCR computation to factor in a potential adverse market shock based on a 24-month historical look-back approach.

Intraday funding requirements give rise to dedicated reserves which are taken into account when computing liquidity stress tests based on internal models, which ground the control of the Societe Generale Group survival horizon under stress.

TABLE 99: NET STABLE FUNDING RATIO (LIQ2)

	31.12.2023				
	Unweighted value by residual maturity				Weighted value
(In EURm)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	70,502	861	-	11,679	82,182
Own funds	*70,502*	*861*	*-*	*11,679*	*82,182*
Other capital instruments		*-*	*-*	*-*	*-*
Retail deposits		232,335	6,753	12,637	235,217
Stable deposits		*144,344*	*3,684*	*10,598*	*151,224*
Less stable deposits		*87,991*	*3,069*	*2,039*	*83,993*
Wholesale funding		553,089	68,181	170,508	342,053
Operational deposits		*65,931*	*3*	*6*	*32,973*
Other wholesale funding		*487,157*	*68,178*	*170,502*	*309,080*
Interdependent liabilities		45,558	-	5,117	-
Other liabilities	4,807	75,889	297	6,538	6,686
NSFR derivative liabilities	*4,807*				
All other liabilities and capital instruments not included in the above categories		*75,889*	*297*	*6,538*	*6,686*
TOTAL AVAILABLE STABLE FUNDING (ASF)					**666,138**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					26,716
Assets encumbered for more than 12m in cover pool		38	54	35,519	30,270
Deposits held at other financial institutions for operational purposes		-	-	-	-
Performing loans and securities		283,761	54,070	363,802	373,163
Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		*126,370*	*6,697*	*1,873*	*11,827*
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		*66,443*	*9,678*	*30,459*	*41,306*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		*62,866*	*30,947*	*203,114*	*218,872*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		*11,575*	*4,491*	*10,722*	*15,832*
Performing residential mortgages, of which:		*4,718*	*5,117*	*104,964*	*75,285*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		*4,221*	*4,572*	*94,259*	*65,665*
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		*23,364*	*1,631*	*23,392*	*25,873*
Interdependent assets		45,396	-	5,279	-
Other assets		112,854	5,065	99,519	119,717
Physical traded commodities				*-*	*-*
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		*14,612*	*4,355*	*7,762*	*22,720*
NSFR derivative assets		*-*			*-*
NSFR derivative liabilities before deduction of variation margin posted		*65,609*			*3,280*
All other assets not included in the above categories		*32,633*	*710*	*91,757*	*93,717*
Off-balance sheet items		200,748	-	63,448	10,984
TOTAL RSF					**560,850**
NET STABLE FUNDING RATIO *(%)*					**118.77%**

(In EURm)	31.12.2022				
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
Capital items and instruments	66,261	3,374	-	9,641	75,902
Own funds	*66,261*	*3,374*	*-*	*9,641*	*75,902*
Other capital instruments		*-*	*-*	*-*	*-*
Retail deposits		230,165	1,934	8,138	224,352
Stable deposits		*144,568*	*1,934*	*8,138*	*147,315*
Less stable deposits		*85,597*	*-*	*-*	*77,038*
Wholesale funding		496,446	53,458	166,794	312,751
Operational deposits		*77,890*	*5*	*2*	*38,950*
Other wholesale funding		*418,556*	*53,452*	*166,792*	*273,801*
Interdependent liabilities		59,775	-	3,727	-
Other liabilities	3,051	88,683	360	4,306	4,486
NSFR derivative liabilities	*3,051*				
All other liabilities and capital instruments not included in the above categories		*88,683*	*360*	*4,306*	*4,486*
TOTAL AVAILABLE STABLE FUNDING (ASF)					**617,491**
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					27,605
Assets encumbered for more than 12m in cover pool		2	5	25,593	21,760
Deposits held at other financial institutions for operational purposes		-	-	-	-
Performing loans and securities		248,013	52,987	384,295	394,099
Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		*95,197*	*9,559*	*2,482*	*10,865*
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		*59,807*	*7,627*	*28,970*	*38,326*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		*62,655*	*28,687*	*213,275*	*236,653*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		*13,054*	*5,250*	*28,364*	*38,102*
Performing residential mortgages, of which:		*4,201*	*4,991*	*115,874*	*81,923*
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		*3,777*	*4,502*	*105,826*	*72,926*
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		*26,153*	*2,123*	*23,694*	*26,331*
Interdependent assets		59,775	-	3,727	-
Other assets		133,260	4,065	72,440	90,160
Physical traded commodities				*-*	*-*
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		*10,820*	*2,923*	*8,641*	*19,027*
NSFR derivative assets		*-*			*-*
NSFR derivative liabilities before deduction of variation margin posted		*94,602*			*4,730*
All other assets not included in the above categories		*27,839*	*1,142*	*63,799*	*66,404*
Off-balance sheet items		202,469	1,307	29	9,924
TOTAL RSF					**543,549**
NET STABLE FUNDING RATIO *(%)*					**113.60%**

12.7 BALANCE SHEET SCHEDULE

The main lines of the Group's financial liabilities and assets are presented in Note 3.13 to the consolidated financial statements.

TABLE 100: BALANCE SHEET SCHEDULE

FINANCIAL LIABILITIES

	31.12.2023					
(In EURm)	**Note to the consolidated financial statements**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Due to central banks		9,718	-	-	-	9,718
Financial liabilities at fair value through profit or loss, excluding derivatives	Notes 3.1 and 3.4	182,235	26,940	42,721	33,885	285,781
Due to banks	Note 3.6	62,586	43,357	10,724	1,179	117,846
Customer deposits	Note 3.6	481,894	36,166	19,976	3,641	541,677
Securitised debt payables	Note 3.6	35,963	27,977	67,755	28,811	160,506
Subordinated debt	Note 3.9	213	76	6,594	9,011	15,894

NB: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives.

	31.12.2022(R)[1]					
(In EURm)	**Note to the consolidated financial statements**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Due to central banks		8,361	-	-	-	8,361
Financial liabilities at fair value through profit or loss, excluding derivatives	Notes 3.1 and 3.4	149,258	22,680	31,003	28,578	231,519
Due to banks	Note 3.6	49,817	39,643	42,217	1,334	133,012
Customer deposits	Note 3.6	475,608	27,232	23,101	4,822	530,763
Securitised debt payables	Note 3.6	34,158	24,030	46,583	28,405	133,176
Subordinated debt	Note 3.9	3	-	6,063	9,882	15,947

(1) (R) restatement of 2022 data in compliance with IFRS17 & IFRS9 according to insurance enities

NB: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives.

FINANCIAL ASSETS

	31.12.2023					
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Cash, due from central banks		222,324	205	340	178	223,047
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	390,461	21,886	-	-	412,347
Financial assets at fair value through other comprehensive income	Note 3.4	88,231	2,384	-	279	90,894
Securities at amortised cost	Note 3.5	17,369	2,642	4,348	3,789	28,147
Due from banks at amortised cost	Note 3.5	64,911	3,426	8,585	957	77,879
Customer loans at amortised cost	Note 3.5	125,087	53,996	167,013	109,071	455,168
Lease financing agreements[1]	Note 3.5	3,296	6,174	16,793	4,018	30,281

(1) Amounts are presented net of impairments.

	31.12.2022(R)[1]					
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Cash, due from central banks		203,389	734	1,808	1,082	207,013
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	330,591	19,785	-	-	350,376
Financial assets at fair value through other comprehensive income	Note 3.4	91,518	1,162	-	280	92,960
Securities at amortised cost	Note 3.5	5,709	3,588	7,999	8,848	26,143
Due from banks at amortised cost	Note 3.5	58,614	1,599	7,487	471	68,171
Customer loans at amortised cost	Note 3.5	111,271	62,691	183,035	121,036	478,033
Lease financing agreements[2]	Note 3.5	2,760	6,014	15,663	4,165	28,602

(1) (R) restatement of 2022 data in compliance with IFRS17 & IFRS9 according to insurance enities
(2) Amounts are presented net of impairments.

Due to the nature of its activities, Société Générale holds derivative products and securities whose residual contractual maturities are not representative of its activities or risks.

By agreement, the following residual maturities were used for the classification of financial assets:

1. assets measured at fair value through profit or loss, excluding derivatives (client-related trading assets):
   - positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than 3 months,
   - positions measured using observable data other than quoted prices (L2 accounting classification): maturity of less than 3 months,
   - positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year;
2. financial assets at fair value through other comprehensive income:
   - available-for-sale assets measured using prices quoted on active markets: maturity of less than 3 months,
   - bonds measured using observable data other than quoted prices (L2): maturity of 3 months to 1 year,
   - finally, other securities (shares held long-term in particular): maturity of more than 5 years.

As regards the other lines of the balance sheet, other assets and liabilities and their associated conventions can be broken down as follows:

OTHER LIABILITIES

	31.12.2023						
(In EURm)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Tax liabilities	Note 6.3	-	-	974	1,428	-	2,402
Revaluation difference on portfolios hedged against interest rate risk		(5,857)	-	-	-	-	(5,857)
Other liabilities	Note 4.4	-	84,029	2,548	3,821	3,260	93,658
Non-current liabilities held for sale	Note 2.5	-	-	1,703	-	-	1,703
Insurance contracts related liabilities	Note 4.3	-	3,571	9,188	36,538	92,426	141,723
Provisions	Note 8.3	4,235	-	-	-	-	4,235
Shareholders' equity		76,247	-	-	-	-	76,247

	31.12.2022(R)[(1)]						
(In EURm)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3 m**	**3 m-1 yr**	**1-5 yrs**	**> 5 yrs**	**Total**
Tax liabilities	Note 6.3	-	-	806	839	-	1,645
Revaluation difference on portfolios hedged against interest rate risk		(9,659)	-	-	-	-	(9,659)
Other liabilities	Note 4.4	-	100,649	1,987	2,832	1,847	107,315
Non-current liabilities held for sale	Note 2.5	-	-	220	-	-	220
Insurance contracts related liabilities	Note 4.3	-	3,616	9,152	36,869	86,239	135,875
Provisions	Note 8.3	4,579	-	-	-	-	4,579
Shareholders' equity		73,326	-	-	-	-	73,326

(1) (R) restatement of 2022 data in compliance with IFRS17 & IFRS9 according to insurance enities

OTHER ASSETS

(In EURm)	31.12.2023 Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Revaluation differences on portfolios hedged against interest rate risk		(433)	-	-	-	-	(433)
Other assets	Note 4.4	-	69,765	-	-	-	69,765
Tax assets	Note 6	4,717	-	-	-	-	4,717
Deferred profit-sharing		-	-	-	-	-	-
Investments accounted for using the equity method		-	-	-	-	227	227
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	60,714	60,714
Goodwill	Note 2.2	-	-	-	-	4,949	4,949
Non-current assets held for sale	Note 2.5	-	43	1,692	13	16	1,764
Investments of insurance companies	Note 4.3	-	60	36	143	220	459

(In EURm)	31.12.2022 (R)[1] Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Revaluation differences on portfolios hedged against interest rate risk		(2,262)	-	-	-	-	(2,262)
Other assets	Note 4.4	-	82,315	-	-	-	82,315
Tax assets	Note 6	4,484	-	-	-	-	4,484
Deferred profit-sharing			1,170	0	1	4	1,175
Investments accounted for using the equity method		-	-	-	-	146	146
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	33,958	33,958
Goodwill	Note 2.2	-	-	-	-	3,781	3,781
Non-current assets held for sale	Note 2.5	-	1	1,049	15	17	1,081
Insurance contract assets	Note 4.3	-	7	21	89	236	353

(1) (R) restatement of 2022 data in compliance with IFRS17 & IFRS9 according to insurance enities

1. Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.
2. Other assets and other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.
3. The notional maturities of commitments in derivative instruments are presented in Note 3.2.2 to the consolidated financial statements.
4. Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than five years.
5. Provisions and shareholders’ equity are not scheduled.

13

COMPLIANCE RISK, LITIGATION

IN BRIEF

Compliance means acting in accordance with the obligations applicable to the Group's activities, ranging from laws and regulations to professional, ethical and internal standards and principles.

By ensuring that these provisions are observed, the Group works to protect its employees, customers and all stakeholders. Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity in their daily tasks.

The Group relies on a recently restructured, clear organisation to ensure the compliance system is both respected and consistent.

Compliance risk is considered a non-financial risk, in keeping with the Group's risk taxonomy.

Acting in compliance means understanding and observing the external and internal rules that govern our banking and financial activities. These rules aim to ensure a transparent and balanced relationship between the Bank and its stakeholders. Compliance is the cornerstone of trust between the Bank, its clients, its supervisors and its staff.

Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity on a daily basis. The rules must be clearly expressed, and staff have been informed and/or trained to understand them properly.

The compliance risk prevention system is based on shared responsibility between the operational entities and the Group Compliance Department:

- the operational entities (BUs and SUs) must incorporate into their daily activities compliance with laws and regulations, the rules of professional best practice and the Group's internal rules;
- the Compliance Department manages the Group's compliance risk prevention system. It ensures the system's consistency and efficiency, while also developing appropriate relationships (liaising with the General Secretariat) with bank supervisors and regulators. This independent department reports directly to General Management.

To support the businesses and supervise the system, the Compliance Department is organised into:

- **Standards and Consolidation teams** responsible for defining the normative system and oversight guidelines, consolidating them at Group level, as well as defining the target operational model for each compliance risk;
- **Core Business/Business Compliance teams** which are aligned across the Group's major business lines (Corporate and Investment Bank, French Retail Banking, International Retail Banking, Private Banking and Corporate Divisions), responsible for the relationship with BU/SUs, including deal flow, advisory, and risk oversight of BU/SUs;
- teams responsible for **cross-business functions**;
- teams responsible for **second-level controls**.

The Compliance Department is organised into three main compliance risk categories, for which it plays a standard-setting role:

- financial security: know your client (KYC); compliance with the rules and regulations on international sanctions and embargoes; anti-money laundering and combating the financing of terrorism (AML/CFT), including reporting suspicious transactions to the appropriate financial intelligence authority when necessary;
- regulatory risks, which cover in particular: client protection, anti-bribery and corruption, ethics and conduct, compliance with tax transparency regulations (based on knowledge of the customers' tax profile), compliance with corporate social responsibility regulations and Group commitments, market integrity, compliance with prudential regulations in collaboration with the Risk Department, joint coordination with HRCO of the Group's Culture & Conduct issues (conduct in particular);
- protection of data, including personal data and in particular those of customers.

Financial crime risks			Regulatory risks					
Know Your Customers	**Anti-Money Laundering & Counter Terrorism Financing**	**Sanctions & Embargoes**	**Client Protection**	**Market Integrity**	**Tax Transparency**	**Anti-Corruption & Bribery, Ethics & Conduct**	**Corporate Social Responsibility**	**Data protection & digital**

Compliance has set up an extensive compulsory training programme for each of these risk categories, designed to raise awareness of compliance risks among all or some employees. The completion rates for these training modules are monitored closely by the Group at the highest level.

In addition to its LoD2 function regarding the aforementioned risks, Compliance oversees the regulatory system for all regulations applicable to credit institutions, including those implemented by other departments, such as prudential regulations.

13.1 COMPLIANCE

Financial security

KNOW YOUR CLIENT (KYC)

Today Societe Generale's KYC system is essentially robust in the wake of the Group's remediation and transformation programmes aimed at bringing the system to the required level over the past five years. The year 2023 was marked in particular by strengthened procedures for the continuous detection of clients or beneficial owners who have acquired the status of Politically Exposed Person (PEP) or of Relative and Close Associate, and by the continued roll-out of the Group's solution to identify Negative News.

ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT)

The Group implements all the measures related to Directive (EU) 2015/849 on anti-money laundering and counter-terrorism financing (referred to as "the 5th Anti-Money Laundering Directive"), as well as European Regulation 2015/847 on the quality of payment information and the Order of 6 January 2021 on the system and internal controls to fight money laundering and terrorism financing.

Moreover, it has launched or continued several internal initiatives aimed at making its system even more robust. In particular, these initiatives involve the optimisation of transaction surveillance scenarios and the development of more sophisticated tools to detect suspicious or unusual transactions, based on technology like big data and machine learning. The implementation of these so-called new-generation tools saw major progress in 2023, in particular at BoursoBank and in International Retail Banking activities.

FINANCIAL EMBARGOES AND SANCTIONS

The global environment was marked in 2023 by stronger sanctions imposed on Russia by various jurisdictions (the European Union, the US, the UK, etc.) on account of the war against Ukraine. The implementation of these sanctions remains very complex and may generate high operational risk for financial institutions. Accordingly, the Societe Generale Group continues to closely supervise transactions involving Russia to ensure compliance with international sanctions.

Following the dismissal of the Deferred Prosecution Agreement in December 2021 by the US authorities, the Group took further measures to bolster its Embargoes/Sanctions system, which continues to be regularly reviewed by an independent consultant appointed by the FRB.

Regulatory compliance risk

CUSTOMER PROTECTION

Customer protection is a major challenge for the Societe Generale Group, which is committed to respecting and protecting the interests of its customers.

The prevention of financial vulnerability (early detection), banking inclusion (the right to hold an account) and the unbundling of insurance taken out on a real estate loan remain priorities. These measures were supplemented by the application of the Lemoine Act, which stipulates that any request to replace a contract must be processed within 10 days.

Information provided to customers was strengthened with new rules on ESG (Environmental and Social Governance) labelling and designations.

The Group continues to implement significant measures to improve its system in terms of:

- strengthening internal rules regarding key aspects of customer protection (marketing rules, especially for sustainable investment, cross-border sales, customer claims, conflicts of interest, product governance, protection of customers' assets, along with compensation and qualification of employees);
- specific training and increased staff awareness; the importance the Group places on this issue is widely addressed in the Group's Code of Conduct;
- adapting tools to regulatory requirements as a matter of necessity (managing conflict of interest mapping, integrating customer preferences in terms of sustainable investment, etc.).

Customer claims

Processing a claim is a commercial act that impacts customer satisfaction. Accordingly, it has received extensive coverage in the Code of Conduct.

Updated in 2023, the "Customer claim processing" Group instruction incorporates the recommendations of the national supervisor (French Prudential Supervisory and Resolution Authority – ACPR) and the regulatory requirements (MIF2, DDA and DSP – the Payment Services Directive) relative to the strengthening of customer protection measures at European level. The Bank's businesses have an *ad hoc* governance, an organisation, human resources and applications, formalised procedures, and quantitative monitoring indicators.

Independent mediation supplements this internal system. Mediation aims to settle disputes amicably and the Group notifies customers of their recourse to it using multiple media in particular by the existence of a permanent notice on the last page of their bank account statements. Every entity involved is obliged to comply with the independent mediator's decision.

Conflicts of interest

The Group has a clear normative framework (updated in 2023) in place to prevent and manage conflicts of interest. This framework specifies the principles and mechanisms that have been implemented. It is a robust system that tackles various types of potential conflicts of interest: those of Group entities that may arise in the course of business, whether with respect to customers or other third parties (suppliers, etc.); those of employees when their personal activities and interests conflict with their professional activities. The system is supplemented by the annual reporting of conflicts of interest (*Déclaration des Conflits d'intérêts* – DACI) regarding people most exposed to the risks of corruption. Societe Generale gives priority to their customers' interests under all circumstances. If in some instances this system does not appear to remove the risk of conflicts of interest with reasonable certainty and in accordance with local regulations, Societe Generale shall either refrain from carrying out the transaction or, insofar as confidentiality requirements allow, inform the client or prospect of the general nature or source of conflict of interest. The customer can then make an informed decision.

Product governance

Systematic reviews ahead of and during the marketing process ensure compliance with product governance obligations. As product originator, SG sets up Product Review Committees to ensure the target market has been defined correctly and, if not, to adjust it accordingly. As distributor, Societe Generale checks that the criteria match the customers' situation and communicates with product originators to track products during their life cycle. SG's investment services policy includes new offers in terms of sustainable finance, the supervision of crypto-assets, and detailed notes on the target markets of the main instruments produced or distributed by each business.

Vulnerable customers

Societe Generale has established practices and usages to comply with legislation vis-à-vis vulnerable customers, in particular customers benefiting from the offer tailored to financially challenged customers. To contribute to the national effort to boost the purchasing power of French citizens in difficult financial circumstances, the Group added to its practices by introducing additional measures in 2019, notably by i) freezing bank fees; ii) capping bank intervention fees for vulnerable clients; and iii) organising follow-up and support suited to the situation of customers experiencing difficulties in the wake of recent events. These measures are closely monitored and covered in action plans aimed at identifying financially vulnerable customers.

MARKET INTEGRITY

The market integrity laws and regulations adopted in recent years, together with their latest changes, have been included in a robust risk hedging system implemented in the Societe Generale Group.

The rules of conduct, the organisational principles and the oversight and control measures are in place and regularly assessed. Moreover, extensive training and awareness-raising programmes are provided to all Group employees.

This system was strengthened in 2023, notably by:

- the roll-out of tools enabling to record electronic communications on platforms like WhatsApp for persons targeted by orders issued by the US authorities (SEC and CFTC) against several banking institutions, such as SG SA and SGAS;
- ramping up the supervision of market abuse risk generated by transactions executed using access information provided by the markets;
- updating the compliance management system for derivatives, which are subject to ever-changing regulations that go hand-in-hand with business and technology developments;
- addressing the escalation in and ongoing changes to regulatory requirements regarding transaction reporting, along with the need to improve data quality.

TAX TRANSPARENCY AND EVASION

Societe Generale Group's principles on combating tax evasion are governed by the Tax Code of Conduct. The code is updated periodically and approved by the Board of Directors after review by the Executive Committee. It is publicly available *via* the Bank's institutional investor portal (*https://www.societegenerale.com/sites/default/files/documents/code-conduct/tax-code-of-conduct-of-societe-generale-group-uk.pdf*). The previous version from 2017 was updated in December 2023.

The five main principles of the Code of Conduct are as follows:

- Societe Generale has a responsible tax policy that forms part of its overall strategy;
- Societe Generale ensures compliance with the applicable tax rules in all countries where the Group operates, in accordance with international conventions and national laws;
- in its customer relationships, Societe Generale ensures that customers are informed of their tax obligations relating to transactions carried out with the Group (insofar as this information is authorised by the applicable laws and regulations). The Group complies with the reporting obligations that apply to it as bookkeeper and in any other way;
- in its relations with the tax authorities, Societe Generale is committed to strictly respecting tax procedures and ensures that it maintains responsible and transparent relations;
- Societe Generale prohibits tax evasion and the abuse of rights, whether in the Group or by its subsidiaries, and does not encourage or facilitate tax evasion for its customers. Societe Generale also prohibits any transaction not based on sound economic grounds and driven solely by tax considerations, whether for its own account or for its customers.

The tax strategy and its guiding principles are approved by the Board of Directors. Measures for monitoring compliance with the tax strategy and risks are presented to the Board of Directors (or a delegate Committee) at least once a year.

The Group is committed to a strict policy with regard to tax havens. No new Group entity may be established in a state or territory on the official French list of ETNCs[1] (*États et territoires non coopératifs* in French). Moreover, the Group undertakes to cease operating entities in said countries unless their activities are mainly regional in nature. Internal rules have also been in place since 2013 to monitor an expanded list of countries or territories.

The Group adheres to the Organisation for Economic Co-operation and Development's (OECD) Transfer Pricing recommendations and applies the principle of competitive neutrality in order to ensure that its intra-group transactions are made under arm's length conditions and do not result in the transfer of any indirect benefits. However, where local regulations differ from these recommendations, the former shall prevail in all relations with the relevant government and be properly documented.

The Group publishes information on its entities and activities annually on a country-by-country basis *(cf Universal Document Registration section 2.13 – page 73)* and confirms that its presence in a number of countries is for commercial purposes only, and not to benefit from special tax provisions. The Group complies with the tax transparency rules for its own account (CbCR – country-by-Country Reporting) and has included the principle of transparent tax communications in its Code of Conduct. Societe Generale complies with client tax transparency standards. The Common Reporting Standard (CRS) enables tax authorities to be systematically informed of income received abroad by their tax residents, including where the accounts are held in asset management structures. Societe Generale also complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act), which aims to combat tax evasion

(1) Including the European black list

involving foreign accounts or entities held by US taxpayers. The Group has implemented the European Directive DAC6, which requires the reporting of cross-border tax planning arrangements. Last, the Group is studying the new tax transparency standards on digital assets ahead of their upcoming implementation, in particular the CARF (Crypto-Asset Reporting Framework), changes to the CRS standard, and the new European Directive in this regard, known as DAC8 (Directive on Administrative Cooperation 8).

Importantly, the account-keeping entities of the Private Banking business line are established exclusively in countries with the strictest tax transparency rules imposed by G20 member countries and the OECD. Assets deposited in Private Banking books are subject to enhanced scrutiny using comprehensive due diligence procedures to ensure they are tax compliant.

In accordance with regulatory requirements, Societe Generale also includes tax fraud in its anti-money laundering procedures.

ANTI-CORRUPTION MEASURES

Societe Generale is fully committed to fighting corruption, in particular by participating in the Wolfsberg Group and the Global Compact.

The Group applies the strict principles included in its Code of Conduct and its "Anti-Corruption and Influence Peddling Code". It promotes a culture of compliance with zero tolerance for corruption.

The body of standards governing the fight against corruption is reviewed annually and covers:

- Know Your Third Party requirements (due diligence of customers, suppliers and partners alike, especially beneficiaries of patronage and sponsorship initiatives);
- human resources (recruitment, mobility, professional assessment, remuneration, disciplinary framework);
- gifts, business meals and external events;
- identification and training of employees most exposed to corruption risks;
- interest representation activities;
- contractual policy;
- mergers and acquisitions;
- right to whistleblow;
- conflict of interest situations, documented in dedicated records within each Group entity.

The anti-corruption system implemented is a solid solution that includes:

- preventative measures:
  - corruption risk mapping,
  - policies and procedures,
  - regular training at all levels (senior management, most exposed persons, all employees),
  - awareness-raising and communication to governance bodies;
- detection measures:
  - a whistleblowing system updated in 2023 following the Waserman Law; see Chapter 5.5, "Duty of Care Plan",
  - periodic and permanent monitoring of specific anti-corruption accounting and operational controls,
  - internal audits;
- reporting and steering *via* a specific governance and key indicators.

The Societe Generale Group also has several tools at its disposal, such as the tool for declaring gifts and invitations (GEMS), the tool for whistleblowing management (WhistleB), the annual conflict of interest declaration tool (DACI), and the tool for selecting risky manual accounting entries (OSERIS).

SUSTAINABILITY RISK

European financial regulations have seen significant changes from a social and environmental perspective, in particular with:

- the entry into force in March 2021 of Regulation (EU) 2019/2088 – SFDR on Sustainability-related disclosures in the financial services sector;
- the Taxonomy Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment; and
- the entry into force in January 2022 of the Delegated Regulation of 4 June 2021 supplementing the Taxonomy Regulation.

The Compliance Department is developing the normative framework relative to the European Union regulations on sustainable investment and producing deliverables pertaining to normative documentation, training, controls and supervision to help the business lines to comply with regulations. An e-learning module on sustainable investment was made compulsory for more than 30,000 Group employees.

Over and above the regulations, the Group is making voluntary, public commitments in this area (refer to Universal Registration Documentation section 4.13.3 page 275) To manage the implementation of the environmental and social risk management system and ensure the Group's commitments are upheld, the Compliance Division introduced the following measures to:

- develop normative controls;
- deploy e-learning on environmental and social risk management. The training was made compulsory for all employees having a direct or indirect relationship with corporate customers and was distributed to more than 70,000 Group employees;
- define an environmental and social escalation procedure with respect to corporate customers to set out the criteria requiring business lines to reach out to the Compliance Division and, where applicable, the Arbitration Committee chaired by General Management, to onboard a company in situations likely to present a reputation risk arising from environmental or social factors.

Data protection

PERSONAL DATA PROTECTION

Societe Generale is especially sensitive to personal data protection. The governance of personal data processing within the Societe Generale Group was strengthened when the General Data Protection Regulation (GDPR) came into force.

A governance and normative framework have been defined for the data protection system which applies to entities within the scope of the GDPR.

The supervision of personal data protection risk is taken into account notably through impact analyses carried out pursuant to regulations when the data processing is likely to generate a high risk for the rights and freedoms of the people concerned. In general, Societe Generale analyses the compliance of its personal data processing and takes risk mitigating measures aligned with their sensitivity.

When Societe Generale communicates personal data to its partners, it applies the necessary governance to meet regulatory requirements and its customers' legitimate expectations with contractual obligations requiring said partners to implement the necessary personal data protection measures.

Moreover, before transferring the personal data outside of the European Economic Area, Societe Generale Group entities subject to the GDPR conduct an impact analysis considering the laws and practices of the destination countries to assess whether the level of personal data protection in the country of destination is essentially equivalent to that of the EU, and whether additional measures (especially safety and organisational measures) should be implemented prior to the transfer.

When using legitimate interest as legal grounds for the transfer of data, Societe Generale performs an analysis to check that the interests sought do not create an imbalance that adversely affects the rights and interests of the persons whose data are being processed.

Information systems for people (such as customers, employees - including external ones, shareholders, supplier employees), in compliance with the RGPD, are made available and cover the type of data collected, the data collected, the purpose of the data processing, the categories of recipients of the data, the existence of data transfer (where applicable), the data retention period and the rights of the persons concerned, as well as how those rights can be exercised.

Moreover, the Group has made dedicated efforts to increase staff awareness *via* specialised training. The e-learning module was rolled out to all employees working in the relevant entities and completed by 98% of them at the end of 2023.

In accordance with the applicable regulations, the Societe Generale Group has appointed a Data Protection Officer (DPO) who reports to the Head of Group Compliance (the latter is a member of the Group's Executive Committee). The DPO is the main contact person for the Personal Data Protection Authority (*Commission Nationale de l'Informatique et des Libertés* – CNIL). The DPO is also responsible for ensuring sound Group compliance for personal data protection.

The DPO works with a network of local DPOs and correspondents throughout the Group entities, which he or she supervises and coordinates by way of a dedicated Committee. The DPO is tasked with performing regular reviews of certain risk indicators, notably the number and nature of personal data leaks, and the internal training course completion rate.

The risk indicators are reported to the Group's Compliance Committees for personal data protection. The information gathered from the permanent controls, compliance controls and periodic controls (control framework based on the three lines of defence) are also monitored by the appropriate Compliance Committees.

A risk assessment exercise is carried out periodically by the Compliance Department. This risk assessment exercise includes a dedicated questionnaire on personal data protection, which aims to assess an activity's inherent risk level and the strength of its risk mitigation system from a personal data protection perspective.

Data purge, performed in accordance with personal data protection regulations, forms part of Data Records Management and the process of storing evidence of the Group's activity (see paragraph below).

DATA RECORDS MANAGEMENT

Societe Generale Group is required to archive information that could provide evidence of its activities, in accordance with the laws and regulations applicable in its countries of operation.

Data Records Management (DRM) is defined as all actions, tools and methods aimed at identifying, storing, retrieving and managing the final disposition of all information providing evidence of its activities. It ensures the traceability of the Group's activities by preserving records held in compliance with the legal, regulatory, contractual and business rules applicable to the relevant activities, and by destroying them at the end of their retention period (purge), except in specific, duly justified cases (*e.g.*, under pre-litigation or litigation retention procedures).

Three DRM principles must be observed and implemented in a proportionate manner for all archived records: integrity, traceability and access.

DRM governance is covered by a specific Group-wide policy published in the SG Code.

Other regulatory risks

MANAGEMENT OF REPUTATION RISK

Management of reputation risk is coordinated by the Compliance Department, which:

- supports the Compliance Control Officers of the businesses in their strategy for preventing, identifying, assessing and controlling reputation risk;
- develops a reputation risk dashboard that is communicated quarterly to the Risk Committee of the Board of Directors, based on information from the businesses/Business Units and support functions/Service Units (in particular the Human Resources, Communications, Legal, Corporate Social Responsibility, etc.);
- performs the Secretariat role for the Customer Acceptance Committee (CAC) whose role is to approve the onboarding or continuing relationship with certain customers which are subject to an arbitration request between the businesses and control functions;
- is a permanent member of the Complex Transactions and Reputation Risk Committee (CTRC), tasked with reviewing and approving the legal, regulatory, tax, compliance and/or reputation risk that may arise from the involvement of a Group entity or Group employees in a complex transaction or from a product, transaction, service or activity with a customer or counterparty.

Moreover, Chief Compliance Officers dedicated to Business Units take part in the various bodies (New Product Committees or NPC, *ad hoc* Committees, etc.) organised to approve new types of transactions, products, projects or customers, and formulate a written opinion as to their assessment of the level of risk of the planned initiative, and notably the reputation risk.

CORPORATE COMPLIANCE

In addition to its second-line-of-defence function with regard to the aforementioned areas, the Compliance Department has continued to strengthen the supervision of the Group's regulatory system in coordination with the Risk, Finance, Legal and Human Resources Departments. This oversight relies on the Corporate Compliance Framework, which aims to ensure the Group's compliance with all regulations, including those implemented by other departments, namely control functions or independent expert functions.

To this end, a document setting out the Compliance function's roles and responsibilities with respect to implementing its remit is formalised and approved by the stakeholders.

In this regard, the Group concentrated on three priority themes in 2023: prudential compliance, competition law compliance, and remuneration. It will pursue its efforts in 2024 across other themes.

COMPLIANCE INCIDENTS

In accordance with regulatory requirements, the Societe Generale Group has a system to centrally manage compliance incidents which is governed by a regularly updated body of standards.

The procedure for reporting incidents is governed by an *ad hoc* governance, together with Compliance Incident Committees (CIC). These are held monthly with an intermediate level for the business lines and a consolidated level for the Group, which addresses the most significant incidents. These bodies promote information sharing between members regarding any malfunctions that may occur, and the methods used to resolve them.

The presentation of these incidents in the CICs for the purposes of compliance risk supervision and steering is routinely accompanied by long-term remedial action plans to prevent future incidents from recurring. Once all the remedial action plans have been finalised, a compliance incident may be closed upon formal approval by the CIC.

Major compliance incidents within the Group are reported on a quarterly basis:

- to the executive arm of the Group Compliance Committee;
- to the supervisory arm of the Risk Committee of the Board of Directors in a Group Compliance dashboard;
- to the French Prudential and Resolution Supervisory Authority (ACPR).

STATUS OF THE COMPLIANCE REMEDIATION PLAN IN THE WAKE OF AGREEMENTS SIGNED WITH FRENCH AND US AUTHORITIES

In June 2018, Societe Generale entered into agreements with the US Department of Justice (DOJ) and the US Commodity Futures Trading Commission (CFTC) to resolve their investigations into IBOR submissions, and with the DOJ and the French Financial Prosecutions Department (*Parquet National Financier* – PNF) to resolve their investigations into certain transactions involving Libyan counterparties.

In November 2018, Societe Generale entered into agreements with the US authorities to resolve their investigations into certain US dollar transactions involving countries, persons or entities subject to US economic sanctions.

As part of these agreements, the Bank committed to enhance its compliance system in order to prevent and detect any violation of anti-corruption and bribery, market manipulation and US economic sanction regulations, and any violation of New York state laws. The Bank also committed to enhance corporate oversight of its economic sanction's compliance programme. Against this background, the Bank defined and rolled out a programme to implement all these commitments and strengthen its compliance system in the relevant areas.

On 30 November and 2 December 2021, after three years of remediation, the US Federal Court terminated legal proceedings by the DOJ, which confirmed that Societe Generale had complied with obligations relating to the deferred prosecution agreements (DPA) of June and November 2018. In December 2020, the PNF resolved proceedings against Societe Generale and acknowledged that Societe Generale had fulfilled its obligations with respect to the public interest judicial convention.

In terms of compliance with the OFAC sanctions regime, closing the legal proceedings did not terminate the Orders signed in 2018 with the Federal Reserve Bank and the NY DFS. In this respect, the Bank continues to be regularly reviewed by an independent consultant responsible for assessing the strength of its compliance programme in terms of sanctions and embargoes.

STATUS OF THE US COMPLIANCE REMEDIATION PLAN

On 19 November 2018, Societe Generale Group and its New York branch (SGNY) entered into an agreement (enforcement action) with the NY State Department of Financial Services regarding the SGNY anti-money laundering compliance programme. This agreement requires the Group to (i) submit an enhanced anti-money laundering programme, (ii) submit an anti-money laundering governance plan, and (iii) perform an external audit in 2020.

By way of background, on 14 December 2017, Societe Generale and SGNY on the one hand, and the Board of Governors of the Federal Reserve on the other hand, agreed to a Cease-and-Desist order (the "Order") regarding the SGNY compliance programme to adhere to the Bank Secrecy Act ("BSA") and its anti-money laundering ("AML") obligations (the "Anti-Money Laundering Compliance Program"), and regarding some aspects of its know your client (KYC) programme.

This Cease-and-Desist Order signed on 14 December 2017 with the US Federal Reserve supersedes the Written Agreement entered into in 2009 between Societe Generale Group and SGNY on the one hand, and the US Federal Reserve and the New York State Financial Services Department on the other.

On 17 December 2019, Societe Generale SA and SGNY signed an agreement with the Federal Reserve Bank of New York (FRB) regarding its compliance risk management. The agreement included the submission and approval by the FRB, followed by the implementation, of (i) an action plan to strengthen supervision by the US Risk Committee of the compliance risk management programme, (ii) an action plan to improve the compliance risk management programme in the US, and (iii) changes to the internal audit programme concerning compliance risk management audits in the US.

At the end of 2023, Societe Generale had made considerable progress in the delivery of the remedial actions.

13.2 LITIGATION

The information pertaining to risks and litigation is included in Note 9 to the consolidated financial statements, page 616 of Universal registration document 2024 .

14

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

IN BRIEF

Environmental, social and governance (ESG) risks correspond to the risk of negative impacts stemming from current or prospective ESG factors relating to the Group's financing, investment or service activities.

14.1 INTRODUCTION

14.1.1 Definition

Environmental, Social, and Governance (ESG) Risk can be defined as the negative materialisation of current or prospective ESG factors through SG counterparties or invested assets. ESG factors may negatively impact SG' financial performance by materialising through risk types, such as credit risk, which are primarily affected by an institution's exposure to its counterparties and invested assets.

The Group's risk management framework is continuously reviewed and updated to take these new challenges into account.

ESG risks are seen as aggravating factors to the traditional categories of risks (credit risk, counterparty risk, market risk, non-financial risks, structural risk, business and strategy risks, as well as other types of risk and other risk factors). They could have an impact on the Group's activities, results and financial situation in the short, medium, and long term. These risk categories are closely interconnected and must be addressed as a whole.

The individual components of ESG risks can be defined as follows:

- **environmental risks** correspond to the risk of materialisation of environmental factors that may adversely affect the financial performance or solvency of a sovereign or individual entity. Environmental factors are those related to the quality and proper functioning of the natural environment and natural systems. They include factors such as climate change, biodiversity, energy consumption and waste management. Environmental risks could have an adverse financial impact through a range of risk drivers, classed as follows:
  - **physical risk**, which refers to the current or potential financial impact of physical environmental factors on the Group, its counterparties or its invested assets,
  - **transition risk**, which refers to current or potential impact of the transition to a more environmentally sustainable economic model on the Group, its financial position, counterparties or invested assets;
- **social risks** correspond to the risk of materialisation of social factors that may adversely affect the financial performance or solvency of a sovereign or individual entity. Social factors are those related to the rights, well-being and interests of people and communities. They include factors such as (in)equality, health, inclusiveness, labour relations, workplace health & safety and well-being, human capital and communities;
- **governance risks** correspond to the risk of materialisation of governance factors that may adversely affect the financial performance or solvency of a sovereign or individual entity. Governance factors are those related to governance practices (executive leadership, executive pay, audits, internal control, fiscal policy, Board of Director independence, shareholder rights, integrity, etc.) and to how companies and entities take environmental and social factors into account in their policies and procedures.

The Group analyses the potential adverse impact of ESG risk factors on its counterparties or invested assets as part of a **double materiality assessment:**

- **environmental and social materiality**, which could stem from the impact of the Group's economic and financial activities on the environment and on human rights; and
- **financial materiality**, which could stem from the impact of ESG factors on the Group's economic and financial activities across the entire value chain (upstream and downstream) and affecting the value (profitability) of these activities.

The Group added ESG risk factors to its risk taxonomy in 2021, based on the "EBA Report on management and supervision of ESG risks for credit institutions and investment firms" (2021) and the "ECB Guide on climate-related and environmental risks" (2020). Their description was revised in 2022 to include physical and transition risks as environmental risk factors and to incorporate the concept of double materiality. In 2023, the definition of double materiality was revised to highlight how the concept applies to assessing financial materiality.

Article 449 bis of CRR2, requires the publication of information on environmental, social, and governmental risks (ESG risks). This requirement has been implemented by implementing regulation 2022/2453 of November 30th 2022. References to the qualitative elements relating to the Pillar 3 requirements published in the 2024 Universal Registration Document [1] (URD) are specified in the text and included in the Pillar Concordance Table in section 14.9 of the present document.

14.2 ANALYTICAL APPROACH TO EXTRA-FINANCIAL RISK FACTORS

As part of its internal risk management framework, Societe Generale drew up a risk typology presented in section 4.1 of URD. It lists the main risk factors that could have a material impact on its business, profitability, solvency or access to financing, and as a result, which could in turn impact the risks in the framework.

To address impacts on the environment, human rights and fundamental freedoms, the risk mapping is supplemented by a risk assessment exercise undertaken under the *Duty of Care plan* (see section 5.6 of URD) comprising three interlinked assessments of the impact on the Group's activities, employees and suppliers.

(1) https://www.societegenerale.com/sites/default/files/documents/2024-03/universal-registration-document-2024.pdf

In addition to the materiality matrix (see section 5.1.4.2, *Dialogue with stakeholders* of URD), which provides clarification on stakeholder expectations to inform the Group's strategic analysis, the Group has conducted a specific assessment to identify extra-financial risks. Based on the results of this assessment, it has ranked its main extra-financial risk factors according to two criteria: their potential severity and how likely they are to materialise. In doing so, the assessment considered intrinsic risk, *i.e.* the risk level before any steps are taken to minimise its impact. A time frame was applied to certain risk factors, in that a risk may be perceived as low today but intensify in the future. The methodology and findings of this assessment were submitted to the independent third-party auditor when the assessment was conducted and remain valid for the purposes of this document.

The following intrinsic extra-financial risk factors were identified as being the most significant for the Group:

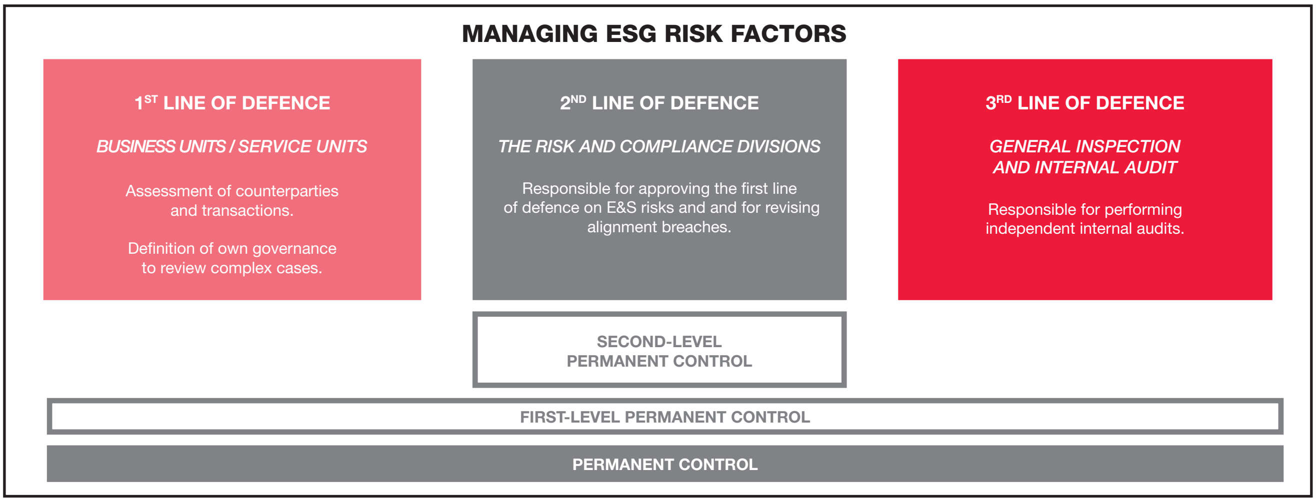
- cyber risks and IT failures (see section 4.1.5.1 *Cyber risk* of URD; and section 4.1.5.3 *IT breakdown* of URD);
- non-compliance and fraud risks (see section 4.1.5.2 *Non compliance risk*of URD and section 4.1.5.4 *Fraud risk* of URD);
- ESG risks (see section 4.1.1.5 *ESG risks* of URD);
- non-compliance with regulations or health and safety standards (see Chapter 5, *Being a responsible employer / Risk related to working conditions* of URD);

A number of moderate extra-financial risk factors were also identified:

- E&S (environmental and social) issues that may affect the Group's credit risk, especially climate-related issues, *i.e.* transition risks and physical risks. These risks could escalate over time and subsequently join the list of more significant risk factors (see Chapter 4.13.6 *Incorporating the environment in the risk management framework* of URD);
- inappropriate employee conduct, *e.g.*, non-compliance with the Group's Code of Conduct and Guidelines (see Chapter 5, *Being a responsible employer / Risks relating to non-compliance with labour regulations and the Group's own labour rules* of URD);
- and more specifically in relation to Human Resources management, the risk of a lack of qualified staff (see Chapter 5, *Being a responsible employer / Risks relating to a lack of qualified staff* of URD).

Application of the principles of separation of responsibilities in the lines of defence

Governance of ESG risks was stepped up in 2019 with the inclusion of actual or potential E&S risks and ESG risk factors in the Group's normative documentation (see Chapter 3 *Corporate governance* of URD, Chapter 5, *Incorporating CSR at the highest level of governance* of URD).



How ESG risk factors are managed is reviewed at all three lines of defence – LoD1, LoD2 and LoD3 – and the relevant expert functions.

Business Units (BUs) and Service Units (SUs) integrate ESG factors in all strategic decisions, management tools and operating processes used in their activities as part of their CSR strategy and to manage ESG risks. The BUs/SUs are tasked with:

- identifying and assessing the ESG risk factors stemming from their activities;
- complying with the commitments approved at Group level.

The 2nd line of defence (LoD2) against ESG risk factors calls on expert functions and is led by the Risk Division and the Group Compliance Division.

The Risk Division is responsible for oversight and cross-business monitoring of ESG risk factors:

- it defines and implements cross-cutting systems for managing ESG risk factors to analyse financial materiality (risk, materiality, stress test, assessment, reporting and more) and supervises application by the 1st line of defence (LoD1);
- to analyse environmental, social and governance materiality, it issues the LoD2 opinion on the system for assessing and monitoring these risks and checks implemented by LoD1.

The ESG by Design programme, under the auspices of the Risk Division and co-sponsored by the Sustainable Development Department, aims to provide leadership and support for Business Units (BUs), Service Units (SUs) in rolling out the ESG strategy in all Group activities and processes, and to manage environment – especially climate – and social risks. The programme covers setting up action plans and coordinating reviews of operating processes in BUs, SUs and entities.

Group Compliance is the 2nd line of defence in charge of the risks of non-compliance with the Group's voluntary commitments and reputation risk factors (this is the risk that arises from a negative perception that could adversely impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing). To do this, it ensures compliance with sustainable investment regulations and the Group's voluntary commitments in relation to environmental and social issues connected with Sourcing and Activities (sector policies), as mentioned in the Group-wide Risk Taxonomy.

The two LoD2 actors contribute to regulatory intelligence on ESG issues in their respective areas.

Group General Inspection and Audit comprises the 3rd line of defence (LoD3).

The Sustainable Development Department is responsible for:

- providing the expertise to promote continuous improvement in the Group's permanent control framework, specifically in relation to ESG risk;
- providing ESG inputs for Group normative documentation;
- proposing a model for measuring the environmental and social impact of the Group's activities, strategic objectives and strategic adaptation plans to General Management. As the 2nd line of defence, the Risk Division and Group Compliance Division review the model and issue an opinion on it.

The Sustainable Development Department also gives an opinion on compliance with the Group's sector policies or other commitments on clients or transactions, and, where relevant, provides the clarifications requested by LoD2.

The Finance Division produces the financial and extra-financial ESG indicators. It also contributes to Sustainability regulatory intelligence. More specifically, it is responsible for regulatory intelligence on accounting in banks: it identifies potential changes in the accounting function to incorporate ESG (such as accounting for the Bank's carbon footprint) and build the ESG dimension into its other processes: Societe Generale Group's budget and financial trajectory; allocation and management of scarce resources (RWA and liquidity), exposure to sensitive industries, commercial incentives and investor relations, as well as the production of internal management indicators, including the aggregation of proprietary indicators, in addition to the regulatory and voluntary indicators already covered.

A department in the Finance Division responsible for reporting and metrics produces ESG metrics and indicators.

The department in charge of the permanent control framework and coordinating internal control is tasked with updating the APRC (Activities, Processes, Risks and Controls) reference framework as needed to take account of ESG risk factors.

Committees

ESG risk management is handled by a number of Board, Executive, Service Units and function Committees. The specialised Committees responsible for central oversight of internal control and risk management, chaired by General Management, are presented in section 4.2.3 *Risk management organisation* of URD.

At Board level, presentations on management of ESG risk factors are made on the request of a member of the Board's committees when reports are being presented by Business Units (BUs) / Service Units (SUs) (some of which may include an assessment of the environmental and social consequences), or a review of indicators in the context of the risk appetite defined for the Group.

The Board of Directors sets the guidelines for the Group's activities, ensures they are implemented by General Management and reviews them at least once a year; these guidelines incorporate the main thrusts of its policy on corporate social responsibility. This proposition is first reviewed by the Risk Committee for risk aspects, the Audit and Internal Control Committee for the review of financial and extra-financial communications, the Compensation Committee for aspects pertaining to the compensation of corporate officers and the Nomination and Corporate Governance Committee for governance questions (including internal Group governance). For more information see Chapter 3, *Board of directors and CSR* of URD.

The Board of Directors' **Risk Committee** is tasked with examining:

- risks related to implementation of its CSR commitments by the Group;
- the impact of ESG risk factors on the Bank's financial materiality, management of ESG risk factors and their impact on prudential risks, and Societe Generale's compliance risks, especially via the materiality exercise. ESG financial materiality issues are submitted to the Risk Division based on the indicators produced by Finance. The Risk Committee monitors CSR-related risks on a quarterly basis and also reviews the results of all climate stress tests.

The Audit and Internal Control Committee reviews all financial and extra-financial communication documentation relating to CSR, *i.e.*, Duty of care, Declaration of Extra-Financial Performance) before they are submitted to the Board of Directors for approval.

The Compensation Committee submits to the Board of Directors the selected CSR criteria for the remuneration of corporate officers.

The Nomination and Corporate Governance Committee prepares discussion material to enable the Board of Directors to deal optimally with CSR issues. Using the Directors' skills matrix it examines the Board's skills requirements each year in terms of expertise and the various CSR-related topics. It draws the necessary conclusions on the recruitment processes in place and the training on offer.

In addition to helping to define strategy, the **non-voting Director** assists all the Board's Committees when they discuss CSR-related issues. The Board of Directors ruled to apply the principle of extending the non-voting Director's remit to all CSR issues.

At executive level, managing ESG risk factors is included in the following Committees' terms of reference:

- Responsible Commitments Committee (CORESP):

  established in 2019 and chaired by the Deputy Chief Executive Officer, it met eight times in 2023. Meeting agendas addressed aligning the corporate credit portfolio with trajectories compatible with achieving carbon neutrality in 2050, as part of the Group's membership of the UNEP-FI Net Zero Banking Alliance (NZBA) since 2021. The Group set new alignment targets in 2023 for a number of sectors: Cement, Oil & Gas, Automotive, Steel, Commercial Real estate, Aluminium and Shipping (for more information, see Chapter 5, *Aligning origination policies and credit portfolios in various sectors* of URD). As is its practice every year, the CORESP kept abreast of progress with the Group's work on impacts, dependencies, and nature-based risks and opportunities and approved the next steps.

- Group Risk Committee (CORISQ):

  the CORISQ regularly reviews of extra-financial risks, such as IT systems failure (including cyber crime risk), and unethical business practices, including corruption, tax evasion and money laundering. It tracks the ESG risk indicators monitored as part of the Bank's risk appetite on a quarterly basis. The CORISQ has also extended its analysis of credit portfolios' exposure to credit risk to include environmental factors, with environmental risks mentioned in the credit granting forms reviewed where necessary. Certain regulatory aspects were presented to the CORISQ. Moreover, climate risks regularly appear on the agenda for its meetings with the Board throughout the year (at least quarterly). Regular reporting to the Board's Risk Committee is in place for all such matters. The Risk Committee's Activity Report for the year can be found in Chapter 3.1.2 *Activity Report of the Risk Committee for 2023* in URD.

  The CORISQ Reports to both General Management and the Board of Directors.

In the Service Units and functions, ESG risks can be addressed on request during one of the Committee meetings within their scopes. The Expert Committee is chaired by the Risk Division and approves ESG standards.

Expert Committees were established by both the 2nd lines of defence:

- The **RISQ ESG Guidelines Expert Committee** is chaired by the Risk Division. Its purpose is to approve the internal ESG standards developed based on the policies and regulations that concern the scope of the Risk 2nd line of defence. It interprets the regulations and policies (especially as regards portfolio alignment metrics and Pillar 3 rules);
- The **CPLE ESG Guidelines Expert Committee** is chaired by the Group Compliance Division. Its purpose is to review and approve normative choices for the internal application of E&S sector policies, taking account of the E&S General Principles and the Group's three cross-cutting position statements;
- In addition, the **Credit Risk Committee (CRC)**, a Cross-Business Committee chaired by the Risk Division that deals with the entire credit scope within the Group, has been delegated responsibility by General Management to review some of the scopes assigned to the Group CORISQ in the past, such as the sector limits for some industries. ESG aspects are addressed as needed.

Remuneration policy

Rmuneration aspects, and in particular elements regarding the non-financial part of the remuneration, are presented in section 3.1.6 Remuneration of Group senior management of URD.

14.3 MANAGING E&S RISKS

Managing E&S risks is an integral part of the processes governing how the Group conducts business. Societe Generale identifies negative impacts as part of the risk identification process for the Duty of Care Plan and the identification of reputational risk arising from ESG risk factors. It has a preventive policy in place to prevent risks occurring or to mitigate them.

14.3.1 Environmental and Social (E&S) General Principles and sector policies

The E&S General Principles apply to all financial and banking transactions and services provided by Societe Generale entities. They set out the framework applicable to the Group's activities, addressing the potential ESG impact of the associated product and service offerings.

The E&S General Principles and annexes are available on the Group's corporate website (*https://www.societegenerale.com/sites/default/files/documents/CSR/environmental-social-general-principles.pdf*). The document comprises **three statements on major cross-sector issues**:

- human rights;
- climate; and
- biodiversity.

These statements set out the main reference standards on these issues and include an undertaking from Societe Generale to comply with those standards and encourage its clients to do likewise. They also detail the various initiatives the Group has joined with a view to making these issues a more central component of its economic activities.

The sector policies, referred to as E&S policies, define the standards that the Group intends to implement in potentially sensitive sectors from an E&S or ethics perspective, based on its mapping of actual or potential E&S risks. The E&S policies are publicly available on the Group's corporate website (*https://www.societegenerale.com/en/responsability/ethics-and-governance*). They cover industrial agriculture and forestry, mines, dams and hydroelectric power, oil and gas, thermal power stations, thermal coal, defence and security, shipping, civil nuclear power, and as of 2023, tobacco. The E&S General Principles and policies are updated in line with regulatory, scientific or societal developments, observed best practices and the Group's strategy.

The E&S policies all follow the same structure: they identify the actual or potential E&S risk factors, list the reference standards applicable to the sector or field in question, specify the scope of the activities covered (sub-sectors, financial and banking products and services) and may also define criteria in respect of each sector or field for:

- the Group's corporate clients (excluding financial institutions and sovereigns);
- dedicated transactions: products and services with a known underlying (for example, asset or project finance);
- investment activities; or
- specific products or services, such as agricultural commodity derivatives.

The policies may include different types of criteria for each of the above-listed categories:

- **E&S exclusion criteria** are designed to exclude from the Group's activities certain types of corporate client, issuer, dedicated transactions, banking or financial products or services associated with underlying practices or activities with the potential to cause damage to the environment and/or violate human rights, and where improvement within a reasonable timeframe is not possible;
- **E&S priority assessment criteria** serve to identify priority risk factors requiring a targeted and systematic response as part of the assessment process. Clients that do not satisfy the assessment criteria are granted a reasonable timeframe in which to improve their practices (steps required may include a formal action plan or the signature of contractual undertakings). For specific transactions and projects, satisfying these criteria must be a prerequisite for moving beyond the development phase. When providing dedicated advisory services ahead of project development, the Group must assess the client's commitment to developing a project that will satisfy these criteria;
- **other E&S assessment criteria** are designed to identify other risk factors inherent to the sector in question that also need to be considered as part of an extra-financial assessment, and to set out the associated best practices the Group wishes to promote.

The Oil & Gas sector policy was updated in 2023 to reflect the Group's new commitments. As of 1 January 2024, the Group will no longer provide financial products and services to any private company that earns practically all its income from upstream oil and gas activities. It will withdraw its entire dedicated services offering from new oil and gas field projects for which the final investment decision was received after 31 December 2021.

The Group has also adopted a new tobacco sector policy:

- it will stop providing new banking and financial products and services to tobacco producers that generate more than 25% of their income streams from tobacco products; and
- the Group's entities that manage assets (directly or on behalf of third parties) and the Group's insurance entities exclude tobacco companies from their investment universe in accordance with their investment policies.

14.3.2 Operational implementation procedures

Actual or potential ESG risk management procedures have been in place within the Group for several years for the day-to-day conduct of business. The idea behind the implementation process is to integrate E&S risk management into existing risk management processes, such as transactional, onboarding and periodic client review processes. In this way in 2023, ESG concerns continued to be phased in to BU and SU credit and reputation risk management policies and processes. The framework for managing E&S risks extends over several levels: corporate clients, dedicated transactions, products and services, and securities issuers, in three main stages:

- **E&S risk identification:** this step entails identifying whether the counterparty's activities or the transaction with that counterparty could represent an actual or potential E&S risk. This is done primarily by checking whether the counterparty or its underlying activities are on the E&S exclusion list or the E&S identification list, whether they are the subject of any E&S-related controversy and whether they are covered by one or more sector policies. This process is designed to confirm compliance with the criteria from the sector policies. In addition to these checks, governance due diligence is conducted as part of KYC (Know your customer) procedures and measures to counter corruption, financing of terrorism, tax evasion and money laundering.

  An E&S identification list is updated by in-house experts on a regular basis and sent to all businesses concerned. This internal list details any projects, company, activity sectors or countries that are the object of severe controversy or public campaigns on the part of civil society for E&S reasons, irrespective of whether they are financed by Societe Generale. The purpose of this internal list is to alert the operational teams to potential concerns ahead of the client and transaction review process, so that they can be prepared to carry out a more in-depth E&S assessment of any transactions and clients concerned.

  In addition to the E&S identification list, there is also an exclusion list that includes companies excluded under certain E&S policies, which is likewise regularly updated and sent out to the operational teams at least once a year. Societe Generale has pledged that it will not knowingly supply banking or financial services to such companies, their parent companies or their subsidiaries. New tools to beef up this risk identification process are being developed and will be added over time to verify exclusion lists, check the sector policies that apply and help identify new negatives;
- **E&S assessment (of counterparties or transactions identified as presenting actual or potential E&S risks):** when actual or potential E&S risks are identified, the business line assesses compliance with the criteria from the applicable E&S policy (IES) and the Group's other ESG commitments, and weighs up the severity of any E&S controversies. This assessment may include a prospective analysis of these criteria. A policy setting out Group-wide guidelines for assessing adverse E&S information is applicable since June 2022. Based on the conclusions of the assessment, an E&S opinion is then issued. The opinion may be positive, conditional (subject to contractual conditions, action plans, restrictions) or negative. The time horizon of the assessment depends on the financial transactions in view with the party (short-term: 0–2 years, medium-term: 3–5 years or long-term: > 5 years);
- **E&S actions:** E&S mitigation actions, which are subject to regular monitoring, may be recommended to mitigate the risks identified. E&S assessments and actions are reviewed by the 2^{nd} line of defence, either the Risk or Compliance Division, depending on the process (a separate procedure gives guidelines for escalation to Compliance). and may, where necessary, be mediated by General Management in the Client Acceptance Committee or the Complex Transactions and Reputational Risks Committee.

The Business Units are also phasing monitoring and controls into their processes for managing actual or potential E&S risks.

In addition to identifying, assessing and defining actions to mitigate potential negative impacts, these processes also serve to identify counterparties and transactions for positive impact financing regarding sustainable development. This two-prong approach underpins Societe Generale's Sustainable and Positive Impact Finance (SPIF/SPI; see Chapter 5, *A Bank that supports its clients* of URD).

To ensure a smooth and systematic roll-out of this framework for managing actual or potential E&S risks across the Group, a new compulsory online training module was rolled out in 2021 for all BUs and SUs covered by the framework. It is available in 11 languages, ensuring that the same content is consistently available to everyone in the Group wherever it operates.

14.3.3 Operational implementation in the Group's Business Units

The procedures for assessing client and transaction ESG risks were revamped in 2022 and 2023 in the ESG by Design programme (for more information, see section 2.4.4, *ESG by Design* of URD).

Under the auspices of the Risk Division and co-sponsored with the Sustainable Development Department, this transformational programme sets out to assist the Group's BUs and SUs to manage risks originating from ESG by establishing action plans to review, optimise and update existing processes.

In 2023, the programme involved clarifying LoD1 roles and responsibilities for Global Banking ESG reviews. The standardised procedures associated with this process were updated and roll-out in the BUs and SUs commenced.

Group entities are responsible for managing and controlling ESG risk factors in their respective scopes. They adapt the Group framework to their activities and transpose it in their own processes. Each entity's management team ensures the operational roll-out and implementation of these obligations within its scope, including the allocation of resources and expertise required.

In terms of process governance, Group entities:

- develop and implement procedures to mitigate the consequences of ESG risk factors. These procedures are tailored to the context, their activities and to specific local characteristics, according to the Group's principles and guidelines presented in the section on risk factors;
- incorporate management of ESG risk factors into existing processes (especially for credit decisions, client onboarding, etc.) and take them into account in resource allocations (IT, human resources, appraisals, etc.);
- appoint one or more ESG risk factor coordinators within their organisation;
- arrange employee training on ESG procedures to implement the ESG risk factor management system described in the Group's normative documentation;
- implement Level 1 controls on ESG risk factor management as part of the processes for which they are responsible;
- propose responses to the Sustainable Development Department and take part in meetings with stakeholders, including civil society;
- monitor, steer and report regularly on the key indicators for implementing the ESG risk management system defined by the Risk and Compliance Division and the Sustainable Development Department. These indicators may be specified in the entity's ESG procedures;
- ensure portfolios are aligned (decarbonisation of client financing portfolios) as defined at Group level;
- integrate management of ESG risk factors into LoD1's current processes. More specifically, the procedures for client onboarding and updating KYC, as well as transaction processing procedures (credit decisions), need to be updated to take account of aggravating ESG risk factors. Entities are responsible for implementing these changes in accordance with the Group's corpus of normative documentation;
- adjust their permanent control systems to cover ESG risk factors as effectively as possible;
- as relevant within the scope of their activities, roll out:
  - an ESG risk factor expertise hub to support the teams on the ground, and specify the breakdown of roles and responsibilities between the front office and the expert hub in the ESG assessment process,
  - a PCRU-SSC responsible for relations with the Group client, and therefore also for its ESG assessment,
  - the BU's/SU's own governance bodies (local or BU), with inputs from Compliance, Risk and Communication, or existing bodies (such as a client acceptance committee, and/or transactions/services committee, or new products committee). This governance is a necessary step before any escalation (approval or arbitration) to General Management;
- contribute to updating the Group's ESG standards when requested by DGLE/RSE.

In 2020, **Corporate and Investment Banking** set the objective of producing an E&S assessment of all Corporate clients across all sectors. The purpose is to gain a better understanding of their portfolios so as to be able to support clients in their transition. A team of E&S specialists is there to back up the commercial teams to perform the E&S analyses.

Another specific team of ESG specialists helps the sales teams assess and understand the E&S impacts of transactions, which reflects the Group's voluntary pledges, notably in its E&S policies and the Equator Principles.

Corporate and Investment Banking has also voluntarily implemented procedures over the past several years to manage the E&S risks associated with dedicated projects and assets not currently covered by the Equator Principles, namely in capital market transactions (equity or debt), mergers and acquisitions, and acquisition financing.

Throughout 2023, **Private Banking** continued to consolidate and centralise CSR/ESG governance for its entire scope (France, Private Banking Europe and United Kingdom). Changes in 2023 include: expanding the Ethics Committee, whose remit now covers all Private Banking pillars; establishing a Sector Policies Committee, and finalising measures to bring its investment processes into compliance with European regulations on sustainable investment (SFDR, MiFID II).

Private Banking continued to fine-tune its exclusion policies (already applied to its investment universe) to also exclude activities related to non-conventional oil and gas.

It continued its campaign to raise employee awareness of E&S risks:

- more than 90% of staff received training in ESG/CSR issues (CSR e-learning modules, Level 1);
- close to 40% attended "Climate Fresco" workshops to make them more aware of environmental and climate risks; accelerated ESG certification for its Management experts.

French Retail Banking updated and improved its main E&S assessment process for corporate clients, including the operating method for ESG assessments. Corporate clients with revenue in excess of EUR 7.5 million are assessed during the onboarding stage; companies with annual consolidated revenue of more than EUR 7.5 million that have a line of credit are assessed through annual reviews, while medium-term loans for amounts in excess of EUR 50 million are assessed at the grant stage. This scope is set to be gradually expanded between now and 2025. Retail Banking's CSR team tracks progress towards achieving CSR goals and produces metrics, including for ESG risk management.

Within **International Retail Banking,** appointment of E&S experts goes back to 2019 in the two regional divisions in sub-Saharan Africa and in both structured finance platforms in North Africa. Such appointments were made in 2023 in Polynesia in both subsidiaries (SG Polynesia and SG New Caledonia), as well as in the main subsidiaries in Eastern Europe and in Asia. These expert hubs support local sales departments and work closely with the experts at Group and Business Unit level.

The Group's normative documentation has been transposed into a procedure for the Business Unit covering subsidiaries in Africa and overseas France. The Group's subsidiaries **in Europe** (BRD, KB) have also transposed the Group's normative documentation into their own respective normative documentation, ensuring compliance with local laws. Procedures are implemented in line with Group standards. Employees in these subsidiaries were offered training on E&S policies.

2023 was a watershed year in Africa and overseas. Operational deployment continued according to the existing procedure, together with groundwork to prepare for the staged alignment of the BU's system for conducting client E&S assessments with the RACI matrix (definition of who does what in the client and transaction E&S assessment process); Group tools were incorporated in the client onboarding and client review procedures. The new Corporate Climate Vulnerability Indicator (CCVI) was introduced in July 2023.

E&S experts have been tightening up due diligence processes on projects covered by the Equator IV Principles. Through their work and with the help of other in-house or external experts, they have also been working on improving and adding to their own skills.

Within Financial Services, **Societe Generale Equipment Finance (SGEF)** intends to continuously improve and adapt the E&S risk assessment framework, which is already in place for counterparties (clients/vendors) and transactions. These changes are being implemented in the ESG by Design programme and to meet regulatory obligations.

At Ayvens, client E&S risk identification has been part of KYC processes for several years, in ALD Automotive entities. Corporate E&S experts conduct in-depth E&S assessments of priority clients. For more information, see ALD's Statement of extra-financial performance: *https://www.ayvens.com/-/media/ayvens/public/cp/files/newsroom-download-centre/pdfs-newco/sustainability/universal-registration-document/ald2022_urd_en_mel.pdf*). Extending this process to include LeasePlan commenced in 2023 with a check to verify that clients were not on the exclusion lists, and will continue in 2024.

TABLE 101: KEY INDICATORS FOR ASSESSING E&S RISK FACTORS IN THE BUSINESS UNITS

	2021	2022	2023
For the Group			
Total number of clients (Group level) that underwent an in-depth ESG review	4,743	7,800	5,254(1)
Total number of dedicated transactions that underwent an ESG assessment	1,277	894	1,398
o/w total number of dedicated signed transactions reviewed within the scope of the Equator Principles	*103*	*67*	*106*
Number of people trained in ESG risk management	41,142	38,000	45,000
Global Banking & Advisory (GLBA)			
Number of dedicated transactions covered by an ESG review (scope of the Equator Principles(2) and as part of Societe Generale's voluntary commitments)	134	83	132
Amount of new financing for dedicated transactions having undergone an ESG assessment (scope of the Equator Principles and as part of Societe Generale's voluntary commitments) (in EURbn)	7.2	8.5	10.0
Total number of clients (Group level) that underwent an ESG assessment	199	296	736
French Retail Banking			
Total number of clients (Group level) that underwent an ESG assessment	3,813	6,912	3,560(1)
International Retail Banking			
Total number of clients (Group level) that underwent an ESG assessment	728	592	958

(1) *Change in the methodology.*
(2) *For more detailed information, see the Equator Principles report (available in English only) here: https://wholesale.banking.societegenerale.com/fileadmin/user_upload/Wholesale/pdf/equator-principles/EQUATOR_PRINCIPLES_REPORT_2022.pdf).*

14.3.4 Additional E&S risk management processes related to the specific characteristics of certain Group activities

Some businesses, in light of their specific characteristics, implement their own E&S risk management processes in addition to those imposed by the Group on all activities.

Societe Generale Private Banking applies its own exclusion lists to its net investment universe to manage ESG risks – issuers subject to a particularly severe ESG controversy (MSCI red flags) as well as those with the poorest ESG ratings (see Private Banking's investment policy, which specifies the application scope of these exclusions: *https://www.societegenerale.lu/fileadmin/user_upload/SGLUX/DOCUMENTS/SGPB/SGPB_Investment_Policy_-_Sustainability_Risk_and_Adverse_Impacts.pdf* .

Following on from its responsible investor approach, Societe Generale Private Banking, through its two asset management companies, has a proxy voting policy for voting rights attached to securities held by the collective investment schemes (AIFs and UCITS) it manages. This Proxy Voting Policy is reviewed annually to consider any legal developments or changes in Corporate Governance Codes and market practices that may have occurred over the year. It is approved by the Internal Governance Committee. The policy is publicly available on the websites of the management company, SG 29 Haussmann: *https://sgpwm.societegenerale.com/fileadmin/user_upload/sgpwm/SRI_regulatory/Stewardship_Policy_SGPWM_2023.pdf* and Societe Generale Private Wealth Management: (*https://sg29haussmann.societegenerale.fr/fileadmin/user_upload/SG29H/pdf/ reglementation/Politique_d_engagement_et_de_vote_2023_SG29.pdf*).

In 2023, in accordance with the European Sustainable Finance Disclosure Regulation (SFDR), Societe Generale Private Banking updated its policies for managing Sustainability risk. The links to these documents have been included in the Statement related to Sustainability risks and adverse impacts on Sustainability factors, available here: *https://www.societegenerale.com/sites/default/files/documents/2023-07/statement-related-to-sfdr-obligations.pdf*).

In **Insurance activities**, risk factors are managed through the risk management and internal control systems. The aims of these systems are, respectively, to:

- manage risk at all times through identification and assessment, followed by the implementation of appropriate mitigating measures, where necessary;
- prevent malfunctions, ensure the suitability and effectiveness of internal processes, and guarantee the reliability, integrity and availability of financial, prudential and management information. These systems are based in particular on policies approved by the Sogécap Board of Directors which define the principles, processes and procedures implemented, as well as the governance and key metrics, for each type of risk.

More information on risk management and internal control systems can be found on pages 21 *et seq.* of the Solvency Reports on the life insurance business (in French): *https://www.assurances.societegenerale.com/uploads/tx_bisgnews/SOGECAP_RSSF_2022_01.pdf* , and for the non-life insurance activity on pages 18 *et seq.*: *https://www.assurances.societegenerale.com/uploads/tx_bisgnews/SOGESSUR_Entite_RSSF_01.pdf* .

14.4 A COMMITTED BANK REGARDING CORPORATE SOCIAL RESPONSABILITY

14.4.1 Taking action and building a sustainable future together

The elements of this chapter 14.4 are taken from section 5.1.2 of the Universal Registration Document (URD).

The Group has joined and even helped found a number of global cross-disciplinary initiatives and has been an active member of various alliances for many years now. It was a founding signatory of the Principles for Responsible Banking and, in 2021, became a founding member of the Net-Zero Banking Alliance. It plays an active role within several of the NZBA's working groups set up to establish joint standards and alignment methodologies for the banking sector.

2001
UNEP-FI
Participation in the United Nations Environment Program Finance initiative (UNEP-FI)

2007
EQUATOR PRINCIPLES
Project finance

2015
COP 21
Coal sector policy, alignment with IEA 2°C scenario

2017
POSITIVE IMPACT INITIATIVE UNEP-FI
Founding member

2018
KATOWICE COMMITMENT
Five-bank pledge to align lending portfolio with Paris Agreement

2019
PRINCIPLES FOR RESPONSIBLE BANKING, COLLECTIVE COMMITMENT ON CLIMATE ACTION
Founding signatory and core member defining the principles

POSEIDON PRINCIPLES, GETTING TO ZERO COALITION
Decarbonising the shipping industry: founding signatory

SUSTAINABLE IT CHARTER
Limiting environmental impact of technology and promoting digital inclusion

HYDROGEN COUNCIL
Supporting the development of hydrogen for energy transition

2020
PACTA FOR BANKS
Co-publication of portfolio alignment methodology report

2021
NET-ZERO BANKING ALLIANCE (UNEP-FI)
One of the founding members

SUSTAINABLE STEEL PRINCIPLES
One of the founding members

SCIENCE-BASED TARGETS NETWORK (SBTN)
Member

2022
Participation in working groups: ALUMINUM CLIMATE-ALIGNED FINANCE & AVIATION CLIMATE-ALIGNED FINANCE

ACT4NATURE
18 new biodiversity commitments

FINANCE FOR BIODIVERSITY PLEDGE
Commitments to biodiversity through investment activities

14.4.2 Principles for Responsible Banking

Officially presented at the UN General Assembly in September 2019, the Principles for Responsible Banking (PRB) aim to define the role of the banking sector in building a sustainable future. Societe Generale is a founding signatory of the PRB.

The six principles define a common framework that allows each signatory bank to make commitments aimed at increasing its positive impact or reducing its negative impact on society and the environment.

They cover:

- aligning activities with the Paris Agreement goals and the UN's Sustainable Development Goals (SDG);
- setting targets in terms of positive impacts and reduction of negative impacts;
- providing responsible support to clients;
- consulting and cooperating with stakeholders;
- developing a responsible banking culture and governance, and making targeted public commitments;
- upholding transparency and accountability.

Societe Generale's CSR Ambition aims to align the Bank with the PRB and ensure it contributes to positive change for a sustainable future.

The Group is transparent about what it is doing in this respect: it details the PRB and how it applies them in its Declaration of Extra-Financial Performance and publishes a summary report based on the PRB Reporting and Self-Assessment Template: *https://www.societegenerale.com/sites/default/files/documents/2023-03/principles-for-responsible-banking-report-and-self-assessment-2023.pdf*.

Societe Generale is one of 30 international banks that, together with two members representing the UN, form the PRB 2030 Core Group, tasked with assessing whether a stricter PRB framework is now called for. It shares what signatory banks have already achieved, demonstrating the positive impact derived from their implementation of the six principles, and has identified four focus areas: addressing climate change, nature-related issues, economic inclusion and human rights.

14.4.3 Net-Zero Banking Alliance

As a Founding Member of the UNEP-FI's Net-Zero Banking Alliance (NZBA) in April 2021 alongside 42 other international banks (a number that, at end-2023, had increased to over 130), Societe Generale has committed to:

- aligning its portfolios and activities with pathways consistent with a maximum temperature rise of 1.5 °C;
- setting itself targets to be met by 2030 (or sooner) and 2050;
- focusing as a priority on its most emissions-intensive sectors that will have a major impact in transitioning towards a low-carbon economy;
- basing its alignment targets on credible climate scenarios published by recognized bodies;
- being transparent, through annual reporting on its progress and action plans.

Societe Generale committed to setting a series of alignment targets for the 12 most emissions-intensive sectors in its financing portfolio within 36 months of joining the NZBA. This is simply the latest step in the Group's ongoing efforts to tackle global warming. Back in 2019, it announced its strategy of fully withdrawing from thermal coal. In 2020, it set its first transition targets in respect of oil and gas (based on exposure) and then energy generation (based on carbon intensity).

Societe Generale was also involved in developing methodologies for aligning banking portfolios. In 2019, faced with the absence of such methodologies, it signed the Katowice Commitment, together with four other banks, undertaking to work with the 2 ° Investing Initiative (2DII) to produce a methodology for banking portfolios. The result was the PACTA FOR BANKS methodology, published jointly in September 2020. Since joining the NZBA in April 2021, Societe Generale has continued in this vein, forming sector-based working groups to develop specific methodologies (in particular for the steel, oil & gas, real estate, aluminium and aviation sectors) and setting further alignment targets for itself based on scenarios that respect (or only slightly exceed) a maximum temperature rise of 1.5 °C. The aim is to establish science-based targets based on the most relevant scenarios for each sector (IEA, CRREM, etc.).

2023 UPDATE

Over the year, Societe Generale stepped up efforts to decarbonise and set itself new interim targets:

- for the oil & gas sector: 70% reduction in absolute greenhouse gas emissions across the entire chain (scopes 1, 2 and 3 related to the end use of oil and gas) by 2030 *vs.* 2019;
- for the automotive sector: reduction in average emissions intensity for carmakers (based on their annual sales and vehicle use life) to 90g CO_2eq./v-km by 2030 (*vs.* 184g CO_2eq./v-km in 2021), *i.e.* a 51% reduction. This goes further than the target of 106g CO_2eq./v-km by 2030 under the IEA's scenario;
- for the steel sector: target alignment score (1) of 0 by 2030, equating to full alignment of the steel portfolio with the IEA's NZE scenario;
- for the cement sector: reduction in the carbon intensity of cement production to 535kg CO_2eq./t cement produced by 2030 (*vs.* 671kg CO_2eq./t in 2022), *i.e.* a 20% reduction in emissions intensity;
- for the commercial real estate sector: reduction in carbon emissions intensity from 49kg CO_2eq./m^2 in 2022 to 18kg CO_2eq./m^2 by 2030 (based on the current composition of the Group's portfolio), *i.e.* a 63% reduction, in line with the CRREM 1.5 °C scenario (v2.02);
- for the aluminium sector: target emissions intensity for 2030 of 6 tonnes CO_2eq./t aluminium produced *vs.* 8 tonnes CO_2eq./t in 2022, *i.e.* a 25% reduction, in line with the IAI/MPP's 1.5 °C scenario;
- for the shipping sector: target alignment score (2) of 15% by 2030, *i.e.* a 43% reduction in intensity (Annual Efficiency Ratio) *vs.* 2022;
- Societe Generale is also working on alignment score targets for the aviation, residential real estate and agricultural sectors.

See section 5.1.2.6, "Aligning the activities with pathways consistent with a maximum temperature rise of 1.5 °C" of URD for more details on the methodologies applied, and the latest alignment report for more details of these indicators and targets: *https://www.societegenerale.com/sites/default/files/documents/CSR/Climate-and-Alignment-Report.pdf*).

14.4.4 Additional targets for the oil and gas sector

Societe Generale is going well beyond what is required of it in the context of the NZBA, with ambitious targets for the oil and gas sector in terms of reducing financing and absolute emissions intensity:

- sharp acceleration in the reduction of exposure to oil and gas production, targeting an 80% reduction by 2030 *vs.* 2019, with an interim target of 50% by 2025 (up from the previous interim target of 20%);

(1) As detailed in the Sustainable STEEL Principles, this score is an indicator based on intensity (CO_2/t steel produced).

(2) This Poseidon Principles target alignment score of 15% by 2030 is based on the IMO's Striving For scenario, which currently excludes cruise ships (until the IMO's carbon intensity indicator can be adapted to take into account the specificities involved).

- end to the provision [1] of financial products and services for greenfield oil and gas production projects;
- withdrawal from financing [2] of upstream oil and gas private pure players, phasing out exposure over time;
- stronger engagement with energy sector clients, particularly on their climate strategies.

14.4.5 Working groups to align credit portfolios

Societe Generale is in various working groups set up by the Net-Zero Banking Alliance (NZBA) and the Glasgow Financial Alliance for Net Zero (GFANZ), alongside other banks. Working with its peers, it seeks to adopt shared and widely recognized alignment methods.

NZBA working groups

Societe Generale is a member of the NZBA's working groups on the oil and gas, steel and commercial real estate sectors.

Sustainable STEEL Principles (SSP)

In 2021, the Group accepted the role of co-leader of the Steel Climate-Aligned Finance Working Group, set up to define a methodology to assess the steel sector's alignment and advance its decarbonisation.

Collaborating closely with major players within the sector, this working group produced the Sustainable STEEL Principles (the SSP, available at *https://steelprinciples.org*). The SSP represent the very first agreement between lenders on how to measure and disclose their exposure to the steel industry. Societe Generale signed the SSP in September 2022, together with the five other founding members – all major lenders to the global steel sector – and in collaboration with the Rocky Mountain Institute (RMI). As a signatory, the Group undertakes to uphold the SSP's five principles, [3] including by reporting on its loan portfolio's alignment score each year and engaging with its clients on implementing net-zero transition plans.

Designed to support the practical achievement of net-zero emissions in the steel industry, the SSP also provide the tools necessary for client and stakeholder engagement.

Working hand-in-hand with the main industry players, the aim is to define standardised methodologies to help clients decarbonise their activities and take appropriate action in light of the specific challenges of the sector.

Sustainable Aluminum Finance Framework Working Group

In June 2022, Societe Generale took on the role of co-leader of the Aluminum Climate-Aligned Finance Working Group, set up by RMI's Center for Climate-Aligned Finance with the main banks financing the aluminium sector. The working group consulted with the sector's key bodies, such as the International Aluminium Institute and the Aluminium Stewardship Initiative, to craft a guide to methodology: the Sustainable Aluminum Finance Framework (SAFF). Launched in December 2023 at the COP28, the SAFF is the first climate-aligned finance framework for the aluminium sector, designed to help banks align financing decisions with their own decarbonisation targets. It provides banks with the tools they need to measure, benchmark and disclose the climate alignment of their aluminium lending portfolios in line with a 1.5 °C scenario.

Financial institutions that adopt the SAFF can use it to assess the emissions of their aluminium loan portfolios and work with their clients to report their emissions, fund lower-carbon solutions and support investments in new technologies.

Aviation Climate-Aligned Finance (CAF) Working Group

Societe Generale joined the Aviation Climate-Aligned Finance (CAF) Working Group (*https://rmi.org/press-release/bankschart-flight-path-to-decarbonize-aviation/*) as a founding member, alongside five other top global banks involved in financing the aviation industry, with a view to defining shared goals and methodology to speed up decarbonisation of the sector. This will create a level playing field for aviation industry lenders to assess their degree of alignment with climate goals and set appropriate targets. Financial institutions will be able to further work with their clients to support their transition journeys by funding lower-carbon solutions and supporting investments in new technologies.

Poseidon Principles

Societe Generale is one of the founding members of the Poseidon Principles, launched in 2019, together with other banks that finance the shipping industry and in collaboration with the Global Maritime Forum. The Poseidon Principles aim to promote the decarbonisation of the global shipping industry by integrating climate decision-making into portfolio management and lending decisions in respect of ship financing.

Societe Generale has also joined the Getting to Zero coalition, which aims to develop and deploy commercially viable deep-sea zero-emission vessels by 2030.

For more information, see "Aligning credit portfolios in various sectors", section "Shipping",.

14.4.6 Aligning the activities with pathways consistent with a maximum temperature rise of 1.5 ˚C

In keeping with the findings of the materiality survey (see section 5.1.4.1 "Dialogue with stakeholders" of URD), Societe Generale has made the environmental transition its chief priority in the operational rollout of its CSR Ambition. The Group is keen to play an active part in combating global warming and moving towards a lower-carbon world economy. Recognising the need for both immediate action and a proactive long-term vision, the Group confirms its climate goals, as presented at the Shareholders' General Meeting on 23 May 2023. These goals centre on three areas:

- managing climate change risks, in particular by improving the tools used to measure a given client's, country's or sector's sensitivity to transition risk and consolidating the Group's stress test framework (for both physical and transition risks – see section 14.6 "Incorporating environmental factors in the risk management framework");

(1) Effective as from 1 January 2024.
(2) Effective as from 1 January 2024.
(3) The SSP's five principles: 1) Standardised assessment; 2) Transparent reporting; 3) Enactment; 4) Engagement; 5) Leadership. For more information, see: https://steelprinciples.org/wp-content/uploads/2023/05/sustainable_steel_principles_framework.pdf.

- managing the impacts of the Group's activities on the climate, by actively reducing its own emissions and decarbonising its lending portfolios (*i.e.* through its proprietary activities – see section 5.2.3 "Being a company that cares about the environment", of URD or via its portfolio described in URD);
- supporting the Group's clients in their environmental transition, by developing a range of sustainable finance solutions and products for large corporates, micro-enterprises, SMEs and private individuals alike (see Chapter 5 "Corporate social responsability" of URD).

The plan to align Societe Generale's credit portfolios was implemented following a decision by the Responsible Commitments Committee (CORESP) in August 2019. It aims to define indicators and identify scenarios to manage the Group's activities in keeping with its commitments to fight climate change. The plan is supervised by the Chief Sustainability Officer and jointly governed by the relevant Business Unit heads. For more information on these indicators and targets, see the latest Climate and Alignment Report (*https://www.societegenerale.com/sites/default/files/documents/CSR/Climate-and-Alignment-Report.pdf*).

THE VARIOUS CREDIT PORTFOLIO MEASUREMENT METHODOLOGIES

For Societe Generale, alignment commitments provide long-term guidance on credit exposures to ensure they are compatible with the Paris Agreement targets, while also taking into account the environmental transition of the Group's clients as part of its credit risk management.

Societe Generale measures both its alignment and its financed carbon emissions to manage the impact of its activities on the climate. These two approaches are complementary. The absolute measurement of financed carbon emissions, which involves allocating part of the carbon emissions of the Group's clients or financed projects to its credit exposures, makes it possible to rank portfolios by priority.

To define alignment measures, the Group develops metrics expressed as outstanding loans, as carbon intensity or as absolute financed carbon emissions. These metrics, defined in relation to macroeconomic scenarios aimed at limiting global warming to 1.5 °C, make it possible to aggregate a measurement to manage alignment.

The Group calculates its financed emissions in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard and the associated methodological guidance for each asset class. A company's emissions are assessed based on public disclosures or else estimated according to the GHG Protocol. They are then allocated to the financial institution based on the proportional share of its financing (debt or equity). The Group has used this methodology to measure the greenhouse gas emissions of 95% of its loans to large corporates. Its calculations are based on the scope 1, 2 and 3 emissions reported by clients, when available, or else on physical or monetary emission factors as recorded in reference databases.

To implement its climate commitment, the Group began by developing an initial methodology and setting alignment targets for the coal sector (see below). Then, in 2018, Societe Generale signed the Katowice Commitment (see: *https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/the_katowice_commitment.pdf*) alongside four other international banks (BBVA, BNP Paribas, ING and Standard Chartered). These signatory banks have been working with the 2° Investing Initiative (2DII) on adapting the PACTA (Paris Agreement Capital Transition Assessment) methodology, initially developed for equity and bond portfolios, for use on credit portfolios. This led to the publication of a first report on the application of this methodology in September 2020 (*https://2degrees-investing.org/resource/credit-portfolio-alignment-katowice-report/*).

Since April 2021, the Group has made solid progress on setting alignment targets and relies on the principles defined by the NZBA.

Considerations regarding data transparency and methodology are presented in section 5.4 "Methodology note" of URD.

Data quality and availability could be better

There is a degree of measurement uncertainty, whether using internal or external data and indicators.

Moreover, existing climate data are neither exhaustive nor widely available. They may also contain inconsistencies, as they are not aligned with global standards. Some information may have been obtained from public or other sources that the Group has not independently verified.

However, as clients are increasingly adopting a framework for climate reporting and disclosure, the Group expects external data on emissions to become more accessible and reliable over time. Data quality is always dependent on the volume collected and clients' ability to verify and communicate data. Ensuring the continuous improvement of data quality remains a priority for the Bank.

The methodologies used are still stabilising

The existing calculation methods are those deemed most appropriate at present in light of the level of granularity of the data available for each sector. In a quest for a more consistent and market-accepted method for measuring and reporting on emissions, regulatory requirements and guidelines have been updated in recent years. These guidelines and requirements are still a work in progress and are expected to stabilise over time.

As the methodologies are further fine-tuned and the data improved, the Group will continue to study the impact on the published calculation base, which could refine the calculations over time. The opinions and assessments are preliminary and therefore must not be deemed definitive. Accordingly, data and declarations in no way represent any guarantee or promise that the metrics or targets will be achieved, or the commitments upheld.

ALIGNING ORIGINATION POLICIES AND CREDIT PORTFOLIOS IN VARIOUS SECTORS

Coal

Since 2016, Societe Generale has been reducing its exposure to the coal sector, ruling out any further financing for coal mining or coal-fired power plant projects.

In 2019, the Group took its commitments up a level by announcing its target to reduce exposure to thermal coal to zero by 2030 in EU and OECD countries, and by 2040 elsewhere. To achieve this, Societe Generale published a sector policy for thermal coal in July 2020. The policy sets out strict guidelines on how to support clients in the transition phase (*https://www.societegenerale.com/sites/default/files/documents/CSR/thermal-coal-sector-policy.pdf*).

It states that the Group has opted to disengage from those companies most exposed to the sector (*i.e.* for which thermal coal accounts for more than 25% of revenue), unless they have themselves already committed to withdrawing from the sector. In line with this approach, it has also tightened up its criteria for prospects in the sector.

Metallurgical coal is dealt with separately under the mining sector policy (*https://www.societegenerale.com/sites/default/files/documents/CSR/mining-sector-policy.pdf*).

An indicator for financing of thermal coal extraction and production activities (gross commitment weighted by the coal share of borrowers' revenue – 100 base index at end-2019), calculated according to the Paris Agreement Capital Transition Assessment (PACTA) methodology defined under the Katowice Commitment (*https://2degrees-investing.org/resource/credit-portfolio-alignment-katowice- report/*), is given at the end of this section.

Oil and gas

Societe Generale committed to a short-term target to reduce its exposure to upstream oil and gas in 2020 (-10% by 2025 *vs.* 2019). In 2022, it raised this initial target for 2025 to -20% and set a further target of -30% by 2030 (also *vs.* 2019) for absolute emissions related to the end use of oil and gas.

In 2023, the Group tightened up its alignment targets further still, aiming for:

- a sharp acceleration in the reduction of its exposure to the oil and gas production sector, targeting an 80% reduction by 2030 vs. 2019, with an interim target of a 50% reduction by 2025 (compared to the previous year's target of a 20% reduction by 2025);
- a 70% reduction in absolute greenhouse gas emissions across the entire chain (scopes 1, 2 and 3 related to the end use of oil and gas) by 2030 *vs.* 2019 – significantly more ambitious than the 34% reduction target under the IEA's Net-Zero Emissions (NZE) scenario.

Since 2018, Societe Generale has ceased all financing for the production of oil from oil sands worldwide, and for any type of oil production in the Arctic. In 2021, the Group announced that it was beefing up its commitments in several hydrocarbon categories and with respect to the safeguarding of biodiversity in protected areas, by expanding the categories of protected areas in which it refuses to finance new hydrocarbon exploration and production projects.

In September 2023, Societe Generale added to the alignment targets detailed above, setting new decarbonisation targets for its oil and gas activities. These new targets are included in its revised oil & gas policy:

- from 1 January 2024, it will no longer offer financial products and services (dedicated or non-dedicated) to any private companies that generate virtually all of their revenue from upstream oil and gas activities, namely exploration, development and production, gradually phasing out its existing exposures;
- from 1 January 2024, it will no longer offer dedicated financial products and services to diversified sector companies for greenfield oil and gas production projects in relation to which the final investment decision is more recent than 31 December 2021;
- it will take a heightened proactive approach to reviewing the strategies of oil and gas sector companies with a view to their impact on climate change. Particular attention will be paid to: their carbon footprint; their climate targets; their diversification; the resources they are putting into addressing their impacts, such as through R&D or investments in activities that promote the transition; and their governance framework in respect of their climate targets.

These commitments are detailed in full in the Group's oil & gas policy, which was revised in September 2023 and is available on the Group's corporate website: *https://www.societegenerale.com/sites/default/files/documents/CSR/oil-gas-sector-policy.pdf*.

The metric used to check the target exposure is the financing of oil and gas extraction (gross commitment to pure upstream players, weighted for diversified players by the share of revenue from extraction, on a 100 base index at end-2019), based on the PACTA methodology as applied by Katowice Commitment banks.

Power generation

In 2020, the Group committed to cutting back on its financing for power generation projects by 18% by 2025 as compared to end-2019 levels. In 2022, it set a stricter target: reducing CO_2 emissions intensity to 125g CO_2/kWh generated by 2030, compared to its previous target of 163g CO_2/kWh. This new target corresponds to a 43% reduction as compared to end-2019. To achieve this, the Group has adjusted the energy mix it finances, reflecting both its decision to progressively withdraw from coal and its support for renewable energy projects, including new developments such as offshore wind farms, floating solar panels, etc.

The indicator is measured using the PACTA methodology applied by the Katowice Commitment banks, with a slightly higher target than under the IEA's NZE scenario (138g CO_2/kWh by 2030).

Steel

The Sustainable STEEL Principles (SSP, available at *https://steelprinciples.org*) provide a robust methodological framework for measuring and reporting on the 1.5 °C alignment of steel lending portfolios. Based on the SSP, Societe Generale has set itself a target alignment score of 0 by 2030, *i.e.* full alignment of its steel portfolio with the IEA's NZE scenario, as defined under the SSP.

Cement

Societe Generale set itself a new target for the cement sector in 2023: reducing the carbon intensity of cement production to 535kg CO_2eq./t cement produced by 2030 (*vs.* 671kg CO_2eq./t in 2022), *i.e.* a 20% reduction in emissions intensity.

The indicator is measured according to the PACTA methodology and using the IEA's NZE scenario, coupled with the SBTi's decarbonisation trajectory for scope 2 (not provided by the IEA).

Aluminium and aviation

Societe Generale joined specific working groups on the aluminium and aviation sectors over 2022 (see section 5.1.2.5 above, "Working groups to align credit portfolios"). The aim is to leverage financing as a means to decarbonise these sectors.

In 2023, the Bank set itself a target for emissions intensity in aluminium production: 6 tonnes CO_2eq./t aluminium produced by 2030 *vs.* 8 tonnes CO_2eq./t in 2022, *i.e.* a 25% reduction, in line with the IAI/MPP's 1.5 °C scenario.

Commercial real estate

In November 2023, Societe Generale set itself a new target for aligning its commercial real estate portfolio with the CRREM (Carbon Risk Real Estate Monitor) V2 scenario: emissions intensity of 18kg CO_2eq./m^2 by 2030, vs. 49kg CO_2eq./m^2 in 2022, *i.e.* a 63% reduction. This target is based on the current composition of the Group's portfolio, especially as regards its country and asset class breakdown. It will be revised in line with any changes in the portfolio's composition between now and 2030.

The CRREM is a tool developed by a European consortium with funding from the EU to help real estate investors and property managers assess the financial risks for them associated with carbon emissions from buildings. It is based on the IEA's estimates of global trajectories and is consistent with its NZE scenario.

Automotive

In September 2023, Societe Generale set itself a target for the automotive sector, based on the average carbon intensity of the carmakers financed by the Group. The target concerns their annual sales of light vehicles and, for the time being, covers emissions over the vehicles' use life. It does not therefore take into account scope 1 and 2 emissions or upstream emissions – due to the absence of benchmark scenarios and standardised data from carmakers. The target set is average emissions intensity of 90g CO_2eq./v-km by 2030 for new vehicles (*vs.* 184g CO_2eq./v-km in 2021).

Ayvens, the Group's operational vehicle leasing and fleet management subsidiary, had previously set itself a target of cutting emissions from vehicles delivered in Europe by 40% over the 2019-2025 period.

Shipping

The methodology and benchmark scenarios used for the shipping sector are those developed by the International Maritime Organization (IMO), together with the Poseidon Principles (available at: *https://www.poseidonprinciples.org/finance/resources*).

At the 80th session of the Marine Environment Protection Committee, held in 2023, the IMO stepped up its decarbonisation strategy, targeting net-zero GHG emissions from international shipping by or around 2050.

In terms of the IMO's new trajectory and revised strategy, Societe Generale has a misalignment of +36.8% against the minimum, demonstrating how crucial it is for all stakeholders to pull together in helping the industry towards its ambitious targets.

There has been a marked improvement in the Group's alignment score as calculated against the IMO's initial trajectory, however: down from +15.4% in 2021 to just +0.7% in 2022 (cargo and passenger vessels). An intensified lending policy, more stringent origination rules and the market's normalisation have brought the alignment score for the cargo vessel portfolio over the line (now at -2.5%, down from +1.1% in 2021 and +2.8% in 2020) and mitigated the misalignment on passenger vessels (now at +6.4%, down from +45.2% in 2021 and +68.4% in 2020).

Societe Generale's commitments towards the energy transition will continue to greatly influence the Group's strategy and business activity, in particular through more stringent lending guidelines.

The latest report is available at: *https://www.poseidonprinciples.org/finance/wp-content/uploads/2023/12/Poseidon-Principles-2023-Annual-Disclosure-Report.pdf#page=56* .

In 2023, the Group set itself a new target alignment score: 15% alignment with the IMO's Striving For scenario by 2030, *i.e.* a 43% reduction in intensity (Annual Efficiency Ratio) *vs.* 2022. Cruise ships are excluded from the calculation of this score, until such time as the IMO's carbon intensity indicator can be adapted to take into account the specificities involved.

The following chart summarises Societe Generale's alignment targets. For more information on these indicators and targets, see the latest Climate and Alignment Report (*https://www.societegenerale.com/sites/default/files/documents/CSR/Climate-and-Alignment-Report.pdf*).

14.4.7 Equator Principles

Adopted by the Group in 2007 and since revised several times, the Equator Principles (EP) are one of the initiatives underpinning Societe Generale's E&S General Principles. They serve as a common framework for the financial sector and are designed to help signatories (140 international financial institutions across 39 countries) identify, assess and manage the E&S risks associated with the major infrastructure projects they advise on and finance.

2023 UPDATE

In 2023, Societe Generale was one of 60 financial institutions to send representatives (125 in total) to attend the EP Association's Annual General Meeting. The meeting was an opportunity for attendees to share their experiences in implementing the EP and addressing the challenges faced.

Societe Generale was also able to contribute to discussions on potential changes to the Association's governance rules and the possibility of revising the EP. A formal review of the EP is to begin in 2024 and will necessarily include a consultation phase.

As in previous years, the Group published a report describing how it had applied the EP over the year and listing those of its project financing transactions that fell within their scope. This report is available on the Group's website at:

https://wholesale.banking.societegenerale.com/fileadmin/user_upload/Wholesale/pdf/equator-principles/EQUATOR_PRINCIPLES_REPORT_2023.pdf.

14.4.8 Green Investment Principles (GIP)

In Asia, Societe Generale signed the Green Investment Principles in November 2019. Defined by the China Green Finance Committee and the City of London's Green Finance Initiative, the GIP comprise seven principles for green investment, covering matters such as strategy, operations and innovation. They aim to guide financial institutions in adopting responsible practices in environmental and social (E&S) risk management and positive-impact financial products in the countries targeted by the Belt and Road initiative. The GIP Secretariat is also planning to compile a database of green projects to make infrastructure projects within these countries more transparent, while bridging the information gap between financiers and project developers.

The GIP overlap with and bolster certain other commitments made by Societe Generale, such as the Principles for Responsible Banking, the Equator Principles and the UN-PRI, signed by Societe Generale Private Banking and Societe Generale Assurances.

They come into play mainly with investments in Asia, making the Group's rollout of its E&S risk management framework in the region a key factor when implementing them.

2023 UPDATE

Societe Generale contributed to the third GIP Annual Report, along with other member institutions.

The year also saw the fifth GIP Plenary Meeting, held in Beijing and attended by more than 100 representatives from over 50 member institutions spanning Asia, Europe, the UK and Africa. A GIP casebook was launched to demonstrate good practices in green investments; it features Societe Generale's involvement in financing a waste-to-energy plant.

14.4.9 Hydrogen Council

In August 2019, the Group became a member of the Hydrogen Council, a global initiative launched in connection with the 2017 World Economic Forum in Davos by major companies operating in the energy, transport and industrial sectors. The Hydrogen Council now boasts more than 120 member companies from across the various industrial and energy sectors involved in the hydrogen value chain: energy, oil and gas, chemicals, commodities, metals and mining, equipment manufacturers, cars and trucks, and other forms of transport (air, rail, shipping). The Council estimates that, by 2050, low-carbon hydrogen solutions could meet 18% of the world's energy demand and reduce annual CO_2 emissions by 6 Gt, illustrating its enormous potential for the energy transition (see the Hydrogen Council's November 2017 report entitled "Hydrogen, Scaling Up"). Societe Generale intends to play an active role in developing these solutions.

The Bank has joined the Hydrogen Council's new Investor Group, thereby reaffirming its resolve to push further ahead with its role in financing renewable energies and to use the Group's robust innovation, advisory, financing, and debt and equity structuring franchises to develop this energy of the future.

2023 UPDATE

Societe Generale helps hydrogen project leaders better understand how to attract investors and secure long-term financing for their large-scale projects. Hydrogen projects are highly diverse, but Societe Generale's role within the Hydrogen Council's Investor Group is to focus on financing for the biggest projects.

Over 2023, the Bank acted as financial adviser on a number of major hydrogen projects around the world. These included: the use of green hydrogen to produce e-fuels in the US and Chile (with HIF Global) or green steel in Sweden (with H2 Green Steel); a renewable hydrogen production facility in Australia with Countrywide Hydrogen; and HyNet, the UK's leading industrial decarbonisation cluster, which centres on the production and use of low-carbon hydrogen.

Societe Generale's discussions with public and state bodies are invaluable in this respect, allowing it to offer an expert's perspective on questions surrounding how best to set up public financial support to facilitate the ramp-up of these new low-carbon technologies.

14.4.10 Nature

Helping to protect biodiversity is a natural part of the Group's actions to foster the environmental transition – one of the four key principles of its CSR goals. The Group is therefore fully supportive of the strategic targets of the Kunming-Montreal Global Biodiversity Framework, adopted at the COP15 in December 2022.

In November 2022, as a signatory to the *Act4nature* international initiative, Societe Generale set out updated tangible and measurable biodiversity targets for the entire Group (*https://www.act4nature.com/wp-content/uploads/2022/11/SOCIETE-GENERALE-VA.pdf*). Act4nature international is an initiative led by a network of companies with input from scientific partners, environmental NGOs and public bodies. The aim is to encourage companies to help protect biodiversity by committing to practical group-wide action supported by their managers.

A progress review is conducted each year. In 2023, Societe Generale achieved or made progress towards its targets in each of the main areas covered by its commitments: governance, risk management, sector policies, real estate activities, assessments and tailored support for customers.

Taking an active role in international alliances

Societe Generale is a member of several international alliances working on benchmark economic and financial standards in respect of nature. Through this work, it is gaining a deeper understanding of the issues and the associated tools and methodologies, while contributing to endeavours to develop expertise in the field.

- *Taskforce on Nature-related Financial Disclosures (TNFD)*

  The TNFD was launched in 2021 to develop a framework to help organisations assess and report on their nature-related risks, opportunities, impacts and dependencies. This framework was published in September 2023. Societe Generale joined the TNFD Forum in 2021 and has responded to calls for submissions on methodology. In parallel with its preparations for entry into effect of the Corporate Sustainability Reporting Directive (CSRD), the Group is also looking into the extent to which – and how soon – it can implement the TNFD's recommendations in its reporting.

- *Science-Based Targets Network (SBTN) Corporate Program*

  Societe Generale has been committed to the development of the SBTN since 2021. The SBTN is a global network that aims to equip companies with science-based resources to allow them to manage their impacts and dependencies on nature, throughout their value chain. Helping develop standards, tools and methodologies as a member of the network offers the Group a unique opportunity to support its corporate clients on the complex issue of nature.

- *Finance for Biodiversity Pledge*

  In 2022, Societe Generale (through its insurance and private banking entities: Societe Generale Assurances, SG29 Haussmann and SGPWM) signed the Finance for Biodiversity Pledge. Launched in September 2020, the Pledge has been signed by 153 financial institutions to date, all committed to protecting and restoring biodiversity through their investment activities.

Assessing nature-related risks, impacts and dependencies

With a view to ensuring CSRD compliance and implementing the TNFD's recommendations, the Group is in the process of evaluating its credit portfolio. It has mapped the sectors financed, according to its exposure and the extent of each sector's impacts and dependencies on nature. This initial mapping exercise was conducted using the ENCORE (Exploring Natural Capital Opportunities Risks and Exposure) methodology, designed to analyse the physical impacts and potential dependencies of business activities on natural capital assets. The results were presented to the Responsible Commitments Committee, chaired by General Management.

This mapping gives an initial overview of the materiality of Societe Generale's portfolio as regards nature-related issues.

Pending more in-depth analysis, the results from this initial exercise were as follows:

- in those sectors found to have an impact on nature, the negative effects derive primarily from pollution, pressure on water resources and terrestrial ecosystem use;
- the greatest dependencies in the sectors financed are on water-related ecosystem services (including the availability of ground and surface water). The results also indicated the crucial importance of protection from disruption (such as through flood and storm protection measures) and mass stabilisation and erosion control.

Alongside this mapping exercise, the Group has also developed a sector-specific financial vulnerability indicator, based on an assessment of the physical and transition risks associated with biodiversity (see section 16.6.6 Biodiversity- and nature-related risks").

14.5 INCORPORATING ESG RISK FACTORS IN THE RISK MANAGEMENT FRAMEWORK – GENERAL PRINCIPLES

14.5.1 Introduction and definitions

ESG risk factors are not a new category of risk for the Group, but rather an aggravating factor for existing categories, such as credit risk, counterparty risk, market risk, operational risk, insurance and structural risk (including liquidity). This approach is aligned with current European supervisory and regulatory standards.

As aggravating factors for the other risks already addressed by the Group's risk management framework, ESG risk factors are managed based on the existing governance framework and processes in a standard approach: **identification, quantification, definition of risk appetite, control and mitigation**.

The risk classes that are already covered by its risk management framework (credit risk, counterparty risk, market risk, etc.) are detailed in other sections of Chapter 4, "Risks and capital adequacy" of URD and relate to the financial materiality of environmental risks.

ESG factors cover environmental, social or governance issues that generate a positive or negative impact on a sovereign or individual entity's financial performance or solvency.

Risk drivers are the mechanisms by which ESG factors can generate adverse financial impacts through their transmission channels. The factors for environmental, social and governance risks and the transmission channels identified are presented below in sections 14.6.1 "Definition of environmental risks", 14.7.1 "Definition of social risks", and 14.8.1 "Definition of governance risks".

Transmission channels are the causal chains that explain how risk factors impact banks through their counterparties and the assets they hold. They fall into two categories:

- microeconomic transmission channels (direct channels), which include the causal chains by which climate risk factors affect (i) banks' individual counterparties (households, corporates and sovereigns) and their assets; and (ii) the banks themselves, through their operations or their financing capacity, as well as through impacts on their own financial assets (such as bonds, single-name CDS and equities).

Examples of such impacts include: lower real estate values, erosion of household wealth, lower return from assets, higher insurance premiums, increased compliance and legal costs, rise in other costs, material damage and disruption to activities, loss of market share, negative impact on the Company's image, and financial contagion (market losses and tighter credit conditions);

- macroeconomic transmission channels (indirect channels) are the mechanisms by which climate risk factors affect macroeconomic factors, such as labour productivity and economic growth, and how these, in turn, can impact banks through their effect on the economy in which banks operate. Macroeconomic transmission channels also capture the effects on macroeconomic market variables such as risk-free interest rates, inflation, commodities and foreign exchange rates.

  Examples of these effects include: lower profitability, weaker demand, lower output and effects linked to exchange rates and interest rates.

The information in this and the following sections concerns **financial materiality**. Environmental materiality is considered when it might have an impact on financial materiality.

The information spans all ESG risks. The specific information concerning Environment, Social and Governance is set out in sections 14.6 "Incorporating Environmental risk factors in the risk management framework", 14.7 "Incorporating social risk factors in the risk management framework", and 14.8 "Incorporating governance risk factors in the risk management framework".

14.5.2 Identifying risks induced by ESG factors

Risk identification is based on a dual process: the annual risk identification process (risk inventory), and the continuous risk identification process.

ESG risk factors are considered in both processes.

ANNUAL RISK IDENTIFICATION PROCESS

The Group defines a list of risk drivers and transmission channels to be reviewed before each annual risk identification exercise. The list is drawn up according to changes in the regulations, reference documents issued (BRI, EBA, ECB and others) and the process of ongoing risk identification.

Working from this information, the Group conducts a qualitative exercise to identify short, medium and long-term ESG risk factors (drawing on expert judgement) related to the transmission channels.

For each risk category, it performs a materiality assessment using the materiality thresholds defined for the Group. The Group examines its exposures and uses available tools (such as sensitivity analysis, heat maps and stress test results) to compare the estimated income loss against the Group's materiality threshold.

It assesses the impact of the individual risk factors on the risk categories analysed, and over a short, medium and long time horizon.

The assessments are then aggregated to give an overall picture of the impact of ESG risk factors on all risk categories and risk factors defined in the internal risk taxonomy.

CONTINUOUS RISK IDENTIFICATION PROCESS

The continuous risk identification process is part of day-to-day risk management in the Group. It is based on a number of processes with the aim of assessing, quantifying and reporting risks when a risk is likely to be deemed material. The ongoing risk identification process feeds into the annual risk process. Hence, risks induced by ESG factors are included in this process at Group level.

Continuous risk identification is an integral part of day-to-day Group management and draws on a range of processes and governance systems, including:

- **Governance of risk management**, which comprises:
  - the Responsible Commitments Committee (CORESP), insofar as alignment commitments are also a way of managing transition risk and, in part, reputation risk,
  - the Group-level CORISQs and Credit Risk Committees (CRC), both of which include climate and environmental risks,
  - the New Product Committees (NPC), which include climate and environmental risks in their own processes,
  - where relevant, other Group Committees handling certain risks that are not reviewed in the CORISQ, but which may be relevant for ESG topics: the Assets and Liabilities Committee (ALCO), the Finance Committee (COFI) or the Compliance Committee (COMCO);
- **dedicated risk assessment**, which entails:
  - a review on loan origination, taking ESG issues into account through a client questionnaire and calculating a CCVI score for transition risk,
  - continuous monitoring of Group exposures (portfolio review, limit monitoring, client or market position monitoring, operational surveillance),
  - a cross-business approach, through the work of the Economic and Sector Studies Department , tracking Key Risk Indicators (KRI), etc.

14.5.3 Materiality assessment

The impact of ESG factors was assessed for each risk category and each risk factor, taking into account potential mitigants. The overall assessment is based on the least favorable score per risk factor. For example, if the impact of at least one risk factor on the risk category is high, then high will be mentioned.

The following table gives a summary of the materiality assessment by risk level conducted in 2023. This information is subject to change as additional studies provide new insights as part of a review underway at the beginning of 2024. A summary of the potential impacts identified is provided for "high" impacts.

TABLE 102: MATERIALITY ASSESSMENT SUMMARY

Type of risk	Impact	Time horizon	Identification of risks (summary)
Credit risk	**High**	**ST MT LT**	Transition environmental risk factors can have a significant impact on credit risk through higher costs, lower collateral performance and weaker demand. The impacts primarily concern the Corporate portfolio. Physical environmental risk factors could also have a significant impact on credit risk.
Compliance and legal risk	**High**	**ST MT LT**	Rapid regulatory, behavioural and technological changes could lead to higher compliance costs to adapt the Bank's processes, as well as higher legal costs as standards are tightened.
Liquidity and funding risks	**High**	**ST MT LT**	Climate and environmental risks could have a negative impact on the Group's liquidity indicators and financing capacity over all time horizons. ESG risk factors could push up compliance costs, generate an adverse impact on corporate image, leading to lower profitability and a drop in demand, which, in turn, could affect the Group's assets and financing capacity.
Business and strategic risks	**High**	**MT LT**	Transition, social and governance risks could have a negative impact on the Group's image and profitability, given that a significant share of revenues from non-financial counterparties is generated in industries that contribute to climate change.
Reputational risk	**High**	**ST MT LT**	The increasing frequency and severity of incidents linked to physical risks, together with higher expectations on the part of many stakeholders could generate reputational risk. Factors related to the Group's corporate governance (concerning management of environmental and social risks and non-compliance with the Group's corporate governance framework and code) could be a source of reputational risk.
Counterparty risk	**Average**	**ST MT LT**	
Operational risk	**Average**	**ST MT LT**	
Model risk	**Average**	**MT**	
Market risk for the banking book	**Average**	**ST**	
Market Risk	**Low**	**ST MT LT**	
Risk related to employees benefits	**Low**	**ST MT LT**	
Risk related to insurance	**Low**	**ST MT**	
Risk related to leasing activities	**Low**	**ST MT**	
Investment risk	**Low**	**ST MT**	
Country risk	**Low**	**ST MT**	
Step-in risk	**Low**	**ST MT**	

14.6 INCORPORATING ENVIRONMENTAL FACTORS IN THE RISK MANAGEMENT FRAMEWORK

14.6.1 Definition of environmental risks

The Group uses the risk terminology suggested by the Task Force on Climate-related Financial Disclosure (TCFD) to describe climate, and by extension, environment risks: physical risks and transition risks.

Environmental factors are those related to the quality and proper functioning of the natural environment and natural systems. They could lead to adverse financial consequences as a result of a range of risk factors, which can be categorised as follows:

- physical risks: stemming from the physical effects of climate change and damage to the environment (associated with economic actors' dependence on ecosystem services). Physical risks may materialise at local level (as a result of natural disasters in a specific area), or at sector level (related to climate events or biodiversity, such as water shortages) and affect the entire value chain. They can be categorised as follows:
  - acute risks: arising from extreme weather events, such as floods, heat waves or fires, and from acute environmental destruction (as a result of chemical pollution or an oil spill) (short to long term),
  - chronic risks: associated with gradual shifts in climate (such as rising average temperatures and rising average sea levels), gradual loss of ecosystem services (from pesticide use that causes a gradual decline in pollinators, reduced soil fertility and lower agricultural output), (medium to long term);
- transition risks: associated with uncertainty about the timing and speed of an economy's adjustment to a low-carbon and more environmentally sustainable economic model. This journey involves major legal, regulatory, technological and market changes to mitigate and adapt to climate change and protect the environment and ecosystems. These risks may be affected by the following factors:
  - policy: potentially disorderly policy measures to tackle climate or mitigation strategies could have an impact on asset prices in carbon-intensive sectors (short to medium term),
  - technology: developments in technology could render existing technologies obsolete or uncompetitive; they could affect their affordability and influence the price of replacement products. Such developments in technology could trigger asset revaluations (short to long term),
  - client and investor preferences and behaviour: environmental impacts could influence the Group's counterparties' clients, with a knock-on effect on the counterparties' credit quality (business slowdown, reputational damage, etc.) (short to long term).

14.6.2 Identification of environmental risks

Unless stated otherwise, the following two sections deal with monitoring of climate risks specifically, which is the most advanced process for addressing environmental risks.

Environmental risks are identified as part of the process to identify ESG risks set out in section 14.5.2 “Identifying ESG-induced risk factors” above.

(See also “Risk identification process” and “Risk quantification and stress test system”, in section 4.2.2 “Risk appetite – General framework” of URD) for more information).

The table below shows the link established between environmental risk drivers and the Group's risk taxonomy in the materiality assessment exercise. This information shows the factors identified in 2023 and is subject to change as additional studies provide new insights.

TABLE 103: LINKS BETWEEN ENVIRONMENT RISK FACTORS AND RISK CATEGORIES

	Environment risk factors	
Risk taxonomy	**Physical risk**	**Transition risk**
Credit risk	▪ Lower output ▪ Loss of market share ▪ Increased costs (especially insurance costs) ▪ Economy: severe supply chain tensions	▪ Increased costs ▪ Decline in asset performance ▪ Loss of market share ▪ Economic slowdown: weaker demand
Counterparty risk	▪ Financial contagion: market losses (such as equity markets and debt markets) ▪ Loss of market share ▪ Decline in asset performance ▪ Sudden pressure on sovereigns ▪ Economy: severe supply chain tensions	▪ Decline in asset performance ▪ Increased costs ▪ Loss of market share ▪ Negative impact on corporate image ▪ Economy: inability to adapt to changing consumer preferences, difficulty shifting business model
Market Risk	▪ Reduction in real estate values and household wealth ▪ Increased costs ▪ Material damage and disruption to business ▪ Stress on sovereigns ▪ Financial contagion: losses in the market (such as equity markets and debt markets) ▪ Damage to material goods and corporate/public infrastructure causing disruption for local businesses with contamination spreading to other sectors of the economy	▪ Financial contagion: market losses (such as equity markets and debt markets) ▪ Stress on sovereigns ▪ Decline in asset performance ▪ Loss of market share ▪ Increased costs ▪ Negative impact on corporate image. ▪ Economy: changes in production, demand and sales (with lower profitability), difficulties shifting business model
Non-financial risk	▪ Material damage and disruption to business	▪ Increased compliance cost
Structural risk	▪ Economic slowdown (exchange rate effect, interest rate effect) ▪ Material damage and disruption to business ▪ Increased costs ▪ Decline in household wealth ▪ Economy: lower output	▪ Economic slowdown (exchange rate effect, interest rate effect) ▪ Increased compliance and other costs, negative impact on corporate image ▪ Economic slowdown: lower profitability, weaker demand
Business and strategic risks		▪ Increased costs, loss of market share
Other types of risk	▪ Material damage ▪ Lower real estate values	▪ Material damage, Negative impact on corporate image, Economic slowdown: weaker demand, lower profitability ▪ Decline in asset performance ▪ Lower real estate values ▪ Economic slowdown: weaker demand, higher costs
Reputation risk	▪ Negative impact on corporate image	▪ Negative impact on corporate image
Step-in risk	▪ Material damage and disruption to business	▪ Increased costs ▪ Loss of market share ▪ Economic slowdown: weaker demand, lower profitability,

The December 2023 *Climate and Alignment Report* [(1)] outlines the Group's ESG strategy. The Group has also started a scan of the business environment. The aim is to strengthen the process of identifying the main implications (opportunities and threats) of climate and environmental risks for the activities of the Group's Business Units. The review of the Group's strategic planning process (effective challenge process) concentrated on how climate and environmental risks are taken into account. It will provide the Group with a systematic mechanism for analysing and embedding the impact of climate and environmental risks in the Group's business strategy.

(1) https://www.societegenerale.com/sites/default/files/documents/CSR/climate-and-alignment-report.pdf

SCENARIOS

Strategic planning requires the use of forward-looking scenarios. It is impossible to predict the magnitude of climate risks and when they might materialise with total certainty, regardless of the region in question. Political and societal choices, as well as future technological developments, can all have an influence. This is why it is important to consider how various situations might affect climate risks and opportunities.

Analysing different scenarios is a way of exploring a series of plausible possible futures in terms of climate change and offers a logical foundation on which to base reasoning and strategy for those possible futures. It is an approach designed to minimise the risk of bias introduced through expert judgements and can help forge connections with existing frameworks as they are built out. Scenarios are also used in the stress tests described in section 4.13.5.3 “Quantification of climate risks”.

Over the last number of years, the Department of Economic and Sector Studies has been deepening its climate analysis as regards the macro and sectoral impact to include climate considerations, carbon pricing and economic and environment policy actions into the Group economic scenario, with a more granular sector approach.

The Economic and Sector Studies Department also has an advisory role: it makes recommendations to the Environmental Risks Committee on the most appropriate scenarios for its risk assessment exercises.

14.6.3 Risk appetite and climate risks

The information specific to ESG factor relating to Risk appetite is presented in “Measures to manage ESG risk factors” in section 4.2.1 “Risk appetite”, of URD.

As part of its monitoring of ESG risk appetite indicators, the Group follows the tracking and escalation process described in the Group Risk Appetite Framework, which consists of notifying General Management, in case of excess.

The alignment metrics monitored for the Group’s risk appetite are also used to monitor our portfolio alignment commitments for both thresholds and targets. Note that the thresholds are based on the trajectory of the reference scenario.

In addition, information on sectoral policies is presented in the first part of chapter 14 and on alignment issues in section 5.2.1.2, “Aligning our activities with pathways consistent with a maximum temperature rise of 1.5 °C” of URD.

14.6.4 Quantifying climate risks and stress tests

Stress testing for climate risk is a valuable tool to assess how resilient institutions are to changes in the market. The set of scenarios includes future developments in the energy transition, carbon emissions trajectories or severe climate events.

The Group has made significant progress in recent years with developing and onboarding of tools and methodologies to include climate risk in its overall stress tests.

The Group was included the ECB’s climate risk stress test exercise in the first half of 2022. The European Central Bank designed the first climate resilience stress test covering the European economy to help supervisory authorities and financial institutions to assess the impacts of climate risks on companies and banks over the next 30 years.

Three modules formed the basis of the exercise, including one module stressing credit and market risk under different short- and long-term scenarios and covering both physical and transition risks, as well as questionnaires on operational and reputational risks.

The ECB presented these stress tests as a joint learning exercise aimed at enhancing both banks’ and supervisors’ capacity to assess this risk. Participation in the exercise and the feedback received from the ECB provided important leverage for the Group to improve how it takes climate risk factors into account in the Group’s stress test framework, and to accelerate the development and formal drafting of its methodology.

In 2022, the Group approved the principle of including a climate stress test based on different scenarios in its stress test framework, at least once a year. The tests are over medium and long time horizons and cover transition and physical risks in an overall or ad hoc (a specific portfolio) approach.

In line with this principle, it conducted internal climate stress tests on credit risk in 2023. These test exercises simulated credit losses in a number of scenarios over different time horizons:

- a three-year scenario covering transition risk aimed at capturing credit losses caused by sector rating shocks generated by shifting the economy towards a low-carbon trajectory;
- two other one-year-horizon scenarios to assess the physical risks the Group is exposed to, looking at the risks of drought, heat waves and flood.

The impacts of ESG risk factors were included in the ICAAP in 2022 and the results of the ECB’s climate risk stress test conducted in 2022 were included in the economic outlook. In 2023, ESG risk factors were given even greater prominence as the Group expanded its economic outlook and added a normative outlook (including the price of carbon in its budget scenario).

Turning to liquidity risk, a comprehensive study commenced in 2023 to identify the impact of ESG risks on the Group’s liquidity position and risks, their materiality and potential outflows relative to liquidity buffers. The Group conducted an initial stress in 2023 – a reverse stress test – based on an expert calculation of cash outflows in the most exposed sectors of the economy, according to the Economic and Sector Research Department.

Note that the impact of environmental risk on the capital and liquidity risk profile will be assessed in stages in 2024, in accordance with the stages set by the supervisor. The Group plans to publish the results when the assessment is completed.

14.6.5 Processes and tools for identifying and measuring climate risks and mitigation

The following processes and tools – currently at varying stages of maturity – all help the Group consider the impact of transition and physical risks on a range of risk factors and portfolios.

The Group uses a range of tools and indicators to measure, manage and mitigate environmental risks:

- alignment measures: the Group has publicly set nine alignment targets in its climate strategy (thermal coal, oil and gas, power generation, cement, commercial real estate, shipping, automotive, steel and aluminium);

- tools to assess the climate vulnerability of counterparties (Corporate Climate Vulnerability Indicator or CCVI), industries (Industry Climate Vulnerability Indicator or ICVI) and sovereigns (the Sovereign Climate Vulnerability Indicator or SCVI) (see section 14.6.6 "Biodiversity and nature risks");
- E&S guidelines and general policies: the Group has developed an E&S risk management framework based on its E&S General Principles, sector policies and exclusion lists.

To date credit ratings do not natively include environmental factors. The Group has adopted tools developed to shed light on risks associated with environmental factors (ICVI, CCVI, etc.) and procedures, which include the option to take account of the impact of ESG factors when calculating counterparties' credit rating (based on duly justified expert opinion).

It may also define limits applicable to certain portfolios (for example, targets have been set for portfolios related to coal financing). Setting up these limits requires a specific methodology and governance. When it comes to this type of commitment, the Risk Division is LoD2 and is involved in the more overall governance of implementation and monitoring of the Group's commitments, working with the BUs concerned and the Group's Sustainable Development Department.

As it develops its strategy and NZBA (Net Zero Banking Alliance) commitments, the Group is steadily improving how it defines its targets and limits to tackle environmental risks. This means that these targets and limits will be disclosed according as it progresses with its portfolio alignment strategy.

With respect to real estate collateral, an internal instruction was issued to LoD1 and LoD2 in November 2023 to include ESG factors in their valuation. It rolled out its data collection process for the Energy Performance Certificate (EPC) – a key component in assessing transition risk – within the Group and circulated guidelines on how this risk should be taken into account when considering whether to grant loans.

The Group also conducted studies on other types of collateral to determine a scope for the incorporation of ESG factors in their valuation. For priority movable collateral (Airlines and Shipping), an instruction is being drafted on how to incorporate ESG factors. The Group will continue to work on other forms of collateral in 2024.

When it comes to estimating expected credit losses, upwards or downwards adjustments may need to be made to the results obtained using the existing models, based on the sector in question. A qualitative analysis of the potential impact of climate risks on the calculation of expected credit losses in the review of these adjustments, whenever compatible with the provisioning horizon. (See also Note 3.8 "Impairment and provisions" of the Notes to the financial statements in the URD).

ENVIRONMENT VULNERABILITY INDICATORS

Vulnerability indicators are used to assess environmental risks. They are used to measure the transition and physical environmental risks (climate change, biodiversity loss, freshwater depletion and more) to which sovereigns, industries and corporates are exposed. They measure current vulnerability and the capacity to adapt to transition and physical risks, emphasising the trajectory to 2030 and the ability to continue on that pathway to 2050 (and beyond).

The Group has identified the impact of climate transition risk on the credit risk of Societe Generale's corporate clients as one of the main environmental risks it faces. It was therefore the first area of focus for the Group when developing its environment risk framework.

To measure this impact, the Group phased in a Corporate Climate Vulnerability Indicator (CCVI), which is based on an Industry Climate Vulnerability Indicator (ICVI), to the credit risk assessments it performs on the clients it rates, excluding financial institutions.

The first versions of the CCVI and ICVI were released in in 2017 and 2019, respectively. A second version of the CCVI was released in July 2023, which links the two indicators to deliver more consistent and comparable results between industries. There is also the option to link to the Sovereign Climate Vulnerability Indicator (SCVI) for assessing sovereign risk. The new methodology allows greater differentiation between corporates and takes their climate disclosures & strategy into consideration. It also provides for tracking performance over time.

There is no change to how the new methodology is governed compared with the first version of CCVI (proposal by LOD1, approval by LOD2, compliance with existing Group governance for the allocation of roles and responsibilities).

INDUSTRY CLIMATE VULNERABILITY INDICATOR (ICVI)

The ICVI score reflects the climate transition vulnerability of those corporates that have made the least progress on climate strategy in each sector. It is based on the IEA's NZE 2050 Orderly scenario and applies to all sectors (excluding financial activities), divided into 111 uniformly defined globally segments. Using a documented questionnaire, independent experts calculated a final ICVI transition score on a scale of -5 to +5, drawing on both qualitative and quantified inputs. The ICVI score is derived from an evaluation of four factors: emissions at risk, costs at risk, revenue at risk and assets at risk.

The approach extends from end to end of the value chain (Scopes 1, 2 and 3), since transition risks can impact many aspects of the counterparty's business (its supply chain, operations, assets and market).

ICVI AND CCVI RATING SCALE

EXTREMELY NEGATIVE	ULTRA NEGATIVE	VERY NEGATIVE	NEGATIVE	FAIRLY NEGATIVE	NEUTRAL	FAIRLY POSITIVE	POSITIVE	VERY POSITIVE	ULTRA POSITIVE	EXTREMELY POSITIVE
-5	-4	-3	-2	-1	0	1	2	3	4	5

TABLE 104: FACTORS CONSIDERED BY THE INDUSTRY CLIMATE VULNERABILITY INDICATOR (ICVI)

	Sensitivity	Adaptability
Macro-environment	▪ Economic dependence on sectors exposed to climate risk ▪ Economic dependence on emissions-intensive sectors ▪ Dependence on subsidies ▪ Regulated market	▪ Flexibility in fiscal and monetary support policies ▪ Degree of development
Supply chain	▪ Supplier's natural resource consumption intensity ▪ Supplier's emissions intensity ▪ Supplier's ability to pass on costs	▪ Producer's ability to make changes in its supply chains ▪ Producer's ability to switch to low-carbon suppliers or inputs
Operations and assets	▪ Impact of weather conditions and natural resources availability/price on production (productivity, yields, costs) ▪ Suitability of engineering & design for adverse weather conditions ▪ Producer's emissions intensity ▪ Asset's capital intensity ▪ Insurance availability and coverage	▪ Producer's ability (technical and financial) to adapt facilities for operation in adverse climate conditions ▪ Producer's ability (technical and financial) to reduce emissions, at a reasonable cost ▪ Producer's capacity (technical and financial) to develop new products/technologies
Market	▪ Dependence of consumption on weather conditions ▪ Availability of alternative low-carbon products or services ▪ Market elasticity on price ▪ Diversification in sales ▪ Consumption emissions intensity	▪ Producer's capacity to change customer base ▪ Producer's capacity (technical and financial) to develop new low-carbon products/technologies ▪ Producer's ability to pass on costs

The table below presents a summary of the results of the ICVI:

Sector	Numbers of ICVI segments	Summary of sectoral themes (climate transition)
Real estate activities	3	In view of the risks related to the climate transition, the Real Estate sector (excluding construction) is divided into 2 disparate categories: ▪ the real estate investment sector which is showing a high-risk level. Buildings generate a very large share of greenhouse gas emissions (40% of the total emitted), in a context where increasingly restrictive regulations are pushing investors to renovate their assets at high costs, leading to a significant risk that some assets will become stranded; ▪ Real estate development activities are very little impacted, insofar as developers have a certain ability to pass on the costs of innovations to their customers, in a context where the need for new housing and commercial real estate is expected to continue.
Agriculture, food industry	9	As the production of animal proteins generates much more CO_2 emissions per kg than plants production, their consumption is expected to gradually reduce in favour of plant proteins, having a negative impact on the incomes of livestock producers. This is expected to have a particular impact on beef production (by far the largest GHG emitter). Animal protein processing activities are also expected to be impacted, but to a lesser extent due to their greater ability to adapt (diversification towards other alternatives is easier than for livestock farmers). Plant-based protein production and processing activities should therefore benefit from these changes in consumption.
Aviation and defense	4	The aviation sector is globally highly impacted by the climate transaction (in particular transport activities as such, as well as airport infrastructure and related services). Aviation uses almost exclusively fossil fuels, which are difficult to replace in the short term. Increasingly restrictive regulations are expected to lead to a sharp increase in costs (obligation to use a growing share of "Sustainable Aviation Fuels" (SAF) which are more expensive than kerosene, modernization of the fleet through the purchase of new aircraft,...) which will have an impact on selling prices, leading to a potential slowdown in the sector's growth, or even a potential drop in demand. Manufacturing activities are expected to be less impacted as the transition involves an early renewal of the aircraft fleet. The same applies to the leasing of air transport equipment, as lessors have more leeway and adaptability than airline companies.

Sector	Numbers of ICVI segments	Summary of sectoral themes (climate transition)
B2B and B2C services	6	Overall, the retail sector is not expected to be significantly impacted by the climate transition, with the exception of distance selling (a possible change in packaging or downstream transport regulations is likely to call into question the competitiveness of e-commerce in the medium and long term) and especially the retail sale of fuel in specialised stores.
Construction and civil engineering	4	The impact of the climate transition on the construction sector is expected to be neutral overall. Indeed, the negative impact of the expected increase in material manufacturing costs on the construction of new buildings (induced by the gradual decarbonization of materials manufacturing), should be offset by the expected increase in demand for rehabilitation work on existing buildings and infrastructure needs (in connection with the electrification of uses).
Hotels, catering, tourism and leisure	5	The companies in the sector most impacted by the climate transition will be independent and franchised hotels which, under the constraint of increasingly restrictive regulations, will have to finance high renovation costs. Travel agencies are also impacted due to the likely increase in air transport fares (especially those positioned on mid-to-low-end travel), as well as catering (due to the impact of the transition on food production).
Automotive	6	Apart from producers of electric motors and batteries (which are benefiting relatively from the climate transition despite a highly competitive environment, high dependence on raw materials and high carbon intensity), the different sectors that make up the automotive sector are globally negatively impacted by climate transaction risks, but to varying degrees. Thus, activities related to vehicle manufacturing, due in particular to the importance of the investments made necessary by the transition, show the highest levels of risk: manufacturers but especially equipment manufacturers specialising in the manufacture of parts for internal combustion engine vehicles. Manufacturers of parts not impacted by the electrification of the sector (chassis, bodywork) have lower risks. The same goes for vehicle distribution and rental activities, due to their greater adaptability.
Heavy industry and mining	20	The heavy industry sector activities most impacted by the climate transition are those related to coal, steel and aluminum, cement and lime, metal recycling, as well as the organic chemicals sector. On the other hand, the timber sector as well as the extraction and processing of nuclear materials should benefit from this transition.
Manufacturing industries	14	The impact of the climate transition on manufacturing activities (and related marketing activities) depends very significantly on the products manufactured. The textile sector will be significantly impacted due to its energy-intensive inputs, as well as the manufacture of plastic and rubber objects (an industry with a high carbon footprint since it uses raw materials from oil and gas products). To a lesser extent, activities related to the manufacture of machinery and equipment will also be impacted due to the carbon intensity of their raw materials. Activities related to the manufacture of electrical equipment and components are expected to benefit from this transition. Finally, no impact is envisaged for other products.
Shipping and cruise	3	Maritime transport (and its infrastructure) will be negatively impacted by the climate transition. It uses mostly fossil fuels and is very polluting. The gradual tightening of regulation (taxation and prohibition) will lead to higher costs (OPEX for fuels and CAPEX for the purchase and modernization of ships) which will have a negative impact on the profitability of the sector. But this mode of transport also has major advantages that ensure a certain resilience: it remains by far the most efficient in terms of energy efficiency and it offers the prospect of reducing greenhouse gas emissions. The shipbuilding sector is generally not expected to be impacted by the climate transition insofar as even if it will see its costs increase, it will benefit from an increased demand for fleet renewal.
Oil and gas	6	Due to its high carbon footprint, the Oil & Gas sector is one of the sectors most impacted by climate transition risks. Mining activities (including services related to this sector), refining and coking will be particularly impacted. These risks appear to be higher for oil-related activities, whose consumption is expected to decline in the short term under regulatory pressure, and in the absence of effective adaptation options. Gas consumption, on the other hand, is only expected to start to decline from 2030 onwards, with gas-related activities benefiting from wider adaptation opportunities to limit their CO_2 and methane emissions. With lower CO_2 emissions, and benefiting from the prospect of diversifying towards low-carbon products, the other activities in the "Oil & Gas" sector (distribution and pipeline transport) appear to be less impacted by the risks of climate transition.
Pharmaceuticals, health and social work	5	The pharmaceutical industry is the only activity really impacted by the climate transition, mainly through its purchases of goods and services (products from the chemical industry, manufacture of components for packaging). Other activities in the sector are only slightly impacted by the transition.
Utilities	9	The impact of the climate transition on power generation activities is highly dependent on the type of energy used to produce it. Coal-fired power generation is expected to decline in the near term, followed by gas-fired power generation (from 2030) in favour of nuclear and renewable power generation. Electricity transmission and distribution activities are not expected to be impacted by this transition. As for the transport and distribution of gaseous products, which are heavily impacted, they will have to face a drop in demand and diversify towards greener gases (biomethane, hydrogen,...) and/or renewable electricity. Finally, the waste treatment sector is expected to benefit from increased demand for energy produced from biomass, and the water sector is not expected to be impacted by the climate transition.

Sector	Numbers of ICVI segments	Summary of sectoral themes (climate transition)
Land transport and logistics	7	Road transport (freight and passengers) is expected to be heavily impacted by the climate transition. It is the mode of transport that emits the most greenhouse gases because 90% of the fuels it uses are of fossil origin, and 85% of the volumes transported are transported by road. These levels of transported volume are not expected to decrease significantly, but, particularly under regulatory pressure, operating costs (new fuels), as well as investments (vehicle upgrades and construction of charging stations). Rail transport is expected to benefit from a partial shift in road transport volumes, which will also have a positive impact on rail rolling stock construction activities.
Telecoms, media and technology	8	The telecoms, media and technology sector is relatively unimpacted by the climate transition, apart from data centers, whose high electricity consumption is expected to generate significant additional costs that can be largely passed on to customers.
Others	2	
TOTAL	**111**	

CORPORATE CLIMATE VULNERABILITY INDICATOR (CCVI)

In addition to an industry's characteristics, a counterparty's transition risk also depends on its own specific characteristics and in its climate strategy.

The CCVI is derived from the ICVI and a corporate climate questionnaire. The same 11-level scale, ranging from extremely negative to extremely positive, is used to assess the counterparty's transition risk. Climate transition factors specific to the counterparty may give a higher rating compared to its industry as a whole.

The corporate climate questionnaire assesses individual corporates' climate strategy through:

- the quality of their disclosures on GHG emissions (scopes 1, 2 and 3, historical depth available) and energy use;
- the credibility of their targets:
  - for decarbonising their activity: targets in place, possibility of certification by an independent third party, client's involvement in material environmental controversies,
  - green revenues and opportunities: reporting on the share of revenue from green sources, marketing of low-carbon products,
  - green investments: significance of their investments to decarbonise existing activities;
- governance of climate issues (inclusion in the Company's strategy, level of supervision, incentive policies, processes to identify climate risks and opportunities, engagement policies).

The CCVI is defined in parallel with internal credit and will be reviewed on an annual basis.

If the result is a significantly negative CCVI score, discussions must take place with the client covering their transition strategy, business model and capacity to finance the transition, and an action plan decided. A summary of the discussions is sent to LOD2. The interview can also be an opportunity to offer support for the client's transition.

A phased roll-out of this second version of the CCVI, launched during 2023, is underway. Priority is given to rating counterparties identified as the most exposed to climate transition risk (those with the most negative ICVI scores) to which the Group has significant exposure. At the very least, all counterparties for which a CCVI score has yet to be calculated are rated on the basis of an ICVI. And discussions are started with counterparties with negative CCVI scores.

SOVEREIGN CLIMATE VULNERABILITY INDICATOR (SCVI)

The Sovereign Climate Vulnerability Indicator (SCVI) expresses how vulnerable a country is to climate-related risks, with a view to assessing the direct impact on the associated country risk, *i.e.* on the country's ability and willingness to honour its external debt commitments.

Developed in-house, the SCVI assesses vulnerability to both physical and transition risks and is designed for use with a range of different climate change scenarios. It is based on publicly available and well recognized data sources (World Bank, Food and Agriculture Organization, etc.). For each variable, countries are ranked from least vulnerable (0) to most vulnerable (1) and the indicator is then calculated as an average of these rankings. Data availability and update frequency remain a challenge. The scope of application of the SCVI will be extended according as data becomes increasingly available. At present, it covers 114 countries, equivalent to 96% of global GDP and 88% of the global population. Countries not covered are those for which the data are not currently available:

- the physical risk score ranks countries according to their vulnerability to both extreme weather events and physical changes caused by rising global temperatures, since climate-related issues are likely to adversely impact their public and external finances. The score calculation includes data on water resources published by countries and on the share of their population living at altitudes of less than five metres;
- the transition risk score ranks countries according to their vulnerability to the risks associated with the transition to a lower-carbon economy, which could adversely affect public and external solvency in two ways: (i) due to the cost associated with such a transition, and (ii) due to the opportunity cost of stranded assets, which may translate into lower foreign exchange revenues for instance, dragging down a country's external metrics. The data taken into account when establishing this score include, for example, data on the country's dependency on energy imports and on how carbon intensive its economy is.

IDENTIFYING HOW PHYSICAL RISK AFFECTS CREDIT RISK

The Group is developing its analysis of physical risks, based on both internal tools and external solutions.

It initially opted to focus on developing its own in-house tools to identify physical climate-related risks. R&D work on the impacts physical risks can have on its portfolios began with the French retail mortgage portfolio and was then extended.

Stress tests were developed based on these findings. In 2022, the Group took part in the ECB's stress tests, gaining valuable insights for its study on the physical risks that affect its Corporate portfolio. In 2023 the Group conducted an internal climate stress test on physical risks on credit (examining two types of climate events).

Yet, pinpointing the locating of assets remains a significant challenge. To address this, the Group has stepped up how much information it collects on loan origination and gathers additional information to deepen its data pool. For assets not financed by the Group, it is harder to locate infrastructure and sites held by the Group's corporate borrowers. The Group has reached out to external partners and data providers to resolve these difficulties, improve the location of its counterparties' assets and identify the relevant climate issues that arise as a result.

The disclosure of Pillar 3 data on physical risks has also served to improve understanding of related climate issues. The Risk Report – Pillar 3 details the methodology used.

The Group is committed to a process of continuous and gradual improvement, with the ultimate aim of more robust and comprehensive identification and quantification of physical risks.

Lastly, for physical climate risk, the Group has developed developing an Industry Climate Vulnerability Indicator (ICVI), which it will translate into a Corporate Climate Vulnerability Indicator (CCVI).

TREATING PHYSICAL RISK AS PART OF THE GROUP'S OPERATIONAL RISK

Societe Generale defines operational risk as the risk of losses resulting from human error, external events, or inadequacies or failures in processes or systems. It assesses the physical risks to its assets and operations as part of its operational risk monitoring. The Group performs analysis region by region and the results feed into its business continuity plans (BCPs) designed to address local risks. A climate event could impact some or all of its facilities and human or technical resources. The Group has thus developed an approach to assess how climate change could affect its most sensitive sites and data centres by increasing the risks of flooding, heatwaves and black-outs, as well as the consequences of such events (for staff, buildings and IT) as covered by its existing BCPs. For certain specific locations, the Group's assessment includes additional scenarios, such as typhoons and heavy rains in Hong Kong, or hurricanes and snowstorms in New York. Some of these scenarios (such as flooding from the Seine in France or flooding of Chennai in India) are included in the internal models used to calculate operational risk capital requirements.

DATA ISSUES

Data and data analysis are key in enabling financial institutions to identify and manage climate risks. High quality data are a prerequisite to successfully quantifying and assessing such risks.

The Group gathers data from various sources: counterparties, public databases, research institutes and data providers. It is continually striving to expand its supplier base (with a view to obtaining better data on certain sectors) and adopt the right data collection processes (especially for energy performance certificates) so as to achieve optimal data coverage.

However, the challenges remain significant in terms of improving the completeness and quality of the data. To a certain extent, the Group is limited by what its corporate counterparties choose to report.

The application of proxies also remains necessary in certain cases in the event of data not being available.

Quarter after quarter, the Group strives to improve the quality and completeness of the data it gathers, with additional data quality controls and indicators in the business lines and at head office. These data gathering campaigns provide valuable insights into how data is defined and used, as well as on underlying normative aspects, thus preparing the target.

The Group's target for data is predicated on the very rigorous choice of gradually fully integrating data into its existing repositories and applications to:

- make the use of ESG data structurally secure;
- have the option to roll out quality checks on a large scale;
- give it the option to overhaul its processes and information system.

This is a strategy over the medium and long terms which will see the first data collected in this target mode in 2024. It will continue to be rolled out over the coming years.

14.6.6 Biodiversity-related and nature-related risks

Biodiversity plays a key role in regulating the Earth's system. When it is threatened, this in turn poses a threat to our planet's habitability (NGFS, 2022). From a financial stability perspective, there are two main ways in which biodiversity loss poses a potentially significant threat:

- first, economic activity and financial assets are dependent upon the ecosystem services provided by biodiversity and the environment: this raises the prospect of physical risks to finance if these services are undermined;
- second, economic activity and financial assets in turn have impacts on biodiversity and could therefore face risks from the transition to a nature-positive global economy.

(See also section 5.2.1.1, "Taking action and building a sustainable future together" and section 5.1.2.10 "Nature" of URD.)

The Group has already begun looking into its risks in relation biodiversity and nature. In addition to the climate vulnerability indicators (detailed in section 4.13.5), the Group has developed a dedicated nature-based indicator (biodiversity and ecosystems, water resources and pollution).

INDUSTRY CLIMATE VULNERABILITY INDICATOR (INVI)

The purpose of the Industry Nature Vulnerability Indicator (INVI) is to measure the vulnerability of each industry to nature-based risks, as well as their capacity to adapt to them (for both transition and physical risks). It does not include climate aspects to avoid duplication with the ICVI.

The INVI aims to provide an initial assessment of financial materiality. In other words what impact physical and transition nature related risks might have on revenues, costs and the value of assets in a particular industry, taking the industry's capacity for adaptation into consideration.

The INVI score reflects where the most exposed companies stand in relation to physical and transition risks.

The ranking applies across all industries (excluding financial activities and conglomerates), split into 71 uniformly and globally defined segments. For each of these segments, internal experts calculated a final INVI score on a scale from -5 to +5, based on two documented questionnaires:

- a physical INVI questionnaire, structured according to the three major ecosystem service categories (supply, regulation and maintenance, and cultural);
- an INVI transition questionnaire, organized into categories based on the nature-based impacts of the economic activities, with reference to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) classification of the main direct drivers of biodiversity losses, excluding climate change (which is covered by the ICVI): land and sea use change, pollution, over-exploitation of natural resources and invasive species.

The INVI methodology and sector ratings were finalised in the second half of 2023.

14.7 INCORPORATING SOCIAL FACTORS IN THE RISK MANAGEMENT FRAMEWORK

14.7.1 Definitions of social risk

Social risk factors can be defined as social issues that could adversely affect the financial performance or solvency of a sovereign or individual entity. They encompass the rights, well-being and interests of individuals and communities and include factors such as (in)equality, health, inclusion, labour relations, workplace health and safety, human capital and communities.

The main drivers of social risk:

- environmental risks: The relentless degradation of the environment intensifies social risks, for example when climate-related physical changes or water stress affects a region or population groups. Environmental degradation can exacerbate migration flows, as well as social and political unrest in the most affected regions – with repercussions and potentially more devastating contagion for the whole world. Environmental risks can be a source of social risks: the potential impact of the technological and regulatory changes introduced in response to climate change can have a knock-on effect on labour markets, which could amplify social risks, especially in industries, such as coal;
- change in social policy reflecting the transformation toward more inclusive and fair societies. For example, stakeholders who fail to respect employment rights could see an impact of the social changes that require new policies, such as safer and healthier workplaces. Contracting parties that apply a lower standard of employment rights (or other social standards), or that operate a business or depend on suppliers that operate in a country with poor protections for workers could face increased compliance costs in the future, which could have an impact on their financial position;
- change in market trends: some policy measures were introduced in response to social pressure demanding equal pay for equal work, balanced representation, and diversity. Other policies are expected to be introduced over the next few years to achieve the SDG 2030 social objectives and targets. They could constitute a risk for companies who have yet to prepare or are unwilling to adapt. Such companies could find themselves in the firing line, facing complaints, legal proceedings, market pressure and/or reputational damage.

14.7.2 Incorporating social risks in the Group's processes

Identifying social risks is part of the process to identify ESG risks set out in section 4.13.4.2 "Identifying ESG-induced risk factors" above.

The table below shows the link established between social risk factors and the Group's risk taxonomy in the materiality assessment exercise. This information shows the factors identified in 2023 and is subject to change as additional studies provide new insights.

The assessment of social risk factors was qualitative in the main. Please note that a qualitative analysis was performed of the impact of these factors on credit and market risks using existing idiosyncratic metrics (on the underlying assumption that social risk factors would have an impact on a given name but without systematic contagion to an industry or a region).

TABLE 105: LINKS BETWEEN SOCIAL RISK DRIVERS AND RISK CATEGORIES

Risk taxonomy	Social risk drivers
Credit risk	▪ Negative impact on corporate image
Market Risk	▪ Financial contagion: market losses (such as equity markets and debt markets) ▪ Tighter credit conditions ▪ Economy: changes in production, demand and sales, leading to lower profitability, difficulties shifting business model
Non-financial risk	▪ Higher legal and compliance costs ▪ Increased other costs ▪ Negative impact on corporate image ▪ Economy: lower output
Structural risk	▪ Negative impact on corporate image ▪ Material damage and disruption to business ▪ Increased other costs ▪ Increased compliance costs ▪ Economy: lower profitability, weaker demand
Business and strategic risks	▪ Negative impact on corporate image
Other types of risk	▪ Increased compliance cost ▪ Economy: lower output
Reputation risk	▪ Negative impact on corporate image
Step-in risk	▪ Negative impact on corporate image

COUNTERPARTY ESG ASSESSMENT – SOCIAL RISK

Societe Generale publishes most of the information given below on its website. Readers will also find it in the sections explaining the general principles of the Group's Environment and Social policy [1] and its E&S [2] sector policies.

The Group's ESG assessments of its counterparties is scaffolded by these Environment and Social general principles, which provide a general framework to verify respect for basic human rights and care for the environment.

With regard to social and human rights risks, the Principles are built around the Universal Declaration of Human Rights (1948) and the fundamental conventions of the International Labour Organization. They cover the following topics in particular:

- forced labour and slavery;
- child labour;
- respect for indigenous peoples and their cultural heritage;
- rights of ownership;
- discrimination;
- freedom of association;
- health and safety;
- decent working conditions, remuneration and social protection
- right to privacy.

In making these commitments, the Group's objective is twofold: limit potential direct adverse social impacts, and encourage transactions and clients that make a positive impact to sustainable development.

The Group has developed the procedures and tools it needs to ensure it delivers on its social commitments in its financing operations, human resources management and supply chain. it uses customised tools to research public controversies rooted in social issues.

Credit approval procedures include an assessment of environmental and social criteria, using specific tools, based both on the Group's knowledge of its counterparties and on research into public controversies sparked by social issues.

For most E&S-sensitive sectors, the Group has put in place E&S sector policies to provide guidelines for ensuring that the Group's commitments on social issues are met through priority assessment criteria.

It also keeps and regularly updates an exclusion list of companies it does not do business with, either because of involvement in or a link to banned or controversial weapons, or pursuant to the E&S assessment procedure (because of the use of forced labour, for example). This exclusion list has been added to the financial crime compliance tool and is available throughout the Group.

The Group is also committed to the Equator Principles [3] to ensure that all direct project financing transactions adhere to these principles, which include a social dimension.

(1) https://www.societegenerale.com/sites/default/files/documents/RSE/Principes-Generaux-Environnementaux-Sociaux.pdf
(2) https://www.societegenerale.com/fr/responsabilite/ethique-et-gouvernance
(3) https://equator-principles.com/

14.8 INCORPORATING GOVERNANCE FACTORS IN THE RISK MANAGEMENT FRAMEWORK

14.8.1 Definitions of governance risks

Governance risk factors may be defined as the risk of counterparty governance issues arising that may adversely affect the financial performance or solvency of a sovereign or individual entity. They encompass governance practices, including executive management, compensation of senior management, audits, internal controls, tax evasion, independence of the Board, shareholder rights, bribery and corruption, as well as how companies or entities address environmental and social risk drivers in their policies and procedures.

The main drivers of governance risk are:

- shortcomings in how environmental and social questions are managed. For example, a Code of Conduct considered to be weak, or a failure to act to counter money-laundering in a given company can hamper its resources (financial and non-financial), which could in turn affect and its performance and return potential. What is more, were the weak Code of Conduct to be made public, customers and investors could lose confidence in the Company, leading to penalties and legal costs, which could affect its ability to do business in the long term;
- non-compliance with corporate governance frameworks or codes.

14.8.2 Incorporating governance risks in the Group's processes

Identifying governance risks is part of the process to identify ESG risks set out in section 4.13.4.2 "Identifying ESG-induced risk factors" above.

The table below shows the link established between governance risk factors and the Group's risk taxonomy in the materiality assessment exercise. This information shows the factors identified in 2023 and is subject to change as additional studies provide new insights.

The assessment of governance risk factors was qualitative in the main. Please note that a qualitative analysis was performed of the impact of these factors on credit and market risks using existing idiosyncratic metrics (on the underlying assumption that governance risk factors would have an impact on a given name but without systematic contagion to an industry or a region).

TABLE 106: LINKS BETWEEN GOVERNANCE RISK DRIVERS AND RISK CATEGORIES

Risk taxonomy	Governance risk drivers
Credit risk	▪ Negative impact on corporate image
Market Risk	▪ Negative impact on corporate image
Non-financial risk	▪ Higher legal costs ▪ Increased other costs ▪ Economy: lower output
Structural risk	▪ Negative impact on corporate image ▪ Economy: lower output
Business and strategic risks	▪ Negative impact on corporate image
Other types of risk	▪ Lower real estate values ▪ Negative impact on corporate image ▪ Economy: lower output
Reputation risk	▪ Negative impact on corporate image
Step-in risk	▪ Negative impact on corporate image

COUNTERPARTY ESG ASSESSMENT – GOVERNANCE RISK

In its Environmental and Social General Principles, the Group addresses governance and other ethical risks (embargoes and sanctions, terrorism, corruption and bribery, resource appropriation, tax evasion and data protection). It manages these risks through purpose-developed internal processes (including the process for assessing clients). These processes and procedures are founded on principles of ethical business conduct and compliance with regulations. Assessing these risks consistently involves fact-finding to research sensitive information using specific tools. Evaluating its clients' governance systems also includes internal governance aspects as part of counterparty credit analyses.

Sector policies also make clear that governance risks are considered in the KYC (Know Your Customer) and other compliance procedures to make sure that the Group complies with applicable laws and regulations, including exclusions based on international sanctions.

14.9 PILLAR 3 CROSS-REFERENCE TABLE

For elements relating to qualitative tables 1, 2 and 3 of Pillar 3 regarding ESG risks, the table below specifies the location of the information presented in the Universal Registration Document (URD) [(1)] 2023 and in the Group's Pillar 3 document.

Topic	Sub-topic	Pilar 3 reference	Pillar 3 requirement	Information in 2024 Universal Registrement Document	Information in 2024 Pillar 3 Document
Environmental risk	Business strategy and processes	Table 1 (a)	Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning	▪ 2.4 Extra-financial report ▪ 4.13.5.2 Identification of environmental risks ▪ 5.1.2.6 Aligning the activities with pathways consistent with a maximum temperature rise of 1.5°C ▪ 5.1.4.1 Dialogue with stakeholders	▪ 14.6.2 Identification of environmental risks ▪ 14.4.6 Aligning the activities with pathways consistent with a maximum temperature rise of 1.5°C
Environmental risk	Business strategy and processes	Table 1 (b)	Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes	▪ 4.2.1 Risk Appetite, including section Measures to manage ESG risk factors ▪ 4.13.4.3 Materiality assessment ▪ 4.13.5.2 Identification of environmental risks ▪ 5.1.2 A committed bank, including 5.1.2.6 Aligning the activities with patways consistent with a maximum temperature rise of 1.5 °C	▪ 14.5.3 Materiality assessment ▪ 14.6.2 Identification of environmental risks ▪ 14.4 A committed bank regarding CSR, including 14.4.6 Aligning the activities with pathways consistent with a maximum temperature rise of 1.5°C
Environmental risk	Business strategy and processes	Table 1 (c)	Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities	▪ 4.13.3.3 Operational implementation in the Group's Business Units ▪ 4.13.3.4 Additional E&S risk management processes related to the specific characteristics of certain Group activities ▪ 5.1.2 A committed bank	▪ 14.3.3 Operational implementation in the Group's Business Units ▪ 14.3.4 Additional E&S risk management processes related to the specific characteristics of certain Group activities ▪ 14.4 A committed bank regarding CSR
Environmental risk	Business strategy and processes	Table 1 (d)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks	▪ 4.13.3 Managing E&S risks ▪ 4.13.5.5 Processes and tools for identifying and measuring climate risks and mitigants ▪ 5.6 Duty of care plan	▪ 14.3 Managing E&S risks ▪ 14.6.5 Processes and tools for identifying and measuring climate risks and mitigants
Environmental risk	Governance	Table 1 (e)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels	▪ 3.1.2 Board of Directors, including sections Board of Directors and CSR, Risk committee, Non-vorting director, Appraisal of the Board of Directors and its members and Training ▪ 3.1.3 General Management ▪ 4.13.2 Analytical approach to extra-financial risks factors ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.2 Analytical approach to extra-financial risks factors

(1) *https://www.societegenerale.com/sites/default/files/documents/2024-03/universal-registration-document-2024.pdf*

Topic	Sub-topic	Pilar 3 reference	Pillar 3 requirement	Information in 2024 Universal Registrement Document	Information in 2024 Pillar 3 Document
Environmental risk	Governance	Table 1 (f)	Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions	▪ 4.1.1.5 Environmental, social and governance (ESG) risk factor ▪ 4.13.1 Introduction ▪ 4.13.3.3 Operational implementation in the Group's Business Units ▪ 4.13.3.4 Additional E&S risk management processes related to the specific characteristics of certain Group activities	▪ 14.1 Introduction ▪ 14.3.3 Operational implementation in the Group's Business Units ▪ 14.3.4 Additional E&S risk management processes related to the specific characteristics of certain Group activities
Environmental risk	Governance	Table 1 (g)	Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels	▪ 3.1.2 Board of Directors, including section Risk Committee ▪ 4.2.3 Risk management organisation ▪ 4.13.2 Analytical approach to extrafinancial risks factors ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.2 Analytical approach to extrafinancial risks factors
Environmental risk	Governance	Table 1 (h)	Lines of reporting and frequency of reporting relating to environmental risk	▪ 4.2.3 Risk management organisation, including Risk reporting and assessment systems ▪ 4.13.2 Analytical approach to extra-financial risks factors ▪ 4.13.5.3 Risk appetite and climate risks ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.2 Analytical approach to extrafinancial risks factors ▪ 14.6.3 Risk appetite and climate risks
Environmental risk	Governance	Table 1 (i)	Alignment of the remuneration policy with institution's environmental risk-related objectives	▪ 3.1.6 Remuneration of Group senior Management including elements on nonfinancial remuneration portion	-
Environmental risk	Risk management	Table 1 (j)	Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework	▪ 4.2.1 Risk Appetite, including section Measures to manage ESG risk factors ▪ 4.13.4.3 Materiality assessment ▪ 4.13.5.2 Identification of environmental risks	▪ 14.5.3 Materiality assessment ▪ 14.6.2 Identification of environmental risks
Environmental risk	Risk management	Table 1 (k)	Definitions, methodologies and international standards on which the environmental risk management framework is based	▪ 4.13.1 Introduction ▪ 4.13.4.1 Introduction and definition ▪ 4.13.4.2 Identifying risks induced by ESG factors ▪ 4.13.5.1 Definition of environmental risks ▪ 4.13.5.2 Identification of environmental risks ▪ 5.1.2 A committed bank	▪ 14.1 Introduction ▪ 14.5.1 Introduction and definition ▪ 14.5.2 Identifying risks induced by ESG factors ▪ 14.6.1 Definition of environmental risks ▪ 14.6.2 Identification of environmental risks ▪ 14.4 A committed bank regarding CSR

Topic	Sub-topic	Pilar 3 reference	Pillar 3 requirement	Information in 2024 Universal Registrement Document	Information in 2024 Pillar 3 Document
Environmental risk	Risk management	Table 1 (l)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels	▪ 4.13.3 Managing E&S risks, including 4.13.3.1 Environmental and Social (E&S) General Principles and sector policies and 4.13.3.2 Operational implementation procedures ▪ 4.13.4.2 Identifying risks induced by ESG factors ▪ 4.13.5.2 Identification of environmental risks ▪ 4.13.5.4 Quantifying climate risks and stress tests ▪ 4.13.5.5 Processes and tools for identifying and measuring climate risks and mitigation ▪ 4.13.5.6 Biodiversity-related and nature-related risks	▪ 14.3 Managing E&S risks including 14.3.1 Environmental and Social (E&S) General Principles and sector policies and 4.13.2 Operational implementation procedures ▪ 14.5.2 Identifying risks induced by ESG factors ▪ 14.6.2 Identification of environmental risks ▪ 14.6.4 Quantifying climate risks and stress tests ▪ 14.6.5 Processes and tools for identifying and measuring climate risks and mitigation ▪ 14.6.6 Biodiversity-related and nature-related risks
Environmental risk	Risk management	Table 1 (m)	Activities, commitments and exposures contributing to mitigate environmental risks	▪ 4.13.5.4 Quantifying climate risks and stress tests ▪ 4.13.5.5 Processes and tools for identifying and measuring climate risks and mitigation ▪ 5.1.2 A committed bank	▪ 14.6.4 Quantifying climate risks and stress tests ▪ 14.6.5 Processes and tools for identifying and measuring climate risks and mitigation ▪ 14.4 A committed bank
Environmental risk	Risk management	Table 1 (n)	Implementation of tools for identification, measurement and management of environmental risks	▪ 4.13.5.5 Processes and tools for identifying and measuring climate risks and mitigation ▪ 4.13.5.6 Biodiversity-related and nature-related risks ▪ 5.1.2.10 Nature	▪ 14.6.5 Processes and tools for identifying and managing climate risk ▪ 14.6.6 Biodiversity-related and nature-related risks ▪ 14.4.10 Nature
Environmental risk	Risk management	Table 1 (o)	Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile	▪ 4.13.4.3 Materiality assessment ▪ 4.13.5.2 Identification of environmental risks ▪ 4.13.5.3 Risk appetite and climate risks ▪ 4.13.5.4 Quantifying climate risks and stress tests ▪ 4.13.5.5 Processes and tools for identifying and measuring climate risks and mitigation	▪ 14.5.3 Materiality assessment ▪ 14.6.2 Identification of environmental risks ▪ 14.6.3 Risk appetite and climate risks ▪ 14.6.4 Quantifying climate risks and stress tests ▪ 14.6.5 Processes and tools for identifying and measuring climate risks and mitigation
Environmental risk	Risk management	Table 1 (p)	Data availability, quality and accuracy, and efforts to improve these aspects	▪ 4.13.5.5 Processes and tools for identifying and measuring climate risks and mitigation	▪ 14.6.5 Processes and tools for identifying and measuring climate risks and mitigation
Environmental risk	Risk management	Table 1 (q)	Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits	▪ 4.2.1 Risk Appetite, including section Measures to manage ESG risk factors ▪ 4.2.2 Risk appetite General framework ▪ 4.13.5.3 Risk appetite and climate risks ▪ 5.1.2.6 Aligning the activities with patways consistent with a maximum temperature rise of 1.5 °C	▪ 14.6.3 Risk appetite and climate risks ▪ 14.4.6 Aligning the activities with pathways consistent with a maximum temperature rise of 1.5°C

Topic	Sub-topic	Pilar 3 reference	Pillar 3 requirement	Information in 2024 Universal Registrement Document	Information in 2024 Pillar 3 Document
Environmental risk	Risk management	Table 1 (r)	Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework	▪ 4.13.5.2 Identification of environmental risks	▪ 14.6.2 Identification of environmental risks
Social risk	Business strategy and processes	Table 2 (a)	Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning	▪ 4.13.6.2 Incorporating social risks in the Group's processes ▪ 5.1.4.1 Dialogue with stakeholders	▪ 14.7.2 Incorporating social risks in the Group's processes
Social risk	Business strategy and processes	Table 2 (b)	Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes	▪ 4.2.1 Risk Appetite, including section Measures to manage ESG risk factors ▪ 4.13.4.3 Materiality assessment	▪ 14.5.3 Materiality assessment
Social risk	Business strategy and processes	Table 2 (c)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities	▪ 4.13.3 Managing E&S risks ▪ 4.13.6.2 Incorporating social risks in the Group's processes ▪ 5.6 Duty of care plan	▪ 14.3 Managing E&S risks ▪ 14.7.2 Incorporating social risks in the Group's processes
Social risk	Governance	Table 2 (d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of social risk management covering counterparties' approaches to: (I) Activities towards the community and society (II) Employee relationships and labour standards (III) Customer protection and product responsibility (IV) Human rights	▪ 3.1.2 Board of Directors, including sections Board of Directors and CSR, Risk committee, Appraisal of the Board of Directors and its members et Training ▪ 3.1.3 General Management ▪ 4.13.2 Analytical approach to extra-financial risks factors ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.2 Analytical approach to extra-financial risks factors

Topic	Sub-topic	Pilar 3 reference	Pillar 3 requirement	Information in 2024 Universal Registrement Document	Information in 2024 Pillar 3 Document
Social risk	Governance	Table 2 (e)	Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body	▪ 3.1.2 Board of Directors, including section Risk Committee ▪ 4.13.2 Analytical approach to extra-financial risks factors ▪ 4.13.6.2 Incorporating social risks in the Group's processes ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.2 Analytical approach to extra-financial risks factors ▪ 14.7.2 Incorporating social risks in the Group's processes
Social risk	Governance	Table 2 (f)	Lines of reporting and frequency of reporting relating to social risk	▪ 4.2.3 Risk management organization ▪ 5.1.1.1 Integrating CSR at the highest level of governance	-
Social risk	Governance	Table 2 (g)	Alignment of the remuneration policy in line with institution's social risk-related objectives	▪ 3.1.6 Remuneration of Group senior Management including elements on non-financial remuneration portion	-
Social risk	Risk management	Table 2 (h)	Definitions, methodologies and international standards on which the social risk management framework is based	▪ 4.13.1 Introduction ▪ 4.13.4.1 Introduction and definitions ▪ 4.13.4.2 Identifying risks induced by ESG factors ▪ 4.13.6.1 Definitions of social risk	▪ 14.1 Introduction ▪ 14.5.1 Introduction and definitions ▪ 14.5.2 Identifying risks induced by ESG factors ▪ 14.7.1 Definitions of social risk
Social risk	Risk management	Table 2 (i)	Processes to identify, measure and monitor activities and exposures (and collateral wher applicable) sensitive to social risk, covering relevant transmission channels	▪ 4.13.3 Managing E&S risks ▪ 4.13.4.2 Identifying risks induced by ESG factors ▪ 4.13.6.2 Incorporating social risks in the Group's processes ▪ 5.6 Duty of care plan	▪ 14.3 Managing E&S risks ▪ 14.5.2 Identifying risks induced by ESG factors ▪ 14.7.2 Incorporating social risks in the Group's processes
Social risk	Risk management	Table 2 (j)	Activities, commitments and assets contributing to mitigate social risk	▪ 4.13.3 Managing E&S risks ▪ 4.13.6.2 Incorporating social risks in the Group's processes ▪ 5.6 Duty of care plan	▪ 14.3 Managing E&S risks ▪ 14.7.2 Incorporating social risks in the Group's processes
Social risk	Risk management	Table 2 (k)	Implementation of tools for identification and management of social risk	▪ 4.13.3 Managing E&S risks ▪ 4.13.6.2 Incorporating social risks in the Group's processes ▪ 5.6 Duty of care plan	▪ 14.3 Managing E&S risks ▪ 14.7.2 Incorporating social risks in the Group's processes
Social risk	Risk management	Table 2 (l)	Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits	▪ 4.13.3 Managing E&S risks ▪ 5.6 Duty of care plan	▪ 14.3 Managing E&S risks
Social risk	Risk management	Table 2 (m)	Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework	▪ 4.13.6.2 Incorporating social risks in the Group's processes	▪ 14.7.2 Incorporating social risks in the Group's processes

Topic	Sub-topic	Pilar 3 reference	Pillar 3 requirement	Information in 2024 Universal Registrement Document	Information in 2024 Pillar 3 Document
Governance risk	Governance	Table 3 (a)	Institution's integration in their governance arrangements governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics	▪ 4.13.2 Analytical approach to extra-fiancial risk factors ▪ 4.13.7.1 Definitions of governance risks ▪ 4.13.7.2 Incorporating governance risks in the Group's processes ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.2 Analytical approach to extra-fiancial risk factors ▪ 14.8.1 Definitions of governance risks ▪ 14.8.2 Incorporating governance risks in the Group's processes
Governance risk	Governance	Table 3 (b)	Institution's accounting of the counterparty's highest governance body's role in non-financial reporting	▪ 4.13.7.2 Incorporating governance risks in the Group's processes ▪ 5.1.1.1 Incorporating CSR at the highest level of governance	▪ 14.8.2 Incorporating governance risks in the Group's processes
Governance risk	Governance	Table 3 (c)	Institution's integration in governance arrangements of the governance performance of their counterparties including: **(I)** Ethical considerations **(II)** Strategy and risk management **(III)** Inclusiveness **(IV)** Transparency **(V)** Management of conflict of interest **(VI)** Internal communication on critical concerns	▪ Risks related to governance issues are covered by several internal processes (including the customer evaluation process see Chapter 4.13.3 and 4.13.7.2, based on the principles of ethical business conduct and compliance with regulatory requirements. They include, in particular, the processes concerning financial embargoes and sanctions (see chapter 4.11 Compliance), antimoney laundering and counterterrorism financing (see chapter 4.11 Compliance), Anticorruption measures (see chapter 4.11 Compliance), resources appropriation, tax transparency and evasion (see chapter 4.11 Compliance) and Data protection (see chapter 4.11 Compliance).	-
Governance risk	Risk management	Table 3 (d)	Institution's integration in risk management arrangements the governance performance of their counterparties considering: **(I)** Ethical considerations **(II)** Strategy and risk management **(III)** Inclusiveness **(IV)** Transparency **(V)** Management of conflict of interest **(VI)** Internal communication on critical concerns	▪ 4.13.1 Introduction ▪ 4.13.2 Analytical approach to extra-financial risks factors ▪ 4.13.4.2 Identifying risks induced by ESG factors ▪ 4.13.7.2 Incorporating governance risks in the Group's processes	▪ 14.1 Introduction ▪ 14.2 Analytical approach to extrafinancial risks factors ▪ 14.5.2 Identifying risks induced by ESG factors ▪ 14.8.2 Incorporating governance risks in the Group's processes

14.10 QUANTITATIVE INFORMATION ON ESG RISKS

14.10.1 TEMPLATE 1: BANKING BOOK – CLIMATE CHANGE TRANSITION RISK- CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY

Sector breakdown of exposures to non-financial counterparts has been performed by leveraging on the internal procedure used for regulatory reportings to determine the activity sector of a specific counterparty.

From Q4 2023 onwards, the model indicates the amount of exposures aligned with the climate change mitigation objective.

Regarding exposures towards companies excluded from EU Paris-aligned Benchmarks, their identification is based on data purchased to data provider Moody's and internal monitoring. These data have allowed us to apply the exclusion criteria as defined under regulation 2020/1818 regarding revenue or emission intensity thresholds as well as the assessment of significant harm to at least one of the six environmental objectives referred to in Article 9 of Regulation (EU) 2020/852. Based on these results, internal reviews were performed to qualify the consistency with existing internal procedures.

Furthermore, since Q2 2023 the identification process for counterparties excluded from the Paris Agreement has been improved and has allowed to identify new exposures of an amount of 6.675 billion euros.

The first Pillar 3 publication of greenhouse gas (GHG) emissions will be reported as of June 30th 2024. Indeed, while the Group already has these elements, more work is necessary to ensure their quality before meeting this deadline.

TABLE 107: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE CHANGE TRANSITION RISK: CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY

		a	b	c	d	e
		31.12.2023				
		Gross carrying amount (in EURm)				
	Sector/subsector		of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	of which environ-mentally sustainable (CCM)	of which stage 2 exposures	of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change***	**169,740**	**16,221**	**1,174**	**15,228**	**7,646**
2	A – Agriculture, forestry and fishing	2,332	-	-	278	132
3	B – Mining and quarrying	7,196	5,022	2	526	130
4	*B.05 – Mining of coal and lignite*	*-*	*-*	*-*	*-*	*-*
5	*B.06 – Extraction of crude petroleum and natural gas*	*3,070*	*3,070*	*1*	*100*	*20*
6	*B.07 – Mining of metal ores*	*1,446*	*177*	*-*	*278*	*72*
7	*B.08 – Other mining and quarrying*	*878*	*-*	*-*	*39*	*18*
8	*B.09 – Mining support service activities*	1,802	1,775	1	109	20
9	C – Manufacturing	36,234	2,951	267	3,073	1,699
10	*C.10 – Manufacture of food products*	*5,401*	*-*	*-*	*335*	*266*
11	*C.11 – Manufacture of beverages*	*1,881*	*-*	*-*	*120*	*24*
12	*C.12 – Manufacture of tobacco products*	*7*	*-*	*-*	*5*	*-*
13	*C.13 – Manufacture of textiles*	*360*	*-*	*-*	*34*	*43*
14	*C.14 – Manufacture of wearing apparel*	*716*	*-*	*-*	*43*	*29*
15	*C.15 – Manufacture of leather and related products*	*156*	*-*	*-*	*18*	*15*
16	*C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	*763*	*-*	*-*	*48*	*35*
17	*C.17 – Manufacture of paper and paper products*	*613*	*-*	*-*	*67*	*14*
18	*C.18 – Printing and reproduction of recorded media*	*501*	*-*	*-*	*36*	*37*
19	*C.19 – Manufacture of coke and refined petroleum products*	*1,818*	*1,818*	*28*	*69*	*87*
20	*C.20 – Manufacture of chemicals and chemical products*	*2,500*	*55*	*1*	*159*	*45*
21	*C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations*	*1,849*	*8*	*-*	*381*	*78*
22	*C.22 – Manufacture of rubber products*	*1,342*	*6*	*-*	*181*	*70*
23	*C.23 – Manufacture of other non-metallic mineral products*	*1,481*	*3*	*3*	*202*	*81*
24	*C.24 – Manufacture of basic metals*	*1,512*	*139*	*10*	*125*	*128*
25	*C.25 – Manufacture of fabricated metal products, except machinery and equipment*	*2,392*	*6*	*1*	*288*	*195*
26	*C.26 – Manufacture of computer, electronic and optical products*	*852*	*1*	*-*	*121*	*16*
27	*C.27 – Manufacture of electrical equipment*	*2,000*	*11*	*32*	*170*	*91*
28	*C.28 – Manufacture of machinery and equipment n.e.c.*	*2,219*	*3*	*1*	*199*	*92*
29	*C.29 – Manufacture of motor vehicles, trailers and semi-trailers*	*4,638*	*901*	*97*	*196*	*218*
30	*C.30 – Manufacture of other transport equipment*	*1,644*	*-*	*93*	*96*	*62*
31	*C.31 – Manufacture of furniture*	*284*	*-*	*-*	*33*	*19*
32	*C.32 – Other manufacturing*	*464*	*-*	*-*	*58*	*17*
33	*C.33 – Repair and installation of machinery and equipment*	*841*	*-*	*1*	*89*	*37*

	f	g	h	l	m	n	o	p
	31.12.2023							
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions *(in EURm)*							
		of which Stage 2 exposures	of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	**(4,813)**	**(903)**	**(3,465)**	**115,115**	**32,411**	**18,511**	**3,703**	**5**
2	(118)	(29)	(75)	1,541	540	177	74	6
3	(90)	(14)	(67)	4,688	1,819	683	6	5
4	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*3*
5	*(11)*	*(2)*	*(6)*	*2,447*	*623*	*-*	*-*	*3*
6	*(43)*	*(8)*	*(33)*	*943*	*485*	*18*	*-*	*4*
7	*(17)*	*(3)*	*(11)*	*609*	*251*	*13*	*5*	*4*
8	(19)	(1)	(17)	689	460	652	1	8
9	(1,091)	(185)	(793)	28,869	5,213	1,300	852	4
10	*(199)*	*(35)*	*(141)*	*4,375*	*727*	*149*	*150*	*4*
11	*(24)*	*(5)*	*(12)*	*1,558*	*222*	*26*	*75*	*5*
12	*-*	*-*	*-*	*7*	*-*	*-*	*-*	*2*
13	*(39)*	*(4)*	*(33)*	*297*	*55*	*7*	*1*	*3*
14	*(22)*	*(3)*	*(18)*	*679*	*29*	*7*	*1*	*2*
15	*(14)*	*(1)*	*(13)*	*91*	*49*	*15*	*1*	*5*
16	*(23)*	*(4)*	*(17)*	*508*	*186*	*36*	*33*	*7*
17	*(17)*	*(4)*	*(9)*	*530*	*72*	*6*	*5*	*3*
18	*(24)*	*(3)*	*(17)*	*405*	*84*	*9*	*3*	*3*
19	*(13)*	*(3)*	*(9)*	*1,248*	*198*	*372*	*-*	*4*
20	*(43)*	*(7)*	*(29)*	*1,803*	*623*	*22*	*52*	*4*
21	*(32)*	*(5)*	*(22)*	*1,359*	*287*	*140*	*63*	*4*
22	*(49)*	*(9)*	*(35)*	*994*	*233*	*48*	*67*	*7*
23	*(63)*	*(12)*	*(46)*	*1,055*	*388*	*14*	*24*	*4*
24	*(83)*	*(10)*	*(68)*	*1,185*	*296*	*1*	*30*	*4*
25	*(116)*	*(17)*	*(91)*	*1,790*	*443*	*77*	*82*	*6*
26	*(22)*	*(11)*	*(7)*	*600*	*156*	*93*	*3*	*4*
27	*(46)*	*(5)*	*(37)*	*1,496*	*423*	*37*	*44*	*4*
28	*(76)*	*(19)*	*(48)*	*1,819*	*252*	*89*	*59*	*5*
29	*(94)*	*(7)*	*(80)*	*4,327*	*216*	*17*	*78*	*3*
30	*(38)*	*(5)*	*(29)*	*1,527*	*44*	*59*	*14*	*3*
31	*(14)*	*(4)*	*(8)*	*227*	*36*	*15*	*6*	*4*
32	*(13)*	*(4)*	*(8)*	*366*	*58*	*21*	*19*	*6*
33	*(27)*	*(8)*	*(16)*	*623*	*136*	*40*	*42*	*7*

		a	b	c	d	e
		31.12.2023				
		Gross carrying amount *(in EURm)*				
	Sector/subsector		of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	of which environ-mentally sustainable (CCM)	of which stage 2 exposures	of which non-performing exposures
34	D – Electricity, gas, steam and air conditioning supply	19,089	4,318	558	983	365
35	*D35.1 – Electric power generation, transmission and distribution*	*16,339*	*2,308*	*557*	*537*	*336*
36	*D35.11 – Production of electricity*	*14,452*	*2,135*	*553*	*499*	*332*
37	*D35.2 – Manufacture of gas; distribution of gaseous fuels through mains*	*2,361*	*2,010*	*1*	*446*	*28*
38	*D35.3 – Steam and air conditioning supply*	389	-	-	-	1
39	E – Water supply; sewerage, waste management and remediation activities	1,926	248	30	131	42
40	F – Construction	7,848	125	87	633	781
41	*F.41 – Construction of buildings*	*2,645*	*12*	*30*	*194*	*269*
42	*F.42 – Civil engineering*	*1,701*	*81*	*48*	*97*	*93*
43	*F.43 – Specialised construction activities*	3,502	32	9	342	419
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	33,219	1,847	9	2,938	1,750
45	H – Transportation and storage	20,337	1,707	178	3,020	698
46	*H.49 – Land transport and transport via pipelines*	*7,539*	*1,387*	*139*	*486*	*287*
47	*H.50 – Water transport*	*5,292*	*277*	-	*1,576*	*170*
48	*H.51 – Air transport*	*3,431*	-	-	*708*	*65*
49	*H.52 – Warehousing and support activities for transportation*	*3,938*	*43*	*37*	*180*	*172*
50	*H.53 – Postal and courier activities*	137	-	2	70	4
51	I – Accommodation and food service activities	5,576	-	-	1,072	844
52	L – Real estate activities	35,983	3	43	2,574	1,205
53	**Exposures towards sectors other than those that highly contribute to climate change***	**91,241**	**487**	**92**	**5,560**	**2,486**
54	K – Financial and insurance activities	25,589	286	44	315	269
55	Exposures to other sectors (NACE codes J, M – U)	65,652	201	48	5,245	2,217
56	**TOTAL**	**260,981**	**16,708**	**1,266**	**20,788**	**10,132**

* *In accordance with the Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks – Climate Benchmark Standards Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.*

	f	g	h	l	m	n	o	p
	31.12.2023							
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions *(in EURm)*							
		of which Stage 2 exposures	of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
34	(182)	(43)	(119)	10,034	4,581	3,985	489	6
35	*(122)*	*(16)*	*(88)*	*8,584*	*3,990*	*3,276*	*489*	*6*
36	*(115)*	*(14)*	*(86)*	*7,683*	*3,106*	*3,215*	*448*	*6*
37	*(58)*	*(27)*	*(30)*	*1,183*	*526*	*652*	*-*	*6*
38	(2)	-	(1)	267	65	57	-	6
39	(37)	(10)	(21)	1,122	491	121	192	7
40	(510)	(59)	(414)	6,183	1,135	453	77	4
41	*(189)*	*(21)*	*(158)*	*2,193*	*261*	*161*	*30*	*4*
42	*(71)*	*(14)*	*(51)*	*1,163*	*343*	*169*	*26*	*5*
43	(250)	(24)	(205)	2,827	531	123	21	3
44	(1,241)	(148)	(990)	27,687	3,151	1,053	1,328	5
45	(455)	(115)	(304)	10,273	5,800	4,030	234	6
46	*(200)*	*(78)*	*(103)*	*4,847*	*1,923*	*641*	*128*	*5*
47	*(99)*	*(11)*	*(81)*	*2,380*	*1,585*	*1,326*	*1*	*6*
48	*(31)*	*(7)*	*(22)*	*652*	*1,537*	*1,242*	*-*	*8*
49	*(124)*	*(18)*	*(97)*	*2,261*	*754*	*818*	*105*	*6*
50	(1)	(1)	(1)	133	1	3	-	2
51	(467)	(82)	(366)	3,421	1,396	674	85	5
52	(622)	(218)	(316)	21,297	8,285	6,035	366	5
53	**(1,660)**	**(449)**	**(1,030)**	**67,691**	**15,655**	**6,039**	**1,856**	**4**
54	(146)	(23)	(94)	22,692	1,862	872	163	2
55	(1,514)	(426)	(936)	44,999	13,793	5,167	1,693	5
56	**(6,473)**	**(1,352)**	**(4,495)**	**182,806**	**48,066**	**24,550**	**5,559**	**5**

		a	b	c	d
		31.12.2022 (R)			
			Gross carrying amount *(in EURm)*		
	Sector/subsector		of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	of which stage 2 exposures	of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change***	**176,775**	**29,291**	**17,062**	**7,498**
2	A – Agriculture, forestry and fishing	2,138	-	226	127
3	B – Mining and quarrying	7,874	5,612	356	128
4	*B.05 – Mining of coal and lignite*	*8*	*6*	*-*	*1*
5	*B.06 – Extraction of crude petroleum and natural gas*	*4,394*	*4,394*	*118*	*1*
6	*B.07 – Mining of metal ores*	*1,668*	*265*	*141*	*54*
7	*B.08 – Other mining and quarrying*	*800*	*5*	*27*	*12*
8	*B.09 – Mining support service activities*	*1,005*	*942*	*70*	*60*
9	C – Manufacturing	36,139	5,014	3,650	1,856
10	*C.10 – Manufacture of food products*	*5,500*	*1*	*411*	*264*
11	*C.11 – Manufacture of beverages*	*1,414*	*-*	*130*	*24*
12	*C.12 – Manufacture of tobacco products*	*99*	*-*	*3*	*-*
13	*C.13 – Manufacture of textiles*	*353*	*-*	*28*	*55*
14	*C.14 – Manufacture of wearing apparel*	*206*	*-*	*46*	*30*
15	*C.15 – Manufacture of leather and related products*	*129*	*-*	*17*	*15*
16	*C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	*621*	*-*	*31*	*33*
17	*C.17 – Manufacture of paper and paper products*	*606*	*-*	*70*	*15*
18	*C.18 – Printing and reproduction of recorded media*	*431*	*-*	*45*	*45*
19	*C.19 – Manufacture of coke and refined petroleum products*	*2,736*	*2,696*	*38*	*127*
20	*C.20 – Manufacture of chemicals and chemical products*	*2,404*	*205*	*142*	*40*
21	*C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations*	*1,745*	*8*	*539*	*75*
22	*C.22 – Manufacture of rubber products*	*1,355*	*5*	*174*	*73*
23	*C.23 – Manufacture of other non-metallic mineral products*	*1,493*	*23*	*227*	*73*
24	*C.24 – Manufacture of basic metals*	*1,410*	*194*	*144*	*141*
25	*C.25 – Manufacture of fabricated metal products, except machinery and equipment*	*2,598*	*33*	*458*	*247*
26	*C.26 – Manufacture of computer, electronic and optical products*	*1,234*	*1*	*84*	*13*
27	*C.27 – Manufacture of electrical equipment*	*1,427*	*12*	*233*	*143*
28	*C.28 – Manufacture of machinery and equipment n.e.c.*	*1,897*	*6*	*198*	*88*
29	*C.29 – Manufacture of motor vehicles, trailers and semi-trailers*	*5,090*	*1,810*	*227*	*178*
30	*C.30 – Manufacture of other transport equipment*	*1,923*	*19*	*232*	*113*
31	*C.31 – Manufacture of furniture*	*292*	*-*	*19*	*19*
32	*C.32 – Other manufacturing*	*423*	*-*	*65*	*14*
33	*C.33 – Repair and installation of machinery and equipment*	*748*	*1*	*88*	*32*

	e	f	g	h	i	j	k	l
	31.12.2022 (R)							
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions *(in EURm)*							
		of which stage 2 exposures	of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	**(4,753)**	**(855)**	**(3,485)**	**124,371**	**29,230**	**19,976**	**3,198**	**4.5**
2	(114)	(20)	(82)	1,446	443	170	79	6.4
3	(72)	(10)	(52)	5,554	2,128	189	3	3.5
4	*-*	*-*	*-*	*8*	*-*	*-*	*-*	*0.6*
5	*(11)*	*(5)*	*(1)*	*3,184*	*1,210*	*-*	*-*	*3.0*
6	*(26)*	*(1)*	*(23)*	*1,123*	*435*	*110*	*-*	*4.1*
7	*(13)*	*(1)*	*(10)*	*540*	*247*	*10*	*3*	*3.8*
8	*(21)*	*(3)*	*(18)*	*698*	*236*	*70*	*1*	*4.1*
9	(1,176)	(214)	(844)	30,830	3,838	1,320	151	2.7
10	*(204)*	*(57)*	*(126)*	*4,800*	*537*	*126*	*37*	*2.4*
11	*(31)*	*(10)*	*(13)*	*1,164*	*157*	*56*	*37*	*4.4*
12	*-*	*-*	*-*	*99*	*-*	*-*	*-*	*1.7*
13	*(46)*	*(1)*	*(43)*	*290*	*54*	*6*	*3*	*2.8*
14	*(19)*	*(1)*	*(18)*	*191*	*15*	*-*	*-*	*1.7*
15	*(13)*	*-*	*(13)*	*106*	*8*	*14*	*1*	*3.4*
16	*(24)*	*(3)*	*(18)*	*497*	*91*	*20*	*13*	*4.4*
17	*(20)*	*(6)*	*(10)*	*565*	*38*	*2*	*1*	*1.7*
18	*(24)*	*(3)*	*(18)*	*378*	*48*	*5*	*-*	*1.9*
19	*(23)*	*(6)*	*(15)*	*1,590*	*476*	*670*	*-*	*4.6*
20	*(41)*	*(7)*	*(27)*	*1,933*	*451*	*13*	*7*	*2.9*
21	*(28)*	*(10)*	*(14)*	*1,511*	*127*	*93*	*14*	*2.1*
22	*(48)*	*(9)*	*(31)*	*1,152*	*179*	*19*	*5*	*2.3*
23	*(50)*	*(6)*	*(36)*	*1,122*	*357*	*9*	*5*	*3.0*
24	*(101)*	*(12)*	*(86)*	*1,164*	*244*	*2*	*-*	*2.1*
25	*(138)*	*(27)*	*(102)*	*2,226*	*336*	*29*	*7*	*2.6*
26	*(12)*	*(3)*	*(7)*	*1,080*	*84*	*69*	*1*	*2.7*
27	*(106)*	*(7)*	*(94)*	*1,198*	*220*	*6*	*3*	*2.1*
28	*(74)*	*(21)*	*(42)*	*1,690*	*152*	*45*	*10*	*2.3*
29	*(87)*	*(10)*	*(72)*	*4,970*	*110*	*8*	*2*	*1.6*
30	*(36)*	*(4)*	*(29)*	*1,843*	*26*	*53*	*1*	*3.2*
31	*(14)*	*-*	*(12)*	*260*	*30*	*2*	*-*	*1.8*
32	*(15)*	*(6)*	*(8)*	*367*	*43*	*11*	*2*	*2.6*
33	*(20)*	*(4)*	*(13)*	*638*	*52*	*57*	*1*	*3.1*

		a	b	c	d
		31.12.2022 (R)			
		Gross carrying amount *(in EURm)*			
	Sector/subsector		**of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818**	**of which stage 2 exposures**	**of which non-performing exposures**
34	D – Electricity, gas, steam and air conditioning supply	18,077	7,687	817	266
35	*D35.1 – Electric power generation, transmission and distribution*	*15,110*	*4,914*	*324*	*233*
36	*D35.11 – Production of electricity*	*13,162*	*4,515*	*244*	*230*
37	*D35.2 – Manufacture of gas; distribution of gaseous fuels through mains*	*2,810*	*2,771*	*492*	*31*
38	*D35.3 – Steam and air conditioning supply*	*156*	*2*	*-*	*1*
39	E – Water supply; sewerage, waste management and remediation activities	2,034	250	89	29
40	F – Construction	8,563	177	817	846
41	*F.41 – Construction of buildings*	*3,517*	*52*	*175*	*314*
42	*F.42 – Civil engineering*	*1,761*	*75*	*105*	*187*
43	*F.43 – Specialised construction activities*	*3,285*	*51*	*537*	*345*
44	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	34,424	2,121	2,692	1,802
45	H – Transportation and storage	21,422	2,400	4,016	702
46	*H.49 – Land transport and transport via pipelines*	*7,237*	*1,696*	*631*	*170*
47	*H.50 – Water transport*	*6,429*	*671*	*1,837*	*187*
48	*H.51 – Air transport*	*3,118*	*-*	*1,246*	*127*
49	*H.52 – Warehousing and support activities for transportation*	*4,592*	*33*	*296*	*215*
50	*H.53 – Postal and courier activities*	*48*	*-*	*7*	*3*
51	I – Accommodation and food service activities	5,702	-	2,010	854
52	L – Real estate activities	40,402	30	2,389	888
53	**Exposures towards sectors other than those that highly contribute to climate change***	**96,526**	**760**	**5,657**	**2,833**
54	K – Financial and insurance activities	28,409	564	917	300
55	Exposures to other sectors (NACE codes J, M – U)	68,117	196	4,740	2,533
56	**TOTAL**	**273,301**	**24,051**	**22,719**	**10,331**

* *In accordance with the Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks – Climate Benchmark Standards Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.*

	e	f	g	h	i	j	k	l
	31.12.2022 (R)							
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions *(in EURm)*							
		of which stage 2 exposures	of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
34	(179)	(71)	(79)	10,246	3,507	3,828	496	5.9
35	*(91)*	*(14)*	*(52)*	*8,584*	*3,111*	*2,920*	*495*	*6.0*
36	*(83)*	*(11)*	*(50)*	*7,395*	*2,646*	*2,631*	*490*	*6.1*
37	*(86)*	*(57)*	*(26)*	*1,628*	*299*	*883*	*-*	*5.3*
38	*(2)*	*-*	*(1)*	*34*	*98*	*24*	*-*	*6.8*
39	(30)	(10)	(16)	1,230	338	376	90	5.9
40	(574)	(64)	(480)	7,131	805	585	42	3.0
41	*(178)*	*(13)*	*(154)*	*2,960*	*278*	*247*	*32*	*3.1*
42	*(173)*	*(12)*	*(156)*	*1,272*	*263*	*225*	*1*	*3.7*
43	*(224)*	*(39)*	*(170)*	*2,918*	*258*	*101*	*8*	*2.6*
44	(1,313)	(124)	(1,105)	30,771	2,400	423	830	3.4
45	(381)	(91)	(259)	12,458	5,563	2,941	460	5.2
46	*(129)*	*(26)*	*(85)*	*4,839*	*1,630*	*478*	*290*	*4.5*
47	*(78)*	*(42)*	*(31)*	*2,884*	*2,490*	*1,055*	*-*	*5.7*
48	*(59)*	*(16)*	*(42)*	*1,351*	*860*	*907*	*-*	*6.6*
49	*(113)*	*(7)*	*(101)*	*3,347*	*583*	*490*	*172*	*4.7*
50	*(1)*	*-*	*-*	*44*	*1*	*3*	*-*	*2.0*
51	(462)	(96)	(353)	4,072	1,044	522	64	4.2
52	(452)	(155)	(215)	20,633	9,164	9,622	983	6.5
53	**(2,102)**	**(583)**	**(1,286)**	**74,341**	**13,156**	**7,134**	**1,895**	**3.8**
54	(177)	(30)	(110)	23,996	3,284	901	228	2.4
55	(1,925)	(553)	(1,176)	50,345	9,872	6,233	1,667	4.7
56	**(6,855)**	**(1,438)**	**(4,771)**	**198,712**	**42,386**	**27,110**	**5,093**	**4.3**

14.10.2 TEMPLATE 2: CLIMATE CHANGE TRANSITION RISK: LOANS COLLATERALISED BY IMMOVABLE PROPERTY COLLATERAL – ENERGY EFFICIENCY OF THE COLLATERAL

This template outlines the gross carrying amount of loans collateralized by immovable property by energy efficiency buckets based on the level of energy efficiency of the collateralized as indicated in the Energy Performance Certificate (EPC).

It is worth noticing that are included in loans collateralized by immovable property are loans secured by a guarantee provided by Crédit Logement or other insurance companies.

EPC constitute ESG data whose collection process from our clients is currently under review, which will ultimately allow us to refine this publication.

In the absence of EPC, and when possible, we have estimated the energy consumption of the immovable property collateral based on public information disclosed by organisms such as l'Agence De l'Environnement et de la Maîtrise de l'Énergie (ADEME). In addition, the approach described above was completed using statistical distributions from national databases or specific to our portfolio.

TABLE 108: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE CHANGE TRANSITION RISK: LOANS COLLATERALISED BY IMMOVABLE PROPERTY – ENERGY EFFICIENCY OF THE COLLATERAL

		31.12.2023						
		Total gross carrying amount *(in EURm)*						
			Level of energy efficiency (EP score in kWh/m² of collateral)					
	Counterparty sector		**0 <= 100**	**> 100 <= 200**	**> 200 <= 300**	**> 300 <= 400**	**> 400 <= 500**	**> 500**
1	**TOTAL EU AREA**	**154,409**	**16,564**	**37,634**	**33,402**	**22,044**	**8,577**	**3,777**
2	*of which Loans collateralised by commercial immovable property*	*26,296*	*1,559*	*1,854*	*2,669*	*1,156*	*147*	*98*
3	*of which Loans collateralised by residential immovable property*	*128,113*	*15,005*	*35,780*	*30,733*	*20,888*	*8,430*	*3,679*
4	*of which Collateral obtained by taking possession: residential and commercial immovable properties*	-	-	-	-	-	-	-
5	*of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	*107,585*	*15,883*	*36,700*	*30,910*	*16,239*	*5,467*	*2,386*
6	**TOTAL NON-EU AREA**	**10,666**	**172**	**1,038**	**1,870**	**331**	**38**	**-**
7	*of which Loans collateralised by commercial immovable property*	*6,077*	*172*	*1,038*	*1,870*	*331*	*38*	-
8	*of which Loans collateralised by residential immovable property*	*4,589*	-	-	-	-	-	-
9	*of which Collateral obtained by taking possession: residential and commercial immovable properties*	-	-	-	-	-	-	-
10	*of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	*3,449*	*172*	*1,038*	*1,870*	*331*	*38*	-

	a	b	c	d	e	f	g		
	31.12.2023								
	Total gross carrying amount *(in EURm)*								
	Level of energy efficiency (EPC label of collateral)							**Without EPC label of collateral**	
	A	**B**	**C**	**D**	**E**	**F**	**G**		**of which level of energy efficiency (EP score in kWh/m² of collateral) estimated**
1	**681**	**934**	**2,492**	**5,805**	**3,110**	**987**	**404**	**139,996**	**77%**
2	*18*	*43*	*49*	*102*	*23*	*15*	*29*	*26,017*	*28%*
3	*663*	*891*	*2,443*	*5,703*	*3,087*	*972*	*375*	*113,979*	*88%*
4	-	-	-	-	-	-	-	-	-
5								*107,585*	*100%*
6	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,666**	**32%**
7	-	-	-	-	-	-	-	*6,077*	*57%*
8	-	-	-	-	-	-	-	*4,589*	*0%*
9	-	-	-	-	-	-	-	-	-
10								*3,449*	*100%*

		31.12.2022						
		Total gross carrying amount *(in EURm)*						
			Level of energy efficiency (EP score in kWh/m² of collateral)					
	Counterparty sector		**0 <= 100**	**> 100 <= 200**	**> 200 <= 300**	**> 300 <= 400**	**> 400 <= 500**	**> 500**
1	**TOTAL EU AREA**	**157,020**	**8,079**	**13,547**	**14,769**	**9,119**	**3,888**	**1,681**
2	*of which Loans collateralised by commercial immovable property*	*25,069*	*1,081*	*272*	*2,473*	*440*	*1*	*-*
3	*of which Loans collateralised by residential immovable property*	*131,951*	*6,998*	*13,276*	*12,296*	*8,679*	*3,887*	*1,681*
4	*of which Collateral obtained by taking possession: residential and commercial immovable properties*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
5	*of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	*36,947*	*7,560*	*12,935*	*12,367*	*3,086*	*672*	*326*
6	**TOTAL NON-EU AREA**	**10,764**	**17**	**873**	**1,889**	**495**	**2**	**1**
7	*of which Loans collateralised by commercial immovable property*	*5,939*	*-*	*850*	*1,874*	*490*	*-*	*-*
8	*of which Loans collateralised by residential immovable property*	*4,825*	*17*	*23*	*15*	*6*	*2*	*1*
9	*of which Collateral obtained by taking possession: residential and commercial immovable properties*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
10	*of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	*3,277*	*17*	*873*	*1,889*	*495*	*2*	*1*

	a	b	c	d	e	f	g		
	31.12.2022								
	Total gross carrying amount *(in EURm)*								
	Level of energy efficiency (EPC label of collateral)							**Without EPC label of collateral**	
	A	**B**	**C**	**D**	**E**	**F**	**G**		**of which level of energy efficiency (EP score in kWh/m² of collateral) estimated**
1	**519**	**612**	**2,402**	**6,033**	**3,216**	**981**	**374**	**142,883**	**26%**
2	*-*	*-*	*-*	*1*	*-*	*-*	*-*	*25,067*	*17%*
3	*519*	*612*	*2,401*	*6,032*	*3,216*	*981*	*374*	*117,816*	*28%*
4	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0%*
5								*36,947*	*100%*
6	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,763**	**30%**
7	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*5,939*	*54%*
8	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*4,825*	*1%*
9	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0%*
10								*3,277*	*100%*

14.10.3 TEMPLATE 3: BANKING BOOK – CLIMATE CHANGE TRANSITION RISK: ALIGNMENT METRICS

The Group has committed to aligning its credit portfolios on the most emissive sectors in an effort to manage its activities in line with its objective of fighting climate change. The methodological framework, the sectoral implementation of the credit portfolio alignment and the key figures are detailed in Chapter 5 "Corporate Social Responsibility" of the Universal Registration Document (URD) in the section 5.1.2.6 "Aligning Origination Policies and Credit Portfolios in Various Sectors".

14.10.4 TEMPLATE 4: BANKING BOOK – CLIMATE CHANGE TRANSITION RISK: EXPOSURES TO TOP 20 CARBON-INTENSIVE FIRMS

To determine the elements presented in this template, the Group has defined a list of the world's 20 most carbon-intensive firms, by using, in particular, the reports of the Carbon Disclosure Project (CDP).

Since Q2 2023, the ratio of exposures of the top 20 most emitting counterparties relative to the total amount of exposure is now determined using the banking book as the denominator. As of Q4 2022, it would have led to a ratio of 0,36% (compared to the published ratio of 1,23%).

TABLE 109: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE CHANGE TRANSITION RISK: EXPOSURES TO TOP 20 CARBON-INTENSIVE FIRMS

a	b	c	d	e
31.12.2023				
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
2,188	0.24%	4	2	11

* For counterparties among the top 20 carbon emitting companies in the world.

a	b	c	d	e
31.12.2022 (R)				
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
3,351	0.36%	-	1.8	13

* For counterparties among the top 20 carbon emitting companies in the world.

14.10.5 TEMPLATE 5: BANKING BOOK – CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK

Data availability issues require the use of physical hazard projection estimates to be applied to the exposures.

Note that securitisation transactions are excluded from the scope of physical risk analysis as are mobile assets (e.g. boats, planes) and extended assets (e.g. pipelines, fiber optic networks).

The geographical breakdown of this template is based on aggregations (France, Europe excluding France, North America, and Rest of the world) in line with the locations of the main activities of the Group.

The exposures sensitive to the impact of climate change physical events are reported in gross amounts, i.e. before taking into account mitigating measures such as insurance coverage or mitigating actions by counterparties or public actors (such as flood protection systems) – based on the location of the assets. It is expected that the physical risk impacts on the Group's portfolio are reduced by such measures.

The identification of the existence of physical risks in the Group's portfolios is based on the following items:

- climate-related hazards covered include river floods, droughts, wildfires, heavy precipitation and tropical cyclones as acute events, as well as sea level rise and heat stress as chronic events;
- use of Shared Socioeconomic Pathway SSP5-8.5 and Representative Concentration Pathway RCP8.5 climate scenario, developed by the Intergovernmental Panel on Climate Change (IPCC). Projections are carried out at yearly time steps 2030 for acute hazards and 2050 for chronic hazards except for sea level rise (2100);
- geographical location is the one of the assets of counterparties of the Group's portfolio. The Group used internal and external data sources (Moody's) to determine the location of the assets. Location of assets constitutes a critical element in the identification of physical risks and continues to be the subject of quality improvement efforts.
- determination of the physical risk scores of each asset broken-down per type of hazard is based on data provider Munich Re for all companies.

Based on the assumptions made and available data, the loans portfolio guaranteed by residential real estate subject to physical risk for France (which constitutes the Group's main market) represents an amount of 10,5 billion euros in terms of gross risk, before taking into account any mitigation mechanism and the final vulnerability of the counterparties, mainly due to the hazards of heavy precipitation, river flood and sea level rise.

The Corporate portfolio subject to physical risk for France (which constitutes the Group's main market) represents an amount of 12,1 billion euros in terms of gross risk, before taking into account any mitigation mechanism and the final vulnerability of counterparties, mainly due to the hazards of heavy precipitation and river flood.

TABLE 110: BANKING BOOK – INDICATORS OF POTENTIAL CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK

	a	b	c	d	e	f	g
		31.12.2023					
			Gross carrying amount *(in EURm)*				
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	France		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	A – Agriculture, forestry and fishing	832	42	5	11	3	8
2	B – Mining and quarrying	228	24	10	1	-	4
3	C – Manufacturing	13,060	1,255	164	32	8	3
4	D – Electricity, gas, steam and air conditioning supply	3,509	216	30	80	20	6
5	E – Water supply; sewerage, waste management and remediation activities	870	86	66	4	2	5
6	F – Construction	4,214	385	53	19	1	3
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	14,953	1,204	237	88	19	4
8	H – Transportation and storage	5,260	292	85	32	23	5
9	L – Real estate activities	22,155	2,018	920	700	34	6
10	Loans collateralised by residential immovable property	108,860	850	2,436	5,540	1,722	14
11	Loans collateralised by commercial immovable property	17,831	309	169	285	27	8
12	Repossessed collaterals	-	-	-	-	-	0
13	Other relevant sectors (breakdown below where relevant)	40,916	3,041	595	300	39	4

	h	i	j	k	l	m	n	o
	31.12.2023							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	13	45	3	5	7	(3)	(1)	(2)
2	3	30	2	1	1	(1)	-	(1)
3	48	1,363	48	308	87	(49)	(10)	(32)
4	11	323	12	8	3	(2)	(1)	(1)
5	68	88	2	5	1	(1)	-	-
6	17	428	13	36	53	(30)	(3)	(25)
7	52	1,438	58	222	118	(87)	(18)	(61)
8	33	376	23	32	70	(40)	(4)	(34)
9	67	3,552	53	302	87	(51)	(18)	(24)
10	725	8,410	1,413	792	77	(12)	(5)	(6)
11	40	605	145	138	72	(13)	(10)	(2)
12	-	-	-	-	-	-	-	-
13	142	3,768	65	344	223	(113)	(25)	(73)

	a	b	c	d	e	f	g
		31.12.2023					
		Gross carrying amount *(in EURm)*					
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	Europe (excluding France)		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1	A – Agriculture, forestry and fishing	1,029	30	21	2	3	9
2	B – Mining and quarrying	1,862	64	3	-	-	2
3	C – Manufacturing	10,786	1,178	156	40	45	5
4	D – Electricity, gas, steam and air conditioning supply	5,254	105	158	247	6	8
5	E – Water supply; sewerage, waste management and remediation activities	607	26	8	-	2	5
6	F – Construction	1,823	138	18	1	5	5
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	9,495	559	81	6	46	7
8	H – Transportation and storage	7,110	296	110	1	17	7
9	L – Real estate activities	9,220	257	110	25	-	4
10	Loans collateralised by residential immovable property	20,733	30	39	228	572	21
11	Loans collateralised by commercial immovable property	9,418	32	21	11	16	20
12	Repossessed collaterals	-	-	-	-	-	0
13	Other relevant sectors (breakdown below where relevant)	35,198	627	377	82	8	5

	h	i	j	k	l	m	n	o
	31.12.2023							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	3	52	1	12	2	(4)	(2)	(2)
2	25	38	4	9	-	-	-	-
3	152	1,195	72	81	8	(17)	(11)	(3)
4	20	491	5	9	-	(1)	(1)	-
5	2	34	-	1	-	-	-	-
6	26	127	9	14	1	(2)	(1)	(1)
7	106	531	55	95	4	(4)	(2)	(1)
8	76	283	65	64	3	(6)	(4)	(1)
9	88	296	8	4	2	(2)	(1)	-
10	1	867	1	185	6	(3)	(1)	(2)
11	4	75	1	12	-	(1)	(1)	-
12	-	-	-	-	-	-	-	-
13	147	829	118	105	51	(17)	(11)	(5)

	a	b	c	d	e	f	g
		31.12.2023					
		Gross carrying amount *(in EURm)*					
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	North America		**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
1	A – Agriculture, forestry and fishing	12	6	-	-	-	1
2	B – Mining and quarrying	1,433	377	96	-	-	3
3	C – Manufacturing	4,086	861	27	7	-	1
4	D – Electricity, gas, steam and air conditioning supply	5,031	444	37	9	-	1
5	E – Water supply; sewerage, waste management and remediation activities	35	4	2	-	2	8
6	F – Construction	184	38	1	-	-	2
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,761	760	8	-	29	4
8	H – Transportation and storage	2,534	102	6	-	-	2
9	L – Real estate activities	2,819	118	4	3	-	2
10	Loans collateralised by residential immovable property	56	-	-	-	-	-
11	Loans collateralised by commercial immovable property	2,049	-	-	-	-	na
12	Repossessed collaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	11,350	971	57	6	-	2

	h	i	j	k	l	m	n	o
	31.12.2023							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	-	4	2	-	-	-	-	-
2	109	173	191	7	-	(1)	(1)	-
3	232	426	237	39	1	(2)	(1)	-
4	149	225	116	2	8	(2)	-	(1)
5	2	4	2	-	-	-	-	-
6	12	16	11	-	-	-	-	-
7	235	300	262	88	3	(1)	-	-
8	36	42	30	1	-	(3)	(1)	-
9	11	77	37	-	13	(5)	-	(3)
10	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-
13	247	462	325	30	3	(2)	(2)	-

	a	b	c	d	e	f	g
		31.12.2023					
		Gross carrying amount *(in EURm)*					
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	Rest of the World		**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
1	A – Agriculture, forestry and fishing	459	16	-	-	-	1
2	B – Mining and quarrying	3,673	412	215	209	-	6
3	C – Manufacturing	8,302	1,298	167	134	1	2
4	D – Electricity, gas, steam and air conditioning supply	5,295	375	59	92	-	5
5	E – Water supply; sewerage, waste management and remediation activities	414	5	42	-	1	8
6	F – Construction	1,627	90	1	1	-	2
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	6,010	1,029	26	-	17	2
8	H – Transportation and storage	5,433	92	45	-	-	3
9	L – Real estate activities	1,789	198	10	7	-	3
10	Loans collateralised by residential immovable property	3,053	1	2	1	-	8
11	Loans collateralised by commercial immovable property	3,075	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	9,353	1,760	196	15	-	3

	h	i	j	k	l	m	n	o
	31.12.2023							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	3	11	2	-	-	-	-	-
2	64	463	309	30	-	(3)	(2)	-
3	166	983	451	67	15	(14)	(4)	(8)
4	62	258	206	15	3	(3)	(2)	(1)
5	1	43	4	-	-	-	-	-
6	19	46	27	-	2	(2)	-	(1)
7	89	795	188	147	96	(81)	(1)	(80)
8	7	112	18	3	11	(5)	(1)	(4)
9	10	190	15	1	43	(10)	(1)	(9)
10	-	3	1	-	-	-	-	-
11	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-
13	221	1,322	428	63	7	(7)	(2)	(4)

		a	b	c	d	e	f
		31.12.2022					
			Gross carrying amount *(in EURm)*				
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	France		**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
1	A – Agriculture, forestry and fishing	778	89	21	24	18	13
2	B – Mining and quarrying	275	6	2	-	-	2
3	C – Manufacturing	12 056	185	23	7	11	6
4	D – Electricity, gas, steam and air conditioning supply	3 714	53	2	4	-	2
5	E – Water supply; sewerage, waste management and remediation activities	1 229	27	2	-	1	2
6	F – Construction	4 515	54	7	1	-	3
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	13 824	227	19	4	28	10
8	H – Transportation and storage	5 106	74	10	3	-	2
9	L – Real estate activities	25 843	68	61	96	2	8
10	Loans collateralised by residential immovable property	115 158	159	488	1 319	362	14
11	Loans collateralised by commercial immovable property	16 221	1	-	1	-	9
12	Repossessed collaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	43 548	264	50	28	2	4

	g	h	i	j	k	l	m	n
	31.12.2022							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-p erforming exposures		of which Stage 2 exposures	of which non-performing exposures
1	2	138	12	16	1	(2)	(1)	-
2	5	3	-	-	-	-	-	-
3	39	183	4	26	14	(6)	(1)	(4)
4	21	37	1	-	-	-	-	-
5	23	7	-	1	-	-	-	-
6	14	46	2	6	4	(3)	-	(2)
7	37	236	5	28	12	(10)	(1)	(7)
8	31	54	2	13	1	(1)	-	(1)
9	53	168	6	19	10	(5)	(1)	(3)
10	1 008	1 233	87	231	15	(3)	(1)	(2)
11	1	1	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-
13	114	220	10	40	21	(9)	(1)	(7)

		a	b	c	d	e	f
		31.12.2022					
			Gross carrying amount *(in EURm)*				
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	Europe (excluding France)		**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
1	A – Agriculture, forestry and fishing	966	-	-	-	-	-
2	B – Mining and quarrying	1,407	82	43	1	-	3
3	C – Manufacturing	10,852	766	40	5	-	2
4	D – Electricity, gas, steam and air conditioning supply	5,391	157	2	8	1	3
5	E – Water supply; sewerage, waste management and remediation activities	465	14	3	-	2	5
6	F – Construction	2,019	67	18	18	-	5
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	9,522	220	4	-	-	1
8	H – Transportation and storage	7,022	116	24	54	-	6
9	L – Real estate activities	9,375	170	26	26	7	4
10	Loans collateralised by residential immovable property	18,737	1	2	2	-	11
11	Loans collateralised by commercial immovable property	9,761	15	-	-	-	2
12	Repossessed collaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	32,463	606	76	23	1	2

	g	h	i	j	k	l	m	n
	31.12.2022							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	-	-	-	-	-	-	-	-
2	31	88	7	6	-	-	-	-
3	116	647	48	26	12	(10)	(1)	(8)
4	42	113	13	7	14	(5)	(1)	(4)
5	3	16	-	1	-	-	-	-
6	28	69	6	13	-	(4)	(3)	-
7	42	169	13	2	-	-	-	-
8	93	89	12	25	-	-	-	-
9	50	171	8	4	15	(3)	-	(2)
10	4	1	-	1	-	-	-	-
11	15	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-
13	165	473	68	61	45	(11)	(1)	(8)

		a	b	c	d	e	f
		31.12.2022					
			Gross carrying amount *(in EURm)*				
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	North America		**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
1	A – Agriculture, forestry and fishing	31	-	-	-	-	-
2	B – Mining and quarrying	1,558	191	135	1	-	4
3	C – Manufacturing	4,719	898	17	4	-	1
4	D – Electricity, gas, steam and air conditioning supply	3,555	188	55	16	-	4
5	E – Water supply; sewerage, waste management and remediation activities	34	4	1	-	2	8
6	F – Construction	114	24	4	5	-	4
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	2,790	420	2	-	-	1
8	H – Transportation and storage	3,438	266	243	237	-	7
9	L – Real estate activities	3,377	131	9	5	-	2
10	Loans collateralised by residential immovable property	41	-	-	-	-	-
11	Loans collateralised by commercial immovable property	2,224	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	12,860	1,199	99	43	-	2

	g	h	i	j	k	l	m	n
	31.12.2022							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	-	-	-	-	-	-	-	-
2	238	36	53	36	-	(1)	(1)	-
3	509	295	115	72	12	(7)	(1)	(6)
4	170	79	10	1	6	(3)	-	(2)
5	3	3	1	-	-	-	-	-
6	22	8	3	5	-	(1)	(1)	-
7	248	130	44	3	2	(1)	-	-
8	374	194	178	402	-	(9)	(9)	-
9	87	39	19	7	-	(1)	(1)	-
10	-	-	-	-	-		-	-
11	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-
13	780	372	189	64	1	(1)	(1)	

		a	b	c	d	e	f
		31.12.2022					
			Gross carrying amount *(in EURm)*				
			of which exposures sensitive to impact from climate change physical events				
			Breakdown by maturity bucket				
	Rest of the World		**<= 5 years**	**> 5 year <= 10 years**	**> 10 year <= 20 years**	**> 20 years**	**Average weighted maturity**
1	A – Agriculture, forestry and fishing	363	15	-	-	-	0
2	B – Mining and quarrying	4,635	680	304	24	-	4
3	C – Manufacturing	8,513	1,090	186	347	-	4
4	D – Electricity, gas, steam and air conditioning supply	5,417	539	183	314	-	7
5	E – Water supply; sewerage, waste management and remediation activities	307	6	3	-	1	5
6	F – Construction	1,914	74	8	3	-	3
7	G – Wholesale and retail trade; repair of motor vehicles and motorcycles	8,289	870	15	-	-	1
8	H – Transportation and storage	5,857	271	295	97	-	6
9	L – Real estate activities	1,806	82	7	11	-	4
10	Loans collateralised by residential immovable property	2,840	-	-	1	-	10
11	Loans collateralised by commercial immovable property	2,801	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	13,357	1,247	177	44	-	2

	g	h	i	j	k	l	m	n
	31.12.2022							
	Gross carrying amount *(in EURm)*							
	of which exposures sensitive to impact from climate change physical events							
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures		of which Stage 2 exposures	of which non-performing exposures
1	11	-	4	1	1	(1)	-	-
2	464	182	362	25	2	(1)	-	-
3	836	304	483	113	47	(34)	(7)	(24)
4	551	153	332	47	25	(14)	(4)	(8)
5	7	1	2	-	-	-	-	-
6	55	15	16	3	9	(5)	-	(5)
7	521	245	119	30	38	(32)	(4)	(27)
8	383	168	112	245	13	(14)	(2)	(11)
9	45	41	14	5	-	(1)	-	-
10	1	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-
13	819	395	254	176	29	(9)	(3)	(4)

14.10.6 TEMPLATE 6: SUMMARY OF KEY PERFORMANCE INDICATORS (KPIS) ON THE TAXONOMY-ALIGNED EXPOSURES

It should be noted that certain key elements excluded from the numerator are nonetheless considered in the denominator, mainly exposure to all companies not subject to the EU NFRD publication obligations.

Furthermore, the items reported as part of the publication exercise required by Implementing Regulation 2022/2453 of November 30, 2022 are consistent in terms of methodology with the information published under the EU regulation on the taxonomy of sustainable finance (Regulation (EU) 2020/852).

To facilitate the reading of this report, Société Générale does not present the “t-1” columns of the models.

TABLE 111– SUMMARY OF KEY PERFORMANCE INDICATORS (KPIS) ON THE TAXONOMY - ALIGNED EXPOSURES

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1.42%	0.00%	1.42%	10.29%
GAR flow	n.a	n.a	n.a	n.a

* % of assets covered by the KPI over banks´ total assets

14.10.7 TEMPLATE 7: MITIGATING ACTIONS: ASSETS FOR THE CALCULATION OF GAR

Societe Generale calculated the data necessary for the required information based on the recommendations of the European Banking Authority for Pillar 3 and the FAQs of the European Commission concerning the methodology for aligning exposures with the requirements of the taxonomy regulation.

The methodologies applied to the main exposure categories present in this model are as follows:

Measurement of alignment for financial companies and non-financial companies (non-Retail):

Exposures, for which the use of proceeds is known, and provided that the beneficiary is an NFRD entity, are considered fully eligible under the EU Taxonomy, but not aligned due to the absence of information communicated by the client. For all other transactions, the KPIs relating to turnover and capital expenditure (CapEx) published by the NFRD counterparties are used in the calculation.

Alignment measurement for households (Retail):

Mortgage loans include those which are guaranteed by a financial guarantee such as the Crédit Logement guarantee and are considered fully eligible. The alignment is based on the technical screening criteria and the assessment of the activity according to the DNSH criteria (i.e., the activity does not significantly harm the other environmental objectives of the EU taxonomy).

To the extent that certain data on construction standards and construction permit dates cannot be easily collected on new housing, the internal models were challenged by national data sources in France in order to complete the knowledge of the SG portfolio in real estate loans, particularly for more recent buildings.

Concerning loans to local authorities, only dedicated loans are eligible. They have been included as eligible exposures in line with exposure to Public Housing Offices (OPH), but not aligned due to lack of available data.

Motor vehicles loans from January 1, 2022 as well as building renovation loans have been included as eligible exposures. The methodology is highly restrictive and the alignment requires data that are often not available: Only financial leasing transactions for motor vehicles of the Ayvens portfolio have been subject to alignment measurement consistent with the methodology developed by Ayvens for its own needs.

TABLE 112 – MITIGATING ACTIONS: ASSETS FOR THE CALCULATION OF GAR

		a	b	c	d	e	f
		Disclosure reference date T					
			Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
	(In EURm)	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling
	GAR - COVERED ASSETS IN BOTH NUMERATOR AND DENOMINATOR						
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	162,626	144,802	10,162	-	348	1,363
2	**Financial corporations**	**4,267**	**1,098**	**102**	**-**	**2**	**102**
3	Credit institutions	2,963	187	18	-	-	18
4	Loans and advances	2,176	6	-	-	-	-
5	Debt securities, including UoP	787	181	18	-	-	18
6	Equity instruments	-	-	-			
7	Other financial corporations	1,304	911	84	-	2	84
8	*of which investment firms*	*1,280*	*911*	*84*	-	*2*	*84*
9	Loans and advances	1,278	911	84	-	2	84
10	Debt securities, including UoP	-	-	-	-	-	-
11	Equity instruments	2	-	-		-	-
12	*of which management companies*	5	-	-	-	-	-
13	Loans and advances	5	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-
16	*of which insurance undertakings*	19	-	-	-	-	-
17	Loans and advances	19	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-
19	Equity instruments	-	-	-			
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	**22,506**	**7,859**	**1,261**	**-**	**330**	**1,261**
21	Loans and advances	21,671	7,778	1,259	-	330	1,259
22	Debt securities, including UoP	432	81	2	-	-	2
23	Equity instruments	403	-	-			
24	**Households**	**47,006**	**47,006**	**1,355**	**-**	**16**	**-**
25	*of which loans collateralised by residential immovable property*	42,321	42,321	1,339	-	-	-
26	*of which building renovation loans*	2,251	2,251	-	-	-	-
27	*of which motor vehicle loans*	2,434	2,434	16	-	*16*	-
28	**Local governments financing**	**8**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	8	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**88,839**	**88,839**	**7,444**	**-**	**-**	**-**
32	**TOTAL GAR ASSETS**	**162,626**	**144,802**	**10,162**	**-**	**348**	**1,363**

	g	h	i	j	k	l	m	n	o	p
	Disclosure reference date T									
	Climate Change Adaptation (CCA)					**Total (CCM + CCA)**				
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					**Of which towards taxonomy relevant sectors (Taxonomy-eligible)**				
		Of which environmentally sustainable (Taxonomy-aligned)					**Of which environmentally sustainable (Taxonomy-aligned)**			
			Of which specialised lending	**Of which adaptation**	**Of which enabling**			**Of which specialised lending**	**Of which transitional/ adaptation**	**Of which enabling**
1	212	5	-	-	-	145,014	10,167	-	348	1,363
2	**23**	**-**	**-**	**-**	**-**	**1,121**	**102**	**-**	**2**	**102**
3	16	-	-	-	-	203	18	-	-	18
4	16	-	-	-	-	22	-	-	-	-
5	-	-	-	-	-	181	18	-	-	18
6						-	-		-	-
7	7	-	-	-	-	918	84	-	2	84
8	-	-	-	-	-	*911*	*84*	-	*2*	*84*
9	-	-	-	-	-	911	84	-	2	84
10	-	-	-	-	-	-	-	-	-	-
11	-	-		-	-	-	-		-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
15	-	-				-	-		-	-
16	7	-	-	-	-	7	-	-	-	-
17	7	-	-	-	-	7	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-
19						-	-		-	-
20	**189**	**5**	**-**	**-**	**-**	**8,048**	**1,266**	**-**	**330**	**1,261**
21	189	5	-	-	-	7,967	1,264	-	330	1,259
22	-	-	-	-	-	81	2	-	-	2
23	-	-		-	-	-	-		-	-
24						**47,006**	**1,355**	**-**	**16**	**-**
25						42,321	1,339	-	-	-
26						2,251	-	-	-	-
27						2,434	16	-	16	-
28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
29	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-
31	**-**	**-**	**-**	**-**	**-**	**88,839**	**7,444**	**-**	**-**	**-**
32	**212**	**5**	**-**	**-**	**-**	**145,014**	**10,167**	**-**	**348**	**1,363**

		a	b	c	d	e	f
		Disclosure reference date T					
			Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
	(In EURm)	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling
	ASSETS EXCLUDED FROM THE NUMERATOR FOR GAR CALCULATION (COVERED IN THE DENOMINATOR)						
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**163,972**					
34	Loans and advances	158,246					
35	Debt securities	4,785					
36	Equity instruments	941					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	**115,298**					
38	Loans and advances	111,087					
39	Debt securities	3,668					
40	Equity instruments	543					
41	Derivatives	10,427					
42	On demand interbank loans	38,930					
43	Cash and cash-related assets	2,323					
44	Other assets (*e.g.* Goodwill, commodities, etc.)	223,231					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**716,807**					
	OTHER ASSETS EXCLUDED FROM BOTH THE NUMERATOR AND DENOMINATOR FOR GAR CALCULATION						
46	Sovereigns	77,354					
47	Central banks exposure	238,658					
48	Trading book	375,874					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**691,887**					
50	**TOTAL ASSETS**	**1,408,694**					

	g	h	i	j	k	l	m	n	o	p
	Disclosure reference date T									
	Climate Change Adaptation (CCA)					Total (CCM + CCA)				
	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling
33										
34										
35										
36										
37										
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39										
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14.10.8 TEMPLATE 8: GAR (%)

This model presents the information from the previous model in terms of percentage.

TABLE 113 – GAR (%)

		a	b	c	d	e
		Disclosure reference date T: KPIs on stock				
		Climate Change Mitigation (CCM)				
		Proportion of eligible assets funding taxonomy relevant sectors				
			Of which environmentally sustainable			
	% (compared to total covered assets in the denominator)			**Of which specia-lised lending**	**Of which transi-tional**	**Of which ena-bling**
1	**GAR**	**20.20%**	**1.42%**	**0.00%**	**0.05%**	**0.19%**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	89.04%	6.25%	0.00%	0.21%	0.84%
3	Financial corporations	25.73%	2.39%	0.00%	0.05%	2.39%
4	Credit institutions	6.31%	0.61%	0.00%	0.00%	0.61%
5	Other financial corporations	69.86%	6.44%	0.00%	0.15%	6.44%
6	*of which investment firms*	71.17%	6.56%	0.00%	0.16%	6.56%
7	*of which management companies*	0.00%	0.00%	0.00%	0.00%	0.00%
8	*of which insurance undertakings*	0.00%	0.00%	0.00%	0.00%	0.00%
9	Non-financial corporations subject to NFRD disclosure obligations	34.92%	5.60%	0.00%	1.47%	5.60%
10	Households	100.00%	2.88%	0.00%	0.03%	0.00%
11	*of which loans collateralised by residential immovable property*	100.00%	3.16%	0.00%	0.00%	0.00%
12	*of which building renovation loans*	100.00%	0.00%	0.00%	0.00%	0.00%
13	*of which motor vehicle loans*	100.00%	0.66%	0.00%	0.66%	0.00%
14	Local government financing	0.00%	0.00%	0.00%	0.00%	0.00%
15	Housing financing	0.00%	0.00%	0.00%	0.00%	0.00%
16	Other local governments financing	n.c	n.c	n.c	n.c	n.c
17	Collateral obtained by taking possession: residential and commercial immovable properties	100.00%	8.38%	0.00%	0.00%	0.00%

Note : proportion of total assets computed as the ratio between eligible amounts compared with total assets. Ratio of total assets in GAR denominator compared with total assets would amount to 50,9%.

	f	g	h	i	j	k	l	m	n	o	p
	Disclosure reference date T: KPIs on stock										
	Climate Change Adaptation (CCA)					Total (CCM + CCA)					
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
		Of which environmentally sustainable					Of which environmentally sustainable				
			Of which specia-lised lending	Of which adap-tation	Of which enabling			Of which specia-lised lending	Of which transi-tional/ adap-tation	Of which ena-bling	Propor-tion of total assets covered
1	**0.03%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**20.23%**	**1.42%**	**0.00%**	**0.05%**	**0.19%**	**10.29%**
2	0.13%	0.00%	0.00%	0.00%	0.00%	89.17%	6.25%	0.00%	0.21%	0.84%	10.29%
3	0.54%	0.00%	0.00%	0.00%	0.00%	26.27%	2.39%	0.00%	0.05%	2.39%	0.08%
4	0.54%	0.00%	0.00%	0.00%	0.00%	6.85%	0.61%	0.00%	0.00%	0.61%	0.01%
5	0.54%	0.00%	0.00%	0.00%	0.00%	70.40%	6.44%	0.00%	0.15%	6.44%	0.07%
6	0.00%	0.00%	0.00%	0.00%	0.00%	71.17%	6.56%	0.00%	0.16%	6.56%	0.06%
7	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8	36.84%	0.00%	0.00%	0.00%	0.00%	36.84%	0.00%	0.00%	0.00%	0.00%	0.00%
9	0.84%	0.02%	0.00%	0.00%	0.00%	35.76%	5.63%	0.00%	1.47%	5.60%	0.57%
10						100.00%	2.88%	0.00%	0.03%	0.00%	3.34%
11						100.00%	3.16%	0.00%	0.00%	0.00%	3.00%
12						100.00%	0.00%	0.00%	0.00%	0.00%	0.16%
13						100.00%	0.66%	0.00%	0.66%	0.00%	0.17%
14						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15						0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	n.c	n.c	n.c	n.c	n.c	n.c	n.c	n.c	n.c	n.c	0.00%
17						100.00%	8.38%	0.00%	0.00%	0.00%	6.31%

14.10.9 TEMPLATE 10: OTHER CLIMATE CHANGE MITIGATING ACTIONS THAT ARE NOT COVERED IN THE EU TAXONOMY

The template refers to financing transactions contributing to the objective of climate change mitigation, which are however not aligned to the EU taxonomy.

The figures presented by the Group are based on the existing internal system to identify financing commitments dedicated to Sustainable and Positive Impact Finance (SPIF).

It should be also noted that Société Générale Group may support its clients in issuing green debt, which are eligible for inclusion in this template, but not on the Group's balance sheet. Therefore, they do not contribute to the exposures presented in this template.

In addition, the nature of climate change mitigation measures is detailed in Chapter 5.3.11 "Main Management Rules for SPIF and SPI Indicators" of URD.

TABLE 114: OTHER CLIMATE CHANGE MITIGATING ACTIONS THAT ARE NOT COVERED IN REGULATION (EU) 2020/852

		31.12.2023			
Type of financial instrument	**Type of counterparty**	**Gross carrying amount** *(in EURm)*	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
Bonds (*e.g.* green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	
	Non-financial corporations	-	-	-	
	Of which Loans collateralised by commercial immovable property	-	-	-	
	Other counterparties	-	-	-	
Loans (*e.g.* green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	687	Yes	No	The Group's climate change mitigation actions are linked to loans grouped around the following themes: low-carbon solutions and technologies, renewable electricity generation and storage, plug-in electric or hybrid vehicles, new real estate and improved energy efficiency of buildings, financing sustainable agriculture and forests, other "green" solutions or green equipment. The positive and sustainable nature of these financings contributes to climate change mitigation and more particularly to the transition risk.
	Non-financial corporations	15,283	Yes	No	
	of which Loans collateralised by commercial immovable property	*880*	Yes	No	
	Households	2,547	Yes	No	
	of which Loans collateralised by residential immovable property	*1,050*	Yes	No	
	of which building renovation loans	*201*	Yes	No	
	Other counterparties	463	Yes	No	

		31.12.2022			
Type of financial instrument	**Type of counterparty**	**Gross carrying amount** *(in EURm)*	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Climate change physical risk)**	**Qualitative information on the nature of the mitigating actions**
Bonds (*e.g.* green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	-
	Non-financial corporations	-	-	-	-
	Of which Loans collateralised by commercial immovable property	-	-	-	-
	Other counterparties	-	-	-	-
Loans (*e.g.* green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	1,427	Yes	No	The Group's climate change mitigation actions are linked to loans grouped around the following themes: low-carbon solutions and technologies, renewable electricity generation and storage, plug-in electric or hybrid vehicles, new real estate and improved energy efficiency of buildings, financing sustainable agriculture and forests, other "green" solutions or green equipment. The positive and sustainable nature of these financings contributes to climate change mitigation and more particularly to the transition risk. As of today, the assessment of the alignment to the European taxonomy (UE 2020/852 regulation) is still ongoing, therefore all of these funds are considered as not aligned.
	Non-financial corporations	11,957	Yes	No	
	of which Loans collateralised by commercial immovable property	*438*	Yes	No	
	Households	832	Yes	No	
	of which Loans collateralised by residential immovable property	*597*	Yes	No	
	of which building renovation loans	*93*	Yes	No	
	Other counterparties	437	Yes	No	

15

MODEL RISK

IN BRIEF

Model risk is defined as the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.

Many choices made within the Group are based on quantitative decision support tools (models). Model risk is defined as the risk of adverse consequences (including financial consequences) due to decisions reached based on results of internal models. The source of model risk may be linked to errors in development, implementation or use of these models and can take the form of model uncertainty or errors in the implementation of model management processes.

15.1 MODEL RISK MONITORING

The Group is fully committed to maintaining a solid governance system in terms of model risk management in order to ensure the efficiency and reliability of the identification, design, implementation, modification monitoring processes, independent review and approval of the models used. An MRM ("Model Risk Management") Department in charge of controlling model risk was created within the Risk Department in 2017. Since then, the model risk management framework has been consolidated and structured and is based today on the following device.

Actors and responsibilities

The model risk management system is implemented by the three independent lines of defence, which correspond to the responsibility of the business lines in risk management, to the review and independent supervision and evaluation of the system and which are segregated and independent to avoid any conflict of interest.

The device is as follows:

- the first line of defence (LoD1), which brings together several teams with diverse skills within the Group, is responsible for the development, implementation, use and monitoring of the relevance over time of the models, in accordance with model risk management system; these teams are housed in the Business Departments or their Support Departments;
- the second line of defence (LoD2) is made up of governance teams and independent model review teams, and supervised by the "Model Risk" Department within the Risk Department;
- the third line of defence (LoD3) is responsible for assessing the overall effectiveness of the model risk management system (the relevance of governance for model risk and the efficiency of the activities of the second line of defence) and independent audit of models: it is housed within the Internal Audit Department.

Governance, steering and monitoring

A MRM Committee chaired by the Risk Director meets at least every three months to ensure the implementation of the management system and monitor the risk of models at Group level. Within the second line of defence and the "Model risk" Department, a governance team is in charge of the design and management of the model risk management system at Group level.

As such:

- the normative framework applicable to all of the Group's models is defined, applied when necessary to the main families of models to provide details on the specifics, and maintained while ensuring the consistency and homogeneity of the system, its integrity and its compliance with regulatory provisions; this framework specifies in particular the definition of expectations with regard to LoD1, the principles for the model risk assessment methodology and the definition of guiding principles for the independent review and approval of the model;
- the identification, recording and updating of information of all models within the Group (including models under development or recently withdrawn) are carried out in the model inventory according to a defined process and piloted by LoD2;
- the monitoring and reporting system relating to model risk incurred by the Group in Senior Management has been put in place. The appetite for model risk, corresponding to the level of model risk that the Group is ready to assume in the context of achieving its strategic objectives, is also formalised through statements relating to risk tolerance, translated under form of specific indicators associated with warning limits and thresholds.

Model life cycle and review and approval process

For each model, risk management is based on compliance with the rules and standards defined for the entire Group by each LoD1 player, it is guaranteed by an effective challenge from LoD2 and a uniform approval process.

The need to examine a model is assessed according to the level of model risk, its model family and applicable regulatory requirements. The independent review by the second line of defence is triggered in particular for new models, periodic model reviews, proposals to change models and transversal reviews in response to a recommendation:

- it corresponds to all the processes and activities which aim to verify the conformity of the functioning and use of the models with respect to the objectives for which they were designed and to the applicable regulations, on the basis of the activities and controls implemented by LoD1;
- it is based on certain principles aimed at verifying the theoretical robustness (evaluation of the quality of the design and development of the model), the conformity of the implementation and use, and the relevance of the monitoring of the model;
- it gives rise to an Independent Review Report, which describes the scope of the review, the tests carried out, the results of the review, the conclusions or the recommendations.

The approval process follows the same approval scheme for all models, the composition of governance bodies being able to vary according to the level of model risk, the family of models, the applicable regulatory requirements and the Business Units/Service Units in which model is applicable. Responsible for LoD2, the approval process consists of two consecutive instances:

- the Review Authority which aims to present the conclusions identified by the review team in the Independent Review Report and to discuss, allowing for a contradictory debate between LoD1 and LoD2. Based on the discussions, LoD2 confirms or modifies the conclusions of the Review Report, including the findings and recommendations, without being limited thereto;
- the Approval Authority, a body which has the power to approve (with or without reservation) or reject the use of a model, changes made to the existing model or continuous monitoring of the relevance of the model along the time proposed by the LoD1, from the Independent Review Report and the minutes of the Review Authority.

16

OTHER RISKS

IN BRIEF

This section describes equity risks and other risks not described in previous chapters.

16.1 MANAGEMENT OF INSURANCE RISKS

Refer to Financial Statements in Chapter 6 of universal registration document - Note 4.3 Insurance activities.

16.2 INVESTMENT RISK

The Group has limited appetite for financial shareholdings in proprietary private equity operations. The types of acceptable private equity operations chiefly involve:

- commercial support for the network through the private equity business of the Group's retail banking network in France and certain foreign subsidiaries;
- shareholdings in innovative companies, either directly or through private equity funds;
- shareholdings in financial services companies such as Euroclear and Crédit Logement.

Private equity investments are managed directly by the networks concerned (the Group's retail bank in France and foreign subsidiaries) and are capped at EUR 25 million. Any investments above this threshold must be approved by the Group Strategy Department based on a file submitted by the Business Unit in conjunction with its Finance Department. The file must set out arguments justifying an investment of the allotted size, with details of:

- the projected outcome;
- the expected profitability based on the consumption of the associated capital;
- the investment criteria (typology, duration, etc.);
- the risk analysis;
- the proposed governance.

The Group's General Management must approve the investment amount if it exceeds EUR 50 million and must base its decision on the opinion delivered by the Strategy Department, the Finance Department, the General Secretariat and the Compliance Department. At least once a year, the relevant Business Unit must submit a status report to the Strategy Department tracking the operations and the use of the allocated investment amount.

Other private equity minority investments undergo a dedicated validation process for both the investment and divestment phases. They are approved by the Heads of the Business Units and the entities concerned, by their Finance Department and the Strategy Department. Approval must also be sought from the Group's General Management for amounts over EUR 50 million, and from the Board of Directors for amounts exceeding EUR 250 million. These files are assessed by the Strategy Department with the assistance of experts from the Services Units and Business Units involved in the operation, comprising at least the Finance Department, the General Secretariat's Legal and Tax Departments and the Compliance Department. The assessment is based on:

- a review of the proposed shareholding;
- the context of the investment and the reasons for going ahead with it;
- the structuring of the operation;
- its financial and prudential impacts;
- an evaluation of the identified risks and the resources employed to track and manage them.

16.3 RISK RELATED TO OPERATING LEASING ACTIVITIES

Risk related to operating leasing activities is the risk of management of the goods leased (including the risk on residual value mainly, and risk on the value of the repair, maintenance and tires to a lesser extent), excluding the operational risk.

Residual value risk

Through its Specialised Financial Services Division, mainly in its long-term vehicle leasing subsidiary, the Group is exposed to residual value risk (where the net resale value of an asset at the end of the leasing contract is less than initially expected).

RISK IDENTIFICATION

Societe Generale Group holds, inside in Ayvens Business Unit (automobile leasing activity), cars on its balance sheet with a risk related to the residual value of these vehicles at the moment of their disposals. This residual value risk is managed by Ayvens. The Ayvens business unit is the result of the merger between ALD Automotive and LeasePlan (entity acquired by the Societe Generale group on 22 May 2023).

The Group is exposed to potential losses in a given reporting period caused by (i) the resale of vehicles associated with leases terminated in the reporting period where the used car resale price is lower than its net book value and (ii) additional depreciation booked during the lease term if the expected residual values of its vehicles decline below the contractual residual value. The future sales results and estimated losses are affected by external factors like macroeconomic, government policies, environmental and tax regulations, consumer preferences, new vehicles pricing, etc.

Ayvens gross operating income derived from car sales totaled EUR 349.5 million at 31 December 2023 (including the impacts of reduction in depreciation costs and LeasePlan's Purchase Price Allocation [(1)]) *versus* EUR 747.6 million at 31 December 2022 (at this date, only ALD Automotive entity was considered).

RISK MANAGEMENT

The residual value setting procedure defines the processes, roles and responsibilities involved in the determination of residual values that will be used by Ayvens as a basis for producing vehicle lease quotations.

A Residual Value Review Committee is held at least twice a year within each operating entity of Ayvens. This Committee debates and decides residual values, considering local market specificities, documenting its approach, ensuring that there is a clear audit trail.

A central Ayvens Risk team validates the proposed residual values prior to their being notified to the operating entities and updated in the local quotation system. This team informs Ayvens' regional Directors, group Chief Risk and Compliance Officer (CRCO) and/or other ExCo members in case of disagreements.

Additionally, the fleet revaluation process determines an additional depreciation in countries where an overall loss on the portfolio is identified. This process is performed locally twice a year for operating entities owning more than 10,000 cars (once a year for smaller entities) under the supervision of the Ayvens' central Risk Department and using common tools and methodologies. This depreciation is booked in accordance with accounting standards.

16.4 STRATEGIC RISKS

Strategic risks are defined as the risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy. They are monitored by the Board of Directors, which approves the Group's strategic trajectory and reviews them at least once a year. Moreover, the Board of Directors approves strategic investments and any transaction (particularly disposals and acquisitions) that could significantly affect the Group's results, the structure of its balance sheet or its risk profile.

Strategic steering is carried out under the authority of General Management, by the General Management Committee (which meets weekly without exception), by the Group Strategy Committee and by the Strategic Oversight Committees of the Business Units and Service Units. The composition of these various bodies is set out in the Corporate Governance chapter of Universal Registration Document, Chapter 3 (see page 75 and following). The Internal Rules of the Board of Directors (provided in Chapter 3 of Universal Registration Document, at page 168) lay down the procedures for convening meetings.

(1) as per IFRS 3 "Business combinations"

16.5 CONDUCT RISK

The Group is also exposed to conduct risk through all of its core businesses. The Group defines conduct risk as resulting from actions (or inaction) or behaviours of the Bank or its employees, inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for its stakeholders, or place the Bank's sustainability or reputation at risk.

Stakeholders include in particular the clients, employees, investors, shareholders, suppliers, the environment, markets and countries in which the Group operates.

See also "Culture & Conduct programme" (see Universal Registration Document page 332).

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PERSON RESPONSIBLE FOR THE PILLAR 3 REPORT

17.1 PERSON RESPONSIBLE FOR THE PILLAR 3 REPORT

Mrs. Claire DUMAS

Group Chief Financial Officer of Societe Generale

17.2 STATEMENT OF THE PERSON RESPONSIBLE FOR THE PILLAR 3 REPORT

I certify, after having taken all reasonable measures to this effect, that the information disclosed in this Pillar 3 Risk Report complies, to the best of my knowledge, with Part 8 of EU Regulation No. 2019/876 (and its subsequent amendments) and has been established in accordance with the internal control procedures agreed upon at the management body level.

Paris, the 18th of March 2024

Group Chief Financial Officer

Mrs. Claire DUMAS

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APPENDICES

18.1 PILLAR 3 CROSS-REFERENCE TABLE

CRD4/CRR article	Theme	Pillar 3 report reference (except reference to the Universal Registration Document)	Page in Pillar 3 report
90 (CRD)	Return on assets	5 Capital management and adequacy	56
435 (CRR)	Risk management objectives and policies	1 Group concise risk statement 3 Risk management and organisation 12 Liquidity risk	6-18 32-45 230-238
436 (CRR)	Scope of application	5 Capital management and adequacy	57-60 ; 83-89
		SG website - Capital instruments and TLAC eligible SNP/SP	
		SG website - Information about the consolidation scope	
		SG website - Differences in the scopes of consolidation (LI3)	
437 (CRR)	Own funds	5 Capital management and adequacy	61-64 ;70-73
437a (CRR)	TLAC and related eligible instruments	5 Capital management and adequacy	67 ; 74-76
		SG website - Capital instruments and TLAC eligible SNP/SP	
438 (CRR)	Capital requirements	5 Capital management and adequacy	56 ; 65
439 (CRR)	Exposure to counterparty credit risk	7 Counterparty credit risk	162-175
440 (CRR)	Capital buffers	5 Capital management and adequacy	80-82
441 (CRR)	Indicators of global systemic importance	SG website - Information and publication section	
442 (CRR)	Credit risk adjustments	6 Credit risk	94 ; 121-125
443 (CRR)	Encumbered and unencumbered assets	12 Liquidity risk	232-235
444 (CRR)	Information on the use of the standardised approach/use of ECAIs	6 Credit risk 8 Securitisation	94-98;137-140 189
445 (CRR)	Exposure to market risk	9 Market risk	198-211
446 (CRR)	Operational risk	10 Operational risk	214-221
447 (CRR)	Information on key metrics	1 Group concise risk statement	14-16
448 (CRR)	Exposure to interest rate risk on positions not included in the trading book	11 Structural interest rate and exchange rate risks	224-227
449 (CRR)	Exposure to securitisation positions	8 Securitisation	178-196
449 bis (CRR)	Environnemental Social Governance	14 ESG	254-327
450 (CRR)	Remuneration policy	First update of the Pillar 3 report (planned)	
451 (CRR)	Leverage	5 Capital management and adequacy	67;77-80
451a (CRR)	Liquidity	12 Liquidity risk	230-232;236-244
452 (CRR)	Use of the IRB Approach to credit risk	6 Credit risk	95-96;141-152
453 (CRR)	Use of credit risk mitigation techniques	6 Credit risk	92-93;135;153-157
454 (CRR)	Use of the advanced measurement approaches to operational risk	10 Operational risk	214-221
455 (CRR)	Use of internal market risk models	9 Market risk	198-211

18.2 INDEX OF THE TABLES IN THE RISK REPORT

(1) Universal Registration Document.

18.3 MAPPING TABLE OF EXPOSURE CLASSES

As part of the presentation of credit risk data, the table below shows the link between the synthetic presentations of certain tables and the exposure classes detailed in the tables requested by the EBA in the context of the revision of Pillar 3.

Approach	COREP exposure class	Pillar 3 exposure class
AIRB	Central governments and central banks	Sovereigns
AIRB	Institutions	Institutions
AIRB	Corporate - SME	Corporates
AIRB	Corporate - Specialised lending	Corporates
AIRB	Corporate - Other	Corporates
AIRB	Retail - Secured by real estate SME	Retail
AIRB	Retail - Secured by real estate non-SME	Retail
AIRB	Retail - Qualifying revolving	Retail
AIRB	Retail - Other SME	Retail
AIRB	Retail - Other non-SME	Retail
AIRB	Other non credit-obligation assets	Others
AIRB	Default funds contributions	Others
FIRB	Central governments and central banks	Sovereigns
FIRB	Institutions	Institutions
FIRB	Corporate - SME	Corporates
FIRB	Corporate - Specialised lending	Corporates
FIRB	Corporate - Other	Corporates
IRB	Equity Exposures	Others
IRB	Securitisation	Others
Standardised	Central governments or central banks	Sovereigns
Standardised	Regional governments or local authorities	Institutions
Standardised	Public sector entities	Institutions
Standardised	Multilateral development banks	Sovereigns
Standardised	International organisations	Sovereigns
Standardised	Institutions	Institutions
Standardised	Corporates	Corporates
Standardised	Retail	Retail
Standardised	Secured by mortgages on immovable property	Others
Standardised	Exposures in default	Others
Standardised	Items associated with particularly high risk	Others
Standardised	Covered bonds	Others
Standardised	Claims on institutions and corporate with a short-term credit assessment	Others
Standardised	Claims in the form of CIU	Others
Standardised	Equity Exposures	Others
Standardised	Other items	Others
Standardised	Default funds contributions	Others
Standardised	Securitisation	Others

18.4 ABBREVIATIONS TABLE

ABBREVIATIONS TABLE

Abbreviation	Meaning
ABS	Asset-Backed Securities
ACPR	*Autorité de contrôle prudentiel et de résolution* (French supervisory authority)
ALM	Asset and Liability Management
CCF	Credit Conversion Factor
CDS	Credit Default Swap
CDO	Collaterallised Debt Obligation
CLO	Collateralised Loan Obligation
CMBS	Commercial Mortgage-Backed Securities
CRD	Capital Requirement Directive
CRM (credit risk)	Credit Risk Mitigation
CRM (market risk)	Comprehensive Risk Measure
CRR	Capital Requirement Regulation
CVaR	Credit Value at Risk
EAD	Exposure At Default
ECB	European Central Bank
EL	Expected Loss
IMM	Internal Model Method
IRBA	Internal Ratings-Based approach – Advanced
IRBF	Internal Ratings-Based approach – Foundation
IRC	Incremental Risk Charge
G-SIB	Global Systemically Important Bank
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MREL	Minimum Requirement for own funds and Eligible Liabilities
NSFR	Net Stable Funding Ratio
PD	Probability of Default
RMBS	Residential Mortgage-Backed Securities
RW	Risk Weight
RWA	Risk-Weighted Assets
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at Risk
TLAC	Total Loss Absorbing Capacity
VaR	Value at Risk

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