

30.06.2020 | **CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited figures)**

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# 1. CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET - ASSETS

| <i>(In millions of euros)</i>   |                        | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|------------------------|-------------------|-------------------|
| Cash, due from central banks  |                        | 144,417           | 102,311           |
| Financial assets at fair value through profit or loss                   | Notes 3.1, 3.2 and 3.4 | 419,147           | 385,739           |
| Hedging derivatives   | Notes 3.2 and 3.4      | 21,845            | 16,837            |
| Financial assets at fair value through other comprehensive income       | Notes 3.3 and 3.4      | 55,606            | 53,256            |
| Securities at amortised cost  | Notes 3.5, 3.8 and 3.9 | 14,877            | 12,489            |
| Due from banks at amortised cost  | Notes 3.5, 3.8 and 3.9 | 55,292            | 56,366            |
| Customer loans at amortised cost  | Notes 3.5, 3.8 and 3.9 | 458,500           | 450,244           |
| Revaluation differences on portfolios hedged against interest rate risk |                        | 470               | 401               |
| Investments of insurance companies                                      | Note 4.3               | 163,219           | 164,938           |
| Tax assets  | Note 6                 | 5,052             | 5,779             |
| Other assets  | Note 4.4               | 77,196            | 68,045            |
| Non-current assets held for sale  |                        | 3,788             | 4,507             |
| Investments accounted for using the equity method                       |                        | 106               | 112               |
| Tangible and intangible fixed assets                                    |                        | 29,812            | 30,652            |
| Goodwill  | Note 2.2               | 4,045             | 4,627             |
| <b>Total</b>  |                        | <b>1,453,372</b>  | <b>1,356,303</b>  |

## CONSOLIDATED BALANCE SHEET - LIABILITIES

| <i>(In millions of euros)</i>   |                           | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|---------------------------|-------------------|-------------------|
| Due to central banks  |                           | 2,980             | 4,097             |
| Financial liabilities at fair value through profit or loss              | Notes 3.1,<br>3.2 and 3.4 | 405,113           | 364,129           |
| Hedging derivatives   | Notes 3.2<br>and 3.4      | 12,705            | 10,212            |
| Debt securities issued  | Notes 3.6<br>and 3.9      | 136,261           | 125,168           |
| Due to banks  | Notes 3.6<br>and 3.9      | 121,542           | 107,929           |
| Customer deposits   | Notes 3.6<br>and 3.9      | 444,470           | 418,612           |
| Revaluation differences on portfolios hedged against interest rate risk |                           | 8,629             | 6,671             |
| Tax liabilities   | Note 6                    | 1,239             | 1,409             |
| Other liabilities   | Note 4.4                  | 94,115            | 85,062            |
| Non-current liabilities held for sale                                   |                           | 928               | 1,333             |
| Insurance contracts related liabilities                                 | Note 4.3                  | 140,701           | 144,259           |
| Provisions  | Note 8.3                  | 4,348             | 4,387             |
| Subordinated debts  | Note 3.9                  | 14,662            | 14,465            |
| <b>Total liabilities</b>  |                           | <b>1,387,693</b>  | <b>1,287,733</b>  |
| <b>Shareholders' equity</b>   |                           |                   |                   |
| <b>Shareholders' equity, Group share</b>                                |                           |                   |                   |
| Issued common stocks and capital reserves                               |                           | 22,084            | 21,969            |
| Other equity instruments  |                           | 8,031             | 9,133             |
| Retained earnings   |                           | 32,457            | 29,558            |
| Net income  |                           | (1,590)           | 3,248             |
| <b>Sub-total</b>  |                           | <b>60,982</b>     | <b>63,908</b>     |
| Unrealised or deferred capital gains and losses                         |                           | (323)             | (381)             |
| <b>Sub-total equity, Group share</b>                                    |                           | <b>60,659</b>     | <b>63,527</b>     |
| Non-controlling interests   |                           | 5,020             | 5,043             |
| <b>Total equity</b>   |                           | <b>65,679</b>     | <b>68,570</b>     |
| <b>Total</b>  |                           | <b>1,453,372</b>  | <b>1,356,303</b>  |

## CONSOLIDATED INCOME STATEMENT

| <i>(In millions of euros)</i>   |          | <b>1st half of<br/>2020</b> | <b>2019</b>   | <b>1st half of<br/>2019</b> |
|---|----------|-----------------------------|---------------|-----------------------------|
| Interest and similar income   | Note 3.7 | 10,833                      | 23,712        | 11,858                      |
| Interest and similar expense  | Note 3.7 | (5,366)                     | (12,527)      | (6,288)                     |
| Fee income  | Note 4.1 | 4,290                       | 9,068         | 4,534                       |
| Fee expense   | Note 4.1 | (1,917)                     | (3,811)       | (1,865)                     |
| Net gains and losses on financial transactions  |          | 779                         | 4,460         | 2,388                       |
| <i>o/w net gains and losses on financial instruments at fair value through profit or loss</i>             |          | 765                         | 4,343         | 2,289                       |
| <i>o/w net gains and losses on financial instruments at fair value through other comprehensive income</i> |          | 25                          | 119           | 101                         |
| <i>o/w net gains and losses from the derecognition of financial instruments at amortised cost</i>         |          | (11)                        | (2)           | (2)                         |
| Net income of insurance activities  | Note 4.3 | 1,038                       | 1,925         | 898                         |
| Income from other activities  | Note 4.2 | 5,403                       | 11,629        | 5,632                       |
| Expenses from other activities  | Note 4.2 | (4,594)                     | (9,785)       | (4,682)                     |
| <b>Net banking income</b>   |          | <b>10,466</b>               | <b>24,671</b> | <b>12,475</b>               |
| Personnel expenses  | Note 5   | (4,497)                     | (9,955)       | (5,091)                     |
| Other operating expenses  | Note 8.2 | (3,294)                     | (6,285)       | (3,243)                     |
| Amortisation, depreciation and impairment of tangible and intangible fixed assets and rights-of-use       |          | (747)                       | (1,487)       | (725)                       |
| <b>Gross operating income</b>   |          | <b>1,928</b>                | <b>6,944</b>  | <b>3,416</b>                |
| Cost of risk  | Note 3.8 | (2,099)                     | (1,278)       | (578)                       |
| <b>Operating income</b>   |          | <b>(171)</b>                | <b>5,666</b>  | <b>2,838</b>                |
| Net income from investments accounted for using the equity method   |          | 5                           | (129)         | 15                          |
| Net income / expense from other assets  |          | 84                          | (327)         | (131)                       |
| Value adjustments on goodwill   | Note 2.2 | (684)                       | -             | -                           |
| <b>Earnings before tax</b>  |          | <b>(766)</b>                | <b>5,210</b>  | <b>2,722</b>                |
| Income tax  | Note 6   | (612)                       | (1,264)       | (645)                       |
| <b>Consolidated net income</b>  |          | <b>(1,378)</b>              | <b>3,946</b>  | <b>2,077</b>                |
| Non-controlling interests   |          | 212                         | 698           | 337                         |
| <b>Net income, Group share</b>  |          | <b>(1,590)</b>              | <b>3,248</b>  | <b>1,740</b>                |
| Earnings per ordinary share   | Note 7.2 | (2.25)                      | 3.05          | 1.69                        |
| Diluted earnings per ordinary share   | Note 7.2 | (2.25)                      | 3.05          | 1.69                        |

# STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

| <i>(In millions of euros)</i>   | <b>1st half of<br/>2020</b> | <b>2019</b>  | <b>1st half of<br/>2019</b> |
|---|-----------------------------|--------------|-----------------------------|
| <b>Consolidated net income</b>  | <b>(1,378)</b>              | <b>3,946</b> | <b>2,077</b>                |
| <b>Unrealised or deferred gains and losses that will be reclassified subsequently into income</b>     | <b>(449)</b>                | <b>844</b>   | <b>532</b>                  |
| Translation differences <sup>(1)</sup>  | (708)                       | 563          | 195                         |
| Revaluation of debt instruments at fair value through other comprehensive income                      | 23                          | (28)         | 43                          |
| <i>Revaluation differences for the period</i>   | 47                          | 48           | 99                          |
| <i>Reclassified into income</i>   | (24)                        | (76)         | (56)                        |
| Revaluation of available-for-sale financial assets  | 70                          | 188          | 256                         |
| <i>Revaluation differences for the period</i>   | 71                          | 190          | 239                         |
| <i>Reclassified into income</i>   | (1)                         | (2)          | 17                          |
| Revaluation of hedging derivatives  | 216                         | 153          | 116                         |
| <i>Revaluation differences of the period</i>  | 206                         | 195          | 121                         |
| <i>Reclassified into income</i>   | 10                          | (42)         | (5)                         |
| Unrealised gains and losses of entities accounted for using the equity method                         | -                           | 1            | -                           |
| Related tax   | (50)                        | (33)         | (78)                        |
| <b>Unrealised or deferred gains and losses that will not be reclassified subsequently into income</b> | <b>403</b>                  | <b>(160)</b> | <b>(118)</b>                |
| Actuarial gains and losses on defined benefit plans   | (48)                        | (32)         | (144)                       |
| Revaluation of own credit risk of financial liabilities at fair value through profit or loss          | 570                         | (121)        | 46                          |
| Revaluation of equity instruments at fair value through other comprehensive income                    | 16                          | (48)         | (48)                        |
| Unrealised gains and losses of entities accounted for using the equity method                         | -                           | 3            | (1)                         |
| Related tax   | (135)                       | 38           | 29                          |
| <b>Total unrealised or deferred gains and losses</b>  | <b>(46)</b>                 | <b>684</b>   | <b>414</b>                  |
| <b>Net income and unrealised or deferred gains and losses</b>   | <b>(1,424)</b>              | <b>4,630</b> | <b>2,491</b>                |
| <i>o/w Group share</i>  | (1,532)                     | 3,903        | 2,133                       |
| <i>o/w non-controlling interests</i>  | 108                         | 727          | 358                         |

(1) The Group's translation differences of EUR -598 million are mainly related to the appreciation of euro against the US dollar (EUR -197 million) and against the Russian ruble (EUR -137 million). The translation differences attributable to non-controlling interests amounted to EUR -110 million.

# CHANGES IN SHAREHOLDERS' EQUITY

| Shareholders' equity Group share   |   |                          |                   |                         |  |                |                           |   |
|--|---|--------------------------|-------------------|-------------------------|--|----------------|---------------------------|---|
| <i>(In millions of euros)</i>  | Issued common stocks and capital reserves | Other equity instruments | Retained earnings | Net income, Group share | Unrealised and deferred gains and losses | Total          | Non-controlling interests | Total consolidated shareholder's equity |
| <b>At 1 January 2019</b>   | <b>20,746</b>                             | <b>9,110</b>             | <b>32,199</b>     | <b>-</b>                | <b>(1,029)</b>                           | <b>61,026</b>  | <b>4,783</b>              | <b>65,809</b>                           |
| Increase in common stock and issuance / redemption / remuneration of equity instruments                | 889                                       | 490                      | (311)             | -                       | -  | 1,068          | (33)                      | 1,035                                   |
| Elimination of treasury stock  | 95  | -                        | (77)              | -                       | -  | 18             | -                         | 18                                      |
| Equity component of share-based payment plans  | 24  | -                        | -                 | -                       | -  | 24             | -                         | 24                                      |
| 1st half of 2019 dividends paid (see Note 7.2)   | -   | -                        | (1,770)           | -                       | -  | (1,770)        | (373)                     | (2,143)                                 |
| Effect of changes of the consolidation scope   | -   | -                        | (1)               | -                       | -  | (1)            | (8)                       | (9)                                     |
| <b>Sub-total of changes linked to relations with shareholders</b>                                      | <b>1,008</b>                              | <b>490</b>               | <b>(2,159)</b>    | <b>-</b>                | <b>-</b>                                 | <b>(661)</b>   | <b>(414)</b>              | <b>(1,075)</b>                          |
| 1st half of 2019 Net income for the period   | -   | -                        | -                 | 1,740                   | -  | 1,740          | 337                       | 2,077                                   |
| Change in unrealised or deferred gains and losses  | -   | -                        | -                 | -                       | 386                                      | 386            | 21                        | 407                                     |
| Other changes  | -   | (1)                      | 2                 | -                       | -  | 1              | -                         | 1                                       |
| <b>Sub-total</b>   | <b>-</b>                                  | <b>(1)</b>               | <b>2</b>          | <b>1,740</b>            | <b>386</b>                               | <b>2,127</b>   | <b>358</b>                | <b>2,485</b>                            |
| <b>At 30 June 2019</b>   | <b>21,754</b>                             | <b>9,599</b>             | <b>30,042</b>     | <b>1,740</b>            | <b>(643)</b>                             | <b>62,492</b>  | <b>4,727</b>              | <b>67,219</b>                           |
| Increase in common stock and issuance / redemption / remuneration of equity instruments                | 122                                       | (467)                    | (420)             | -                       | -  | (765)          | -                         | (765)                                   |
| Elimination of treasury stock  | 57  | -                        | -                 | -                       | -  | 57             | -                         | 57                                      |
| Equity component of share-based payment plans  | 36  | -                        | -                 | -                       | -  | 36             | -                         | 36                                      |
| 2nd half of 2019 dividends paid  | -   | -                        | -                 | -                       | -  | -              | (6)                       | (6)                                     |
| Effect of changes of the consolidation scope   | -   | -                        | (9)               | -                       | -  | (9)            | (48)                      | (57)                                    |
| <b>Sub-total of changes linked to relations with shareholders</b>                                      | <b>215</b>                                | <b>(467)</b>             | <b>(429)</b>      | <b>-</b>                | <b>-</b>                                 | <b>(681)</b>   | <b>(54)</b>               | <b>(735)</b>                            |
| 2nd half of 2019 Net income for the period   | -   | -                        | -                 | 1,508                   | -  | 1,508          | 361                       | 1,869                                   |
| Change in unrealised or deferred gains and losses  | -   | -                        | -                 | -                       | 262                                      | 262            | 10                        | 272                                     |
| Other changes  | -   | 1                        | (55)              | -                       | -  | (54)           | (1)                       | (55)                                    |
| <b>Sub-total</b>   | <b>-</b>                                  | <b>1</b>                 | <b>(55)</b>       | <b>1,508</b>            | <b>262</b>                               | <b>1,716</b>   | <b>370</b>                | <b>2,086</b>                            |
| <b>At 31 December 2019</b>   | <b>21,969</b>                             | <b>9,133</b>             | <b>29,558</b>     | <b>3,248</b>            | <b>(381)</b>                             | <b>63,527</b>  | <b>5,043</b>              | <b>68,570</b>                           |
| Allocation to retained earnings  | 6   | -                        | 3,229             | (3,248)                 | 13                                       | -              | -                         | -                                       |
| <b>At 1 January 2020</b>   | <b>21,975</b>                             | <b>9,133</b>             | <b>32,787</b>     | <b>-</b>                | <b>(368)</b>                             | <b>63,527</b>  | <b>5,043</b>              | <b>68,570</b>                           |
| Increase in common stock and issuance / redemption / remuneration of equity instruments (see Note 7.1) | -   | (1,102)                  | (340)             | -                       | -  | (1,442)        | (33)                      | (1,475)                                 |
| Elimination of treasury stock (see Note 7.1)   | 91  | -                        | (59)              | -                       | -  | 32             | -                         | 32                                      |
| Equity component of share-based payment plans  | 18  | -                        | -                 | -                       | -  | 18             | -                         | 18                                      |
| 1st half of 2020 dividends paid (see Note 7.2)   | -   | -                        | -                 | -                       | -  | -              | (79)                      | (79)                                    |
| Effect of changes of the consolidation scope (see Note 7.1)  | -   | -                        | 91                | -                       | -  | 91             | (13)                      | 78                                      |
| <b>Sub-total of changes linked to relations with shareholders</b>                                      | <b>109</b>                                | <b>(1,102)</b>           | <b>(308)</b>      | <b>-</b>                | <b>-</b>                                 | <b>(1,301)</b> | <b>(125)</b>              | <b>(1,426)</b>                          |
| 1st half of 2020 Net income for the period   | -   | -                        | -                 | (1,590)                 | -  | (1,590)        | 212                       | (1,378)                                 |
| Change in unrealised or deferred gains and losses  | -   | -                        | -                 | -                       | 45                                       | 45             | (110)                     | (65)                                    |
| Other changes  | -   | -                        | (22)              | -                       | -  | (22)           | -                         | (22)                                    |
| <b>Sub-total</b>   | <b>-</b>                                  | <b>-</b>                 | <b>(22)</b>       | <b>(1,590)</b>          | <b>45</b>                                | <b>(1,567)</b> | <b>102</b>                | <b>(1,465)</b>                          |
| <b>At 30 June 2020</b>   | <b>22,084</b>                             | <b>8,031</b>             | <b>32,457</b>     | <b>(1,590)</b>          | <b>(323)</b>                             | <b>60,659</b>  | <b>5,020</b>              | <b>65,679</b>                           |

# CASH FLOW STATEMENT

| <i>(In millions of euros)</i>  | <b>1st half of<br/>2020</b> | <b>2019</b>    | <b>1st half of<br/>2019</b> |
|--|-----------------------------|----------------|-----------------------------|
| <b>Consolidated net income (I)</b>   | <b>(1,378)</b>              | <b>3,946</b>   | <b>2,077</b>                |
| Amortisation expense on tangible and intangible fixed assets (including operational leasing)   | 2,640                       | 5,181          | 2,608                       |
| Impairment and provisions  | 2,979                       | (3,284)        | (2,764)                     |
| Net income / loss from investments accounted for using the equity method   | (6)                         | 129            | (15)                        |
| Change in deferred taxes   | 232                         | 295            | 63                          |
| Net income from the sale of long-term assets and subsidiaries  | (27)                        | (84)           | (60)                        |
| Other changes  | (377)                       | 1,295          | (396)                       |
| <b>Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)</b> | <b>5,441</b>                | <b>3,532</b>   | <b>(564)</b>                |
| Income on financial instruments at fair value through profit or loss   | 5,468                       | 5,267          | (29)                        |
| Interbank transactions   | 21,847                      | 14,554         | (4,543)                     |
| Customers transactions   | 26,664                      | 5,429          | 14,554                      |
| Transactions related to other financial assets and liabilities   | (802)                       | (36,748)       | (18,403)                    |
| Transactions related to other non-financial assets and liabilities   | (2,296)                     | 14,424         | 9,792                       |
| <b>Net increase / decrease in cash related to operating assets and liabilities (III)</b>   | <b>50,881</b>               | <b>2,926</b>   | <b>1,371</b>                |
| <b>Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)</b>  | <b>54,944</b>               | <b>10,404</b>  | <b>2,884</b>                |
| Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments  | (2,607)                     | 234            | 627                         |
| Net cash inflow (outflow) related to tangible and intangible fixed assets  | (2,022)                     | (7,210)        | (3,248)                     |
| <b>Net cash inflow (outflow) related to investment activities (B)</b>  | <b>(4,629)</b>              | <b>(6,976)</b> | <b>(2,621)</b>              |
| Cash flow from / to shareholders   | (1,580)                     | (1,219)        | (1,577)                     |
| Other net cash flow arising from financing activities  | 1,249                       | 3,229          | 3,434                       |
| <b>Net cash inflow (outflow) related to financing activities (C)</b>   | <b>(331)</b>                | <b>2,010</b>   | <b>1,857</b>                |
| Effect of changes in foreign exchange rates on cash and cash equivalents (D)   | 222                         | 1,386          | 719                         |
| <b>Net inflow (outflow) of cash and cash equivalents (A) + (B) + (C) + (D)</b>   | <b>50,206</b>               | <b>6,824</b>   | <b>2,839</b>                |
| Cash, due from central banks (assets)  | 102,311                     | 96,585         | 96,585                      |
| Due to central banks (liabilities)   | (4,097)                     | (5,721)        | (5,721)                     |
| Current accounts with banks (see Notes 3.5 and 4.3)  | 21,843                      | 24,667         | 24,667                      |
| Demand deposits and current accounts with banks (see Note 3.6)   | (11,577)                    | (13,875)       | (13,875)                    |
| <b>Cash and cash equivalents at the start of the year</b>  | <b>108,480</b>              | <b>101,656</b> | <b>101,656</b>              |
| Cash, due from central banks (assets)  | 144,417                     | 102,311        | 99,479                      |
| Due to central banks (liabilities)   | (2,980)                     | (4,097)        | (7,740)                     |
| Current accounts with banks (see Notes 3.5 and 4.3)  | 27,266                      | 21,843         | 28,381                      |
| Demand deposits and current accounts with banks (see Note 3.6)   | (10,017)                    | (11,577)       | (15,625)                    |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>158,686</b>              | <b>108,480</b> | <b>104,495</b>              |
| <b>Net inflow (outflow) of cash and cash equivalents</b>   | <b>50,206</b>               | <b>6,824</b>   | <b>2,839</b>                |

## 2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

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#### 1. INTRODUCTION



##### ACCOUNTING STANDARDS

The condensed interim consolidated financial statements for the Societe Generale group (“the Group”) for the six-month period ending 30 June 2020 were prepared and are presented in accordance with IAS (International Accounting Standard) 34 “Interim Financial Reporting”. The Group includes the parent company Societe Generale (including the Societe Generale foreign branches) and all of the entities in France and abroad that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates).

The notes should be read in conjunction with the audited consolidated financial statements for the year ending 31 December 2019 included in the 2020 Universal Registration Document. However, the assumptions and the estimates made for the preparation of these condensed interim consolidated financial statements have changed from those used at the previous annual closing to reflect the current uncertainties about the consequences, duration and magnitude of the economic crisis generated by the Covid-19 pandemic. Furthermore, as the Group’s activities are neither seasonal nor cyclical in nature, its first half results were not affected by these factors.



##### FINANCIAL STATEMENTS PRESENTATION

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

The disclosures provided in the notes to the interim consolidated financial statements relate to events and transactions that are significant to an understanding of the changes in financial position and performance of the Group during the first half of 2020. Disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Societe Generale group, its activities and the circumstances in which it conducted its operations over the period, particularly affected by the effects of the Covid-19 crisis.



##### PRESENTATION CURRENCY

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

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

## 2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS OF 1 JANUARY 2020



Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of the interest rate benchmark reform (phase 1)

Amendments to IFRS 3 "Business Combinations"

Amendments to IAS 1 and IAS 8 "Definition of Material"

### **AMENDMENTS TO IAS 39, IFRS 7 AND IFRS 9 IN THE CONTEXT OF THE INTEREST RATE BENCHMARK REFORM – PHASE 1** (*Early-applied by the Group on 31 December 2019*)

The International Organisation of Securities Commissions (IOSCO) has set principles to make the determination of interest rate benchmark more reliable and the Financial Stability Board (FSB), mandated by the G20, has issued recommendations to enhance the transparency, the representativeness and the reliability of these rates. On the basis of these principles and recommendations, several reforms have been initiated to set up and promote the use of new Risk Free overnight Rates called "Risk Free Rate - RFR" whose determination will now be anchored on actual transactions: €STR (Euro Short-Term Rate) for contracts denominated in Euro, SOFR (Secured Overnight Financing Rate) for contracts denominated in USD, SONIA (Sterling Overnight Index Average) for contracts denominated in GBP, etc.

The Group has set up a project structure to monitor developments in the interest rate benchmarks IBOR reform and to anticipate the consequences of the transition to new interest rate benchmarks. The work undertaken aims on one hand to limit the Group's exposure to the current interbank interest rate benchmarks which might be discontinued in the short or medium term and, on the other hand, to prepare the migration of the outstanding stock of legacy transactions which use these current interest rates benchmarks and which will mature after 2021.

To closely monitor key topics, the transition program has been structured into 5 streams (Market Intelligence, Impact and risk assessment, Legal and Communication, RFR adoption, Legacy management).

To ensure a consistent and homogeneous approach to the transition in all of the Group's activities, a quarterly committee has been set up to issue recommendations reflecting market developments and guidance from regulatory bodies.

Uncertainties about the timing and the precise methods of transition between the current and the new benchmarks, as well as the possible changes in the financial instruments referencing the current benchmarks, are likely to have consequences on the hedge accounting, and on the financial instruments assessment (as the result of the application of contractual "Fallback" clauses or of a renegotiation of the contract).

To limit these accounting consequences, the IASB published, in September 2019, amendments to IAS 39, IFRS 9 and IFRS 7 to prevent the uncertainties existing before the transition from jeopardising the interest rate risk hedge accounting.

These amendments, adopted by the European Union on 15 January 2020, were applied in advance by the Group in its financial statements as at 31 December 2019 and have therefore enabled the accounting treatment of hedging transactions affected by these uncertainties to be maintained since that date, including those linked to the EONIA, EURIBOR and LIBOR (USD, GBP, CHF, JPY).

### **DRAFT AMENDMENTS TO IAS 39, IFRS 7 AND IFRS 9 IN THE CONTEXT OF THE INTEREST RATE BENCHMARK REFORM – PHASE 2**

From October 2019 to February 2020, the IASB led its second phase of study to the accounting consequences of the future modifications to financial instruments contracts in the context of the IBOR reform. Draft amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were published in April 2020.

These amendments should enable the Group to limit the impact on its financial statement and reduce the cost of the transition from an operational standpoint as long as the rate change results from the interest rate references reform, and is carried out on an equivalent economic basis.

The finalised amendments should be published in the second half of 2020 with the first application date on 1 January 2021. An early application in 2020 would be possible on option. The Group reserves the right to use this option.

To date, the Group has not made any changes to its financial contracts.

The amendments described below did not have any impact on the Group consolidated financial statements.

#### **AMENDMENTS TO IFRS 3 “BUSINESS COMBINATIONS”**

These amendments clarify the IFRS 3 implementation guide to make it easier to differentiate between the acquisition of a business and the acquisition of a group of assets, whose accounting treatment is different.

#### **AMENDMENTS TO IAS 1 AND IAS 8 “DEFINITION OF MATERIAL”**

These amendments are intended to clarify the definition of 'material' in order to facilitate the exercise of judgement during the preparation of financial statements, particularly when selecting the information to be presented in the Notes.

#### **FOLLOW-UP ON IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DECISIONS OF 26 NOVEMBER 2019 RELATED TO IFRS 16**

In the first half of 2019, IFRS IC received a question regarding the determination of the enforceable period to be used for the accounting of leases and particularly the automatically extended contracts. At its meeting on 26 November 2019, IFRS IC concluded that the principles and requirements of IFRS 16 “Leases” provide an adequate basis for determining the lease term, while indicating that the assessment of the enforceability of the contract must take into account all the economic aspects of the contract and not only the contractual termination penalties. Consequently, IFRS IC decided not to add the matter to its work program and did not consider it necessary to solicit the IASB (International Accounting Standards Board) for an amendment to clarify the interpretation of IFRS 16 on the matter.

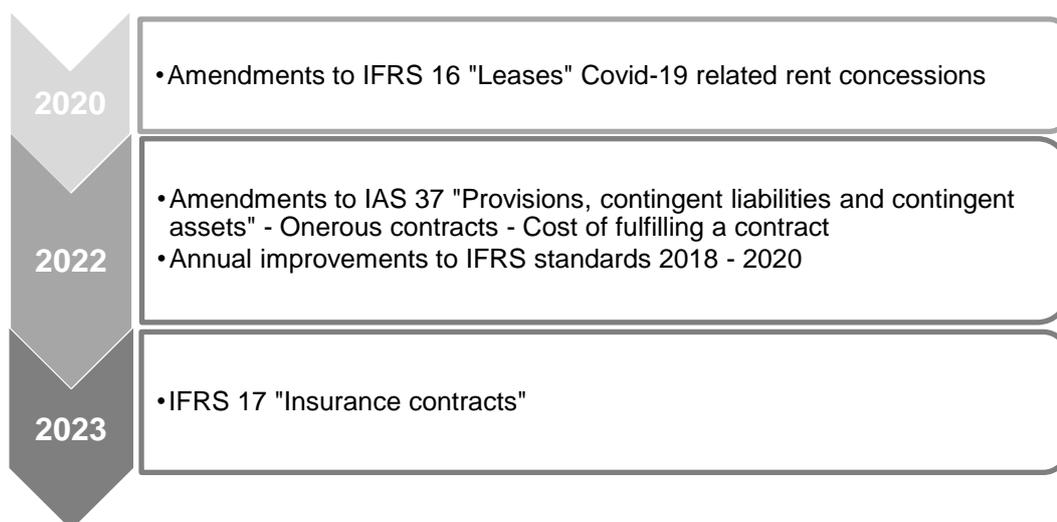
The clarifications provided by IFRS IC to support its decision have sparked debates on the measurement of the term of certain leases, in particular commercial leases in France. The Group has undertaken a new review of the enforceable periods and durations to be retained for the commercial leases of its network of branches in France. Some of them, as they were annually automatically renewable, did not result as at 1 January 2019 in recognising a lease liability or a right-of-use asset. The approach adopted is based on a differentiation between branches based on several criteria (location, associated investments, etc.). This study is ongoing and will continue in the second half of 2020; it will then take into account the update of the ANC’s Statement of conclusions on French commercial property leases issued on 3 July 2020.

Thus, as at 30 June 2020, the methods and assumptions used by the Group to determine the term of property leases, and in particular the one of commercial leases in France, remain unchanged from those implemented since the first application of IFRS 16 in 2019. On the basis of the results of the ongoing analyses, the potential consequences of the IFRS IC decision will be reflected in the consolidated financial statements by the end of the year.

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

IASB published accounting standards and amendments, some of which have not been adopted by the European Union as at 30 June 2020. They are required to be applied for annual periods beginning on 1 January 2021 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at 30 June 2020.

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



#### AMENDMENTS TO IFRS 16 "LEASES" - COVID-19 RELATED RENT CONCESSIONS

*Issued by IASB on 28 May 2020.*

These amendments are intended to grant to lessees receiving rent reliefs in the context of the Covid-19 pandemic an option to avoid analysing whether the granted concessions should be accounted for as changes to leases (which would imply a spreading into the income statement of the effects of the granted benefit over the term of the contract) but to account for these reliefs as negative variable leases (generating an immediate gain in the income statement).

In the first half 2020, the Group did not have any rent reliefs consecutive of the Covid-19 crisis.

#### AMENDMENTS TO IAS 37 "PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS" - ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT

*Issued by IASB on 14 May 2020.*

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

#### ANNUAL IMPROVEMENTS TO IFRS STANDARDS (2018-2020 CYCLE)

*Issued by IASB on 14 May 2020.*

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

## **IFRS 17 “INSURANCE CONTRACTS”**

*Issued by IASB on 18 May 2017.*

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

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

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

These amendments to IFRS 17 include the postponement to 1 January 2023 of its first application date originally set for 1 January 2021. In parallel, the ability for entities whose primary activity is insurance to delay the application of IFRS 9 was extended until 1 January 2023.

In 2018, the Group completed the scoping of a project to implementing the IFRS 17 standard in order to determine the stakes and impacts for the Insurance business line.

Over the course of 2019, a project structure was set up under the joint governance of the Group’s Finance Divisions and the Insurance business line.

At this stage, the work has focused on reviewing the different types of contracts, the analysis of their accounting treatment under IFRS 17 and their presentation in the consolidated financial statements and finally the study and choice of information systems and processes. This work is ongoing and will continue in the second half of 2020.

## **4. USE OF ESTIMATES AND JUDGMENT**

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

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

The assumptions and estimates made for the preparation of these condensed interim consolidated financial statements have changed since the previous annual closing to reflect the current uncertainties about the consequences, duration and magnitude of the economic crisis generated by the Covid-19 pandemic. The effects of this crisis on the assumptions and estimates used are specified in the 5th part of this note.

Estimates are notably used in the fair value measurement of financial instruments and the measurement of asset impairment and of provisions recognised as liabilities in the balance sheet, as well as of tax assets and liabilities recognised in the balance sheet and of goodwill. Estimates also concern the analysis of the contractual cash flow characteristics of financial assets as well as the assessment of control for determining the scope of consolidated entities (especially for structured entities). The Group also expands its use of judgment to estimate the lease period to be applied in recording the right-of-use assets and the lease liabilities.

For the determination of impairment and provisions for credit risk, estimates and judgment are applied in particular to the assessment of the deterioration in credit risk observed since the initial recognition of financial assets and of amount of expected credit losses on these financial assets.

## **BREXIT**

On 23 June 2016, the United Kingdom European Union Membership referendum took place and the British people voted to leave the European Union (Brexit).

After several postponements, the United Kingdom Withdrawal Agreement was approved by the British Parliament on 9 January 2020 and by the European Parliament on 29 January 2020, and entered into force on 31 January 2020. European Union law will cease to apply to the United Kingdom from 1 January 2021. During the 11-month transition period, the United Kingdom will keep its European Union member status.

In view of the crisis related to the Covid-19 pandemic, the initial timetable for the negotiations between the European Union and the United Kingdom has been modified. Despite the delay and deadlocks in the negotiations, the option to extend the transition period provided for in the Withdrawal Agreement has been blocked by the United Kingdom until the deadline to exercise it which was scheduled on 1 July 2020. Negotiations are in progress and an agreement to avoid the application of custom duties and quotas on the goods remains possible, even if the possible failure of the negotiations must be considered.

The Group has taken all the necessary steps to ensure continuity of service to its customers starting 31 January 2020, and monitors developments in the negotiations carried out during the transition period. The Group has taken into account the short-, medium- and long-term consequences of Brexit in the assumptions and estimates used in the preparation of the consolidated financial statements.

## **5. COVID-19**

The Covid-19 pandemic is causing unprecedented health crisis and economic shock. The lockdown measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during the first half of 2020: the crisis has been affecting both the supply and demand for goods and services and has led to financial market dislocations.

Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy.

Strong uncertainties remain about the consequences, magnitude and duration of the crisis.

In this context, the Group has defined new potential scenarios of economic recovery and analysed their effects on its activities in order to integrate them into the assumptions and estimates used for preparing interim consolidated financial statements.

In conjunction with the numerous publications of regulatory authorities and of the IASB, the Group has also introduced some adjustments and also taken into account Governments support measures in the methodology used for the application of measurement principles regarding expected credit losses. Indeed, as part of the economic emergency plan implemented by the French authorities offering cashflow support to the companies weakened by the crisis, the Group has proposed to some of its clients adjustments to their loans facilities in the form of moratoriums (deferral of the payment date without waiving interest in most cases) and has actively contributed to the massive granting processes of State guaranteed loans (*Prêts Garantis par l'Etat - PGE*). Similar measures have also been implemented in different countries in which the Group operates.

The new macroeconomic scenarios have also been used to perform the impairment tests of some assets, in particular goodwill and deferred tax assets.

Covid-19 consequences are detailed below to shed light on the financial consequences of the crisis and on their implementation in the preparation of the condensed interim consolidated financial statements, as recommended by the market and accounting authorities.

## DEFINING OF NEW MACROECONOMIC SCENARIOS

For the preparation of the financial statements, the Group used macroeconomic scenarios in the expected credit losses measurement models that include forward-looking data (see Note 3.8) as well as in the impairment tests of certain assets, including goodwill (see Note 2.2) and deferred tax assets (see Note 6).

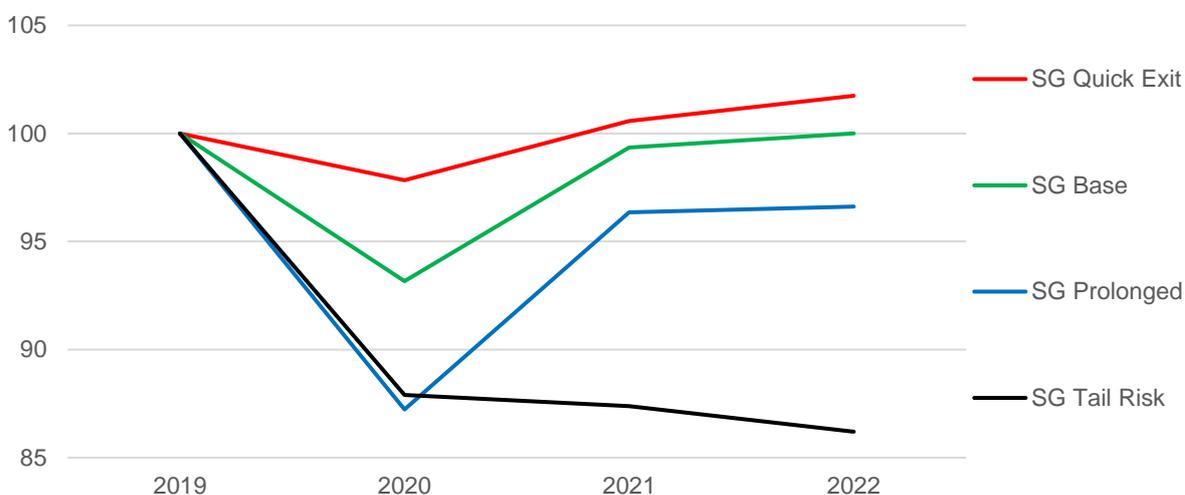
These scenarios have been established by Group economists for all Group's entities. A weighting coefficient is assigned for each scenario and the outputs of the models correspond to a probabilised average of these scenarios.

On 31 December 2019, to assess credit losses, the Group used three scenarios which were weighted as follows: 74% for the central scenario, 16% for the stressed scenario, and 10% for the optimistic scenario. On 30 June 2020, the magnitude of the crisis led the Group to build four new macroeconomic scenarios to better reflect the effects and uncertainties generated by the Covid-19 crisis:

- the central scenario (SG Base) predicts, after a sharp decline in GDP in all areas where the Group operates, a very progressive rebound from the second half of 2020, considering in particular that the travel restrictions will be lifted by fall 2020;
- a second scenario (SG Prolonged) predicts, after a sharper decline in GDP, a slower recovery due to a one quarter extension of some lockdown measures and travel restrictions, more prudent consumption behaviours and a tempered political response;
- finally, these two scenarios are supplemented with two extreme scenarios, one optimistic (SG Quick Exit) and one pessimistic scenario (SG Tail Risk).

The illustration below compares the GDP forecasts in the Euro area selected by the Group for each scenario:

### GDP growth rates



The main variables used for each scenario for the countries in which the Group operates are detailed below (in percentages):

| <b>SG Quick Exit scenario</b>     | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|
| France GDP                        | (1.5)       | 2.8         | 1.5         | 1.8         |
| Profit margin of French companies | 30.9        | 31.9        | 32.1        | 32.1        |
| Euro area GDP                     | (2.2)       | 2.8         | 1.2         | 1.6         |
| US GDP                            | (2.6)       | 2.6         | 1.7         | 1.9         |
| China GDP                         | 4.0         | 9.0         | 7.0         | 6.0         |
| Czech Republic GDP                | (1.9)       | 3.0         | 2.0         | 2.5         |
| Romania GDP                       | (2.5)       | 2.5         | 1.7         | 2.5         |

| <b>SG Base scenario</b>           | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|
| France GDP                        | (5.8)       | 6.0         | 0.7         | 1.1         |
| Profit margin of French companies | 31.2        | 30.9        | 30.9        | 31.5        |
| Euro area GDP                     | (6.8)       | 6.6         | 0.7         | 1.2         |
| US GDP                            | (6.6)       | 6.1         | 0.9         | 1.7         |
| China GDP                         | 2.9         | 7.3         | 4.8         | 4.6         |
| Czech Republic GDP                | (6.0)       | 5.8         | 0.8         | 2.0         |
| Romania GDP                       | (6.5)       | 6.3         | 0.6         | 2.0         |

| <b>SG Prolonged scenario</b>      | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|
| France GDP                        | (11.1)      | 9.6         | 0.4         | 0.6         |
| Profit margin of French companies | 28.4        | 29.3        | 30.5        | 30.9        |
| Euro area GDP                     | (12.8)      | 10.5        | 0.3         | 0.6         |
| US GDP                            | (11.5)      | 10.0        | 0.5         | 1.5         |
| China GDP                         | (3.0)       | 3.0         | 3.0         | 4.0         |
| Czech Republic GDP                | (11.3)      | 9.8         | 0.1         | 1.5         |
| Romania GDP                       | (12.5)      | 10.0        | 0.0         | 1.5         |

| <b>SG Tail Risk scenario</b>      | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|
| France GDP                        | (10.6)      | (0.1)       | (0.8)       | 0.2         |
| Profit margin of French companies | 28.5        | 29.3        | 29.9        | 31.2        |
| Euro area GDP                     | (12.1)      | (0.6)       | (1.3)       | 0.5         |
| US GDP                            | (12.5)      | (1.1)       | (0.3)       | 1.0         |
| China GDP                         | (4.3)       | (3.3)       | 3.9         | 4.5         |
| Czech Republic GDP                | (10.5)      | (0.9)       | (2.0)       | 0.9         |
| Romania GDP                       | (12.5)      | (1.0)       | (1.7)       | 1.1         |

## **WEIGHTINGS AS AT 30 JUNE 2020**

The Covid-19 crisis represents an unprecedented shock and the risk of downward adjustment of the economic expectations due to the evolution of the pandemic remains significant. The risk of deterioration of the economic situation including a possible systemic crisis remains.

To reflect these uncertainties in the calculation of expected credit losses, the cumulated weight of the two pessimistic scenarios is fixed at 30% (25% for SG Prolonged and 5% for SG Tail Risk), representing almost the double of the weighting usually applied to the stressed scenario (weighted at 16% on 31 December 2019).

The scenario of a quick exit from the pandemic (SG Quick Exit) is considered unlikely with a weighting limited at 5%, this weighting remaining lower than the probability generally used for the optimistic scenario (weighted at 10% on 31 December 2019).

The central scenario has a probability of 65% (versus 74% on 31 December 2019).

In order to perform the budgetary projections used for the impairment tests of goodwill and deferred tax assets, only the SG Base and SG Prolonged scenarios have been retained with respective weightings of 70% and 30%.

## **CALCULATION OF EXPECTED CREDIT LOSSES**

The main evolutions of the half-year concerned:

- the update of the models of expected credit losses to take into account the impact of the new macroeconomic scenarios described above;
- adjustments of the models to better reflect the impact of the scenarios on the expected credit losses;
- the update of sector adjustments and adjustments on the scope of entities that do not use developed models;
- the inclusion of support measures for customers weakened by the crisis in connection with the government authorities.

The impacts of these changes in the measurement and the accounting of expected credit losses are presented in Note 3.8.

On the basis of the scenarios and weightings mentioned above, and after taking into account the methodological adjustments and support measures, the calculation of expected credit losses led the Group to record a loss in Cost of risk of 2,099 million euros on 30 June 2020 i.e. an increase of 1,521 million euros (263%) compared to 30 June 2019.

If a weighting of 60% was used for the SG Base central scenario, of 30% for the SG Prolonged scenario and of 5% for the two extreme SG Tail Risk and SG Quick Exit scenarios, the impact would be an extra allocation of 41 million euros.

## **COVID-19 SUPPORT MEASURES**

In the first half 2020, moratoriums concerned approximately 32 billion euros of outstandings on the Group.

The terms of the moratoriums granted by the Group to its clients varied from country to country. In most cases, they have been included in mass schemes i.e. broadly applied to all outstanding company loans, with no specific granting conditions.

In France, the moratoriums took the form of a six-month payment deferment on loans granted to corporates and professionals (principal and interests), with interests on the deferral charged only on the principal. In the first half of 2020, these moratoriums affected about 20.2 billion euros of credit outstandings.

Abroad, various cases have been observed, both over the duration of the moratorium (never exceeding 9 months), and over its terms (interest charged or not for the deferment). The relevant credit outstandings amount to approximately 11.8 billion euros.

From an accounting point of view, these moratoriums were not considered as substantial modifications of the contractual cash flows of the loans to which they were applied, and therefore did not result in the derecognition of these loans. The application of the IFRS 9 provisions relating to the modification of financial assets (catch-up method) led in some cases (when no interest was charged for deferred interest or when interest was charged only on capital) to recognise a charge into the income statement, representative of the loss of interests and recorded under Interest and similar expense. For the Group as a whole, the loss relating to the moratoriums recorded in the interest margin amounts to approximately 40 million euros.

As recommended by the prudential and supervisory authorities, and repeated over by the IASB in a press release of 27 March 2020, the granting of moratoriums directly related to the cash flow difficulties generated by the occurrence of the Covid-19 crisis did not lead to the automatic transfer of these credit outstandings into Stage 2, nor into Stage 3. A case-by-case analysis was conducted on the most significant exposures, and on those with increased risks particularly due to their ante-crisis Basel scoring.

In France, in addition to the moratoriums, the Group's entities have contributed to the implementation of support measures decided by the authorities through the study and granting of State guaranteed loans.

Thus, the Group offers until the end of the year to its customers affected by the crisis (professionals and corporate customers) the allocation of State guaranteed loans (*PGE*) within the framework of the 2020 French Amending Finance Act and the conditions set by the Ministerial order of 23 March 2020. These financings are granted at cost and are guaranteed by the French State up to 90% (with a waiting period of two months after the disbursement at the end of which the guarantee period begins). The amount of the loan is generally limited to a maximum amount equal to three months of the borrower's turnover before taxes. These loans come with a one-year repayment exemption; at the end of this year, the customer can repay the loan or amortise it over one to five more years. The conditions for the remuneration of the guarantee are set by the State and shall be applied by all French banking institutions: the bank keeps only a share of the guarantee premium paid by the borrower (the amount of which depends on the size of the borrowing company and the maturity of the loan) corresponding to the risk it bears and which corresponds to the part of the loan that is not guaranteed by the State (i.e. between 10 and 30% of the loan depending on the size of the borrowing company). *PGE* granted to large corporates must be previously approved by the State and their contractual characteristics may differ from those mentioned above.

The State guaranteed loans contractual characteristics are those of basic loans (SPPI criterion) and these loans are held by the Group as part of a business model whose objective is to collect contractual cash flows until their maturity; as a result, these loans have been recorded in the consolidated balance sheet under Customer loans at amortised cost. As at 30 June 2020, the carrying amount of the State guaranteed loans is approximately 12.5 billion euros (almost entirely classified in Stage 1 for measurement of expected credit losses) and new State guaranteed loans will be granted until the deadline for granting set by the State on 31 December 2020.

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

The amount of expected credit losses recorded as at 30 June 2020 for all of the State guaranteed loans is approximately 50 million euros.

## **ASSETS IMPAIRMENT TESTS**

These tests focused mainly on goodwill and deferred tax assets.

### **GOODWILL**

Goodwill is to be subject to an impairment test whenever there is any indication that its value may have diminished, and at least once a year. While the economic crisis related to the Covid-19 does not in itself constitute an evidence of impairment, its negative impacts on the Group's results and budget projections justify the completion of tests on all the Cash Generating Units (CGUs) when preparing the half-yearly financial statements as at 30 June 2020.

As at 30 June 2020, the tests carried out highlighted that the recoverable value of the CGU Global Markets and Investors Services was below its book value, resulting in the recognition of an irreversible impairment charge of 684 million euros in the consolidated income statement under Goodwill Value Changes.

Sensitivity tests performed and showed that weighting the SG Base scenario at 65% (instead of 70%) and the SG Prolonged scenario at 35% (instead of 30%) would not result in additional impairment.

The modalities of these tests (methodology and assumptions used in connection with the macroeconomic scenarios mentioned above) are detailed in Note 2.2.

### **DEFERRED TAX ASSETS**

Deferred tax assets are recorded only if the relevant tax entity (or tax group) is likely to recover these assets within a set time. These deductible temporary differences or tax loss carryforwards can also be used against future taxable profit. Tax loss carryforwards are subject to an annual review based on the realistic projection of the tax income or expense of the relevant tax entities. After completion of these tests, the carrying value of deferred tax assets already recognised in the balance sheet is reduced whenever a risk of total or partial non-recovery occurs.

As at 30 June 2020, the Group carried out a specific review of tax loss carryforwards by including the consequences and uncertainties generated by the Covid-19 crisis into the projections of the taxable income of the relevant tax entities. Following this review, deferred tax assets have been reduced and a loss has been recorded under Income tax for an amount of 650 million euros (see Note 6).

Sensitivity tests have were performed and showed that the weighting of the SG Base scenario at 65% (instead of 70%) and of the SG Prolonged scenario at 35% (instead of 30%) would result in an additional decrease in deferred tax assets of 56 million euros.

## NOTE 2 - CONSOLIDATION

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### NOTE 2.1 - CONSOLIDATION SCOPE

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

The main change to the consolidation scope as at 30 June 2020, compared with the scope applicable at the closing date of 31 December 2019, is as follows:

#### **SOCIETE GENERALE DE BANQUE AUX ANTILLES (SGBA)**

On 2 March 2020, the Group sold to Promontoria MMB all its interest in Société Générale de Banque aux Antilles, a subsidiary located in Guadeloupe, Martinique and French Guiana. The sale reduced the Group's balance sheet by EUR 0.4 billion (Non-current assets held for sale and Non-current liabilities held for sale).

The result of this disposal recorded in Net income / expense from other assets amounts to EUR -69 million for the first half of 2020.

## NOTE 2.2 - GOODWILL

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in the first half of 2020:

| <i>(In millions of euros)</i>                                    | Net book<br>value as at<br>31.12.2019 | Acquisitions<br>and other<br>increases | Disposals<br>and other<br>decreases | Impairment<br>loss | Net book<br>value as at<br>30.06.2020 |
|--|---------------------------------------|--|-------------------------------------|--------------------|---------------------------------------|
| <b>French Retail Banking</b>                                     | <b>797</b>                            | -                                      | -                                   | -                  | <b>797</b>                            |
| Societe Generale Network   | 286                                   | -                                      | -                                   | -                  | 286                                   |
| Crédit du Nord   | 511                                   | -                                      | -                                   | -                  | 511                                   |
| <b>International Retail Banking &amp;<br/>Financial Services</b> | <b>2,729</b>                          | <b>2</b>                               | -                                   | -                  | <b>2,731</b>                          |
| Europe   | 1,361                                 | -                                      | -                                   | -                  | 1,361                                 |
| Russia   | -                                     | -                                      | -                                   | -                  | -                                     |
| Africa, Mediterranean Basin and<br>Overseas                      | 228                                   | -                                      | -                                   | -                  | 228                                   |
| Insurance  | 335                                   | -                                      | -                                   | -                  | 335                                   |
| Equipment and Vendor Finance                                     | 228                                   | -                                      | -                                   | -                  | 228                                   |
| Auto Leasing Financial Services                                  | 577                                   | 2                                      | -                                   | -                  | 579                                   |
| <b>Global Banking and Investor<br/>Solutions</b>                 | <b>1,101</b>                          | <b>101</b>                             | <b>(1)</b>                          | <b>(684)</b>       | <b>517</b>                            |
| Global Markets and Investor<br>Services                          | 584                                   | 101                                    | (1)                                 | (684)              | -                                     |
| Financing and Advisory   | 57                                    | -                                      | -                                   | -                  | 57                                    |
| Asset and Wealth Management                                      | 460                                   | -                                      | -                                   | -                  | 460                                   |
| <b>TOTAL</b>   | <b>4,627</b>                          | <b>103</b>                             | <b>(1)</b>                          | <b>(684)</b>       | <b>4,045</b>                          |

### COMPLETION OF THE ACQUISITION OF COMMERZBANK'S "EQUITY MARKETS AND COMMODITIES" BUSINESS

On 8 November 2018, the Group has signed an agreement committing Societe Generale to acquire the Commerzbank's "Equity Markets and Commodities" (EMC) business, which comprises the manufacturing and market-making of flow ("Flow business") and structured products ("Exotic, Vanilla and Funds" business) as well as part of the asset management activities ("Asset Management" business).

Due to operational reasons, the integration process of the staff, trading positions and infrastructure of the EMC business took place between the first half of 2019 and the first half of 2020.

In 2019, the Group took control of the "Exotic, Vanilla and Funds" (EVF) and the asset management businesses, leading to the recognition of a EUR 83 million goodwill for the EVF business (included in the Global Markets and Investor Services CGU) and a EUR 49 million goodwill for the asset management business (included in the Asset and Wealth Management CGU).

During the first half of 2020, the integration process was completed with the acquisition of the "Flow" business, leading to the recognition of a EUR 101 million goodwill allocated to Global Markets and Investor Services CGU.

## ANNUAL IMPAIRMENT TEST OF CGU

Goodwills are subject to an impairment test as soon as there is any indication of impairment and at least once a year. The Covid-19 sanitary crisis alone is not an indication of impairment, however, its negative consequences on the Group's results and financial projections justify the performance of tests on all CGUs as part of the preparation of the half-yearly financial statements as at 30 June 2020.

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

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

As at 31 December 2019, cash flows used in this calculation are distributable dividends generated by all the entities included in the CGU, taking into account the Group targeted equity allocated to each CGU, determined on a five-year period with the prospective four-year budgets extrapolated for the fifth year, the latter to a "normative" year used to calculate the terminal value.

As at 30 June 2020, the Group adjusted the implementation modalities of the discounted dividend method, moving towards an approach integrating two macroeconomic scenarios, more relevant in the context of strong uncertainties linked to the Covid-19 crisis. The two scenarios selected, the central scenario (SG Base) and a more pessimistic scenario of a prolonged sanitary crisis (SG Prolonged), were established by the Group's economists; their underlying assumptions are presented in Note 1. The key principles of the approach adopted this semester to assess the recoverable amount of the CGUs are as follows:

- For each CGU, estimates of future distributable dividends are determined based on two revised financial trajectories, one defined by retaining the assumptions of the central scenario (SG Base) and the other those of the prolonged sanitary crisis scenario (SG Prolonged).
- These estimates take into account the equity target allocated to each CGU, unchanged compared to 31 December 2019 (11% of the risk-weighted assets of each CGU, except for the Crédit du Nord CGU for which the target is set at 10.5% of the risk-weighted assets).
- They remain carried out over a five-year period, based on four-year trajectories (2020-2023) extrapolated to 2024, the latter year being used to calculate the terminal value.
- The growth rates used to calculate the terminal value are determined using forecasts on sustainable long-term economic growth and inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provides 2024 forecasts. As at 30 June 2020, the long-term growth rates of the Societe Generale Network and Crédit du Nord Network CGUs were decreased from 2% to 1.5% to reflect the prospect of limited revenue growth.
- The projected dividends are then discounted on the basis of a rate equal to the risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries. The updated discount rates as at 30 June 2020 are detailed below.
- Finally, the recoverable value of each CGU is calculated by applying a weighting coefficient defined by expert opinion (see Note 1) to the amounts of discounted dividends obtained according to each scenario: the SG Base scenario is weighted at 70% and the SG Prolonged one at 30%.

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

| <b>Assumptions as at 30 June 2020</b>                            | <b>Discount rate</b> | <b>Long-term growth rate</b> |
|--|----------------------|------------------------------|
| <b>French Retail Banking</b>                                     |                      |                              |
| Societe Generale network and Crédit du Nord                      | 7.9%                 | 1.5%                         |
| <b>International Retail Banking and Financial Services</b>       |                      |                              |
| Retail Banking and Consumer Finance                              | 9.9% to 12.6%        | 2% to 3%                     |
| Insurance  | 9.4%                 | 2.5%                         |
| Equipment and Vendor Finance and Auto Leasing Financial Services | 9.1%                 | 2%                           |
| <b>Global Banking and Investor Solutions</b>                     |                      |                              |
| Global Markets and Investor Services                             | 12.4%                | 2%                           |
| Financing and Advisory   | 9.8%                 | 2%                           |
| Asset and Wealth Management                                      | 9.5%                 | 2%                           |

Budget projections are based on the following main business and macroeconomic assumptions:

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### **French Retail Banking**

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- |   |   |
|---|---|
| Societe Generale Network and Crédit du Nord | <ul style="list-style-type: none"> <li>▪ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital banking model</li> <li>▪ Confirmation of Boursorama's customer acquisition plan</li> </ul> |
|---|---|
- 

### **International Retail Banking & Financial Services**

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- |        |   |
|--------|---|
| Europe | <ul style="list-style-type: none"> <li>▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations</li> <li>▪ Strict discipline applied to operating expenses and normalisation of the cost of risk</li> </ul> |
|--------|---|
- 

- |        |   |
|--------|---|
| Russia | <ul style="list-style-type: none"> <li>▪ Continued development of activities in Russia</li> <li>▪ Strict discipline applied to the operating expenses and cost of risk</li> </ul> |
|--------|---|
- 

- |  |   |
|--|---|
| Africa, Mediterranean Basin and Overseas | <ul style="list-style-type: none"> <li>▪ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer</li> <li>▪ Continued focus on operating efficiency</li> </ul> |
|--|---|
- 

- |           |   |
|-----------|---|
| Insurance | <ul style="list-style-type: none"> <li>▪ Reinforcement of the integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses</li> </ul> |
|-----------|---|
- 

- |                              |   |
|------------------------------|---|
| Equipment and Vendor Finance | <ul style="list-style-type: none"> <li>▪ Consolidation of the leadership in these corporate financing businesses</li> <li>▪ Restoration of profitability by continuing to focus on activities with the best risk/reward</li> <li>▪ Strict discipline applied to operating expenses</li> </ul> |
|------------------------------|---|
- 

- |                                 |   |
|---------------------------------|---|
| Auto Leasing Financial Services | <ul style="list-style-type: none"> <li>▪ Reinforcement of the leadership of ALD relative to solutions of mobility and continued growth for strategic partners and for long-time leasing to retail customers</li> <li>▪ Continued focus on operating efficiency</li> </ul> |
|---------------------------------|---|
- 

### **Global Banking and Investor Solutions**

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- |                                      |   |
|--------------------------------------|---|
| Global Markets and Investor Services | <ul style="list-style-type: none"> <li>▪ After the significant drop in revenues linked to the Covid-19 crisis, particularly in the Investment Solutions activities, adaptation of the market activities to a competitive environment under pressure and continued business and regulatory investments</li> <li>▪ Consolidation of market-leading franchises (equities) particularly through the integration of Commerzbank's Equity Markets and Commodities activities, with an increase in revenues on listed products</li> <li>▪ Continuation of the optimisation measures and investments in IT</li> </ul> |
|--------------------------------------|---|
- 

- |                        |  |
|------------------------|--|
| Financing and Advisory | <ul style="list-style-type: none"> <li>▪ Continuation of the origination momentum of financing activities</li> <li>▪ Consolidation of market-leading franchises (commodity and structured financing)</li> <li>▪ Gradual normalization of cost of risk despite challenging economic conditions</li> </ul> |
|------------------------|--|
- 

- |                             |  |
|-----------------------------|--|
| Asset and Wealth Management | <ul style="list-style-type: none"> <li>▪ Consolidation of commercial and operational efficiency in Wealth Management in a constrained environment and continued development of synergies with retail bank network</li> <li>▪ Integration of Commerzbank Asset Management activities</li> </ul> |
|-----------------------------|--|
-

As at 30 June 2020, the tests carried out on using the method and assumptions presented above led to the impairment of all goodwill allocated to the Global Markets and Investor Services CGU for an amount of EUR 684 million presented on the in value adjustments on goodwill line in the income statement.

The recoverable amount of this CGU is impacted by the degraded macroeconomic environment and unfavourable market conditions which penalise income from market activities, in particular in the Investment Solutions scope.

For other CGUs, the recoverable amount remains higher than the book value.

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of variations in certain assumptions.

As at 30 June 2020, given the changes in the approach for calculating the recoverable amount, now based on an estimate of future cash flows according to two scenarios, one of which already includes stressed parameters, the tests focused on measuring the impact of the variation in the weightings used in each scenario on the recoverable amount of each CGU.

The results of these sensitivity tests show that a weighting of the SG Base scenario at 65% (instead of 70%) and of the SG Prolonged scenario at 35% (instead of 30%) would result in a 0.8% decrease in the CGU's total recoverable amount, without requiring the recording of an additional impairment.

## NOTE 3 - FINANCIAL INSTRUMENTS

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

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

#### OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> |                    | <b>31.12.2019</b> |                    |
|---|-------------------|--------------------|-------------------|--------------------|
|   | <b>Assets</b>     | <b>Liabilities</b> | <b>Assets</b>     | <b>Liabilities</b> |
| Trading portfolio   | 393,756           | 333,774            | 358,033           | 281,246            |
| Financial assets measured mandatorily at fair value through profit or loss    | 24,172            |                    | 24,977            |                    |
| Financial instruments measured using fair value option through profit or loss | 1,219             | 71,339             | 2,729             | 82,883             |
| <b>Total</b>  | <b>419,147</b>    | <b>405,113</b>     | <b>385,739</b>    | <b>364,129</b>     |
| <i>o/w securities purchased/sold under resale/repurchase agreements</i>       | <i>119,170</i>    | <i>113,627</i>     | <i>111,818</i>    | <i>97,895</i>      |

#### 1. TRADING PORTFOLIO

##### ASSETS

| <i>(In millions of euros)</i>                                       | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Bonds and other debt securities                                     | 30,430            | 26,080            |
| Shares and other equity securities                                  | 61,067            | 77,966            |
| Loans, receivables and securities purchased under resale agreements | 132,771           | 117,956           |
| Trading derivatives <sup>(1)</sup>                                  | 169,488           | 135,849           |
| Other trading assets  | -                 | 182               |
| <b>Total</b>  | <b>393,756</b>    | <b>358,033</b>    |
| <i>o/w securities lent</i>  | <i>9,865</i>      | <i>13,349</i>     |

(1) See Note 3.2 Financial derivatives.

## LIABILITIES

| <i>(In millions of euros)</i>                              | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Amounts payable on borrowed securities                     | 36,342            | 38,950            |
| Bonds and other debt instruments sold short                | 5,142             | 3,518             |
| Shares and other equity instruments sold short             | 743               | 1,466             |
| Borrowings and securities sold under repurchase agreements | 113,620           | 97,820            |
| Trading derivatives <sup>(1)</sup>                         | 176,676           | 138,120           |
| Other trading liabilities                                  | 1,251             | 1,372             |
| <b>Total</b>   | <b>333,774</b>    | <b>281,246</b>    |

(1) See Note 3.2 Financial derivatives.

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

| <i>(In millions of euros)</i>                                       | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Bonds and other debt securities                                     | 176               | 177               |
| Shares and other equity securities                                  | 2,598             | 2,492             |
| Loans, receivables and securities purchased under resale agreements | 21,398            | 22,308            |
| <b>Total</b>  | <b>24,172</b>     | <b>24,977</b>     |

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

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

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

### ASSETS

| <i>(In millions of euros)</i>                                       | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Bonds and other debt securities                                     | 38                | 1,458             |
| Loans, receivables and securities purchased under resale agreements | 130               | 145               |
| Separate assets for employee benefits plans                         | 1,051             | 1,126             |
| <b>Total</b>  | <b>1,219</b>      | <b>2,729</b>      |

## LIABILITIES

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

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> |                                  | <b>31.12.2019</b> |                                  |
|---|-------------------|----------------------------------|-------------------|----------------------------------|
|   | Fair value        | Amount redeemable<br>at maturity | Fair value        | Amount redeemable<br>at maturity |
| Financial instruments measured using fair value option through profit or loss | 71,339            | 70,837                           | 82,883            | 83,249                           |

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

Changes in fair value attributable to own credit risk generated a gain of EUR 570 million during the first half of 2020. Up to this date, the total gains and losses attributable to own credit risk amounted to EUR 253 million booked in equity.

## NOTE 3.2 - FINANCIAL DERIVATIVES

### 1. TRADING DERIVATIVES

#### BREAKDOWN OF FAIR VALUE OF TRADING DERIVATIVES

| <i>(In millions of euros)</i>       | 30.06.2020     |                | 31.12.2019     |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | Assets         | Liabilities    | Assets         | Liabilities    |
| Interest rate instruments           | 114,824        | 112,375        | 91,146         | 88,501         |
| Foreign exchange instruments        | 18,911         | 21,040         | 18,036         | 18,354         |
| Equities & index Instruments        | 31,548         | 37,957         | 22,318         | 26,141         |
| Commodities Instruments             | 1,937          | 2,029          | 1,860          | 2,201          |
| Credit derivatives                  | 2,250          | 2,142          | 2,415          | 2,037          |
| Other forward financial instruments | 18             | 1,133          | 74             | 886            |
| <b>Total</b>                        | <b>169,488</b> | <b>176,676</b> | <b>135,849</b> | <b>138,120</b> |

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

#### BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

| <i>(In millions of euros)</i>              | 30.06.2020        | 31.12.2019        |
|--|-------------------|-------------------|
| <b>Interest rate instruments</b>           | <b>11,655,578</b> | <b>11,988,127</b> |
| Firm instruments                           | 9,762,990         | 9,959,001         |
| <i>Swaps</i>                               | 8,008,223         | 8,324,621         |
| <i>FRAs</i>                                | 1,754,767         | 1,634,380         |
| Options                                    | 1,892,588         | 2,029,126         |
| <b>Foreign exchange instruments</b>        | <b>3,073,126</b>  | <b>3,192,776</b>  |
| Firm instruments                           | 2,356,371         | 2,475,393         |
| Options                                    | 716,755           | 717,383           |
| <b>Equity and index instruments</b>        | <b>1,221,631</b>  | <b>1,124,549</b>  |
| Firm instruments                           | 186,776           | 186,691           |
| Options                                    | 1,034,855         | 937,858           |
| <b>Commodities instruments</b>             | <b>39,591</b>     | <b>96,900</b>     |
| Firm instruments                           | 34,363            | 83,509            |
| Options                                    | 5,228             | 13,391            |
| <b>Credit derivatives</b>                  | <b>242,019</b>    | <b>246,006</b>    |
| <b>Other forward financial instruments</b> | <b>25,209</b>     | <b>38,428</b>     |
| <b>Total</b>                               | <b>16,257,154</b> | <b>16,686,786</b> |

## 2. HEDGING DERIVATIVES

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments held (equities and similar securities) are not eligible for hedge accounting regardless of their accounting classification.

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

### BREAKDOWN OF FAIR VALUE OF HEDGING DERIVATIVES

| <i>(In millions of euros)</i> | 30.06.2020    |               | 31.12.2019    |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | Assets        | Liabilities   | Assets        | Liabilities   |
| <b>Fair value hedge</b>       | <b>21,125</b> | <b>12,464</b> | <b>16,617</b> | <b>9,981</b>  |
| Interest rate instruments     | 21,124        | 12,458        | 16,616        | 9,981         |
| Foreign exchange instruments  | 1             | -             | 1             | -             |
| Equity and index instruments  | -             | 6             | -             | -             |
| <b>Cash-flow hedge</b>        | <b>399</b>    | <b>159</b>    | <b>181</b>    | <b>124</b>    |
| Interest rate instruments     | 368           | 63            | 169           | 65            |
| Foreign exchange instruments  | 31            | 83            | 10            | 46            |
| Equity and index Instruments  | -             | 13            | 2             | 13            |
| <b>Net investment hedge</b>   | <b>321</b>    | <b>82</b>     | <b>39</b>     | <b>107</b>    |
| Foreign exchange instruments  | 321           | 82            | 39            | 107           |
| <b>Total</b>                  | <b>21,845</b> | <b>12,705</b> | <b>16,837</b> | <b>10,212</b> |

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

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

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

## BREAKDOWN OF HEDGING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

| <i>(In millions of euros)</i>       | <b>30.06.2020</b> | <b>31.12.2019</b> |
|-------------------------------------|-------------------|-------------------|
| <b>Interest rate instruments</b>    | <b>823,824</b>    | <b>757,099</b>    |
| Firm instruments                    | 822,570           | 755,847           |
| <i>Swaps</i>                        | 742,518           | 755,775           |
| <i>FRAs <sup>(1)</sup></i>          | 80,052            | 72                |
| Options                             | 1,254             | 1,252             |
| <b>Foreign exchange instruments</b> | <b>11,325</b>     | <b>11,314</b>     |
| Firm instruments                    | 11,325            | 11,314            |
| <b>Equity and index instruments</b> | <b>56</b>         | <b>90</b>         |
| Options                             | 56                | 90                |
| <b>Total</b>                        | <b>835,205</b>    | <b>768,503</b>    |

(1) 3-month Forward Rate Agreements and Futures contracts are now concluded by the Group to extend the maturity of swaps underwritten for the purpose of hedging the net interest margin. This change in hedging management mechanically generates an increase in commitments on this type of contracts but does not lead to an increase in interest rate risk exposure.

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

### OVERVIEW

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Debt instruments  | 55,348            | 53,012            |
| <i>Bonds and other debt securities</i>  | 55,293            | 52,991            |
| <i>Loans and receivables and securities purchased under resale agreements</i> | 55                | 21                |
| Shares and other equity securities  | 258               | 244               |
| <b>Total</b>  | <b>55,606</b>     | <b>53,256</b>     |
| <i>o/w securities lent</i>  | 169               | 146               |

### 1. DEBT INSTRUMENTS

#### CHANGES OF THE PERIOD

| <i>(In millions of euros)</i>   | <b>2020</b>   |
|---|---------------|
| <b>Balance as at 1 January</b>  | <b>53,012</b> |
| Acquisitions / disbursements  | 18,522        |
| Disposals / redemptions   | (16,502)      |
| Transfers further to redeployment towards (or from) another accounting category | 3             |
| Changes in scope and others   | (236)         |
| Changes in fair value during the period   | 1,016         |
| Changes in related receivables  | 26            |
| Translation differences   | (493)         |
| <b>Balance as at 30 June</b>  | <b>55,348</b> |

#### UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

| <i>(In millions of euros)</i> | <b>30.06.2020</b> | <b>31.12.2019</b> |
|-------------------------------|-------------------|-------------------|
| Unrealised gains              | 445               | 391               |
| Unrealised losses             | (217)             | (186)             |
| <b>Total</b>                  | <b>228</b>        | <b>205</b>        |

Realised gains and losses on the sale of debt instruments recognised in the income statement amount to EUR 24 million during the first half of 2020 compared to EUR 56 million during the first half of 2019 (EUR 78 million in 2019).

### 2. EQUITY INSTRUMENTS

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

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

### 1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

| <i>(In millions of euros)</i>   | 30.06.2020     |                |               |                | 31.12.2019     |                |               |                |
|---|----------------|----------------|---------------|----------------|----------------|----------------|---------------|----------------|
|   | Level 1        | Level 2        | Level 3       | Total          | Level 1        | Level 2        | Level 3       | Total          |
| <b>Trading portfolio</b>  | <b>81,245</b>  | <b>137,959</b> | <b>5,064</b>  | <b>224,268</b> | <b>89,037</b>  | <b>129,130</b> | <b>4,017</b>  | <b>222,184</b> |
| Bonds and other debt securities   | 26,141         | 3,434          | 855           | 30,430         | 22,645         | 2,976          | 459           | 26,080         |
| Shares and other equity securities  | 55,104         | 5,963          | -             | 61,067         | 66,392         | 11,465         | 109           | 77,966         |
| Loans, receivables and securities purchased under resale agreements               | -              | 128,562        | 4,209         | 132,771        | -              | 114,507        | 3,449         | 117,956        |
| Other trading assets  | -              | -              | -             | -              | -              | 182            | -             | 182            |
| <b>Trading derivatives</b>  | <b>64</b>      | <b>163,188</b> | <b>6,236</b>  | <b>169,488</b> | <b>191</b>     | <b>132,572</b> | <b>3,086</b>  | <b>135,849</b> |
| Interest rate instruments   | -              | 110,586        | 4,238         | 114,824        | 6              | 88,868         | 2,272         | 91,146         |
| Foreign exchange instruments  | 61             | 18,796         | 54            | 18,911         | 182            | 17,717         | 137           | 18,036         |
| Equity and index instruments  | -              | 30,599         | 949           | 31,548         | -              | 21,938         | 380           | 22,318         |
| Commodity instruments   | -              | 1,912          | 25            | 1,937          | -              | 1,784          | 76            | 1,860          |
| Credit derivatives  | -              | 1,280          | 970           | 2,250          | -              | 2,195          | 220           | 2,415          |
| Other forward financial instruments   | 3              | 15             | -             | 18             | 3              | 70             | 1             | 74             |
| <b>Financial assets measured mandatorily at fair value through profit or loss</b> | <b>215</b>     | <b>19,715</b>  | <b>4,242</b>  | <b>24,172</b>  | <b>350</b>     | <b>21,746</b>  | <b>2,881</b>  | <b>24,977</b>  |
| Bonds and other debt securities   | 11             | 42             | 123           | 176            | 11             | 44             | 122           | 177            |
| Shares and other equity securities  | 204            | 288            | 2,106         | 2,598          | 339            | 185            | 1,968         | 2,492          |
| Loans, receivables and securities purchased under resale agreements               | -              | 19,385         | 2,013         | 21,398         | -              | 21,517         | 791           | 22,308         |
| <b>Financial assets measured using fair value option through profit or loss</b>   | <b>3</b>       | <b>1,151</b>   | <b>65</b>     | <b>1,219</b>   | <b>1,296</b>   | <b>1,320</b>   | <b>113</b>    | <b>2,729</b>   |
| Bonds and other debt securities   | 3              | 2              | 33            | 38             | 1,296          | 162            | -             | 1,458          |
| Loans, receivables and securities purchased under resale agreements               | -              | 98             | 32            | 130            | -              | 32             | 113           | 145            |
| Other financial assets  | -              | -              | -             | -              | -              | -              | -             | -              |
| Separate assets for employee benefit plans  | -              | 1,051          | -             | 1,051          | -              | 1,126          | -             | 1,126          |
| <b>Hedging derivatives</b>  | <b>-</b>       | <b>21,845</b>  | <b>-</b>      | <b>21,845</b>  | <b>-</b>       | <b>16,837</b>  | <b>-</b>      | <b>16,837</b>  |
| Interest rate instruments   | -              | 21,492         | -             | 21,492         | -              | 16,785         | -             | 16,785         |
| Foreign exchange instruments  | -              | 353            | -             | 353            | -              | 50             | -             | 50             |
| Equity and index instruments  | -              | -              | -             | -              | -              | 2              | -             | 2              |
| <b>Financial assets measured at fair value through other comprehensive income</b> | <b>54,485</b>  | <b>860</b>     | <b>261</b>    | <b>55,606</b>  | <b>51,730</b>  | <b>1,282</b>   | <b>244</b>    | <b>53,256</b>  |
| Bonds and other debt securities   | 54,485         | 805            | 3             | 55,293         | 51,730         | 1,261          | -             | 52,991         |
| Shares and other equity securities  | -              | -              | 258           | 258            | -              | -              | 244           | 244            |
| Loans and receivables   | -              | 55             | -             | 55             | -              | 21             | -             | 21             |
| <b>Total</b>  | <b>136,012</b> | <b>344,718</b> | <b>15,868</b> | <b>496,598</b> | <b>142,604</b> | <b>302,887</b> | <b>10,341</b> | <b>455,832</b> |

## 2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

| <i>(In millions of euros)</i>  | 30.06.2020   |                |               |                | 31.12.2019   |                |               |                |
|--|--------------|----------------|---------------|----------------|--------------|----------------|---------------|----------------|
|  | Level 1      | Level 2        | Level 3       | Total          | Level 1      | Level 2        | Level 3       | Total          |
| <b>Trading portfolio</b>   | <b>5,935</b> | <b>150,134</b> | <b>1,029</b>  | <b>157,098</b> | <b>5,001</b> | <b>136,800</b> | <b>1,325</b>  | <b>143,126</b> |
| Amounts payable on borrowed securities   | 51           | 36,213         | 78            | 36,342         | 71           | 38,743         | 136           | 38,950         |
| Bonds and other debt instruments sold short  | 5,141        | 1              | -             | 5,142          | 3,464        | 54             | -             | 3,518          |
| Shares and other equity instruments sold short                                       | 743          | -              | -             | 743            | 1,466        | -              | -             | 1,466          |
| Borrowings and securities sold under repurchase agreements                           | -            | 112,672        | 948           | 113,620        | -            | 96,631         | 1,189         | 97,820         |
| Other trading liabilities  | -            | 1,248          | 3             | 1,251          | -            | 1,372          | -             | 1,372          |
| <b>Trading derivatives</b>   | <b>102</b>   | <b>168,987</b> | <b>7,587</b>  | <b>176,676</b> | <b>216</b>   | <b>132,371</b> | <b>5,533</b>  | <b>138,120</b> |
| Interest rate instruments  | 31           | 108,426        | 3,918         | 112,375        | 31           | 85,177         | 3,293         | 88,501         |
| Foreign exchange instruments   | 55           | 20,844         | 141           | 21,040         | 175          | 18,064         | 115           | 18,354         |
| Equity and index instruments   | -            | 34,768         | 3,189         | 37,957         | -            | 24,529         | 1,612         | 26,141         |
| Commodity instruments  | -            | 2,006          | 23            | 2,029          | -            | 2,131          | 70            | 2,201          |
| Credit derivatives   | -            | 1,826          | 316           | 2,142          | -            | 1,594          | 443           | 2,037          |
| Other forward financial instruments  | 16           | 1,117          | -             | 1,133          | 10           | 876            | -             | 886            |
| <b>Financial liabilities measured using fair value option through profit or loss</b> | <b>-</b>     | <b>33,911</b>  | <b>37,428</b> | <b>71,339</b>  | <b>-</b>     | <b>38,160</b>  | <b>44,723</b> | <b>82,883</b>  |
| <b>Hedging derivatives</b>   | <b>-</b>     | <b>12,705</b>  | <b>-</b>      | <b>12,705</b>  | <b>-</b>     | <b>10,212</b>  | <b>-</b>      | <b>10,212</b>  |
| Interest rate instruments  | -            | 12,521         | -             | 12,521         | -            | 10,045         | -             | 10,045         |
| Foreign exchange instruments   | -            | 165            | -             | 165            | -            | 154            | -             | 154            |
| Equity and index instruments   | -            | 19             | -             | 19             | -            | 13             | -             | 13             |
| <b>Total</b>   | <b>6,037</b> | <b>365,737</b> | <b>46,044</b> | <b>417,818</b> | <b>5,217</b> | <b>317,543</b> | <b>51,581</b> | <b>374,341</b> |

### 3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

#### FINANCIAL ASSETS AT FAIR VALUE

| <i>(In millions of euros)</i>  | Balance<br>as at<br>31.12.2019 | Acqui-<br>sitions | Disposals /<br>redemptions | Transfer<br>to<br>Level 2 | Transfer<br>from<br>Level 2 | Gains<br>and<br>losses | Translation<br>differences | Change<br>in scope<br>and<br>others | Balance<br>as at<br>30.06.2020 |
|--|--------------------------------|-------------------|----------------------------|---------------------------|-----------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
| <b>Trading portfolio</b>   | <b>4,017</b>                   | <b>2,973</b>      | <b>(673)</b>               | <b>(956)</b>              | <b>318</b>                  | <b>(573)</b>           | <b>(1)</b>                 | <b>(41)</b>                         | <b>5,064</b>                   |
| Bonds and other debt securities  | 459                            | 924               | (576)                      | (160)                     | 318                         | (71)                   | 2                          | (41)                                | 855                            |
| Shares and other equity securities   | 109                            | -                 | -                          | (45)                      | -                           | (64)                   | -                          | -                                   | -                              |
| Loans, receivables and securities purchased under resale agreements                      | 3,449                          | 2,049             | (97)                       | (751)                     | -                           | (438)                  | (3)                        | -                                   | 4,209                          |
| Other trading assets   | -                              | -                 | -                          | -                         | -                           | -                      | -                          | -                                   | -                              |
| <b>Trading derivatives</b>   | <b>3,086</b>                   | <b>146</b>        | <b>(16)</b>                | <b>(1,835)</b>            | <b>3,213</b>                | <b>1,650</b>           | <b>(8)</b>                 | <b>-</b>                            | <b>6,236</b>                   |
| Interest rate instruments  | 2,272                          | 21                | -                          | (1,680)                   | 2,457                       | 1,165                  | 3                          | -                                   | 4,238                          |
| Foreign exchange instruments   | 137                            | 1                 | -                          | (31)                      | 18                          | (64)                   | (7)                        | -                                   | 54                             |
| Equity and index instruments   | 380                            | 121               | (16)                       | (102)                     | 553                         | 15                     | (2)                        | -                                   | 949                            |
| Commodity instruments  | 76                             | 3                 | -                          | -                         | -                           | (54)                   | -                          | -                                   | 25                             |
| Credit derivatives   | 220                            | -                 | -                          | (22)                      | 185                         | 589                    | (2)                        | -                                   | 970                            |
| Other forward financial instruments  | 1                              | -                 | -                          | -                         | -                           | (1)                    | -                          | -                                   | -                              |
| <b>Financial assets measured mandatorily at fair value through profit or loss</b>        | <b>2,881</b>                   | <b>224</b>        | <b>(37)</b>                | <b>-</b>                  | <b>1,437</b>                | <b>(328)</b>           | <b>(3)</b>                 | <b>68</b>                           | <b>4,242</b>                   |
| Bonds and other debt securities  | 122                            | 2                 | (1)                        | -                         | -                           | (1)                    | 1                          | -                                   | 123                            |
| Shares and other equity securities   | 1,968                          | 124               | (36)                       | -                         | (41)                        | 21                     | (6)                        | 76                                  | 2,106                          |
| Loans, receivables and securities purchased under resale agreements                      | 791                            | 98                | -                          | -                         | 1,478                       | (348)                  | 2                          | (8)                                 | 2,013                          |
| <b>Financial assets measured using fair value option through profit or loss</b>          | <b>113</b>                     | <b>117</b>        | <b>(84)</b>                | <b>(100)</b>              | <b>-</b>                    | <b>31</b>              | <b>-</b>                   | <b>(12)</b>                         | <b>65</b>                      |
| Bonds and other debt securities  | -                              | 117               | (84)                       | -                         | -                           | -                      | -                          | -                                   | 33                             |
| Loans, receivables and securities purchased under resale agreements                      | 113                            | -                 | -                          | (100)                     | -                           | 31                     | -                          | (12)                                | 32                             |
| Other financial assets   | -                              | -                 | -                          | -                         | -                           | -                      | -                          | -                                   | -                              |
| Separate assets for employee benefit plans   | -                              | -                 | -                          | -                         | -                           | -                      | -                          | -                                   | -                              |
| <b>Hedging derivatives</b>   | <b>-</b>                       | <b>-</b>          | <b>-</b>                   | <b>-</b>                  | <b>-</b>                    | <b>-</b>               | <b>-</b>                   | <b>-</b>                            | <b>-</b>                       |
| <b>Financial assets measured at fair value option through other comprehensive income</b> | <b>244</b>                     | <b>-</b>          | <b>-</b>                   | <b>-</b>                  | <b>-</b>                    | <b>17</b>              | <b>-</b>                   | <b>-</b>                            | <b>261</b>                     |
| Debt instruments   | -                              | -                 | -                          | -                         | -                           | -                      | -                          | 3                                   | 3                              |
| Equity instruments   | 244                            | -                 | -                          | -                         | -                           | 17                     | -                          | (3)                                 | 258                            |
| Loans and receivables  | -                              | -                 | -                          | -                         | -                           | -                      | -                          | -                                   | -                              |
| <b>Total</b>   | <b>10,341</b>                  | <b>3,460</b>      | <b>(810)</b>               | <b>(2,891)</b>            | <b>4,968</b>                | <b>797</b>             | <b>(12)</b>                | <b>15</b>                           | <b>15,868</b>                  |

## FINANCIAL LIABILITIES AT FAIR VALUE

| <i>(In millions of euros)</i>  | Balance<br>as at<br>31.12.2019 | Issues | Redemptions | Transfer<br>to<br>Level 2 | Transfer<br>from<br>Level 2 | Gains<br>and<br>losses | Translation<br>differences | Change<br>in scope<br>and<br>others | Balance<br>as at<br>30.06.2020 |
|--|--------------------------------|--------|-------------|---------------------------|-----------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
| <b>Trading portfolio</b>   | 1,325                          | 462    | (392)       | (180)                     | -                           | (182)                  | (4)                        | -                                   | 1,029                          |
| Debt securities issued   | -                              | -      | -           | -                         | -                           | -                      | -                          | -                                   | -                              |
| Amounts payable on<br>borrowed securities  | 136                            | -      | -           | (26)                      | -                           | (28)                   | (4)                        | -                                   | 78                             |
| Bonds and other debt<br>instruments sold short   | -                              | -      | -           | -                         | -                           | -                      | -                          | -                                   | -                              |
| Shares and other<br>equity instruments sold<br>short   | -                              | -      | -           | -                         | -                           | -                      | -                          | -                                   | -                              |
| Borrowings and<br>securities sold under<br>repurchase agreements                                 | 1,189                          | 462    | (392)       | (154)                     | -                           | (157)                  | -                          | -                                   | 948                            |
| Other trading liabilities  | -                              | -      | -           | -                         | -                           | 3                      | -                          | -                                   | 3                              |
|  |                                |        |             |                           |                             |                        |                            |                                     | -                              |
| <b>Trading derivatives</b>   | 5,533                          | 718    | (108)       | (2,230)                   | 3,359                       | 325                    | (1)                        | (9)                                 | 7,587                          |
| Interest rate<br>instruments   | 3,293                          | 34     | -           | (2,053)                   | 2,009                       | 620                    | 24                         | (9)                                 | 3,918                          |
| Foreign exchange<br>instruments  | 115                            | -      | -           | (28)                      | 14                          | 40                     | -                          | -                                   | 141                            |
| Equity and index<br>instruments  | 1,612                          | 684    | (108)       | (52)                      | 1,232                       | (157)                  | (22)                       | -                                   | 3,189                          |
| Commodity instruments  | 70                             | -      | -           | -                         | -                           | (46)                   | (1)                        | -                                   | 23                             |
| Credit derivatives   | 443                            | -      | -           | (97)                      | 104                         | (132)                  | (2)                        | -                                   | 316                            |
| Other forward financial<br>instruments   | -                              | -      | -           | -                         | -                           | -                      | -                          | -                                   | -                              |
|  |                                |        |             |                           |                             |                        |                            |                                     | -                              |
| <b>Financial liabilities<br/>measured using fair<br/>value option through<br/>profit or loss</b> | 44,723                         | 12,922 | (12,626)    | (8,942)                   | 6,947                       | (5,550)                | (34)                       | (12)                                | 37,428                         |
|  |                                |        |             |                           |                             |                        |                            |                                     | -                              |
| <b>Hedging derivatives</b>   | -                              | -      | -           | -                         | -                           | -                      | -                          | -                                   | -                              |
|  |                                |        |             |                           |                             |                        |                            |                                     | -                              |
| <b>Total financial<br/>liabilities at fair value</b>   | 51,581                         | 14,102 | (13,126)    | (11,352)                  | 10,306                      | (5,407)                | (39)                       | (21)                                | 46,044                         |

During the first half of 2020, the Group changed its methodology for determining the observability of market input used in the calculation of the fair value of financial instruments:

- Observability is now determined on the one hand at a more granular level, and on the other hand takes more parameters into account in the analysis, whereas it was until now assessed by family of inputs with homogeneous characteristics. These changes, aiming at extending and improving the system by measuring observability at a more granular level, have led to the reclassification of some financial instruments at fair value from level 2 to level 3.
- The classification rules between levels 2 and 3 of fair value have also been revised in order to take account of a concept of significance in the allocation, in accordance with IFRS 13 "Fair Value Measurement": financial instruments classified in level 3 are now the ones that are valued using a financial model based on market inputs which are unobservable or can only be observed in insufficiently active markets, and whose influence is significant on the fair value of the instrument as a whole. As at 31 December 2019, any transaction considered unobservable, according to the criteria in force on that date, led to the classification of the instrument in level 3, regardless of the significance of the input concerned. This second change led to a reclassification of some financial instruments from level 3 to level 2.

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

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the balance sheet date or if the clearing value does not reflect transaction prices.

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

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

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

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

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

The CVA is determined on the basis of the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

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

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

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

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

#### **SHARES AND OTHER EQUITY SECURITIES**

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

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

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

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

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

#### **OTHER DEBTS**

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

#### **CUSTOMER LOANS**

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

## 5. ESTIMATES OF MAIN UNOBSERVABLE INPUTS

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

| <i>(In millions of euros)</i>                   | Value in the balance sheet |               | Main products  | Valuation techniques used  | Significant unobservable inputs                    | Range of inputs min & max |           |
|---|----------------------------|---------------|--|--|--|---------------------------|-----------|
|   | Assets                     | Liabilities   |  |  |  |                           |           |
| Cash instruments and derivatives <sup>(1)</sup> | 1,369                      | 28,894        | Simple and complex instruments or derivatives on funds, equities or baskets of stocks                    | Various option models on funds, equities or baskets of stocks            | Equity volatilities                                | 10%                       | 132.7%    |
|   |                            |               |  |  | Equity dividends                                   | 0%                        | 29.1%     |
|   |                            |               |  |  | Correlations                                       | -100%                     | 97.8%     |
|   |                            |               |  |  | Hedge fund volatilities                            | 7.6%                      | 20%       |
|   |                            |               |  |  | Mutual fund volatilities                           | 2.1%                      | 26.1%     |
| Rates / Forex                                   | 11,558                     | 16,811        | Hybrid forex / interest rate or credit / interest rate derivatives                                       | Hybrid forex interest rate or credit interest rate option pricing models | Correlations                                       | -46.4%                    | 90%       |
|   |                            |               | Forex derivatives  | Forex option pricing models  | Forex volatilities                                 | 0%                        | 27.5%     |
|   |                            |               | Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools | Prepayment modelling   | Constant prepayment rates                          | 0%                        | 20%       |
|   |                            |               | Inflation instruments and derivatives  | Inflation pricing models   | Correlations                                       | 55%                       | 88.9%     |
|   |                            |               | Collateralised Debt Obligations and index tranches   | Recovery and base correlation projection models                          | Time to default correlations                       | 0%                        | 100%      |
| Credit  | 970                        | 316           | Other credit derivatives   | Credit default models  | Recovery rate variance for single name underlyings | 0%                        | 100%      |
|   |                            |               |  |  | Time to default correlations                       | 0%                        | 100%      |
|   |                            |               |  |  | Quanto correlations                                | -50%                      | 40%       |
|   |                            |               |  |  | Credit spreads                                     | 0 bps                     | 1 000 bps |
| Commodities                                     | 25                         | 23            | Derivatives on commodities baskets   | Option models on commodities   | Commodities correlations                           | -74.7%                    | 93.8%     |
| Long term equity investments                    | 1,946                      | 0             | Securities held for strategic purposes   | Net Book Value / Recent transactions                                     | Non applicable                                     | -                         | -         |
| <b>Total</b>                                    | <b>15,868</b>              | <b>46,044</b> |  |  |  |                           |           |

(1) Hybrid instruments are broken down by main unobservable inputs.

## 6. SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, this unobservable nature induces a certain degree of uncertainty in their assessment.

To quantify this, fair value sensitivity was estimated at 30 June 2020 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a “standardised” variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The “standardised” variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

### SENSITIVITY OF LEVEL 3 FAIR VALUE TO A “STANDARDISED” VARIATION IN UNOBSERVABLE INPUTS

|  | 30.06.2020      |                 | 31.12.2019      |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | Negative impact | Positive impact | Negative impact | Positive impact |
| <i>(In millions of euros)</i>                              |                 |                 |                 |                 |
| <b>Shares and other equity instruments and derivatives</b> | <b>(63)</b>     | <b>182</b>      | <b>(9)</b>      | <b>79</b>       |
| Equity volatilities  | (18)            | 60              | 0               | 19              |
| Dividends  | (15)            | 42              | (1)             | 13              |
| Correlations   | (30)            | 72              | (8)             | 43              |
| Hedge Fund volatility                                      | 0               | 0               | 0               | 0               |
| Mutual Fund volatility                                     | 0               | 8               | 0               | 4               |
| <b>Rates or Forex instruments and derivatives</b>          | <b>(8)</b>      | <b>34</b>       | <b>(6)</b>      | <b>43</b>       |
| Correlations between exchange rates and/or interest rates  | (5)             | 30              | (4)             | 41              |
| Forex volatilities   | (2)             | 4               | (1)             | 2               |
| Constant prepayment rates                                  | 0               | 0               | 0               | 0               |
| Inflation / inflation correlations                         | (1)             | 0               | (1)             | 0               |
| <b>Credit instruments and derivatives</b>                  | <b>0</b>        | <b>8</b>        | <b>(3)</b>      | <b>13</b>       |
| Time to default correlations                               | 0               | 2               | (3)             | 7               |
| Recovery rate variance for single name underlyings         | 0               | 0               | 0               | 0               |
| Quanto correlations  | 0               | 6               | 0               | 5               |
| Credit spreads   | 0               | 0               | 0               | 1               |
| <b>Commodity derivatives</b>                               | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>1</b>        |
| Commodities correlations                                   | 0               | 0               | 0               | 1               |
| <b>Long term securities</b>                                | <b>NA</b>       | <b>NA</b>       | <b>NA</b>       | <b>NA</b>       |

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

## 7. DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

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

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

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

| <i>(In millions of euros)</i>                             | <b>2020</b>  |
|---|--------------|
| <b>Deferred margin as at 1 January</b>                    | <b>1,151</b> |
| Deferred margin on new transactions during the period     | 475          |
| Margin recorded in the income statement during the period | (434)        |
| <i>o/w amortisation</i>                                   | (262)        |
| <i>o/w switch to observable inputs</i>                    | (10)         |
| <i>o/w disposed, expired or terminated</i>                | (162)        |
| <b>Deferred margin as at 30 June</b>                      | <b>1,192</b> |

## NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES AT AMORTISED COST

### OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST

| <i>(In millions of euros)</i> | <b>30.06.2020</b>      |                       | <b>31.12.2019</b>      |                       |
|-------------------------------|------------------------|-----------------------|------------------------|-----------------------|
|                               | <b>Carrying amount</b> | <i>o/w impairment</i> | <b>Carrying amount</b> | <i>o/w impairment</i> |
| Due from banks                | 55,292                 | (29)                  | 56,366                 | (24)                  |
| Customer loans                | 458,500                | (12,004)              | 450,244                | (10,727)              |
| Securities                    | 14,877                 | (10)                  | 12,489                 | (10)                  |
| <b>Total</b>                  | <b>528,669</b>         | <b>(12,043)</b>       | <b>519,099</b>         | <b>(10,761)</b>       |

### 1. DUE FROM BANKS

| <i>(In millions of euros)</i>                           | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Current accounts  | 26,129            | 20,717            |
| Deposits and loans                                      | 15,240            | 17,269            |
| Securities purchased under resale agreements            | 13,652            | 18,168            |
| Subordinated and participating loans                    | 121               | 88                |
| Related receivables                                     | 131               | 118               |
| <b>Due from banks before impairments <sup>(1)</sup></b> | <b>55,273</b>     | <b>56,360</b>     |
| Credit loss impairment                                  | (29)              | (24)              |
| Revaluation of hedged items                             | 48                | 30                |
| <b>Total</b>  | <b>55,292</b>     | <b>56,366</b>     |

(1) At 30 June 2020, the amount due from banks classified as Stage 3 impairment (non-performing loans) equals to EUR 36 million compared to EUR 38 million at 31 December 2019. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the net carrying amount of the financial asset (see Note 3.7).

## 2. CUSTOMER LOANS

| <i>(In millions of euros)</i>                           | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Overdrafts  | 19,925            | 19,181            |
| Other customer loans <sup>(1)</sup>                     | 405,101           | 388,167           |
| Lease financing agreements                              | 30,293            | 30,761            |
| Securities purchased under resale agreements            | 11,261            | 19,541            |
| Related receivables                                     | 3,457             | 2,937             |
| <b>Customer loans before impairments <sup>(2)</sup></b> | <b>470,037</b>    | <b>460,587</b>    |
| Credit loss impairment                                  | (12,004)          | (10,727)          |
| Revaluation of hedged items                             | 467               | 384               |
| <b>Total</b>  | <b>458,500</b>    | <b>450,244</b>    |

(1) At 30 June 2020, this amount includes State guaranteed loans granted during the first half of 2020.

(2) At 30 June 2020, the amount due from customers classified as Stage 3 impairment (credit impaired) equals to EUR 17,459 million compared to EUR 15,976 million at 31 December 2019. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the carrying amount to the net carrying amount of the financial asset (see Note 3.7).

## 3. SECURITIES

| <i>(In millions of euros)</i>                            | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Government securities                                    | 6,890             | 6,005             |
| Negotiable certificates, bonds and other debt securities | 7,821             | 6,390             |
| Related receivables                                      | 95                | 85                |
| <b>Securities before impairments</b>                     | <b>14,806</b>     | <b>12,480</b>     |
| Impairment   | (10)              | (10)              |
| Revaluation of hedged items                              | 81                | 19                |
| <b>Total</b>   | <b>14,877</b>     | <b>12,489</b>     |

## NOTE 3.6 - DEBTS

### 1. DUE TO BANKS

| <i>(In millions of euros)</i>               | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Demand deposits and current accounts        | 10,017            | 11,577            |
| Overnight deposits and borrowings           | 3,919             | 3,680             |
| Term deposits <sup>(1)</sup>                | 102,607           | 82,893            |
| Related payables                            | 109               | 186               |
| Revaluation of hedged items                 | 312               | 308               |
| Securities sold under repurchase agreements | 4,578             | 9,285             |
| <b>Total</b>                                | <b>121,542</b>    | <b>107,929</b>    |

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

### 2. CUSTOMER DEPOSITS

| <i>(In millions of euros)</i>                            | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Regulated savings accounts                               | 96,693            | 96,642            |
| <i>Demand</i>  | 71,109            | 70,610            |
| <i>Term</i>  | 25,584            | 26,032            |
| Other demand deposits <sup>(1)</sup>                     | 260,954           | 229,756           |
| Other term deposits <sup>(1)</sup>                       | 81,246            | 82,817            |
| Related payables   | 715               | 441               |
| Revaluation of hedged items                              | 198               | 196               |
| <b>Total customer deposits</b>                           | <b>439,806</b>    | <b>409,852</b>    |
| Securities sold to customers under repurchase agreements | 4,664             | 8,760             |
| <b>Total</b>   | <b>444,470</b>    | <b>418,612</b>    |

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

### 3. DEBT SECURITIES ISSUED

| <i>(In millions of euros)</i>                          | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Term savings certificates                              | 408               | 510               |
| Bond borrowings  | 22,550            | 23,847            |
| Interbank certificates and negotiable debt instruments | 111,058           | 99,107            |
| Related payables                                       | 549               | 776               |
| Revaluation of hedged items                            | 1,696             | 928               |
| <b>Total</b>   | <b>136,261</b>    | <b>125,168</b>    |
| <i>o/w floating-rate securities</i>                    | 58,914            | 49,343            |

## NOTE 3.7 - INTEREST INCOME AND EXPENSE

| <i>(In millions of euros)</i>  | 1st half of 2020 |                |              | 2019          |                 |               | 1st half of 2019 |                |              |
|--|------------------|----------------|--------------|---------------|-----------------|---------------|------------------|----------------|--------------|
|  | Income           | Expense        | Net          | Income        | Expense         | Net           | Income           | Expense        | Net          |
| Financial instruments at amortised cost  | 6,488            | (2,968)        | 3,520        | 14,907        | (7,850)         | 7,057         | 7,678            | (4,137)        | 3,541        |
| <i>Central banks</i>   | 78               | (39)           | 39           | 427           | (181)           | 246           | 247              | (93)           | 154          |
| <i>Bonds and other debt securities</i>   | 174              | (872)          | (698)        | 318           | (2,096)         | (1,778)       | 212              | (1,089)        | (877)        |
| <i>Due from/to banks</i>   | 498              | (512)          | (14)         | 1,010         | (1,632)         | (622)         | 587              | (886)          | (299)        |
| <i>Customer loans and deposits</i>   | 5,438            | (1,162)        | 4,276        | 12,053        | (3,123)         | 8,930         | 6,087            | (1,599)        | 4,488        |
| <i>Subordinated debt</i>   | -                | (251)          | (251)        | -             | (516)           | (516)         | -                | (276)          | (276)        |
| <i>Securities lending/borrowing</i>  | 3                | (6)            | (3)          | 10            | (6)             | 4             | 2                | (2)            | -            |
| <i>Repo transactions</i>   | 297              | (126)          | 171          | 1,089         | (296)           | 793           | 543              | (192)          | 351          |
| Hedging derivatives  | 3,312            | (2,375)        | 937          | 6,433         | (4,632)         | 1,801         | 3,058            | (2,129)        | 929          |
| Financial instruments at fair value through other comprehensive income                               | 229              | (2)            | 227          | 752           | (1)             | 751           | 340              | -              | 340          |
| Lease agreements   | 578              | (21)           | 557          | 1,178         | (44)            | 1,134         | 581              | (22)           | 559          |
| <i>Real estate lease agreements</i>  | 90               | (21)           | 69           | 189           | (43)            | 146           | 95               | (22)           | 73           |
| <i>Non-real estate lease agreements</i>  | 488              | -              | 488          | 989           | (1)             | 988           | 486              | -              | 486          |
| <b>Subtotal interest income/expense on financial instruments using the effective interest method</b> | <b>10,607</b>    | <b>(5,366)</b> | <b>5,241</b> | <b>23,270</b> | <b>(12,527)</b> | <b>10,743</b> | <b>11,657</b>    | <b>(6,288)</b> | <b>5,369</b> |
| Financial instruments mandatorily at fair value through profit or loss                               | 226              | -              | 226          | 442           | -               | 442           | 201              | -              | 201          |
| <b>Total Interest income and expense</b>   | <b>10,833</b>    | <b>(5,366)</b> | <b>5,467</b> | <b>23,712</b> | <b>(12,527)</b> | <b>11,185</b> | <b>11,858</b>    | <b>(6,288)</b> | <b>5,570</b> |
| <i>o/w interest income from impaired financial assets</i>  | 130              | -              | 130          | 280           | -               | 280           | 154              | -              | 154          |

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

## NOTE 3.8 - IMPAIRMENT AND PROVISIONS

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The principles for measuring expected credit losses disclosed in the financial statements included in the 2020 Universal Registration Document continue to be applied in the condensed interim financial statements. However, some implementation rules of these principles have been adjusted in order to take into account the Covid-19 crisis context.

The main changes during the half year are detailed below:

### **UPDATE OF THE MODELS AND PARAMETERS USED FOR ESTIMATING EXPECTED CREDIT LOSSES**

During the first quarter 2020, given the recent nature of the crisis and the limited amount of available information, the models and parameters used for estimating the expected credit losses had not been updated. To reflect the first impacts of the crisis, the amount of the expected credit losses had been adjusted by expert judgment on the main weakened segments.

On 30 June 2020, the models and parameters used for estimating the expected credit losses have been amended on the basis of the new macroeconomic scenarios described in the paragraph 5 of Note 1.

### **MODELS ADJUSTMENTS**

The models used so far for estimating the expected credit losses were unable to reflect exactly the economic uncertainties related to the current crisis in the determination of future default rate.

The Group has consequently made some adjustments in its models to better reflect the impact of scenarios on the expected credit losses.

These adjustments focused primarily on the macroeconomic variables used to calibrate the probabilities of default.

#### **▪ GDP adjustment**

The lockdown measures taken by governments have caused a sharp drop in economic activity which is reflected in significant volatility in the quarterly GDP growth rates (year-on-year) in the forecasts for the years 2020 and 2021 in the countries in which the Group operates.

In addition, the authorities have adopted financial support measures for households and businesses to help them cope with this sudden deterioration in activity. Therefore, it seems likely that a time-lag will appear between the deterioration in the quality of credit portfolios and that of activity, the first being delayed with respect to the second.

In order to take this time-lag into account, the Group has revised its models and retained for 2020 and 2021 the (logarithmic) average of the variations in GDP compared to a base 100 in 2019. For example, for France, if we use a GDP at 94.2 in 2020 then 99.9 in 2021 in the central SG Base scenario, GDP will be smoothed to 96.8 over these two years.

This adjustment is applied to each of the four scenarios (SG Quick Exit, SG Base, SG Prolonged and SG Tail Risk) for the GDP series used to model expected credit losses (see paragraph 5 of Note 1).

The table below shows the adjusted GDP growth rates used in the models used to estimate expected credit losses (in percentages):

**Combination of the 4 scenarios after adjustments:**

|               | 2019 | 2020  | 2021  | 2022 | 2023 | 2024 |
|---------------|------|-------|-------|------|------|------|
| Euro Zone     | 1.2  | (5.8) | (5.8) | 0.5  | 1.0  | 1.4  |
| France        | 1.3  | (4.6) | (4.6) | 0.6  | 1.0  | 1.4  |
| United-States | 2.3  | (5.2) | (5.2) | 0.8  | 1.6  | 2.1  |
| China         | 6.1  | 2.7   | 2.7   | 4.4  | 4.5  | 4.5  |

▪ **Adjustment of the margin rate of French companies**

In France, the economic shock linked to the pandemic led to a drop of the profit margin of companies. According to the Group's economists, this deteriorated margin rate does not however take sufficient account of State support measures to reduce their financial difficulties, particularly through the *PGE* mechanism. To better reflect the impact of these measures, an add-on of 1.2 point margin has been included in the margin rate of French companies into all scenarios for 2020. However, no add-on was applied over the remainder of the forecast horizon for expected credit losses.

It should be noted that if the government were to end part of the support measures put in place in the second quarter of 2020, the Group would have to scale down the add-on to the margin rate of French companies.

In addition to the adjustments on macroeconomic variables, corrections were made to the probabilities of default retained for certain scopes (15% decrease by expert opinion), the Group considering that the data from the models on these scopes were overestimated compared to expectations.

As at 30 June 2020, the adjustments thus made to the macroeconomic variables and probabilities of default led the Group to reduce the amount of impairment and provisions for credit risk by 236 million euros.

**SECTOR ADJUSTMENTS**

The different models used to estimate the expected credit losses may be supplemented by sector adjustments that increase or decrease the amount of expected credit losses. These adjustments allow to better anticipate defaults or recoveries in certain cyclical sectors. During the second quarter, these adjustments have been reviewed and supplemented to take into account the specific risk on sectors particularly affected by the Covid-19 crisis. The total sector adjustments amount to 344 million euros as at 30 June 2020 (244 million euros as at 31 December 2019).

**ADJUSTMENTS ON THE OUTSTANDING LOANS UNDER SIMPLIFIED APPROACH**

For the entities without any developed models for estimating the correlations between the macroeconomic variables and the probability of default, adjustments have also been performed to reflect the deterioration of credit risk on some portfolios when this deterioration could not be measured by a line by line analysis of the outstanding loans. These adjustments amount to 129 million euros as at 30 June 2020 (78 million euros as at 31 December 2019).

## COVID-19 SUPPORT MEASURES

To support the customers weakened by the crisis, two main support measures have been decided in connection with the public authorities:

- moratoriums have been granted in order to defer for a few months the repayment of loans instalments (principal and interests);
- State guaranteed loans have been granted. In France, such loans (*PGE*) have been granted within the framework of the 2020 French Amending Finance Act and the conditions set by the Ministerial order of 23 March 2020: these financings are granted at cost and State guaranteed up to 90%.

The details of these support measures, the financial stakes associated as well as the accounting treatments applied are described in the paragraph 5 part of Note 1 dedicated to the Covid-19 crisis consequences on the Group financial statements.

## OVERVIEW OF IMPAIRMENT AND PROVISIONS

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Impairment of financial assets at fair value through other comprehensive income | 9                 | 9                 |
| Impairment of financial assets at amortised cost                                | 12,309            | 10,976            |
| <i>Loans and receivables at amortised cost</i>                                  | 12,043            | 10,761            |
| <i>Other assets at amortised cost <sup>(1)</sup></i>                            | 266               | 215               |
| <b>Total impairment of financial assets</b>                                     | <b>12,318</b>     | <b>10,985</b>     |
| Provisions on financing commitments   | 354               | 244               |
| Provisions on guarantee commitments   | 475               | 396               |
| <b>Total credit risk provisions</b>   | <b>829</b>        | <b>640</b>        |

(1) o/w EUR 176 million of impairment on operating lease receivables as at 30 June 2020 vs. EUR 145 million as at 31 December 2019. In compliance with the simplified approach permitted by the standard, this impairment is calculated as lifetime expected credit losses since their initial recognition. Those receivables are presented under Miscellaneous receivables (see Note 4.4).

## 1. IMPAIRMENT OF FINANCIAL ASSETS

### BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

| <i>(In millions of euros)</i>  | Amount<br>as at<br>31.12.2019 | Allocations  | Write-<br>backs<br>available | Net<br>impairment<br>losses | Write-<br>backs<br>used | Currency<br>and scope<br>effects | Amount<br>as at<br>30.06.2020 |
|--|-------------------------------|--------------|------------------------------|-----------------------------|-------------------------|----------------------------------|-------------------------------|
| <b>Financial assets at fair value through other comprehensive income</b> |                               |              |                              |                             |                         |                                  |                               |
| Impairment on performing outstandings (Stage 1)                          | 1                             | -            | -                            | -                           |                         | -                                | 1                             |
| Impairment on under-performing outstandings (Stage 2)                    | -                             | -            | -                            | -                           |                         | -                                | -                             |
| Impairment on doubtful outstandings (Stage 3)                            | 8                             | -            | -                            | -                           | -                       | -                                | 8                             |
| <b>Total</b>   | <b>9</b>                      | <b>-</b>     | <b>-</b>                     | <b>-</b>                    | <b>-</b>                | <b>-</b>                         | <b>9</b>                      |
| <b>Financial assets measured at amortised cost</b>                       |                               |              |                              |                             |                         |                                  |                               |
| Impairment on performing outstandings (Stage 1)                          | 902                           | 764          | (492)                        | 272                         |                         | (16)                             | 1,158                         |
| Impairment on under-performing outstandings (Stage 2)                    | 1,042                         | 1,270        | (786)                        | 484                         |                         | (12)                             | 1,514                         |
| Impairment on doubtful outstandings (Stage 3)                            | 9,032                         | 2,864        | (1,685)                      | 1,179                       | (474)                   | (100)                            | 9,637                         |
| <b>Total</b>   | <b>10,976</b>                 | <b>4,898</b> | <b>(2,963)</b>               | <b>1,935</b>                | <b>(474)</b>            | <b>(128)</b>                     | <b>12,309</b>                 |
| <b><i>o/w lease financing and similar agreements</i></b>                 | <b>742</b>                    | <b>217</b>   | <b>(96)</b>                  | <b>121</b>                  | <b>(22)</b>             | <b>(18)</b>                      | <b>823</b>                    |
| <i>Impairment on performing outstandings (Stage 1)</i>                   | 90                            | 34           | (18)                         | 16                          |                         | (2)                              | 104                           |
| <i>Impairment on under-performing outstandings (Stage 2)</i>             | 91                            | 79           | (27)                         | 52                          |                         | (6)                              | 137                           |
| <i>Impairment on doubtful outstandings (Stage 3)</i>                     | 561                           | 104          | (51)                         | 53                          | (22)                    | (10)                             | 582                           |

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

| <i>(In millions of euros)</i>  | Amount<br>as at<br>31.12.2019 | Production &<br>Acquisition | Dere-<br>cognition <sup>(1)</sup> | Transfer<br>between<br>stages of<br>impairment | Other<br>variations | Amount<br>as at<br>30.06.2020 |
|--|-------------------------------|-----------------------------|-----------------------------------|--|---------------------|-------------------------------|
| <b>Financial assets at fair value through other comprehensive income</b> |                               |                             |                                   |  |                     |                               |
| Impairment on performing outstandings (Stage 1)                          | 1                             | -                           | -                                 | -  | 0                   | 1                             |
| Impairment on under-performing outstandings (Stage 2)                    | -                             | -                           | -                                 | -  | -                   | -                             |
| Impairment on doubtful outstandings (Stage 3)                            | 8                             | -                           | -                                 | -  | 0                   | 8                             |
| <b>Total</b>   | <b>9</b>                      | <b>-</b>                    | <b>-</b>                          | <b>-</b>                                       | <b>-</b>            | <b>9</b>                      |
| <b>Financial assets at amortised cost</b>                                |                               |                             |                                   |  |                     |                               |
| Impairment on performing outstandings (Stage 1)                          | 902                           | 290                         | (150)                             | (132)  | 248                 | 1,158                         |
| Impairment on under-performing outstandings (Stage 2)                    | 1,042                         | 308                         | (147)                             | 416  | (105)               | 1,514                         |
| Impairment on doubtful outstandings (Stage 3)                            | <b>9,032</b>                  | <b>59</b>                   | <b>(598)</b>                      | <b>641</b>                                     | <b>503</b>          | <b>9,637</b>                  |
| <b>Total</b>   | <b>10,976</b>                 | <b>657</b>                  | <b>(895)</b>                      | <b>925</b>                                     | <b>646</b>          | <b>12,309</b>                 |
| <b><i>o/w lease financing and similar agreements</i></b>                 | <b>742</b>                    | <b>24</b>                   | <b>53</b>                         | <b>46</b>                                      | <b>(42)</b>         | <b>823</b>                    |
| <i>Impairment on performing outstandings (Stage 1)</i>                   | 90                            | 12                          | -                                 | (8)  | 10                  | 104                           |
| <i>Impairment on under-performing outstandings (Stage 2)</i>             | 91                            | 10                          | 2                                 | 28   | 6                   | 137                           |
| <i>Impairment on doubtful outstandings (Stage 3)</i>                     | 561                           | 2                           | 51                                | 26   | (58)                | 582                           |

(1) Including repayments, disposals and debt waivers.

## 2. CREDIT RISK PROVISIONS

### BREAKDOWN OF PROVISIONS ON FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

| <i>(In millions of euros)</i>                            | Amount<br>as at<br>31.12.2019 | Allocations | Write-backs<br>available | Net<br>impairment<br>losses | Currency<br>and scope<br>effects | Amount<br>as at<br>30.06.2020 |
|--|-------------------------------|-------------|--------------------------|-----------------------------|----------------------------------|-------------------------------|
| <b>Financing commitments</b>                             |                               |             |                          |                             |                                  |                               |
| Provisions on performing<br>outstandings (Stage 1)       | 102                           | 129         | (72)                     | 57                          | -                                | 159                           |
| Provisions on under-performing<br>outstandings (Stage 2) | 105                           | 133         | (81)                     | 52                          | -                                | 157                           |
| Provisions on doubtful<br>outstandings (Stage 3)         | 37                            | 44          | (59)                     | (15)                        | 16                               | 38                            |
| <b>Total</b>   | <b>244</b>                    | <b>306</b>  | <b>(212)</b>             | <b>94</b>                   | <b>16</b>                        | <b>354</b>                    |
| <b>Guarantee commitments</b>                             |                               |             |                          |                             |                                  |                               |
| Provisions on performing<br>outstandings (Stage 1)       | 34                            | 38          | (17)                     | 21                          | (1)                              | 54                            |
| Provisions on under-performing<br>outstandings (Stage 2) | 80                            | 50          | (16)                     | 34                          | -                                | 114                           |
| Provisions on doubtful<br>outstandings (Stage 3)         | 282                           | 94          | (43)                     | 51                          | (26)                             | 307                           |
| <b>Total</b>   | <b>396</b>                    | <b>182</b>  | <b>(76)</b>              | <b>106</b>                  | <b>(27)</b>                      | <b>475</b>                    |

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

| <i>(In millions of euros)</i>                            | Amount<br>as at<br>31.12.2019 | Production<br>&<br>Acquisition | Dere-<br>cognition <sup>(1)</sup> | Transfer<br>between<br>stages of<br>impairment | Other<br>variations | Amount as<br>at<br>30.06.2020 |
|--|-------------------------------|--------------------------------|-----------------------------------|--|---------------------|-------------------------------|
| <b>Financing commitments</b>                             |                               |                                |                                   |  |                     |                               |
| Provisions on performing<br>outstandings (Stage1)        | 102                           | 41                             | (39)                              | (4)  | 59                  | 159                           |
| Provisions on under-performing<br>outstandings (Stage 2) | 105                           | 8                              | (30)                              | 74   | -                   | 157                           |
| Provisions on doubtful<br>outstandings (Stage 3)         | 37                            | 5                              | (23)                              | 1  | 18                  | 38                            |
| <b>Total</b>   | <b>244</b>                    | <b>54</b>                      | <b>(92)</b>                       | <b>71</b>                                      | <b>77</b>           | <b>354</b>                    |
| <b>Guarantee commitments</b>                             |                               |                                |                                   |  |                     |                               |
| Provisions on performing<br>outstandings (Stage1)        | 34                            | 10                             | (7)                               | (2)  | 19                  | 54                            |
| Provisions on under-performing<br>outstandings (Stage 2) | 80                            | 3                              | (6)                               | 21   | 16                  | 114                           |
| Provisions on doubtful<br>outstandings (Stage 3)         | 282                           | 6                              | (39)                              | 10   | 48                  | 307                           |
| <b>Total</b>   | <b>396</b>                    | <b>19</b>                      | <b>(52)</b>                       | <b>29</b>                                      | <b>83</b>           | <b>475</b>                    |

(1) Including repayments, disposals and debt waivers.

The increase in credit risk impairment and provisions of EUR 1,522 million during the first half of 2020 is mainly due to:

- the update of the models and parameters for expected credit losses calculation on Stage 1 & Stage 2 (EUR 636 million in total including above-mentioned adjustments);
- many denotchings and transfers of credit outstandings in Stage 2 especially on the Corporate portfolio (+95%, EUR +11.9 billion) given the deteriorated economic context;
- an increase in doubtful credit outstandings (Stage 3) on the Corporate portfolio (+10%) as well as significant additional allocations on doubtful credit outstandings.

### 3. COST OF RISK

| <i>(In millions of euros)</i>   | <b>1st half of<br/>2020</b> | <b>2019</b>    | <b>1st half of<br/>2019</b> |
|---|-----------------------------|----------------|-----------------------------|
| Net allocation to impairment losses   | (1,935)                     | (1,202)        | (535)                       |
| <i>On financial assets at fair value through other comprehensive income</i>                   | -                           | 2              | 2                           |
| <i>On financial assets at amortised cost</i>  | (1,935)                     | (1,204)        | (537)                       |
| Net allocations to provisions   | (200)                       | 12             | 15                          |
| <i>On financing commitments</i>   | (94)                        | 47             | 22                          |
| <i>On guarantee commitments</i>   | (106)                       | (35)           | (7)                         |
| Losses not covered on irrecoverable loans   | (73)                        | (292)          | (127)                       |
| Amounts recovered on irrecoverable loans  | 49                          | 184            | 69                          |
| Income from guarantee not taken into account for the calculation of impairment <sup>(1)</sup> | 60                          | 20             | -                           |
| <b>Total</b>  | <b>(2,099)</b>              | <b>(1,278)</b> | <b>(578)</b>                |

(1) The income from the guarantees not taken into account for the calculation of impairments corresponds to financial guarantees received in the context of credit risk transfer operations to entities external to the Group. These transfer transactions were initiated in the second semester of 2019.

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

### 1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

| <i>(In millions of euros)</i> | <b>30.06.2020</b>      |                   |
|-------------------------------|------------------------|-------------------|
|                               | <b>Carrying amount</b> | <b>Fair value</b> |
| Due from banks                | 55,292                 | 55,298            |
| Customer loans                | 458,500                | 459,245           |
| Debt securities               | 14,877                 | 15,063            |
| <b>Total</b>                  | <b>528,669</b>         | <b>529,606</b>    |

| <i>(In millions of euros)</i> | <b>31.12.2019</b>      |                   |
|-------------------------------|------------------------|-------------------|
|                               | <b>Carrying amount</b> | <b>Fair value</b> |
| Due from banks                | 56,366                 | 56,370            |
| Customer loans                | 450,244                | 451,398           |
| Debt securities               | 12,489                 | 12,705            |
| <b>Total</b>                  | <b>519,099</b>         | <b>520,473</b>    |

### 2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

| <i>(In millions of euros)</i> | <b>30.06.2020</b>      |                   |
|-------------------------------|------------------------|-------------------|
|                               | <b>Carrying amount</b> | <b>Fair value</b> |
| Due to banks                  | 121,542                | 121,418           |
| Customer deposits             | 444,470                | 444,474           |
| Debt securities issued        | 136,261                | 136,617           |
| Subordinated debt             | 14,662                 | 14,664            |
| <b>Total</b>                  | <b>716,935</b>         | <b>717,173</b>    |

| <i>(In millions of euros)</i> | <b>31.12.2019</b>      |                   |
|-------------------------------|------------------------|-------------------|
|                               | <b>Carrying amount</b> | <b>Fair value</b> |
| Due to banks                  | 107,929                | 107,976           |
| Customer deposits             | 418,612                | 418,705           |
| Debt securities issued        | 125,168                | 125,686           |
| Subordinated debt             | 14,465                 | 14,467            |
| <b>Total</b>                  | <b>666,174</b>         | <b>666,834</b>    |

## NOTE 4 - OTHER ACTIVITIES

### NOTE 4.1 - FEE INCOME AND EXPENSE

| <i>(In millions of euros)</i>                           | 1st half of 2020 |                |              | 2019         |                |              | 1st half of 2019 |                |              |
|---|------------------|----------------|--------------|--------------|----------------|--------------|------------------|----------------|--------------|
|   | Income           | Expense        | Net          | Income       | Expense        | Net          | Income           | Expense        | Net          |
| <b>Transactions with banks</b>                          | <b>80</b>        | <b>(62)</b>    | <b>18</b>    | <b>157</b>   | <b>(149)</b>   | <b>8</b>     | <b>76</b>        | <b>(73)</b>    | <b>3</b>     |
| <b>Transactions with customers</b>                      | <b>1,402</b>     | <b>-</b>       | <b>1,402</b> | <b>3,072</b> | <b>-</b>       | <b>3,072</b> | <b>1,540</b>     | <b>-</b>       | <b>1,540</b> |
| <b>Financial instruments transactions</b>               | <b>1,179</b>     | <b>(1,230)</b> | <b>(51)</b>  | <b>2,261</b> | <b>(2,351)</b> | <b>(90)</b>  | <b>1,100</b>     | <b>(1,148)</b> | <b>(48)</b>  |
| Securities transactions                                 | 280              | (558)          | (278)        | 523          | (1,019)        | (496)        | 204              | (467)          | (263)        |
| Primary market transactions                             | 60               | -              | 60           | 126          | -              | 126          | 65               | -              | 65           |
| Foreign exchange transactions and financial derivatives | 839              | (672)          | 167          | 1,612        | (1,332)        | 280          | 831              | (681)          | 150          |
| <b>Loan and guarantee commitments</b>                   | <b>379</b>       | <b>(123)</b>   | <b>256</b>   | <b>772</b>   | <b>(213)</b>   | <b>559</b>   | <b>385</b>       | <b>(99)</b>    | <b>286</b>   |
| <b>Various services</b>                                 | <b>1,250</b>     | <b>(502)</b>   | <b>748</b>   | <b>2,806</b> | <b>(1,098)</b> | <b>1,708</b> | <b>1,433</b>     | <b>(545)</b>   | <b>888</b>   |
| Asset management fees                                   | 294              | -              | 294          | 610          | -              | 610          | 287              | -              | 287          |
| Means of payment fees                                   | 385              | -              | 385          | 914          | -              | 914          | 450              | -              | 450          |
| Insurance product fees                                  | 128              | -              | 128          | 241          | -              | 241          | 115              | -              | 115          |
| Underwriting fees of UCITS                              | 38               | -              | 38           | 80           | -              | 80           | 37               | -              | 37           |
| Other fees  | 405              | (502)          | (97)         | 961          | (1,098)        | (137)        | 544              | (545)          | (1)          |
| <b>Total</b>  | <b>4,290</b>     | <b>(1,917)</b> | <b>2,373</b> | <b>9,068</b> | <b>(3,811)</b> | <b>5,257</b> | <b>4,534</b>     | <b>(1,865)</b> | <b>2,669</b> |

## NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

| <i>(In millions of euros)</i>    | <b>1st half of 2020</b> |                |            | <b>2019</b>   |                |              | <b>1st half of 2019</b> |                |            |
|----------------------------------|-------------------------|----------------|------------|---------------|----------------|--------------|-------------------------|----------------|------------|
|                                  | <b>Income</b>           | <b>Expense</b> | <b>Net</b> | <b>Income</b> | <b>Expense</b> | <b>Net</b>   | <b>Income</b>           | <b>Expense</b> | <b>Net</b> |
| Real estate development          | 25                      | (1)            | 24         | 96            | -              | 96           | 48                      | (1)            | 47         |
| Real estate leasing              | 24                      | (10)           | 14         | 48            | (34)           | 14           | 41                      | (13)           | 28         |
| Equipment leasing <sup>(1)</sup> | 5,125                   | (3,676)        | 1,449      | 10,889        | (7,758)        | 3,131        | 5,331                   | (3,782)        | 1,549      |
| Other activities                 | 229                     | (907)          | (678)      | 596           | (1,993)        | (1,397)      | 212                     | (886)          | (674)      |
| <b>Total</b>                     | <b>5,403</b>            | <b>(4,594)</b> | <b>809</b> | <b>11,629</b> | <b>(9,785)</b> | <b>1,844</b> | <b>5,632</b>            | <b>(4,682)</b> | <b>950</b> |

(1) The amount recorded under this heading is mainly due to income and expense related to long-term leasing and car fleet management businesses.

## NOTE 4.3 - INSURANCE ACTIVITIES

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### 1. INSURANCE CONTRACTS RELATED LIABILITIES

#### BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Underwriting reserves of insurance companies  | 136,718           | 140,155           |
| Financial liabilities of insurance companies  | 3,983             | 4,104             |
| <i>Financial liabilities at fair value through profit or loss</i>                     | 769               | 834               |
| <i>Financial liabilities at fair value through profit or loss (fair value option)</i> | 3,214             | 3,270             |
| <b>Total</b>  | <b>140,701</b>    | <b>144,259</b>    |

#### UNDERWRITING RESERVES OF INSURANCE COMPANIES

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Life insurance underwriting reserves for unit-linked policies                         | 31,997            | 32,611            |
| Other life insurance underwriting reserves  | 93,363            | 94,714            |
| Non-life insurance underwriting reserves  | 1,583             | 1,556             |
| Deferred profit-sharing booked in liabilities   | 9,775             | 11,274            |
| <b>Total</b>  | <b>136,718</b>    | <b>140,155</b>    |
| Attributable to reinsurers  | (749)             | (750)             |
| <b>Underwriting reserves of insurance net of the share attributable to reinsurers</b> | <b>135,969</b>    | <b>139,405</b>    |

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at 30 June 2020. This test assesses whether the insurance liabilities recognised are sufficient. The result of the test as at 30 June 2020 did not show any insufficiency of technical liabilities.

## 2. INVESTMENTS OF THE INSURANCE ACTIVITIES

### OVERVIEW OF THE INVESTMENTS OF THE INSURANCE ACTIVITIES

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Financial assets at fair value through profit or loss (trading portfolio) | 361               | 268               |
| <i>Shares and other equity instruments</i>                                | 50                | 37                |
| <i>Trading derivatives</i>  | 311               | 231               |
| Financial assets at fair value through profit or loss (fair value option) | 63,847            | 65,718            |
| <i>Bonds and other debt instruments</i>                                   | 31,523            | 31,719            |
| <i>Shares and other equity instruments</i>                                | 32,018            | 33,694            |
| <i>Loans, receivables and repo transactions</i>                           | 306               | 305               |
| Hedging derivatives   | 457               | 438               |
| Available-for-sale financial assets                                       | 92,014            | 91,899            |
| <i>Debt instruments</i>   | 76,050            | 75,839            |
| <i>Equity instruments</i>   | 15,964            | 16,060            |
| Due from banks <sup>(2)</sup>   | 5,880             | 5,867             |
| Customer loans  | 79                | 92                |
| Held-to-maturity financial assets   | 36                | 80                |
| Real estate investments   | 545               | 576               |
| <b>Total investments of insurance activities <sup>(1) (2)</sup></b>       | <b>163,219</b>    | <b>164,938</b>    |

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

(2) o/w EUR 1,137 million of current accounts as at 30 June 2020 (after elimination of intercompany operations) vs. EUR 1,126 million as at 31 December 2019.

## ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying value of the financial assets included in Investments of insurance activities, whereby those assets whose contractual conditions give rise to cash-flows on set dates which are solely payments of principal and interest (basic instruments).

| <b>30.06.2020</b>                                     |                        |                   |                |                   |                   |                |
|---|------------------------|-------------------|----------------|-------------------|-------------------|----------------|
|   | <b>Carrying amount</b> |                   |                | <b>Fair value</b> |                   |                |
|   | Basic instruments      | Other instruments | <b>Total</b>   | Basic instruments | Other instruments | <b>Total</b>   |
| <i>(In millions of euros)</i>                         |                        |                   |                |                   |                   |                |
| Financial assets at fair value through profit or loss | -                      | 64,208            | 64,208         | -                 | 64,208            | 64,208         |
| Hedging derivatives                                   | -                      | 457               | 457            | -                 | 457               | 457            |
| Available-for-sale financial assets                   | 72,236                 | 19,778            | 92,014         | 72,236            | 19,778            | 92,014         |
| Due from banks  | 2,770                  | 3,110             | 5,880          | 2,945             | 3,182             | 6,127          |
| Customer loans  | 79                     | -                 | 79             | 77                | -                 | 77             |
| Held-to-maturity financial assets                     | 36                     | -                 | 36             | 36                | -                 | 36             |
| <b>Total financial investments</b>                    | <b>75,121</b>          | <b>87,553</b>     | <b>162,674</b> | <b>75,294</b>     | <b>87,625</b>     | <b>162,919</b> |

| <b>31.12.2019</b>                                     |                        |                   |                |                   |                   |                |
|---|------------------------|-------------------|----------------|-------------------|-------------------|----------------|
|   | <b>Carrying amount</b> |                   |                | <b>Fair value</b> |                   |                |
|   | Basic instruments      | Other instruments | <b>Total</b>   | Basic instruments | Other instruments | <b>Total</b>   |
| <i>(In millions of euros)</i>                         |                        |                   |                |                   |                   |                |
| Financial assets at fair value through profit or loss | -                      | 65,986            | 65,986         | -                 | 65,986            | 65,986         |
| Hedging derivatives                                   | -                      | 438               | 438            | -                 | 438               | 438            |
| Available-for-sale financial assets                   | 72,349                 | 19,550            | 91,899         | 72,349            | 19,550            | 91,899         |
| Due from banks  | 2,805                  | 3,062             | 5,867          | 3,012             | 3,178             | 6,190          |
| Customer loans  | 92                     | -                 | 92             | 90                | -                 | 90             |
| Held-to-maturity financial assets                     | -                      | 80                | 80             | -                 | 80                | 80             |
| <b>Total financial investments</b>                    | <b>75,246</b>          | <b>89,116</b>     | <b>164,362</b> | <b>75,451</b>     | <b>89,232</b>     | <b>164,683</b> |

## FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

| <i>(In millions of euros)</i>   | <b>30.06.2020</b> |               |            |                |
|---|-------------------|---------------|------------|----------------|
|   | Level 1           | Level 2       | Level 3    | Total          |
| Financial assets at fair value through profit or loss (trading portfolio)         | 50                | 308           | 3          | 361            |
| Financial assets at fair value through profit or loss using the fair value option | 56,582            | 6,898         | 367        | 63,847         |
| Hedging derivatives   | -                 | 457           | -          | 457            |
| Available-for-sale financial assets   | 84,395            | 7,405         | 214        | 92,014         |
| <b>Total</b>  | <b>141,027</b>    | <b>15,068</b> | <b>584</b> | <b>156,679</b> |

| <i>(In millions of euros)</i>   | <b>31.12.2019</b> |               |            |                |
|---|-------------------|---------------|------------|----------------|
|   | Level 1           | Level 2       | Level 3    | Total          |
| Financial assets at fair value through profit or loss (trading portfolio)         | 37                | 190           | 41         | 268            |
| Financial assets at fair value through profit or loss using the fair value option | 58,874            | 6,483         | 361        | 65,718         |
| Hedging derivatives   | -                 | 438           | -          | 438            |
| Available-for-sale financial assets   | 84,435            | 7,252         | 212        | 91,899         |
| <b>Total</b>  | <b>143,346</b>    | <b>14,363</b> | <b>614</b> | <b>158,323</b> |

## CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

| <i>(In millions of euros)</i>   | <b>2020</b>   |
|---|---------------|
| <b>Balance as at 1st January</b>  | <b>91,899</b> |
| Acquisitions  | 5,631         |
| Disposals / redemptions   | (3,844)       |
| Transfers to held-to-maturity financial assets  | 3             |
| Change in scope and others  | (604)         |
| Gains and losses on changes in fair value recognised directly in equity during the period | (839)         |
| Impairment losses on equity instruments recognised in profit or loss                      | (161)         |
| Translation differences   | (71)          |
| <b>Balance as at 30 June</b>  | <b>92,014</b> |

The Covid-19 sanitary crisis evolved into an economic crisis which led the Group to recognise losses on available-for-sale financial assets amounting to EUR 161 million over the 1st half of 2020.

These impairments recognised in the income statement among Net income of insurance activities are mainly affecting UCITS shares and stocks that are in a prolonged capital loss situation; they are mostly compensated in the income statement by reversals on the provisions for deferred profit-sharing as at 30 June 2020.

No significant counterparty risk has been identified on debt instruments as at 30 June 2020.

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

|   | 30.06.2020    |                |                 |
|---|---------------|----------------|-----------------|
|   | Capital gains | Capital losses | Net revaluation |
| <i>(In millions of euros)</i>   |               |                |                 |
| <b>Unrealised gains and losses of insurance companies</b>                               | <b>626</b>    | <b>(30)</b>    | <b>596</b>      |
| On available-for-sale equity instruments  | 1,595         | (225)          | 1,370           |
| On available-for-sale debt instruments and assets reclassified as loans and receivables | 7,637         | (367)          | 7,270           |
| Deferred profit-sharing   | (8,606)       | 562            | (8,044)         |

|   | 31.12.2019    |                |                 |
|---|---------------|----------------|-----------------|
|   | Capital gains | Capital losses | Net revaluation |
| <i>(In millions of euros)</i>   |               |                |                 |
| <b>Unrealised gains and losses of insurance companies</b>                               | <b>556</b>    | <b>(30)</b>    | <b>526</b>      |
| On available-for-sale equity instruments  | 2,047         | (75)           | 1,972           |
| On available-for-sale debt instruments and assets reclassified as loans and receivables | 7,921         | (240)          | 7,681           |
| Deferred profit-sharing   | (9,412)       | 285            | (9,127)         |

**3. NET INCOME FROM INSURANCE ACTIVITIES**

The following table shows the breakdown of income and expense from insurance activities and associated investments on a separate line under Net Banking Income: Net income from insurance activities (after eliminating intercompany transactions).

| <i>(In millions of euros)</i>                                   | 1st half of 2020 | 2019         | 1st half of 2019 |
|---|------------------|--------------|------------------|
| Net premiums  | 5,388            | 14,188       | 6,919            |
| Net income from investments                                     | 744              | 3,655        | 1,812            |
| Cost of benefits (including changes in reserves) <sup>(1)</sup> | (5,185)          | (15,736)     | (7,721)          |
| Other net technical income (expense)                            | 91               | (182)        | (112)            |
| <b>Net income of insurance activities</b>                       | <b>1,038</b>     | <b>1,925</b> | <b>898</b>       |
| Funding costs   | (3)              | (5)          | (2)              |
| <b>Net banking income of insurance companies</b>                | <b>1,035</b>     | <b>1,920</b> | <b>896</b>       |

(1) o/w EUR -805 million in respect of deferred profit-sharing as at 30 June 2020.

## NOTE 4.4 - OTHER ASSETS AND LIABILITIES

### 1. OTHER ASSETS

| <i>(In millions of euros)</i>                         | <b>30.06.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Guarantee deposits paid <sup>(1)</sup>                | 59,999            | 48,630            |
| Settlement accounts on securities transactions        | 5,545             | 6,915             |
| Prepaid expenses                                      | 1,200             | 1,084             |
| Miscellaneous receivables <sup>(2)</sup>              | 9,007             | 10,065            |
| Miscellaneous receivables - insurance                 | 1,839             | 1,653             |
| <b>Gross amount</b>                                   | <b>77,590</b>     | <b>68,347</b>     |
| Impairments   | (394)             | (302)             |
| <i>Credit risk on operating lease receivables</i>     | (176)             | (145)             |
| <i>Credit risk on assets acquired by adjudication</i> | (90)              | (70)              |
| <i>Other risks</i>                                    | (128)             | (87)              |
| <b>Net amount</b>                                     | <b>77,196</b>     | <b>68,045</b>     |

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

(2) *Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received. The operating leases receivables equal to EUR 921 million as at 30 June 2020.*

### 2. OTHER LIABILITIES

| <i>(In millions of euros)</i>                  | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Guarantee deposits received <sup>(1)</sup>     | 60,420            | 49,321            |
| Settlement accounts on securities transactions | 7,252             | 7,356             |
| Expenses payable on employee benefits          | 1,664             | 2,364             |
| Lease liability                                | 2,172             | 2,251             |
| Deferred income                                | 1,617             | 1,596             |
| Miscellaneous payables <sup>(2)</sup>          | 11,893            | 13,194            |
| Miscellaneous payables - insurance             | 9,097             | 8,980             |
| <b>Total</b>                                   | <b>94,115</b>     | <b>85,062</b>     |

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

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

## NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

### 1. PERSONNEL EXPENSES

| <i>(In millions of euros)</i>                             | <b>1st half of<br/>2020</b> | <b>2019</b>    | <b>1st half of<br/>2019</b> |
|---|-----------------------------|----------------|-----------------------------|
| Employee compensation                                     | (3,268)                     | (7,240)        | (3,736)                     |
| Social security charges and payroll taxes                 | (786)                       | (1,660)        | (813)                       |
| Net pension expenses - defined contribution plans         | (338)                       | (759)          | (353)                       |
| Net pension expenses - defined benefit plans              | (47)                        | (10)           | (26)                        |
| Employee profit-sharing and incentives                    | (58)                        | (286)          | (163)                       |
| <b>Total</b>  | <b>(4,497)</b>              | <b>(9,955)</b> | <b>(5,091)</b>              |
| <i>Including net expenses from share - based payments</i> | <i>(60)</i>                 | <i>(171)</i>   | <i>(58)</i>                 |

### 2. DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

| <i>(In millions of euros)</i> | <b>Provisions<br/>as at<br/>31.12.2019</b> | <b>Allocations</b> | <b>Write-<br/>backs<br/>available</b> | <b>Net<br/>allocation</b> | <b>Write-<br/>backs<br/>used</b> | <b>Actuarial<br/>gains<br/>and<br/>losses</b> | <b>Currency<br/>and<br/>scope<br/>effects</b> | <b>Provisions<br/>as at<br/>30.06.2020</b> |
|-------------------------------|--|--------------------|---------------------------------------|---------------------------|----------------------------------|---|---|--|
| Post-employment benefits      | 1,620                                      | 43                 | (14)                                  | 29                        | (28)                             | (29)  | 16  | 1,608                                      |
| Other long-term benefits      | 440  | 70                 | (19)                                  | 51                        | (47)                             | -   | 1   | 445  |
| Termination benefits          | 356  | 22                 | (24)                                  | (2)                       | (59)                             | -   | (10)  | 285  |
| <b>Total</b>                  | <b>2,416</b>                               | <b>135</b>         | <b>(57)</b>                           | <b>78</b>                 | <b>(134)</b>                     | <b>(29)</b>                                   | <b>7</b>                                      | <b>2,338</b>                               |

### 3. DESCRIPTION OF THE 2020 SHARE-BASED PAYMENT PLANS

#### 2020 SOCIETE GENERALE FREE SHARES PLAN <sup>(1)</sup>

|  |                         |
|--|-------------------------|
| Date of shareholders' agreement                    | 23.05.2018              |
| Date of Board of Directors' decision               | 12.03.2020              |
| Number of free shares granted                      | 1,175,726               |
| Number of free shares outstanding at 30.06.2020    | 1,174,982               |
| Vesting period                                     | 12.03.2020 - 31.03.2023 |
| Performance conditions <sup>(2)</sup>              | yes                     |
| Fair value (% of the share price as at grant date) | 72.4%                   |
| Method of valuation                                | Arbitrage               |

(1) *Excluding shares awarded within the framework of the specific retention and remuneration policy concerning employees working in activities considered as having significant impact on the Group's risk profile and as defined by the Directive CRD4 in effect since 1 January 2014 (i.e. regulated staff).*

(2) *The performance conditions are based on the Net income, Group share.*

## 2020 SOCIETE GENERALE PERFORMANCE SHARES PLAN <sup>(1)</sup>

|                                       |                            |            |
|---------------------------------------|----------------------------|------------|
| Date of General Meeting               | 23.05.2018                 |            |
| Date of Board Meeting                 | 12.03.2020                 |            |
| Total number of shares granted        | 1,369,688                  |            |
| Vesting dates                         |                            |            |
| <i>Sub-plans 2/3 and 7</i>            | 1 <sup>st</sup> instalment | 31.03.2022 |
|                                       | 2 <sup>nd</sup> instalment | 31.03.2023 |
| <i>Sub-plan 4</i>                     | 31.03.2023                 |            |
| <i>Sub-plan 5</i>                     | 1 <sup>st</sup> instalment | 31.03.2024 |
|                                       | 2 <sup>nd</sup> instalment | 31.03.2025 |
| <i>Sub-plan 6</i>                     | 1 <sup>st</sup> instalment | 31.03.2024 |
|                                       | 2 <sup>nd</sup> instalment | 31.03.2026 |
| Holding period end dates              |                            |            |
| <i>Sub-plans 2/3 and 7</i>            | 1 <sup>st</sup> instalment | 01.10.2022 |
|                                       | 2 <sup>nd</sup> instalment | 01.10.2023 |
| <i>Sub-plan 4</i>                     | 01.10.2023                 |            |
| <i>Sub-plan 5</i>                     | 1 <sup>st</sup> instalment | 01.10.2024 |
|                                       | 2 <sup>nd</sup> instalment | 01.10.2025 |
| <i>Sub-plan 6</i>                     | 1 <sup>st</sup> instalment | 01.04.2025 |
|                                       | 2 <sup>nd</sup> instalment | 01.04.2027 |
| Performance conditions <sup>(2)</sup> | yes                        |            |
| Fair value (in EUR) <sup>(3)</sup>    |                            |            |
| <i>Sub-plans 2/3 and 7</i>            | 1 <sup>st</sup> instalment | 11.62      |
|                                       | 2 <sup>nd</sup> instalment | 10.76      |
| <i>Sub-plan 4</i>                     | 10.76                      |            |
| <i>Sub-plan 5</i>                     | 1 <sup>st</sup> instalment | 9.2        |
|                                       | 2 <sup>nd</sup> instalment | 8.8        |
| <i>Sub-plan 6</i>                     | 1 <sup>st</sup> instalment | 6.3        |
|                                       | 2 <sup>nd</sup> instalment | 5.9        |

(1) Under the annual employee plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Management Committee members).

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

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

## NOTE 6 - INCOME TAX

### 1. INCOME TAX

| <i>(In millions of euros)</i> | <b>1st half of 2020</b> | <b>2019</b>    | <b>1st half of 2019</b> |
|-------------------------------|-------------------------|----------------|-------------------------|
| Current taxes                 | (380)                   | (968)          | (582)                   |
| Deferred taxes                | (232)                   | (296)          | (63)                    |
| <b>Total</b>                  | <b>(612)</b>            | <b>(1,264)</b> | <b>(645)</b>            |

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

The table below does not take account of the amount of EUR 650 million of deferred tax assets that can no longer be recognised within the France tax group as at 30 June 2020.

| <i>(In millions of euros)</i>   | <b>1st half of 2020</b> | <b>2019</b>   | <b>1st half of 2019</b> |
|---|-------------------------|---------------|-------------------------|
| <b>Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill</b> | <b>(87)</b>             | <b>5,339</b>  | <b>2,707</b>            |
| Normal tax rate applicable to French companies (including 3.3% national contribution)   | 32.02%                  | 34.43%        | 34.43%                  |
| Permanent differences   | (51.90)%                | (4.34)%       | (2.51)%                 |
| Differential on securities with tax exemption or taxed at reduced rate  | (15.15)%                | 2.74%         | 2.72%                   |
| Tax rate differential on profits taxed outside France   | 126.44%                 | (9.13)%       | (10.51)%                |
| Impact of non-deductible losses and use of tax losses carried forward   | (48.16)%                | (0.03)%       | (0.32)%                 |
| <b>Group effective tax rate</b>   | <b>43.25%</b>           | <b>23.67%</b> | <b>23.81%</b>           |

In compliance with the French tax provisions that define the ordinary corporate tax rate, the latter will be gradually lowered to reach 25% in 2022 according to the following trajectory for liable companies with a turnover equal to or greater than 250 million of euros (article 219 of the French tax code):

- for fiscal years opened from 1 January 2020 to 31 December 2020, an ordinary tax rate of 31%, plus the existing national contribution (CSB) of 3.3%;
- for fiscal years opened from 1 January 2021 to 31 December 2021, an ordinary tax rate of 27.5%, plus the existing national contribution (CSB) of 3.3%.

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

- for income taxed at the ordinary tax rate: the rate is 32.02% in 2020, 28.41% in 2021 and 25.83% from 2022;
- for long-term income exempted, subject to taxation of a portion of fees and expenses of 12%: the rate is 3.84% in 2020, 3.41% in 2021 and 3.10% from 2022.

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. This portion of fees and expenses is 12% of gross capital gains only if the company realises a net long-term capital gain.

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

## 2. TAX ASSETS AND LIABILITIES

### TAX ASSETS

| <i>(In millions of euros)</i>                            | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Current tax assets                                       | 661               | 1,038             |
| Deferred tax assets                                      | 4,391             | 4,741             |
| <i>o/w deferred tax assets on tax loss carryforwards</i> | 2,223             | 2,659             |
| <i>o/w deferred tax assets on temporary differences</i>  | 2,168             | 2,082             |
| <b>Total</b>   | <b>5,052</b>      | <b>5,779</b>      |

### TAX LIABILITIES

| <i>(In millions of euros)</i>  | <b>30.06.2020</b> | <b>31.12.2019</b> |
|--------------------------------|-------------------|-------------------|
| Current tax liabilities        | 387               | 602               |
| Provisions for tax adjustments | 95                | 101               |
| Deferred tax liabilities       | 757               | 706               |
| <b>Total</b>                   | <b>1,239</b>      | <b>1,409</b>      |

The Group performs an annual review of the tax loss carryforwards, taking into account the tax system applicable to each tax entity (or tax group) concerned and a realistic forecast of its tax results. For this purpose, the tax results are determined on the basis of the 2020-2023 projections of the businesses performance. The tax results also include accounting and tax adjustments (including the reversal of the deferred tax assets and liabilities bases on temporary differences) applicable to the entities and jurisdictions concerned. These adjustments are determined on the basis of historical tax results and the Group's tax expertise. An extrapolation is performed from the year 2024 (corresponding to a "normative" year) and over a timeframe considered reasonable and depending on the nature of the activities carried out within each tax entity.

On principle, the appreciation of the macro-economic factors selected and internal estimates used to determine the tax results contain risks and uncertainties about their materialisation over the estimated horizon of the absorption of losses. These risks and uncertainties concern the possible changes in applicable tax rules (computation of the tax result, as well as rules of allocation of tax loss carryforwards) or the achievement of the assumptions selected.

As at 30 June 2020, the Group carried out a specific review of tax loss carryforwards by integrating the consequences and uncertainties generated by the Covid-19 crisis in the projections of tax results. In this context, these projections have been reviewed based on two macroeconomic scenarios (a central scenario SG Base weighted at 70% and a more pessimistic scenario of a prolonged health crisis SG Prolonged weighted at 30%, both described in Note 1) established by the Group's economists.

These projections show a risk of partial non-recovery within the French tax group over a reasonable timeframe. As a result, deferred tax assets can no longer be recognized at the end of June for EUR 650 million. This results in particular from the impacts of the Covid-19 crisis on the generation of income from market activities in 2020 as well as the decline in income prospects in the financial trajectory according to the crisis effects. This variation is presented under Deferred tax assets on tax loss carryforwards.

Sensitivity tests are also carried out to measure the impact of the variation of certain assumptions on the recoverability of deferred tax assets. The results of these sensitivity tests show that a weighting of the SG Base scenario to 65% (instead of 70%) and the SG Prolonged scenario to 35% (instead of 30%) resulted in a decrease in the deferred tax assets value of EUR 56 million.

### 3. DEFERRED TAX ASSETS RECOGNISED ON TAX LOSS CARRYFORWARDS

As at 30 June 2020, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

| <i>(In millions of euros)</i>                                       | <b>30.06.2020</b> | <b>Statutory time limit<br/>on carryforwards</b> | <b>Expected recovery<br/>period</b> |
|---|-------------------|--|-------------------------------------|
| <b>Total deferred tax assets relating to tax loss carryforwards</b> | <b>2,223</b>      | -  | -                                   |
| <i>o/w French tax group</i>   | 1,812             | <i>Unlimited <sup>(1)</sup></i>                  | <i>12 years</i>                     |
| <i>o/w US tax group</i>   | 338               | <i>20 years <sup>(2)</sup></i>                   | <i>7 years</i>                      |
| <i>Others</i>   | 73                | -  | -                                   |

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

(2) *Tax losses generated before 31 December 2011.*

As at 30 June 2020, the main unrecognised deferred tax assets represent a total of EUR 1,150 million (compared to EUR 467 million as at 31 December 2019). They mostly concern the French tax group, with EUR 650 million (compared to a nil amount as at 31 December 2019), the US tax group, with EUR 411 million (compared to EUR 413 million as at 31 December 2019), and SG Singapore with EUR 69 million (compared to EUR 35 million as at 31 December 2019). These deferred tax assets may be recognised on the balance sheet depending on the probability that a future taxable income will allow their recovery.

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 does not call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'Etat*) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers that the related tax loss remains recoverable against the future taxable income.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and recently confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts.

## NOTE 7 - SHAREHOLDERS' EQUITY

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

#### 1. ORDINARY SHARES AND CAPITAL RESERVES

| <i>(In millions of euros)</i>         | 30.06.2020    | 31.12.2019    |
|---------------------------------------|---------------|---------------|
| Issued capital                        | 1,067         | 1,067         |
| Issuing premiums and capital reserves | 21,441        | 21,417        |
| Elimination of treasury stock         | (424)         | (515)         |
| <b>Total</b>                          | <b>22,084</b> | <b>21,969</b> |

#### ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

| <i>(Number of shares)</i>   | 30.06.2020  | 31.12.2019  |
|---|-------------|-------------|
| Ordinary shares   | 853,371,494 | 853,371,494 |
| <i>Including treasury stock with voting rights <sup>(1)</sup></i> | 2,238,415   | 3,706,880   |
| <i>Including shares held by employees</i>                         | 66,380,200  | 57,369,330  |

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

As at 30 June 2020, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,066,714,367.50 and was made up of 853,371,494 shares with a nominal value of EUR 1.25.

#### 2. TREASURY STOCK

At 30 June 2020, the Group held 8,787,800 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 1.03% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 424 million, including EUR 335 million in shares held for trading purposes.

The change in treasury stock during the first half of year 2020 breaks down as follows:

| <i>(In millions of euros)</i>  | Liquidity contract | Trading activities | Treasury stock and active management of shareholders' equity | Total |
|--|--------------------|--------------------|--|-------|
| Disposals net of purchases   | -                  | 40                 | 51   | 91    |
| Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity | -                  | (4)                | (55)   | (59)  |

### **3. EQUITY INSTRUMENTS ISSUED**

As at 30 June 2020, the equity instruments issued by the Group amounted to a total of EUR 8,031 million. The change in the first half of 2020 reflects the release of a deeply subordinated note in US dollars, for a total of EUR 1,102 million.

### **4. EFFECT OF THE CHANGES IN THE SCOPE OF CONSOLIDATION**

The effects of the changes in the scope of consolidation recorded in Equity, group share for EUR 91 million are mainly related to the revaluation of the debt linked to the put option on Non-controlling interests.

## NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

### 1. EARNINGS PER SHARE

| <i>(In millions of euros)</i>  | <b>1st half of 2020</b> | <b>2019</b>  | <b>1st half of 2019</b> |
|--|-------------------------|--------------|-------------------------|
| Net income, Group share  | (1,590)                 | 3,248        | 1,740                   |
| Attributable remuneration to subordinated and deeply subordinated notes                              | (320)                   | (708)        | (355)                   |
| Issuance fees related and deeply subordinated notes  | -                       | (4)          | (2)                     |
| <b>Net income attributable to ordinary shareholders</b>  | <b>(1,910)</b>          | <b>2,536</b> | <b>1,383</b>            |
| Weighted average number of ordinary shares outstanding <sup>(1)</sup>                                | 850,643,440             | 829,901,725  | 816,726,466             |
| <b>Earnings per ordinary share (in euros)</b>  | <b>(2.25)</b>           | <b>3.05</b>  | <b>1.69</b>             |
| Average number of ordinary shares used in the dilution calculation                                   | -                       | -            | -                       |
| Weighted average number of ordinary shares used in the calculation of diluted net earnings per share | 850,643,440             | 829,901,725  | 816,726,466             |
| <b>Diluted earnings per ordinary share (in euros)</b>  | <b>(2.25)</b>           | <b>3.05</b>  | <b>1.69</b>             |

(1) Excluding treasury shares.

### 2. DIVIDENDS PAID

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

Dividends paid on ordinary shares in 2019 for the 2018 financial year amounted to EUR 1,770 million in Group share.

## NOTE 8 - ADDITIONAL DISCLOSURES

### NOTE 8.1 - SEGMENT REPORTING

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

|   | Societe Generale group |              | French Retail Banking |                  |              | Corporate Centre <sup>(1)</sup> |                  |              |                  |
|---|------------------------|--------------|-----------------------|------------------|--------------|---------------------------------|------------------|--------------|------------------|
|   | 1st half of 2020       | 2019         | 1st half of 2019      | 1st half of 2020 | 2019         | 1st half of 2019                | 1st half of 2020 | 2019         | 1st half of 2019 |
| <i>(In millions of euros)</i>                                     |                        |              |                       |                  |              |                                 |                  |              |                  |
| Net banking income  | 10,466                 | 24,671       | 12,475                | 3,634            | 7,746        | 3,910                           | (389)            | (152)        | (140)            |
| Operating expenses <sup>(2)</sup>                                 | (8,538)                | (17,727)     | (9,059)               | (2,683)          | (5,700)      | (2,834)                         | (183)            | (94)         | 65               |
| <b>Gross operating income</b>                                     | <b>1,928</b>           | <b>6,944</b> | <b>3,416</b>          | <b>951</b>       | <b>2,046</b> | <b>1,076</b>                    | <b>(572)</b>     | <b>(246)</b> | <b>(75)</b>      |
| Cost of risk  | (2,099)                | (1,278)      | (578)                 | (691)            | (467)        | (223)                           | -                | (17)         | (19)             |
| <b>Operating income</b>   | <b>(171)</b>           | <b>5,666</b> | <b>2,838</b>          | <b>260</b>       | <b>1,579</b> | <b>853</b>                      | <b>(572)</b>     | <b>(263)</b> | <b>(94)</b>      |
| Net income from investments accounted for using the equity method | 5                      | (129)        | 15                    | 2                | 8            | 4                               | -                | (152)        | 3                |
| Net income / expense from other assets <sup>(3)</sup>             | 84                     | (327)        | (131)                 | 136              | 58           | 2                               | (77)             | (394)        | (134)            |
| Value adjustments on goodwill                                     | (684)                  | -            | -                     | -                | -            | -                               | (684)            | -            | -                |
| <b>Earnings before tax</b>  | <b>(766)</b>           | <b>5,210</b> | <b>2,722</b>          | <b>398</b>       | <b>1,645</b> | <b>859</b>                      | <b>(1,333)</b>   | <b>(809)</b> | <b>(225)</b>     |
| Income tax  | (612)                  | (1,264)      | (645)                 | (119)            | (514)        | (269)                           | (450)            | 184          | 63               |
| <b>Consolidated net income</b>                                    | <b>(1,378)</b>         | <b>3,946</b> | <b>2,077</b>          | <b>279</b>       | <b>1,131</b> | <b>590</b>                      | <b>(1,783)</b>   | <b>(625)</b> | <b>(162)</b>     |
| Non-controlling interests   | 212                    | 698          | 337                   | -                | -            | -                               | 73               | 171          | 81               |
| <b>Net income, Group share</b>                                    | <b>(1,590)</b>         | <b>3,248</b> | <b>1,740</b>          | <b>279</b>       | <b>1,131</b> | <b>590</b>                      | <b>(1,856)</b>   | <b>(796)</b> | <b>(243)</b>     |

International Retail Banking & Financial Services

|   | International Retail Banking    |              | Financial Services to Corporates |                  |            | Insurance        |                  |            | Total            |                                 |              |                                 |
|---|---------------------------------|--------------|----------------------------------|------------------|------------|------------------|------------------|------------|------------------|---------------------------------|--------------|---------------------------------|
|   | 1st half of 2020 <sup>(4)</sup> | 2019         | 1st half of 2019 <sup>(5)</sup>  | 1st half of 2020 | 2019       | 1st half of 2019 | 1st half of 2020 | 2019       | 1st half of 2019 | 1st half of 2020 <sup>(4)</sup> | 2019         | 1st half of 2019 <sup>(5)</sup> |
|   | <i>(In millions of euros)</i>   |              |                                  |                  |            |                  |                  |            |                  |                                 |              |                                 |
| Net banking income  | 2,450                           | 5,592        | 2,799                            | 824              | 1,872      | 941              | 440              | 909        | 460              | 3,714                           | 8,373        | 4,200                           |
| Operating expenses <sup>(2)</sup>                             | (1,473)                         | (3,252)      | (1,669)                          | (460)            | (980)      | (495)            | (192)            | (349)      | (185)            | (2,125)                         | (4,581)      | (2,349)                         |
| <b>Gross operating income</b>                                 | <b>977</b>                      | <b>2,340</b> | <b>1,130</b>                     | <b>364</b>       | <b>892</b> | <b>446</b>       | <b>248</b>       | <b>560</b> | <b>275</b>       | <b>1,589</b>                    | <b>3,792</b> | <b>1,851</b>                    |
| Cost of risk  | (532)                           | (504)        | (222)                            | (115)            | (84)       | (39)             | -                | -          | -                | (647)                           | (588)        | (261)                           |
| <b>Operating income</b>                                       | <b>445</b>                      | <b>1,836</b> | <b>908</b>                       | <b>249</b>       | <b>808</b> | <b>407</b>       | <b>248</b>       | <b>560</b> | <b>275</b>       | <b>942</b>                      | <b>3,204</b> | <b>1,590</b>                    |
| Net income from investments accounted for using equity method | (1)                             | 11           | 4                                | -                | 1          | -                | 1                | -          | -                | 0                               | 12           | 4                               |
| Net income / expense from other assets                        | 1                               | 3            | 1                                | 10               | -          | -                | -                | -          | -                | 11                              | 3            | 1                               |
| Value adjustments on goodwill                                 | -                               | -            | -                                | -                | -          | -                | -                | -          | -                | -                               | -            | -                               |
| <b>Earnings before tax</b>                                    | <b>445</b>                      | <b>1,850</b> | <b>913</b>                       | <b>259</b>       | <b>809</b> | <b>407</b>       | <b>249</b>       | <b>560</b> | <b>275</b>       | <b>953</b>                      | <b>3,219</b> | <b>1,595</b>                    |
| Income tax  | (105)                           | (410)        | (198)                            | (56)             | (176)      | (88)             | (77)             | (174)      | (85)             | (238)                           | (760)        | (371)                           |
| <b>Consolidated net income</b>                                | <b>340</b>                      | <b>1,440</b> | <b>715</b>                       | <b>203</b>       | <b>633</b> | <b>319</b>       | <b>172</b>       | <b>386</b> | <b>190</b>       | <b>715</b>                      | <b>2,459</b> | <b>1,224</b>                    |
| Non-controlling interests                                     | 85                              | 394          | 191                              | 37               | 107        | 53               | 2                | 3          | 1                | 124                             | 504          | 245                             |
| <b>Net income, Group share</b>                                | <b>255</b>                      | <b>1,046</b> | <b>524</b>                       | <b>166</b>       | <b>526</b> | <b>266</b>       | <b>170</b>       | <b>383</b> | <b>189</b>       | <b>591</b>                      | <b>1,955</b> | <b>979</b>                      |

**Global Banking and Investor Solutions**

|   | Global Markets and Investors Services |            | Financing and Advisory          |                  |            | Asset and Wealth Management     |                  |           | Total            |                  |              |                  |
|---|---------------------------------------|------------|---------------------------------|------------------|------------|---------------------------------|------------------|-----------|------------------|------------------|--------------|------------------|
|   | 1st half of 2020                      | 2019       | 1st half of 2019 <sup>(6)</sup> | 1st half of 2020 | 2019       | 1st half of 2019 <sup>(6)</sup> | 1st half of 2020 | 2019      | 1st half of 2019 | 1st half of 2020 | 2019         | 1st half of 2019 |
| <i>(In millions of euros)</i>                                     |                                       |            |                                 |                  |            |                                 |                  |           |                  |                  |              |                  |
| Net banking income  | 1,759                                 | 5,210      | 2,719                           | 1,286            | 2,547      | 1,300                           | 462              | 947       | 486              | 3,507            | 8,704        | 4,505            |
| Operating expenses <sup>(2)</sup>                                 | (2,303)                               | (4,788)    | (2,611)                         | (843)            | (1,676)    | (866)                           | (401)            | (888)     | (464)            | (3,547)          | (7,352)      | (3,941)          |
| <b>Gross operating income</b>                                     | <b>(544)</b>                          | <b>422</b> | <b>108</b>                      | <b>443</b>       | <b>871</b> | <b>434</b>                      | <b>61</b>        | <b>59</b> | <b>22</b>        | <b>(40)</b>      | <b>1,352</b> | <b>564</b>       |
| Cost of risk  | (29)                                  | (13)       | (3)                             | (715)            | (195)      | (78)                            | (17)             | 2         | 6                | (761)            | (206)        | (75)             |
| <b>Operating income</b>   | <b>(573)</b>                          | <b>409</b> | <b>105</b>                      | <b>(272)</b>     | <b>676</b> | <b>356</b>                      | <b>44</b>        | <b>61</b> | <b>28</b>        | <b>(801)</b>     | <b>1,146</b> | <b>489</b>       |
| Net income from investments accounted for using the equity method | 4                                     | 4          | 5                               | (1)              | (1)        | (1)                             | -                | -         | -                | 3                | 3            | 4                |
| Net income / expense from other assets                            | 14                                    | 4          | -                               | -                | -          | -                               | -                | 2         | -                | 14               | 6            | -                |
| Value adjustments on goodwill                                     | -                                     | -          | -                               | -                | -          | -                               | -                | -         | -                | -                | -            | -                |
| <b>Earnings before tax</b>  | <b>(555)</b>                          | <b>417</b> | <b>110</b>                      | <b>(273)</b>     | <b>675</b> | <b>355</b>                      | <b>44</b>        | <b>63</b> | <b>28</b>        | <b>(784)</b>     | <b>1,155</b> | <b>493</b>       |
| Income tax  | 113                                   | (89)       | (26)                            | 91               | (70)       | (35)                            | (9)              | (15)      | (7)              | 195              | (174)        | (68)             |
| <b>Consolidated net income</b>                                    | <b>(442)</b>                          | <b>328</b> | <b>84</b>                       | <b>(182)</b>     | <b>605</b> | <b>320</b>                      | <b>35</b>        | <b>48</b> | <b>21</b>        | <b>(589)</b>     | <b>981</b>   | <b>425</b>       |
| Non-controlling interests   | 14                                    | 20         | 10                              | -                | -          | 0                               | 1                | 3         | 1                | 15               | 23           | 11               |
| <b>Net income, Group share</b>                                    | <b>(456)</b>                          | <b>308</b> | <b>74</b>                       | <b>(182)</b>     | <b>605</b> | <b>320</b>                      | <b>34</b>        | <b>45</b> | <b>20</b>        | <b>(604)</b>     | <b>958</b>   | <b>414</b>       |

(1) Income and expense not directly related to business line activities are recorded in the Corporate Centre income. The operating expenses include an income related to an operating tax adjustment of EUR 241 million for the second quarter 2019.

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

(3) The Net income / expense from other assets item includes a capital gain of EUR 132 million from the Group's property disposal program, recorded in the French Retail Banking and relating to, as well as an expense amounting to EUR -69 million recorded in the Corporate Centre and corresponding to the completion of the disposal of Société Générale de Banque aux Antilles (see Note 2.1).

(4) During the first half of 2020, International Retail Banking & Financial Services division also includes EUR +8 million of reversal in operating expenses (and EUR -3 million of related income tax) not allocated to the business lines. This income is added to the first half of 2020 results of the International Retail Banking sub-division whose 2020 Net income, Group share is, without this income, EUR 250 million.

(5) During the first half of 2019, International Retail Banking & Financial Services division also includes EUR -29 million of restructuring costs in operating expenses (and EUR +10 million of related income tax) not allocated to the business lines. These costs are added to the first half of 2019 results of the International Retail Banking sub-division whose 2019 Net income, Group share is, without these costs, EUR 543 million.

(6) The amounts have been restated according to new quarterly series published on 30 September 2019.

|                                    | Societe Generale Group |            | French Retail Banking |            | Corporate Centre (2) |            |
|------------------------------------|------------------------|------------|-----------------------|------------|----------------------|------------|
|                                    | 30.06.2020             | 31.12.2019 | 30.06.2020            | 31.12.2019 | 30.06.2020           | 31.12.2019 |
| <i>(In millions of euros)</i>      |                        |            |                       |            |                      |            |
| Segment assets                     | 1,453,372              | 1,356,303  | 254,572               | 232,648    | 137,778              | 115,555    |
| Segment liabilities <sup>(1)</sup> | 1,387,693              | 1,287,733  | 254,056               | 225,848    | 117,514              | 107,558    |

#### International retail Banking & Financial Services

|                                    | International Retail Banking |            | Financial Services to Corporates |            | Insurance  |            | Total      |            |
|------------------------------------|------------------------------|------------|----------------------------------|------------|------------|------------|------------|------------|
|                                    | 30.06.2020                   | 31.12.2019 | 30.06.2020                       | 31.12.2019 | 30.06.2020 | 31.12.2019 | 30.06.2020 | 31.12.2019 |
| <i>(In millions of euros)</i>      |                              |            |                                  |            |            |            |            |            |
| Segment assets                     | 125,255                      | 122,695    | 42,453                           | 43,730     | 165,698    | 167,249    | 333,406    | 333,674    |
| Segment liabilities <sup>(1)</sup> | 92,062                       | 89,754     | 13,698                           | 13,980     | 152,777    | 156,212    | 258,537    | 259,946    |

#### Global Banking and Investor Solutions

|                                    | Global Markets and Investors Services |            | Financing and Advisory |            | Asset and Wealth Management |            | Total      |            |
|------------------------------------|---------------------------------------|------------|------------------------|------------|-----------------------------|------------|------------|------------|
|                                    | 30.06.2020                            | 31.12.2019 | 30.06.2020             | 31.12.2019 | 30.06.2020                  | 31.12.2019 | 30.06.2020 | 31.12.2019 |
| <i>(In millions of euros)</i>      |                                       |            |                        |            |                             |            |            |            |
| Segment assets                     | 563,270                               | 505,413    | 128,727                | 133,132    | 35,619                      | 35,881     | 727,616    | 674,426    |
| Segment liabilities <sup>(1)</sup> | 687,826                               | 623,512    | 45,254                 | 46,133     | 24,506                      | 24,736     | 757,586    | 694,381    |

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

(2) Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet.

## NOTE 8.2 - OTHER OPERATING EXPENSES

| <i>(In millions of euros)</i>   | <b>1st half of<br/>2020</b> | <b>2019</b>    | <b>1st half of<br/>2019</b> |
|---------------------------------|-----------------------------|----------------|-----------------------------|
| Rentals                         | (172)                       | (353)          | (175)                       |
| Taxes and levies                | (930)                       | (887)          | (706)                       |
| Data & telecom (except rentals) | (1,071)                     | (2,328)        | (1,187)                     |
| Consulting fees                 | (558)                       | (1,370)        | (620)                       |
| Other                           | (563)                       | (1,347)        | (555)                       |
| <b>Total</b>                    | <b>(3,294)</b>              | <b>(6,285)</b> | <b>(3,243)</b>              |

### CONTRIBUTION TO BANK RESOLUTION MECHANISMS

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

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

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

For the first half of 2020, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 470 million, of which EUR 435 million for the SRF and EUR 35 million for the NRF. These contributions are non-tax-deductible in France and have been recorded in the income statement in Other administrative expenses, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 76 million related to the SRF, recorded as an asset in the balance sheet, among Other assets.

## NOTE 8.3 - PROVISIONS

### BREAKDOWN OF PROVISIONS

| <i>(In millions of euros)</i>   | <b>Provisions<br/>as at<br/>31.12.2019</b> | Allocations | Write-<br>backs<br>available | <b>Net<br/>allocation</b> | <b>Write-<br/>backs<br/>used</b> | <b>Currency<br/>and<br/>others</b> | <b>Provisions<br/>as at<br/>30.06.2020</b> |
|---|--|-------------|------------------------------|---------------------------|----------------------------------|------------------------------------|--|
| Provisions for credit of risk on off balance sheet commitments (see Note 3.8) | <b>640</b>                                 | 488         | (288)                        | <b>200</b>                | -                                | (11)                               | <b>829</b>                                 |
| Provisions for employee benefits (see Note 5.2)                               | <b>2,416</b>                               | 135         | (57)                         | <b>78</b>                 | (134)                            | (22)                               | <b>2,338</b>                               |
| Provisions for mortgage savings plans and accounts commitments                | <b>289</b>                                 | 26          | (5)                          | <b>21</b>                 | (2)                              | -                                  | <b>308</b>                                 |
| Other provisions  | <b>1,042</b>                               | 30          | (173)                        | <b>(143)</b>              | (14)                             | (12)                               | <b>873</b>                                 |
| <b>Total</b>  | <b>4,387</b>                               | <b>679</b>  | <b>(523)</b>                 | <b>156</b>                | <b>(150)</b>                     | <b>(45)</b>                        | <b>4,348</b>                               |

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

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

## NOTE 9 - INFORMATION ON RISKS AND LITIGATION

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

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

- On 24 October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to the bank. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23 September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État*) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20 September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3 April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15 May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time-barred. On 18 December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16 February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.
- Societe Generale Algeria (SGA) and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries and on money laundering and the financing of terrorism. The defendants are accused of having failed to make complete or accurate statements to the Algerian authorities on capital transfers in connection with exports or imports made by

clients of SGA and on cash payment transactions made at SGA counters. The events were discovered during investigations by the Algerian authorities, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, sixteen cases have ended in favour of SGA, one case has ended against SGA and eight remain pending, seven of which before the Supreme Court.

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

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

- Societe Generale Private Banking (Switzerland), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16 February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against Societe Generale Private Banking (Switzerland) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Switzerland) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5 June 2014. Societe Generale Private Banking (Switzerland) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21 April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

On 7 November 2017, the District Court denied the plaintiffs' motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20 April 2018. On 3 May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. The defendant financial institutions, including Societe Generale Private Banking (Switzerland), opposed these motions. By order of 18 September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, and another initiated a separate action in Texas state court in Houston in November 2019. The state court action was removed to federal court and is now pending in the Southern District of Texas.

On 22 December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Switzerland) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Switzerland) has opposed this motion. By order dated 30 March 2020, the court denied OSIC's motion.

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

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

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

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

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products. On 1 April 2020, the Court of Appeals reversed the dismissal and reinstated the claims. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange Act (CEA) claims to proceed to discovery. On 27 September 2019, Societe Generale filed a motion for judgment on the pleadings that seeks dismissal of plaintiff's remaining CEA claims. On 27 September 2019, plaintiff filed a motion for class certification. Briefing on plaintiff's motion for class certification has been stayed until the District Court rules on defendants' motion for judgment on the pleadings.

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

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

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

- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was approved by the Court on 6 August 2018. A separate putative class action on behalf of putative classes of indirect purchasers is also pending. SG has reached a settlement of USD 975,000 to resolve these proceedings. This settlement has been preliminary approved by the Court on 20 July 2020. On 7 November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC and several other financial institutions. SG Americas Securities, LLC was dismissed by order dated 28 May 2020. Discovery is proceeding as to SG and the other remaining defendants.
- On 10 December 2012, the French Supreme Administrative Court (*Conseil d'État*) rendered two decisions confirming that the “*précompte tax*” which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the “*précompte tax*” claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1 February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10 December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15 September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 28 April 2016 and by referring the matter to the Court of Justice of the European Union on 8 December 2016. The Court of Justice of European Union rendered its judgement on 4 October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4 October 2016, and discovery is now proceeding. Societe Generale, along with other financial institutions, is also named as a defendant in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.
- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called “CumEx” patterns in connection with withholding tax on dividends on German shares. These investigations relate to a fund administered by SGSS GmbH proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

SGSS GmbH was informed by the Bonn District Court on 19 June 2019 that criminal proceedings had been initiated against two individuals who were employed by a company having previously advised this fund, the latter being suspected by the German prosecutors to have been involved in potentially fraudulent CumEx transactions. On 19 August 2019, the Bonn District Court ordered SGSS GmbH to join these criminal

proceedings as a “secondary party”. By order of 16 March 2020, the Bonn District Court, with consent of the Cologne Prosecutors, released SGSS GmbH as a secondary party immediately.

- In May 2019, SGAS was named, along with other financial institutions, as a defendant in a putative class action in the US alleging anticompetitive behaviour in the pricing of “agency bonds” issued by US Government Sponsored Enterprises (GSEs), including Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). SGAS, along with several other defendants, filed a motion to dismiss on 13 June 2019 which was granted on 29 August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9 September 2019, and a motion to dismiss this amended complaint was filed on 17 September 2019. That motion was denied on 15 October 2019. On 16 December 2019, plaintiffs and twelve bank defendants, including SGAS, submitted for court approval a stipulation of settlement in the class action, for USD 250 million. Although SGAS’s share of the settlement is not public, the amount was not material from a financial statement perspective. The class action settlement was finally approved by the court on 16 June 2020. SGAS also has been named in two separate individual opt-out litigations, one brought in September by the State of Louisiana and the other brought in October by City of Baton Rouge/East Baton Rouge Parish. These suits also assert antitrust claims against SGAS and multiple other bank defendants based on these plaintiffs’ purchases of GSE bonds. On 1 April 2020, SGAS has been named in another individual opt-out litigation filed by the Louisiana Asset Management Pool asserting claims similar to the main class action and the State of Louisiana and City of Baton Rouge actions, with additional state-law claims. SGAS has also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS is responding to these requests and is cooperating with the DOJ investigation.
  
- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called “feeder funds” that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22 November 2016 and 3 October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated 25 February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. On 1 June 2020, the United States Supreme Court denied Defendant-Appellees’ petition for a writ of certiorari. The case will now be returned to the District Court for further proceedings.
  
- On 10 July 2019, Societe Generale was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking to recover under the Cuban Liberty and Democracy Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) for alleged losses stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on 24 September 2019 adding three other banks as defendants and adding several new factual allegations as to Societe Generale. Societe Generale filed a motion to dismiss, which was fully briefed as of 10 January 2020. While the motion to dismiss was pending, plaintiffs filed an unopposed motion on 29 January 2020, to transfer the case to federal court in Manhattan, which the court granted on 30 January 2020. On 16 July 2020, plaintiff filed a motion for leave to file a second amended complaint.

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

# NOTE 10 - RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS

Note 10 is solely disclosed through financial statements and is not taken into consideration in Chapter 3 of the Universal Registration Document for the update of the latter as part of the first half-year of 2020.

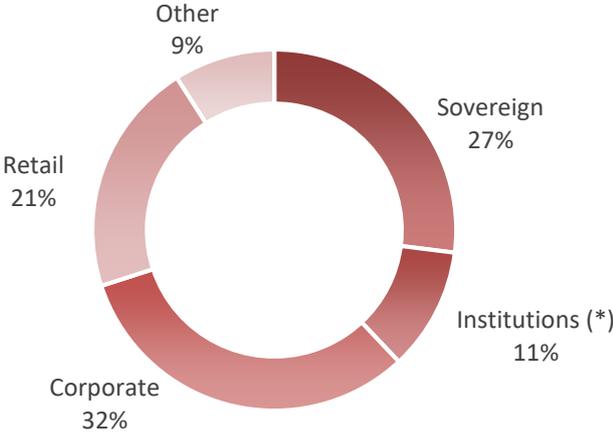
This note presents the risks associated with financial instruments and the way in which the Group manages them.

## NOTE 10.1 - EXPOSURE OF THE CREDIT PORTFOLIO

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

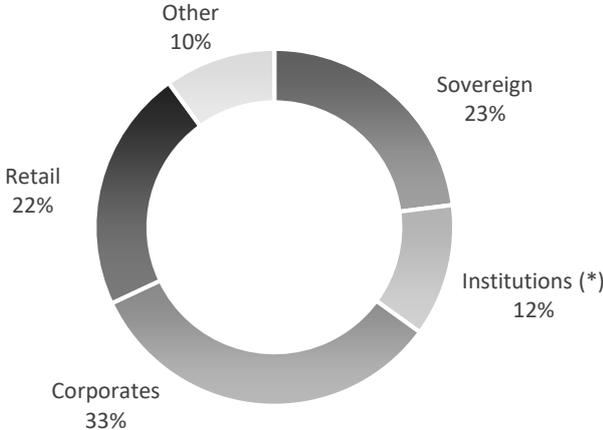
### CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 30 JUNE 2020

On- and off-balance sheet exposures (EUR 990 billion in EAD)



### CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 31 DECEMBER 2019

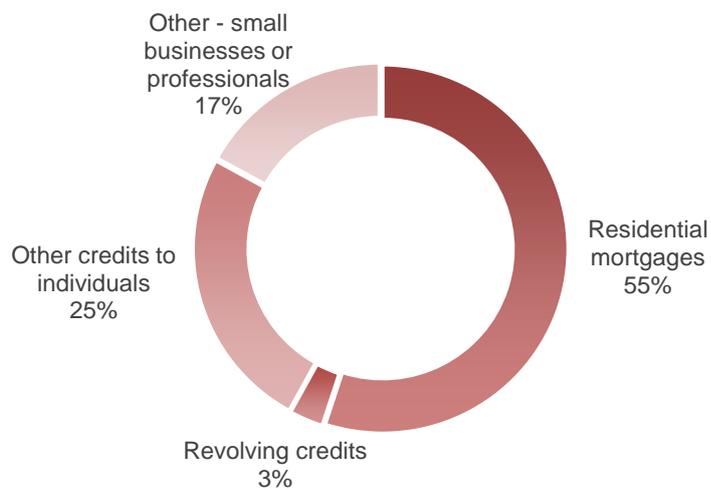
On- and off-balance sheet exposures (EUR 918 billion in EAD)



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

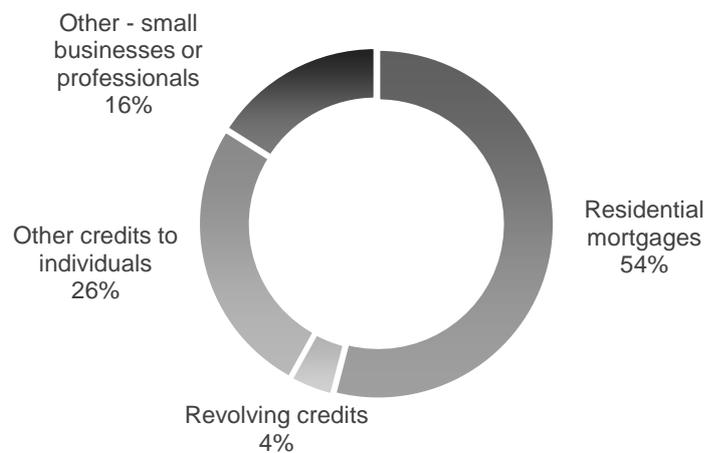
**RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 30 JUNE 2020**

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

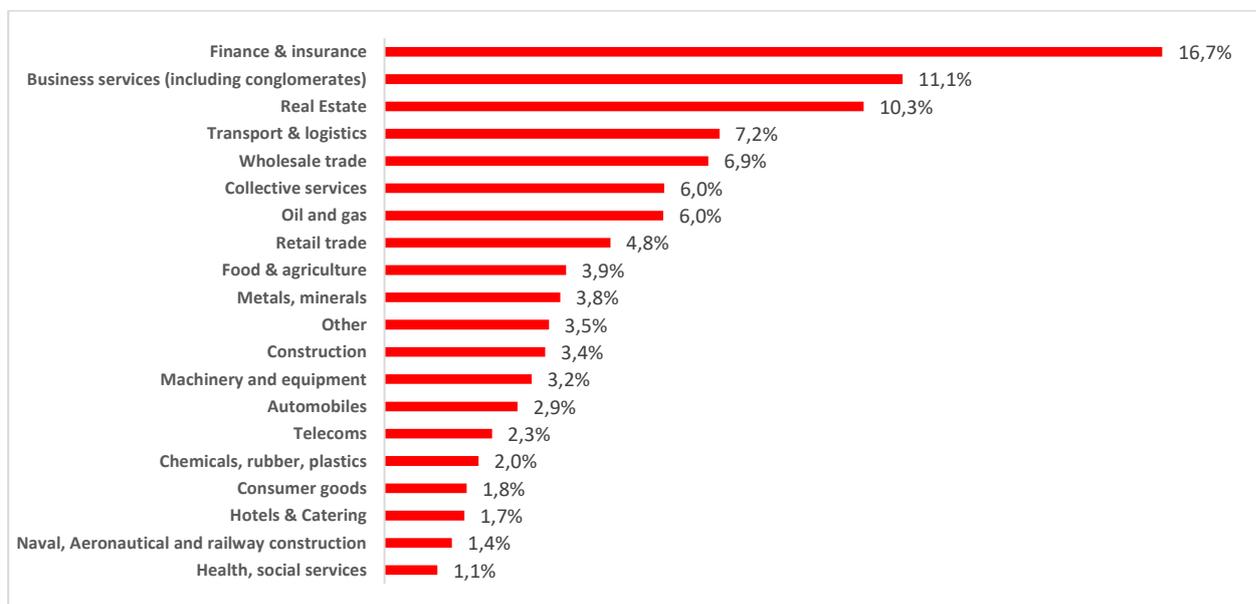


**RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 31 DECEMBER 2019**

On- and off-balance sheet exposures (EUR 203 billion in EAD)



## GROUP CORPORATE EXPOSURE BY SECTOR AS AT 30 JUNE 2020 (BASEL PORTFOLIO)

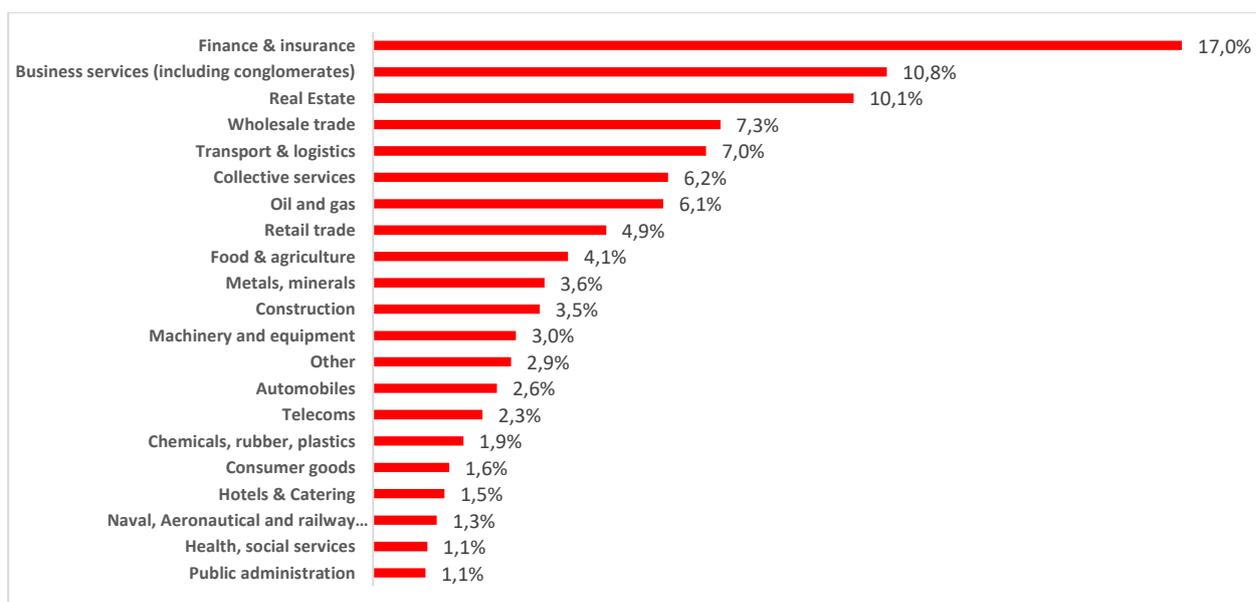


(1) of which 0.7% of the Group's total maritime transport exposures.

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

As at 30 June 2020, the Corporate portfolio amounted to EUR 345 billion (on- and off-balance sheet exposures measured in EAD). Three sectors account for more than 10% of the portfolio each (Finance and Insurance, Business services, Real Estate). The Group's exposure to its ten largest Corporate counterparties accounts for 5% of this portfolio.

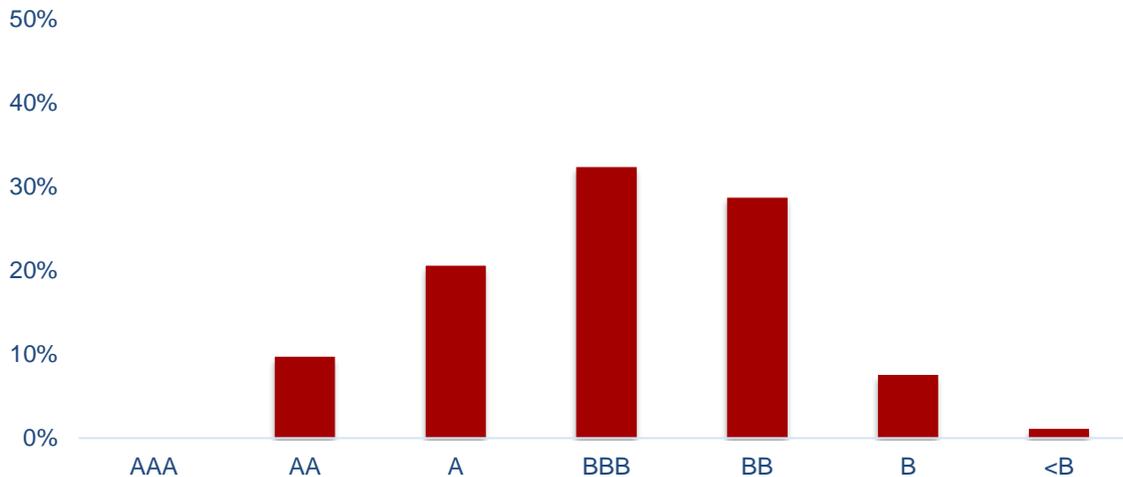
## GROUP CORPORATE EXPOSURE BY SECTOR AS AT 31 DECEMBER 2019 (BASEL PORTFOLIO)



## CORPORATE AND BANK CLIENTS EXPOSURE

### Breakdown of exposure for corporate clients by internal ratings as at 30 June 2020

As % of EAD

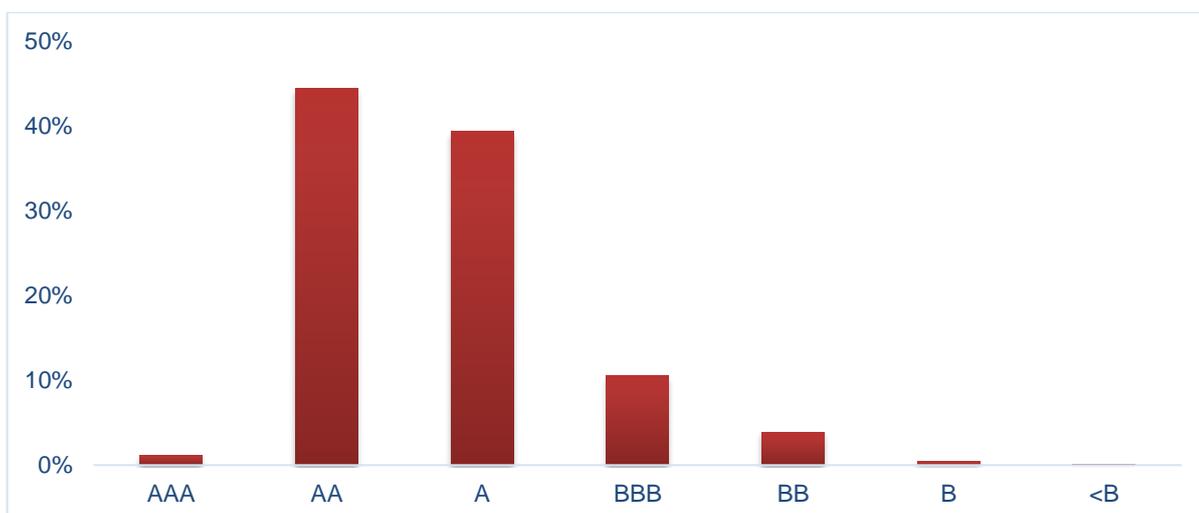


Regarding Corporate clients, the scope consists of the performing loans recorded under the IRB approach (excluding the prudential classification criterion, by weight, of specialized financing) in the entire Corporate clients portfolio, all divisions combined, and represents a EUR 276 billion EAD (out of a EUR 311 billion total EAD for the “Corporate” Basel portfolio, Standardized approach included). The breakdown by rating of Societe Generale group’s Corporate counterparties exposure reveals the soundness of the portfolio. It is based on an internal counterparty rating system, displayed above in its Standard & Poor’s (S&P) equivalent.

As at 30 June 2020, the majority of the portfolio has an Investment Grade rating, i.e. counterparties with a S&P equivalent internal rating higher than BBB- (63% of the Corporate clients). Transactions with Non-Investment Grade counterparties are very often backed by guarantees and collaterals in order to mitigate the risk incurred.

### Breakdown of exposure for banking clients by internal rating as at 30 June 2020

As % of EAD

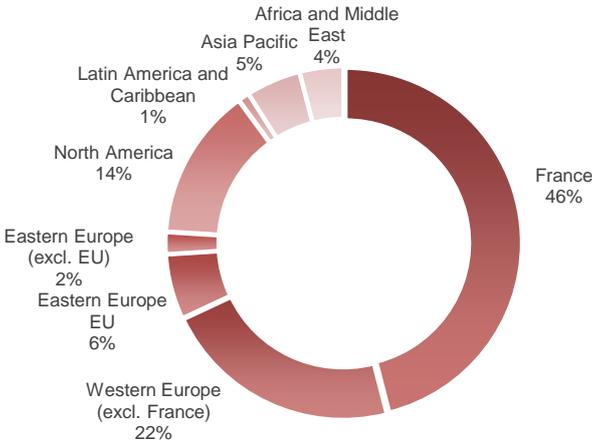


Regarding banking clients, the scope consists of the performing loans recorded under the IRB approach in the entire banking clients portfolio, all divisions combined, and represents a EUR 65 billion EAD (out of a EUR 107 billion total EAD for the Banks Basel portfolio, Standardized approach included). The breakdown of Societe Generale group's banking counterparties exposure reveals the soundness of the portfolio. It is based on an internal counterparty rating system, displayed above in its Standard & Poor's equivalent.

As at 30 June 2020, the exposure on banking clients was concentrated on Investment Grade counterparties (96% of the exposure) and on developed countries (91%).

**GEOGRAPHICAL BREAKDOWN OF THE GROUP'S CREDIT RISK EXPOSURE AS AT 30 JUNE 2020 (ALL CLIENT TYPES INCLUDED)**

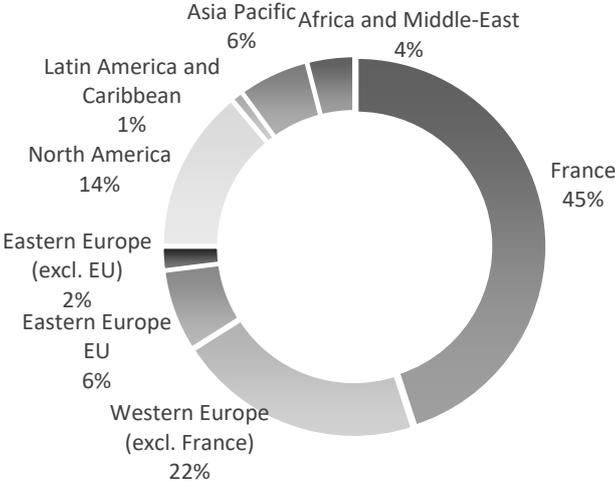
On- and off-balance sheet exposures (EUR 990 billion in EAD)



As at 30 June 2020, 90% of the Group's on- and off-balance sheet exposure is concentrated in the major industrialized countries<sup>(1)</sup>. Almost half of the overall amount of outstanding loans was towards French clients (31% exposure to the non-retail portfolio and 15% to the retail one).

**GEOGRAPHICAL BREAKDOWN OF THE GROUP'S CREDIT RISK EXPOSURE AS AT 31 DECEMBER 2019 (ALL CLIENT TYPES INCLUDED)**

On- and off-balance sheet exposures (EUR 918 billion in EAD)



(1) As defined by the IMF in its World Economic Outlook document (October 2019).

## NOTE 10.2 - IMPAIRMENT

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### 1. CLASSIFICATION ACROSS STAGES AND ESTIMATION OF EXPECTED CREDIT LOSSES

Impairment is divided into impairment of performing loans (Stages 1 and 2) and impairment of non-performing loans (Stage 3).

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

The Group's portfolios have been segmented to ensure consistency in risk characteristics and a better correlation with both global and local macro-economic variables. This segmentation allows to deal with all the specifics of the Group. This segmentation is consistent or similar to that defined in the Basel framework in order to guarantee the uniqueness of default and credit loss.

The applicable accounting principles are specified in Note 3.8 of the consolidated financial statements which are featured in Chapter 6 of the 2020 Universal Registration Document.

However the application of the principles regarding the classification of exposures and the estimation of expected credit losses as defined by IFRS 9 standard has been adjusted as at 30 June 2020 in order to take into consideration the context of sanitary and economic crisis related to Covid-19. These adjustments are described in Note 3.8.

### 2. NEW DEFINITION OF DEFAULT

The European Banking Authority (EBA) published Guidelines on the application of the default definition under Article 178 of Regulation (EU) No. 575/2013, applicable as from 1 January 2021, and Regulation (EU) 2018/1845 of the European Central Bank (ECB) in relation to the threshold for assessing the materiality of credit obligations past due will be applicable as at 31 December 2020 at the latest. Both the EBA Guidelines and the ECB Regulation will harmonize the definition of default across the European Union, thus contributing to improving the consistency and comparability of capital requirements.

In particular, they clarify all aspects related to the application of the definition of default including the conditions for the return to non-defaulted status (introduction of a probation period), specific conditions for default identification of restructured loans, and setting materiality thresholds (including an absolute and a relative component) for credit obligations that are past due.

The Group implemented these provisions for default exposures identification from 6 July 2020. The initial date has been postponed as such owing to operational constraints related to the lockdown, which did not allow for a completion of the acceptance tests in due course.

The internal parameters for calculating expected credit losses will be adjusted on 1 January 2021.

Following the Group's preliminary analysis, these clarifications are still consistent with the criteria applied to assess whether Stage 3 exposures are doubtful according to IFRS 9 provisions on the recognition of expected credit losses (ECL). The Group considers that the changes brought about by the implementation of these new regulatory default provisions will have no material impact on the Group's consolidated financial statements.

## NOTE 10.3 - ANALYSIS OF THE GROSS OUTSTANDING AMOUNTS AND PROVISIONS FOR CREDIT RISK

The following tables detail the outstanding amounts for which provisions can be booked (balance sheet and off-balance sheet items) and the related impairments and provisions split by stage.

The scope of these tables includes:

- securities (excluding securities received under repurchased agreements) and loans to customers and credit institutions and similar bodies measured at amortised cost or at fair value through equity;
- operating and finance lease receivables;
- financing and guarantee commitments;
- security deposits with CCPs.

Starting from 30 June 2020, the outstanding amounts for which provisions can be booked include deposits with CCPs, stated on the Other assets row of the consolidated balance sheet. These outstanding amounts equal to EUR 9 billion as at 30 June 2020.

The outstanding amounts for which provisions can be booked represent EUR 919 billion as at 30 June 2020. It should be noted that ex-Newedge brokerage outstandings outside France are excluded from the outstanding amounts presented in the following tables. There is no exclusion from the scope regarding provisions and impairments.

### Outstanding amounts for which provisions can be booked and provisions by Basel portfolio

| <i>(In millions of euros)</i> | 30.06.2020          |               |               |                |                           |              |              |               |
|-------------------------------|---------------------|---------------|---------------|----------------|---------------------------|--------------|--------------|---------------|
|                               | Outstanding amounts |               |               |                | Impairment and Provisions |              |              |               |
|                               | Stage 1             | Stage 2       | Stage 3       | Total          | Stage 1                   | Stage 2      | Stage 3      | Total         |
| Sovereign                     | 211,141             | 562           | 111           | <b>211,814</b> | 7                         | 4            | 69           | <b>80</b>     |
| Institutions                  | 57,274              | 708           | 47            | <b>58,029</b>  | 9                         | 43           | 18           | <b>70</b>     |
| Corporates                    | 348,697             | 24,452        | 9,591         | <b>382,740</b> | 815                       | 1,123        | 5,313        | <b>7,251</b>  |
| Retail                        | 206,942             | 15,286        | 8,912         | <b>231,140</b> | 505                       | 612          | 4,588        | <b>5,705</b>  |
| Others                        | 34,003              | 960           | 81            | <b>35,044</b>  | 36                        | 3            | 2            | <b>41</b>     |
| <b>Total</b>                  | <b>858,057</b>      | <b>41,968</b> | <b>18,742</b> | <b>918,767</b> | <b>1,372</b>              | <b>1,785</b> | <b>9,990</b> | <b>13,147</b> |

| <i>(In millions of euros)</i> | 31.12.2019          |               |               |                |                           |              |              |               |
|-------------------------------|---------------------|---------------|---------------|----------------|---------------------------|--------------|--------------|---------------|
|                               | Outstanding amounts |               |               |                | Impairment and Provisions |              |              |               |
|                               | Stage 1             | Stage 2       | Stage 3       | Total          | Stage 1                   | Stage 2      | Stage 3      | Total         |
| Sovereign                     | 165,237             | 183           | 109           | <b>165,529</b> | 5                         | 6            | 67           | <b>78</b>     |
| Institutions                  | 48,200              | 506           | 36            | <b>48,742</b>  | 9                         | 42           | 12           | <b>63</b>     |
| Corporates                    | 342,066             | 12,536        | 8,683         | <b>363,285</b> | 542                       | 626          | 4,717        | <b>5,885</b>  |
| Retail                        | 204,232             | 16,673        | 8,558         | <b>229,463</b> | 465                       | 549          | 4,560        | <b>5,574</b>  |
| Others                        | 32,880              | 247           | 5             | <b>33,132</b>  | 18                        | 4            | 3            | <b>25</b>     |
| <b>Total</b>                  | <b>792,615</b>      | <b>30,145</b> | <b>17,391</b> | <b>840,151</b> | <b>1,039</b>              | <b>1,227</b> | <b>9,359</b> | <b>11,625</b> |

**Geographical breakdown of outstanding amounts for which provisions can be booked and provisions**

**30.06.2020**

| <i>(In millions of euros)</i>            | <b>Ousting amounts</b> |                |                |                | <b>Impairment and Provisions</b> |                |                |               |
|--|------------------------|----------------|----------------|----------------|----------------------------------|----------------|----------------|---------------|
|  | <b>Stage 1</b>         | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>   | <b>Stage 1</b>                   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>  |
| France                                   | 415,856                | 23,343         | 10,219         | <b>449,418</b> | 584                              | 912            | 5,020          | <b>6,516</b>  |
| Western European countries (excl.France) | 161,766                | 6,707          | 2,351          | <b>170,824</b> | 264                              | 243            | 950            | <b>1,457</b>  |
| Eastern European countries EU            | 47,951                 | 3,725          | 1,036          | <b>52,712</b>  | 113                              | 237            | 635            | <b>985</b>    |
| Eastern Europe excluding EU              | 22,790                 | 1,142          | 483            | <b>24,415</b>  | 89                               | 52             | 378            | <b>519</b>    |
| North America                            | 116,712                | 1,970          | 386            | <b>119,068</b> | 76                               | 106            | 114            | <b>296</b>    |
| Latin America and Caribbean              | 9,314                  | 1,154          | 251            | <b>10,719</b>  | 13                               | 18             | 102            | <b>133</b>    |
| Asia-Pacific                             | 40,408                 | 845            | 618            | <b>41,871</b>  | 33                               | 12             | 362            | <b>407</b>    |
| Africa and Middle East                   | 43,260                 | 3,082          | 3,398          | <b>49,740</b>  | 200                              | 205            | 2,429          | <b>2,834</b>  |
| <b>Total</b>                             | <b>858,057</b>         | <b>41,968</b>  | <b>18,742</b>  | <b>918,767</b> | <b>1,372</b>                     | <b>1,785</b>   | <b>9,990</b>   | <b>13,147</b> |

**31.12.2019**

| <i>(In millions of euros)</i>            | <b>Ousting amounts</b> |                |                |                | <b>Impairment and Provisions</b> |                |                |               |
|--|------------------------|----------------|----------------|----------------|----------------------------------|----------------|----------------|---------------|
|  | <b>Stage 1</b>         | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>   | <b>Stage 1</b>                   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>  |
| France                                   | 358,931                | 19,606         | 9,927          | <b>388,464</b> | 421                              | 703            | 4,834          | <b>5,958</b>  |
| Western European countries (excl.France) | 153,418                | 3,680          | 1,911          | <b>159,009</b> | 186                              | 119            | 821            | <b>1,126</b>  |
| Eastern European countries EU            | 48,747                 | 3,358          | 1,012          | <b>53,117</b>  | 93                               | 184            | 639            | <b>916</b>    |
| Eastern Europe excluding EU              | 25,879                 | 518            | 516            | <b>26,913</b>  | 85                               | 25             | 437            | <b>547</b>    |
| North America                            | 108,578                | 411            | 348            | <b>109,337</b> | 37                               | 28             | 49             | <b>114</b>    |
| Latin America and Caribbean              | 10,198                 | 344            | 206            | <b>10,748</b>  | 9                                | 5              | 103            | <b>117</b>    |
| Asia-Pacific                             | 43,174                 | 391            | 230            | <b>43,795</b>  | 16                               | 5              | 191            | <b>212</b>    |
| Africa and Middle East                   | 43,690                 | 1,837          | 3,241          | <b>48,768</b>  | 192                              | 158            | 2,285          | <b>2,635</b>  |
| <b>Total</b>                             | <b>792,615</b>         | <b>30,145</b>  | <b>17,391</b>  | <b>840,151</b> | <b>1,039</b>                     | <b>1,227</b>   | <b>9,359</b>   | <b>11,625</b> |

## Outstanding amounts for which provisions can be booked and provisions by rating of counterparty

| 30.06.2020                    |                     |               |               |                |                           |              |              |               |
|-------------------------------|---------------------|---------------|---------------|----------------|---------------------------|--------------|--------------|---------------|
| <i>(In millions of euros)</i> | Outstanding amounts |               |               |                | Impairment and Provisions |              |              |               |
|                               | Stage 1             | Stage 2       | Stage 3       | Total          | Stage 1                   | Stage 2      | Stage 3      | Total         |
| 1                             | 75,321              | -             | -             | <b>75,321</b>  | 0                         | -            | -            | <b>0</b>      |
| 2                             | 151,394             | 87            | -             | <b>151,481</b> | 3                         | 0            | -            | <b>3</b>      |
| 3                             | 79,018              | 25            | -             | <b>79,043</b>  | 21                        | 0            | -            | <b>21</b>     |
| 4                             | 127,385             | 348           | -             | <b>127,733</b> | 119                       | 4            | -            | <b>123</b>    |
| 5                             | 107,488             | 8,412         | -             | <b>115,900</b> | 334                       | 205          | 0            | <b>539</b>    |
| 6                             | 21,323              | 11,324        | -             | <b>32,647</b>  | 237                       | 590          | 0            | <b>827</b>    |
| 7                             | 1,294               | 3,047         | -             | <b>4,341</b>   | 30                        | 191          | -            | <b>221</b>    |
| Default (8, 9, 10)            | -                   | -             | 9,103         | <b>9,103</b>   | 0                         | 0            | 4,834        | <b>4,834</b>  |
| Other method                  | 294,834             | 18,725        | 9,639         | <b>323,198</b> | 628                       | 795          | 5,156        | <b>6,579</b>  |
| <b>Total</b>                  | <b>858,057</b>      | <b>41,968</b> | <b>18,742</b> | <b>918,767</b> | <b>1,372</b>              | <b>1,785</b> | <b>9,990</b> | <b>13,147</b> |

| 31.12.2019                    |                     |               |               |                |                           |              |              |               |
|-------------------------------|---------------------|---------------|---------------|----------------|---------------------------|--------------|--------------|---------------|
| <i>(In millions of euros)</i> | Outstanding amounts |               |               |                | Impairment and Provisions |              |              |               |
|                               | Stage 1             | Stage 2       | Stage 3       | Total          | Stage 1                   | Stage 2      | Stage 3      | Total         |
| 1                             | 68,702              | -             | -             | <b>68,702</b>  | -                         | -            | -            | <b>-</b>      |
| 2                             | 106,537             | 1             | -             | <b>106,538</b> | 1                         | -            | -            | <b>1</b>      |
| 3                             | 75,750              | 8             | -             | <b>75,758</b>  | 5                         | -            | -            | <b>5</b>      |
| 4                             | 127,321             | 372           | -             | <b>127,693</b> | 34                        | 2            | -            | <b>36</b>     |
| 5                             | 105,472             | 2,252         | -             | <b>107,724</b> | 153                       | 59           | -            | <b>212</b>    |
| 6                             | 22,731              | 5,503         | -             | <b>28,234</b>  | 146                       | 221          | -            | <b>367</b>    |
| 7                             | 812                 | 2,174         | -             | <b>2,986</b>   | 7                         | 137          | -            | <b>144</b>    |
| Default (8, 9, 10)            | -                   | -             | 8,133         | <b>8,133</b>   | -                         | -            | 4,316        | <b>4,316</b>  |
| Other method                  | 285,290             | 19,835        | 9,258         | <b>314,383</b> | 693                       | 808          | 5,043        | <b>6,544</b>  |
| <b>Total</b>                  | <b>792,615</b>      | <b>30,145</b> | <b>17,391</b> | <b>840,151</b> | <b>1,039</b>              | <b>1,227</b> | <b>9,359</b> | <b>11,625</b> |

Credit risk exposures have increased by EUR 79 billion, rising from EUR 840 billion to EUR 919 billion, mainly due to the following:

- the increase in sovereign exposures (EUR +46 billion) is notably linked to an increase in deposits towards Central Bank in France;
- the increase in corporate exposures (EUR +19 billion) is in particular due to State guaranteed loans (EUR +13.5 billion) in France;
- the increase in exposures towards institutions (EUR +9 billion) is mainly driven by the integration of security deposits to CCPs, notably in France and in Asia Pacific.

Impairments and provisions have increased by EUR 1.5 billion, from EUR 11.6 billion to EUR 13.1 billion. This increase is notably linked to the corporate portfolio and is mainly explained by the impact of the current health crisis on the economic situation:

- the increase over Stage 1 and Stage 2 is explained by the update of the IFRS 9 parameters with an impact of EUR 0.6 billion, as well as by the downgrade of ratings;
- the increase over Stage 3 is due to the increase in doubtful loans and to a significant allocation of additional provisions on doubtful loans.