RESULTS AT JUNE 30TH 2020

Press release
Paris, August 3rd 2020

Q2 20 AND H1 20 PERFORMANCE MARKED BY THE COVID CRISIS; REBOUND FROM MID-MAY

French Retail Banking and International Retail Banking activities impacted in the first half of Q2 20; rebound from mid-May
Resilient activities in Insurance, Private Banking and Transaction Banking
Good performance in Financing & Advisory and Fixed Income & Currencies; ongoing unfavourable market conditions for structured products in April and May and gradual recovery from mid-May
Non-cash exceptional items related to the review of the trajectory of Global Markets & Investor Services: impairment of goodwill for EUR -684m and deferred tax assets for EUR -650m
Group net income of EUR -1,264m in Q2 20 (EUR -1,590m in H1 20) and Group net income restated for non-cash exceptional items of EUR +70m in Q2 20

SHARP DECLINE IN COSTS

Decline in operating expenses of -9.6% in Q2 20 and -5.8% in H1 20, reinforcing the objective **of underlying operating expenses of EUR 16.5bn in 2020**
Objective to decrease costs in the medium term

HALF OF THE COST OF RISK IMPACTED BY IFRS9 EFFECTS AND COUNTERPARTY RATING DOWNGRADES

Net cost of risk of EUR 1,279m in Q2 20 (x4 vs. Q2 19), including EUR 653m related to provisions for expected credit losses in Stage 1 and Stage 2; Cost of risk at 81 basis points in H1 20
2020 cost of risk expected to be at the low end of the 70 to 100 basis points range

SOLID CAPITAL AND LIQUIDITY POSITION

CET1 ratio of 12.5%(1) (12.6% pro-forma(2)) at June 30th 2020, i.e. nearly 350 basis points above the regulatory requirement
81% of the financing programme achieved; LCR of 167%(3)
CET1 ratio expected to be at the high-end of the 11.5% to 12% range at end-2020

FINALISATION OF THE STRATEGIC REVIEW OF STRUCTURED PRODUCTS

Maintain a global leadership position in Equity structured products, recognised by our clients, and reduce the associated risk profile; improving the profitability of Global Markets through a reduction in costs of around EUR 450 million by 2022-2023

Frédéric Oudéa, the Group's Chief Executive Officer, commented:
"During the first half of 2020, Societe Generale successfully adapted to the consequences of the health crisis and was therefore able to effectively support its customers and employees, thereby strengthening its position as a trusted partner. While April and May were heavily impacted by the reduction in activity of numerous economies around the world, the rebound in activities from mid-May is very encouraging. Drawing on a very solid capital base and a loan portfolio confirming its intrinsic quality, the Group will continue to adapt its activities to the new post-COVID crisis environment, extending in particular the efforts to reduce costs. The Group is already working on new initiatives to build its next strategic stage (2021-2023) focused around three priority objectives, customer centricity, corporate social responsibility and operational efficiency based on digital technologies."

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*The footnote * in this document corresponds to data adjusted for changes in Group structure and at constant exchange rates*
(1) *including 20 basis points for IFRS9 phasing*
(2) *pro-forma for the announced disposal of SG Finans (+10 basis points)*
(3) *quarterly average*

1. GROUP CONSOLIDATED RESULTS

In EURm	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	**5,296**	**6,284**	**-15.7%**	**-13.5%***	**10,466**	**12,475**	**-16.1%**	**-14.2%***
Operating expenses	**(3,860)**	**(4,270)**	**-9.6%**	**-7.7%***	**(8,538)**	**(9,059)**	**-5.8%**	**-4.0%***
Underlying operating expenses(2)	*(3,984)*	*(4,152)*	*-4.0%*	*-2.0%*	*(8,185)*	*(8,500)*	*-3.7%*	*-1.8%*
Gross operating income	**1,436**	**2,014**	**-28.7%**	**-25.9%***	**1,928**	**3,416**	**-43.6%**	**-41.6%***
Underlying gross operating income(1)	*1,312*	*2,132*	*-38.5%*	*-36.2%*	*2,281*	*3,975*	*-42.6%*	*-40.9%*
Net cost of risk	**(1,279)**	**(314)**	**x 4.1**	**x 4.1***	**(2,099)**	**(578)**	**x 3.6**	**x 3.7***
Operating income	**157**	**1,700**	**-90.8%**	**-90.4%***	**(171)**	**2,838**	**n/s**	**n/s**
Underlying operating income(1)	*33*	*1,836*	*-98.2%*	*-98.2%*	*182*	*3,415*	*-94.7%*	*-94.6%*
Net profits or losses from other assets	**4**	**(80)**	**n/s**	**n/s**	**84**	**(131)**	**n/s**	**n/s**
Underlying net profits or losses from other assets(1)	*4*	*4*	*+0.0%*	*-0.8%*	*161*	*6*	*x 26*	*x 80.3*
Impairment losses on goodwill	**(684)**	**0**	**n/s**	**n/s**	**(684)**	**0**	**n/s**	**n/s**
Income tax	(658)	(390)	**+68.7%**	**-69.4%***	(612)	(645)	**-5.1%**	**+3.0%***
Reported Group net income	**(1,264)**	**1,054**	**n/s**	**n/s**	**(1,590)**	**1,740**	**n/s**	**n/s**
Underlying Group net income(1)	***8***	***1,247***	***-99.3%***	***-99.4%***	***0***	***2,332***	***-100.0%***	***n/s***
ROE	-10.9%	6.9%			-7.2%	5.5%		
ROTE	-6.5%	8.3%			-5.3%	6.9%		
Underlying ROTE (1)	*-1.3%*	*9.7%*			*-1.3%*	*9.1%*		

(1) *Adjusted for exceptional items and linearisation of IFRIC 21*

Societe Generale's Board of Directors, which met on July 31st, 2020 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q2 and H1 2020.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

Q2 2020 was heavily impacted by the Covid-19 global health crisis and its economic consequences. As a result, the Group's net banking income was down -15.7% vs. Q2 19. It was down -16.1% in H1 20 vs. H1 19.

Marked by the lockdown in April and May and the recovery in activity from mid-May, French Retail Banking's net banking income (excluding PEL/CEL provision) was down -13.5% vs. Q2 19 (-10.8% excluding adjustment for tax related to commissions of EUR +61 million in Q2 19) and -7.5% vs. H1 19.

International Retail Banking & Financial Services saw revenues fall by -10.8%* vs. Q2 19 and -4.7%* vs. H1 19. International Retail Banking revenues were 8.9%* lower in Q2 20, reflecting a significant decline in activity in April and May and a rebound in June. Insurance revenues were down -7.9% (-7.1%*) vs. Q2 19 given the unfavourable conditions in the financial markets, while Financial Services to Corporates' revenues were down -20.9% (-17.7%*) vs. Q2 19.

Global Banking & Investor Solutions' net banking income fell by -17.0% in Q2 and by -22.2% in H1 in an exceptional market environment that impacted Global Markets' revenues.

Operating expenses

Operating expenses declined -9.6% in Q2 20 vs. Q2 19, to EUR 3,860 million, and -5.8%, to EUR 8,538 million in H1 20. Underlying costs came to EUR 3,984 million in Q2 20 and EUR 8,185 million in H1 20.

All the businesses saw substantially lower costs in Q2 20: -8.5% in French Retail Banking, -7%* in International Retail Banking & Financial Services and -18.0% in Global Banking & Investor Solutions (-9.2% when restated for the restructuring provision recorded in Q2 19 for EUR 227 million and the increase in the resolution fund of EUR +38 million in Q2 20).

The trend was also downward in H1 20: -5.3% in French Retail Banking, -2.0%* in International Retail Banking & Financial Services and -10.0% in Global Banking & Investor Solutions.

Underlying operating expenses are expected of around EUR 16.5 billion in 2020.

Cost of risk

The Group's commercial cost of risk (expressed as a fraction of outstanding loans) amounted to 97 basis points in Q2 20, higher than in Q1 20 (65 basis points) and Q2 19 (25 basis points), or EUR 1,279 million. The net cost of risk in respect of loans classified in Stage 1 (performing) and Stage 2 (underperforming) amounted to EUR 653 million including EUR 490 million for the impact related to the review of macro-economic scenarios on the estimate of credit losses.

French Retail Banking's cost of risk amounted to 85 basis points. The cost of risk of International Retail Banking & Financial Services and Global Banking & Investor Solutions came to 125 basis points and 95 basis points respectively.

The commercial cost of risk stood at 81 basis points in H1 20 and is expected to be at the bottom of the range of between 70 to 100 basis points for 2020.

The gross doubtful outstandings ratio amounted to 3.2%[1] at June 30th 2020, and 3.1% at March 31st 2020. The Group's gross coverage ratio for doubtful outstandings stood at 54%[2] at June 30th 2020 (55% at March 31st 2020).

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR +4 million in Q2 20 and EUR +84 million in H1 20, including EUR -77 million related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan in Q1 20.

Impairment loss on goodwill/Income tax

The Group recorded two non-cash exceptional items due to the review of the financial trajectory of Global Markets & Investor Services: a EUR -684 million expense in respect of the goodwill impairment of the Global Markets & Investor Services CGU and a EUR -650 million expense in respect of the impairment of deferred tax assets.

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(1) *NPL ratio calculated according to the new EBA methodology*

(2) *Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings*

Group net income

In EURm	Q2 20	Q2 19	H1 20	H1 19
Reported Group net income	(1,264)	1 054	(1,590)	1,740
Underlying Group net income[1]	8	1,247	0	2,332

In %	Q2 20	Q2 19	S1-20	S1-19
ROTE (reported)	-6.5%	8.3%	-5.3%	6.9%
Underlying ROTE[1]	-1.3%	9.7%	-1.3%	9.1%

Earnings per share is negative and amounts to EUR -2.25 in H1 20 (EUR 1.69 in H1 19). Underlying earnings per share comes to EUR -0.38 over the same period.

[1] *Adjusted for exceptional items and the linearisation of IFRIC 21*

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 60.7 billion at June 30th, 2020 (EUR 63.5 billion at December 31st, 2019). Net asset value per share was EUR 61.8 and tangible net asset value per share was EUR 54.3.

The consolidated balance sheet totalled EUR 1,453 billion at June 30th, 2020 (EUR 1,356 billion at December 31st, 2019). The net amount of customer loan outstandings at June 30th, 2020, including lease financing, was EUR 447 billion (EUR 430 billion at December 31st, 2019) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 440 billion, vs. EUR 410 billion at December 31st, 2019 (excluding assets and securities sold under repurchase agreements).

At end-June 2020, the parent company had issued EUR 21.5 billion of medium/long-term debt, having an average maturity of 5.7 years and an average spread of 61 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 551 million. At June 30th, 2020, the Group had issued a total of EUR 22 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 180% at end-Juin 2020, vs. 119% at end-December 2019. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-June 2020.

The Group's **risk-weighted assets** (RWA) amounted to EUR 360.7 billion at June 30th, 2020 (vs. EUR 345.0 billion at end-December 2019) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 80.9% of the total, at EUR 291.9 billion, up 3.3% vs. December 31st, 2019.

At June 30th, 2020, the Group's **Common Equity Tier 1** ratio stood at 12.5% (12.6% pro forma for the announced disposal amounting to 10 basis points), i.e. 350 basis points above the regulatory requirement of 9.05% as at June 30th, 2020. This ratio includes an effect of +20 basis points for phasing of the IFRS 9 impact. Excluding this effect, the ratio amounts to 12.3%. The Tier 1 ratio stood at 14.6% at end-June 2020 (15.1% at end-December 2019) and the total capital ratio amounted to 17.7% (18.3% at end-December 2019). All of the effects in Q2 20 are presented in Appendix 10.

The CET1 ratio is expected to be at the top of the range of between 11.5% and 12% at end-2020.

With a level of 28.5%(1) of RWA and 8.2%(1) of leveraged exposure at end-June 2020, the Group's TLAC ratio is above the FSB's requirements for 2022. At June 30th, 2020, the Group was also above its MREL requirements of 8.51% of the TLOF(2) (which, in December 2017, represented a level of 24.4% of RWA), which were used as a reference for the SRB calibration.

The **leverage ratio** stood at 4.2%(3) at June 30th, 2020 (4.3% at end-December 2019).

The Group is rated by four rating agencies: (i) FitchRatings - long-term rating "A-", rating watch stable, senior preferred debt rating "A", short-term rating "F1"; (ii) Moody's – long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", negative outlook, short-term rating "A-1".

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(1) *Including 2.5% of senior preferred debt*

(2) *Total Liabilities and Own Funds*

(3) *4.4% including the "quick fix" in respect of the exclusion of deposits with central banks announced by the ECB at end-June, not yet applicable (estimation based on deposits with the ECB only)*

3. FRENCH RETAIL BANKING

In EURm	Q2 20	Q2 19	Change	H1 20	H1 19	Change
Net banking income	1,754	1,994	-12.0%	3,634	3,910	-7.1%
Net banking income excl. PEL/CEL	*1,749*	*2,021*	*-13.5%*	*3,654*	*3,949*	*-7.5%*
Operating expenses	(1,233)	(1,348)	-8.5%	(2,683)	(2,834)	-5.3%
Gross operating income	**521**	**646**	**-19.3%**	**951**	**1,076**	**-11.6%**
Gross operating income excl. PEL/CEL	*516*	*673*	*-23.3%*	*971*	*1,115*	*-12.9%*
Net cost of risk	(442)	(129)	+242.6%	(691)	(223)	+209.9%
Operating income	**79**	**517**	**-84.7%**	**260**	**853**	**-69.5%**
Net profits or losses from other assets	5	1	+400,0%	136	2	x 68
Reported Group net income	**60**	**356**	**-83.1%**	**279**	**590**	**-52.7%**
RONE	**2.1%**	**12.6%**		**4.9%**	**10.5%**	
Underlying RONE (1)	**1.4%**	**1.4%**		**6.0%**	**11.5%**	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

After the substantial impact of the lockdown on activity in April and May, French Retail Banking's commercial performance improved from mid-May.

Customers substantially reduced their activity during April and May: accordingly, the level of bank card transactions and corporate credit transfers during this period was well below the average level observed in Q2 2019. Loan production was focused in particular on State Guaranteed Loans (PGE), with a slowdown in production on other categories. Customer activity gradually picked up from mid-May, which resulted in the level of bank card transactions and corporate credit transfers in June close to the monthly average levels in Q2 19.

The networks continued to develop their digital offer in Q2. Societe Generale expanded its offering for Professional and VSE customers, with the acquisition of Shine, the neobank for entrepreneurs. It also launched the third generation of its digital application.

Boursorama consolidated its position as the leading online bank in France, with around 2.37 million clients at end-June 2020 and provided further evidence of the agility of its online banking model with a comprehensive offering. In a crisis environment, the commercial momentum remained robust. Boursorama's contribution to Group net income was positive in Q2, driven by a decline in acquisition costs and a record activity in stock market activity.

Net inflow for wealthy clients remained robust at EUR 1.1 billion in Q2 (EUR 1.6 billion in H1), taking assets under management to EUR 67.3 billion (including Crédit du Nord) at end-June 2020.
Life insurance outstandings totalled EUR 93 billion, with the unit-linked share accounting for 26% of outstandings.
The networks continued to develop their insurance business, with a penetration rate of 21.6% on Personal Protection and 9.8% on Property/Casualty insurance.

Average investment loan outstandings (including leases), largely bolstered by State Guaranteed Loans, rose 16.7% vs. Q2 19 to EUR 81.2 billion (+8.5% excluding State Guaranteed Loans).
Average outstanding loans to individuals were up 7.4% at EUR 122.3 billion: after a sharp decline in consumer and housing loan production in April and May, production was strong from mid-May.
As a result, average loan outstandings climbed 11.2% (+8.3% excluding PGE) vs. Q2 19 to EUR 216.0 billion.

Average outstanding balance sheet deposits[1] were 11.3% higher than in Q2 19 at EUR 228.7 billion, still driven by sight deposits (+18.3% vs. Q2 19)[2].
As a result, the average loan/deposit ratio stood at 94% in Q2 20 (stable vs. Q2 19).

In this exceptional period, French Retail Banking is fully supporting the economy, accompanying individual, corporate and professional customers. The Group was extremely reactive in setting up the State Guaranteed Loan (PGE). As of July 24th, around 86,100 applications had been received for a total amount of EUR 19 billion at Group level.

Net banking income excluding PEL/CEL

Q2 20: revenues (excluding PEL/CEL) totalled EUR 1,749 million, heavily impacted by the effects of the lockdown on customer activity (-13.5% vs. Q2 19; -10.8% excluding adjustment for tax related to commissions of EUR +61 million in Q2 19).
Net interest income (excluding PEL/CEL) was 6.0% lower than in Q2 19 with, in particular, a significant increase in deposits adversely affecting the margin in a low interest rate environment.
Commissions were 14% lower than in Q2 19 (-7.6% excluding adjustment tax related to commissions in Q2 19), driven by the sharp fall in service commissions (-11.6% excluding adjustment for tax related to commissions in Q2 19) against the backdrop of the lockdown, despite the increase in financial commissions (+8.1% vs. Q2 19).
“Other revenues” were lower in Q2 (-71% vs. Q2 19) with, in particular, the impact of the non-payment of Crédit Logement dividends.

H1 20: after a dynamic first few months, revenues were impacted by the effects of Covid-19 and the lockdown measures: revenues (excluding PEL/CEL) totalled EUR 3,654 million, down -7.5% vs. H1 19 and -6.0% excluding adjustment for tax related to commissions of EUR +61 million in H1 19.
Net interest income (excluding PEL/CEL) was 2.4% lower than in H1 19. Commissions were down -8.4% vs. H1 19 (-5.0% excluding adjustment for tax related to commissions in H1 19), with the sharp fall in service commissions against the backdrop of the lockdown more than offsetting the strong increase in financial commissions.

Operating expenses

Q2 20: operating expenses were substantially lower at EUR 1,233 million (-8.5% vs. Q2 19), illustrating the Group’s work to reduce costs despite the increase in regulatory costs. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.9%.

H1 20: operating expenses were lower at EUR 2,683 million (-5.3% vs. H1 19). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.6%.

Cost of risk

Q2 20: the commercial cost of risk amounted to EUR 442 million or 85 basis points, substantially higher than in Q2 19 (27bp) and Q1 20 (49bp). It includes EUR 266 million of S1/S2 (performing/underperforming loans) provisioning and EUR 176 million of S3 (non-performing loans) provisioning. The inclusion of new macro-economic scenarios in accordance with the application of IFRS 9 contributed EUR 179 million to S1/S2 provisioning.

[1] *Including BMTN (negotiable medium-term notes)*
[2] *Including currency deposits*

H1 20: the commercial cost of risk amounted to EUR 691 million or 68 basis points, substantially higher than in H1 19 (23bp).

Net profits or losses from other assets

Q2 20: "Net profits or losses from other assets" amounted to EUR 5 million.

H1 20: "Net profits or losses from other assets" amounted to EUR 136 million including a capital gain of EUR 130 million relating to the Group's property disposal programme carried out in Q1 2020.

Contribution to Group net income

Q2 20: the contribution to Group net income totalled EUR 60 million (-83.1% vs. Q2 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 1.4% in Q2 20 (vs. 12.6% in Q2 19).

H1 20: the contribution to Group net income totalled EUR 279 million (-52.7% vs. H1 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 6.0% in H1 20 (vs. 11.5% in H1 19).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	1,750	2,124	*-17.6%*	*-10.8%**	3,714	4,200	*-11.6%*	*-4.7%**
Operating expenses	(979)	(1,145)	*-14.5%*	*-7.0%**	(2,125)	(2,349)	*-9.5%*	*-2.0%**
Gross operating income	**771**	**979**	***-21.2%***	***-15.1%****	**1,589**	**1,851**	***-14.2%***	***-8.0%****
Net cost of risk	(418)	(133)	*x 3.1*	*x 3.3**	(647)	(261)	*x 2.5*	*x 2.5**
Operating income	**353**	**846**	***-58.3%***	***-54.8%****	**942**	**1,590**	***-40.8%***	***-36.1%****
Net profits or losses from other assets	(1)	0	*n/s*	*n/s*	11	1	*x 11.0*	*n/s*
Reported Group net income	**226**	**515**	***-56.1%***	***-51.6%****	**591**	**979**	***-39.6%***	***-33.7%****
RONE	8.4%	18.6%			11.0%	17.3%		
Underlying RONE (1)	***7.9%***	***18.9%***			***11.6%***	***18.2%***		

(1) *Adjusted for the linearisation of IFRIC 21 and the restructuring provision of EUR 29 million Q2 19.*

In International Retail Banking, outstanding loans totalled EUR 85.8 billion. They rose +3.2%* vs. end-June 2019 when adjusted for changes in Group structure and at constant exchange rates. They were down -6.4% at current structure and exchange rates, given the disposals finalised since June 2019 (SKB in Slovenia, Societe Generale Montenegro, Societe Generale Serbia, Mobiasbanca in Moldova, OBSG in Macedonia and Societe Generale de Banque aux Antilles). April and May were heavily impacted by the lockdown due to Covid-19, but there was a rebound in activity from June. Outstanding deposits climbed +7.1%* (-4.0% at current structure and exchange rates) vs. June 2019 to EUR 80.3 billion, with a healthy momentum in all regions.

For the Europe scope, outstanding loans were up +3.2%* vs. Q2 19, at EUR 53.6 billion (-9.2% at current structure and exchange rates), driven by Western Europe (+3.7%) and the Czech Republic (+3.4%*, -1.6%). Outstanding deposits were up +5.4%* (-10.0% at current structure and exchange rates), with a healthy momentum in the Czech Republic (+6.7%*, +1.5%) and Romania (+4.9%*, +2.6%).

In Russia, outstanding loans rose +1.6%* at constant exchange rates (-7.1% at current exchange rates) while outstanding deposits climbed +11.3%* (+3.5% at current exchange rates).

In Africa, Mediterranean Basin and French Overseas Territories, activity remained generally buoyant, especially in Sub-Saharan Africa. Outstanding loans rose +4.0%* (or +1.5%) vs. Q2 19. Outstanding deposits enjoyed a strong momentum, up +8.2%* (+6.1%).

In the Insurance business, the life insurance savings business saw outstandings increase +1.8%* vs. Q2 19. The share of unit-linked products in outstandings was 30% at end-June 2020, up 1.9 points vs. Q2 19. Protection insurance fell -3.2%* vs. Q2 19. The 6.1%* increase in Property/Casualty premiums was offset by a decline in personal Protection insurance (-8.5%* vs. Q2 19), where a rebound was observable from June.

Financial Services to Corporates delivered a resilient commercial performance. Operational Vehicle Leasing and Fleet Management saw an increase in its vehicle fleet (+3.8% vs. the end-June 2019) to 1.76 million vehicles at end-June 2020. Equipment Finance's outstanding loans were stable* vs. end-June 2019, at EUR 17.7 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 1,750 million in Q2 20, down -10.8%* (-17.6%) vs. Q2 19. Revenues totalled EUR 3,714 million in H1 20, down -4.7%* (-11.6%) vs. H1 19.

In International Retail Banking, net banking income totalled EUR 1,157 million in Q2 20, down -8.9%* (-18.1%) vs. Q2 19, marked by a fall in commissions due to the reduced activity in the lockdown environment and the impact of the decline in rates on net interest margin in the Czech Republic, Romania and Russia. In Africa, Mediterranean Basin and French Overseas Territories, revenues include an impact of EUR -31 million related to repayment moratoriums in Tunisia.
Net banking income amounted to EUR 2,450 million in H1 20, down -3.1%* excluding the structure and exchange rate effects (-12.5%) vs. H1 19.

The Insurance business saw net banking income decrease by -7.1%* to EUR 211 million in Q2 20 (-7.9%), marked by a decline in financial margins in an unfavourable environment in the financial markets. When adjusted for the contribution to the Solidarity Fund in France, it was 4.7%* lower than in Q2 19. Net banking income fell -3.9%* (-4.3%) in H1 20, to EUR 440 million.

Financial Services to Corporates' net banking income was down -17.7%* (-20.9%) vs. Q2 19 at EUR 382 million. ALD revenues included EUR 30 million of additional impairments on residual values and EUR 9.6 million of impairments on used vehicles in Q2 20. When restated for these items, Financial Services to Corporates' revenues were down -8.2%*. Financial Services to Corporates' net banking income totalled EUR 824 million in H1 20, down -9.5%* (-12.4%) vs. H1 19.

Operating expenses

Operating expenses were down -7.0%* (-14.5%), at EUR -979 million, vs. Q2 19, which included a restructuring provision related to the simplification of the head office structure amounting to EUR 29 million. When restated for this provision, operating expenses were down -4.3%* vs. Q2 19, reflecting rigorous cost control. They fell -2.0%* (-9.5%) in the first six months, to EUR 2,125 million. The cost to income ratio stood at 55.9% in Q2 20 and 57.2% in H1 20.

In International Retail Banking, operating expenses were down -2.9%* (-12.8%) vs. Q2 19 and were stable* (-9.7%) vs. H1 19.

In the **Insurance** business, operating expenses rose +4.2%* (+3.7%) vs. Q2 19 to EUR 84 million and +4.0%* (+3.8%) vs. H1 19.

In **Financial Services to Corporates**, operating expenses were down -8.6%* (-12.6%) vs. Q2 19 and -3.0%* (-7.1%) vs. H1 19.

Cost of risk

Q2 20: the commercial cost of risk amounted to 125 basis points (or EUR 418 million), vs. 38 basis points in Q2 19, which included net provision write-backs in the Czech Republic and Romania, and 67 basis points in Q1 20. The Q2 cost of risk includes EUR 144 million for the estimate of expected credit losses in Stage 1 and Stage 2, including EUR 135 million for the impact related to the review of macro-economic scenarios.
H1 20: the cost of risk stood at 96 basis points (EUR 647 million). It was 39 basis points in H1 19.

Contribution to Group net income

The contribution to Group net income totalled EUR 226 million in Q2 20 (-56.1%* vs. Q2 19) and EUR 591 million in H1 20 (-39.6%* vs. H1 19). Underlying RONE stood at 7.9% in Q2 20, vs. 18.9% in Q2 19, and 11.6% in H1 20, vs. 18.2% in H1 19.

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	1,880	2,266	-17.0%	-17.3%*	3,507	4,505	-22.2%	-22.7%*
Operating expenses	(1,570)	(1,915)	-18.0%	-18.2%*	(3,547)	(3,941)	-10.0%	-10.3%*
Gross operating income	**310**	**351**	**-11.7%**	**-12.4%***	**(40)**	**564**	**n/s**	**n/s**
Net cost of risk	**(419)**	(33)	x 12.7	x 13.0*	**(761)**	(75)	x 10.1	x 10.1*
Operating income	**(109)**	**318**	**n/s**	**n/s**	**(801)**	**489**	**n/s**	**n/s**
Reported Group net income	**(67)**	**274**	**n/s**	**n/s**	**(604)**	**414**	**n/s**	**n/s**
RONE	-1.9%	7.1%			-8.6%	5.2%		
Underlying RONE (1)	***-3.3%***	***10.0%***			***-6.2%***	***8.9%***		

(1) Adjusted for the linearisation of IFRIC 21

Finalisation of the strategic review of structured products in Global Markets

The Group has finalised the strategic review carried out in Global Markets on structured products and has set three priorities:

- Maintaining its global leadership role in equity structured products and remaining a major player in investment solutions
- Reducing the risk profile on equity and credit structured products in order to decrease the sensitivity of Global Markets' revenues to market dislocations. This refocusing will have an impact on revenues of between EUR -200 million and EUR -250 million
- Improving the profitability of Global Markets by reducing the breakeven point through a net cost reduction of around EUR -450 million by 2022-2023.

Net banking income

Q2 20: Global Banking & Investor Solutions' revenues were down -17.0% at EUR 1,880 million.
H1 20: when adjusted for the impact of restructuring (activities in the process of being closed or scaled back) completed last year, the revaluation of SIX securities (EUR +66 million in H1) and the disposal of Private Banking in Belgium, net banking income was down -18.7% vs. H1 19 (and -22.2% on a reported basis).

In Global Markets & Investor Services, net income banking totalled EUR 991 million, down -28.1% vs Q2 19 adjusted for restructuring.
In H1 20, when adjusted for restructuring and the revaluation of SIX securities (EUR +34 million in Q1 19), revenues were down -30.8% vs. H1 19.

Fixed Income & Currencies enjoyed an very good Q2, in all regions. When restated for the impact of restructuring, revenues amounted to EUR 700 million and were substantially higher (+38.1%) than in Q2 19. They were driven by the healthy commercial momentum, particularly in financing, and by the exceptional number of primary issues. Flow activities (rates and credit) and emerging market activities continued to benefit from favourable market conditions. The Americas region performed particularly well in Q2 20.
In H1 20, revenues restated for restructuring were up +43.6% at EUR 1,309 million.

Equity net banking income declined by -79.5% vs. Q2 19. In April and May, structured product activities continued to be impacted by the cancellation of dividend payments (loss of EUR 200 million), a still strong correlation and strict production constraints. These activities saw a gradual recovery from mid-May.
Listed product revenues were significantly higher than in Q2 19, driven by flow investment solutions (notably due to EMC activities integration). This increase, combined with the strong performance of

equity flow activities, was not enough to offset the losses recorded on structured products at the beginning of the quarter.

Securities Services' assets under custody amounted to EUR 4,238 billion at end-June 2020, up +3.1% vs. end-March 2020. Over the same period, assets under administration were up +3.5% at EUR 599 billion. Securities Services' revenues totalled EUR 149 million in Q2 20, in line with Q1 20. They were down -16.8% vs. a strong Q2 19.

Financing & Advisory revenues totalled EUR 657 million in Q2 20, up +2.0% vs. Q2 19. They amounted to EUR 1,286 million in H1 20, slightly lower (-1.1%) than in H1 19.
Investment banking enjoyed an excellent quarter, driven by a record number of issues in the debt capital markets and buoyant acquisition financing activity. The Group therefore strengthens its leadership position in the European market.
Financing activities proved resilient in this environment impacted by the crisis. New business remained stable.
After a challenging Q1, the Asset Backed Products platform delivered a good performance in Q2, against the backdrop of a stabilisation in the market environment.
Global Transaction and Payment Services proved resilient in light of the crisis and a significant decline in volumes.

Asset and Wealth Management's net banking income totalled EUR 232 million in Q2 20, slightly higher (+0.4%) than in Q2 19.
In H1 20, when adjusted in Q1 19 for the revaluation of SIX securities (EUR +32 million) and for the disposal of Private Banking in Belgium, net banking income was 2.9% higher.

Private Banking posted a robust performance in Q2 20, driven by good transactional revenues in France and positive net inflow. Net banking income amounted to EUR 187 million in Q2 20, up +6.9% vs. Q2 19 (and +6.3% vs. Q1 20). Assets under management increased by +2.4% vs. March 2020, to EUR 114 billion. Private Banking posted net inflow of EUR 1.5 billion in H1 20, driven by France. Net banking income amounted to EUR 363 million in H1 20, up +5.5% vs. H1 19, when adjusted for the disposal of Private Banking in Belgium and the revaluation of SIX securities.

Lyxor posted a performance down -21.6% in Q2 20, impacted by the challenging market conditions. Lyxor's assets under management totalled EUR 132 billion at end-June 2020, an increase of +5.1% vs. March 2020. Lyxor is the first provider to launch an ETF ecosystem to tackle climate change, which further strengthens its leadership status in the Green Bonds segment.
Revenues were 5.3% lower in H1 20 than in H1 19, impacted by market effects on equity indices.

Operating expenses

Q2 20: when restated for the increase in the resolution fund (EUR +38 million) and the restructuring provision, recorded in Q2 19 for EUR 227 million, operating expenses were down -9.2% vs. Q2 19.
H1 20: restated operating expenses were down -6.8%.

Net cost of risk

Q2 20: the commercial cost of risk amounted to 95 basis points (or EUR 419 million), vs. 87 basis points in Q1 20 and 8 basis points in Q2 19. The Q2 cost of risk includes EUR 240 million related to Stages 1 and 2 (with EUR 176 million related to the review of macro-economic scenarios on the estimate of credit losses) and EUR 178 million related to Stage 3.
H1 20: the cost of risk amounted to 91 basis points (EUR 761 million).

Contribution to Group net income

The contribution to Group net income amounted to EUR -67 million in Q2 20 and to EUR -604 million in H1 20. Underlying RONE is negative on H1 20.

6. CORPORATE CENTRE

In EURm	Q2 20	Q2 19	H1 20	H1 19
Net banking income	(88)	(100)	(389)	(140)
Operating expenses	(78)	138	(183)	65
Gross operating income	**(166)**	**38**	**(572)**	**(75)**
Net cost of risk	-	(19)	-	(19)
Net profits or losses from other assets	-	(81)	(77)	(134)
Impairment losses on goodwill	(684)	-	(684)	-
Income tax	(598)	7	(450)	63
Reported Group net income	**(1,483)**	**(91)**	**(1,856)**	**(243)**

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR -88 million in Q2 20 vs. EUR -100 million in Q2 19 and EUR -389 million in H1 20 vs. EUR -140 million in H1 19.

Operating expenses totalled EUR -78 million in Q2 20 vs. EUR +138 million in Q2 19, which included an operating tax adjustment for EUR +241 million. They amounted to EUR -183 million in H1 20 vs. EUR +65 million in H1 19.

Gross operating income totalled EUR -166 million in Q2 20 vs. EUR +38 million in Q2 19 and EUR -572 million in H1 20 vs. EUR -75 million in H1 19.

Net profits or losses from other assets was nil in Q2 20 and amounted to EUR -77 million in H1 20, related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan in Q1 20.

The review of the financial trajectory of Global Markets & Investor Services resulted in the impairment of the associated goodwill for EUR -684 million and deferred tax assets for EUR -650 million.

The Corporate Centre's contribution to Group net income was EUR -1,483 million in Q2 20 vs. EUR -91 million in Q2 19 and EUR -1,856 million in H1 20 vs. EUR -243 million in H1 19.

7. CONCLUSION

During H1 20, Societe Generale demonstrated its ability to absorb the impacts of the crisis due to the quality of its asset portfolio and the robustness of its balance sheet with, in particular, a capital level of 12.5%, or 350 basis points above the regulatory requirement.

Drawing on this solid base, the Group will continue to adapt its activities to the new post-COVID crisis environment, particularly in structured products, as well as its efforts to reduce costs in 2020 and in the medium term, through structural initiatives.

Accordingly, in 2020 the Group anticipates:

- underlying costs of around EUR 16.5 billion, substantially lower than in 2019 (EUR 17.4 billion)
- a cost of risk at the bottom of the range of between 70 to 100 basis points
- a CET1 ratio at the top of the range of between 11.5% and 12.0% at end-2020

Finally, Societe Generale is already preparing its 2021-2023 strategic plan based around its three priority objectives:

- further improving its capacity to place the customer at the centre of its activities
- ramping up our commitment in responsible finance to strengthen its leadership position
- increasing operational efficiency with the support of digital technologies

8. 2020 FINANCIAL CALENDAR

2020 Financial communication calendar

November 5th, 2020	Third quarter and nine-month 2020 results
February 10th, 2021	Fourth quarter and FY 2020 results
May 6th, 2021	First quarter 2021 results
August 3rd, 2021	Second quarter and first half 2021 results
November 4th, 2021	Third quarter and nine-month 2021 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.
These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.
These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:
- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.
More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Universal Registration Document filed with the French Autorité des Marchés Financiers.
Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME AFTER TAX BY CORE BUSINESS

In EURm	Q2 20	Q2 19	Change	H1 20	H1 19	Change
French Retail Banking	60	356	-83.1%	279	590	-52.7%
International Retail Banking & Financial Services	226	515	-56.1%	591	979	-39.6%
Global Banking & Investor Solutions	(67)	274	n/s	(604)	414	n/s
Core Businesses	219	1,145	-80.9%	266	1,983	-86.6%
Corporate Centre	(1,483)	(91)	n/s	(1,856)	(243)	n/s
Group	(1,264)	1,054	n/s	(1,590)	1,740	n/s

CONSOLIDATED BALANCE SHEET

	30.06.2020	31.12.2019
Central banks	144,417	102,311
Financial assets at fair value through profit or loss	419,147	385,739
Hedging derivatives	21,845	16,837
Financial assets measured at fair value through other comprehensive income	55,606	53,256
Securities at amortised cost	14,877	12,489
Due from banks at amortised cost	55,292	56,366
Customer loans at amortised cost	458,500	450,244
Revaluation differences on portfolios hedged against interest rate risk	470	401
Investment of insurance activities	163,219	164,938
Tax assets	5,052	5,779
Other assets	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 assets	29,812	30,652
Goodwill	4,045	4,627
Total	**1,453,372**	**1,356,303**

	30.06.2020	31.12.2019
Central banks	2,980	4,097
Financial liabilities at fair value through profit or loss	405,113	364,129
Hedging derivatives	12,705	10,212
Debt securities issued	136,261	125,168
Due to banks	121,542	107,929
Customer deposits	444,470	418,612
Revaluation differences on portfolios hedged against interest rate risk	8,629	6,671
Tax liabilities	1,239	1,409
Other liabilities	94,115	85,062
Non-current liabilities held for sale	928	1,333
Liabilities related to insurance activities contracts	140,701	144,259
Provisions	4,348	4,387
Subordinated debts	14,662	14,465
Total liabilities	**1,387,693**	**1,287,733**
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks, equity instruments and capital reserves	30,115	31,102
Retained earnings	32,457	29,558
Net income	(1,590)	3,248
Sub-total	**60,982**	**63,908**
Unrealised or deferred capital gains and losses	(323)	(381)
Sub-total equity, Group share	**60,659**	**63,527**
Non-controlling interests	5,020	5,043
Total equity	**65,679**	**68,570**
Total	**1,453,372**	**1,356,303**

10. APPENDIX 2: METHODOLOGY

1 – The financial information presented in respect of Q2 and H1 2020 was examined by the Board of Directors on July 31st, 2020 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. The limited review procedures carried out by the Statutory Auditors are in progress on the condensed interim consolidated financial statements as at June 30th, 2020.

2 – Net banking income
The pillars' net banking income is defined on page 43 of Societe Generale's 2020 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 – Operating expenses
Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31st, 2019 (pages 423 et seq. of Societe Generale's 2020 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses.
The Cost/Income Ratio is defined on page 43 of Societe Generale's 2020 Universal Registration Document.

4 - IFRIC 21 adjustment
The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.
Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q2 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
Reported	**(3,860)**	**(1,279)**	**4**	**(684)**	**(658)**	**(1,264)**	
(+) IFRIC 21 linearisation	*(124)*				*58*	*(62)*	
*(-) Goodwill impairment**				*(684)*		*(684)*	*Corporate Centre*
*(-) DTA impairment**					*(650)*	*(650)*	*Corporate Centre*
Underlying	**(3,984)**	**(1,279)**	**4**	**0**	**50**	**8**	

H1 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
Reported	**(8,538)**	**(2,099)**	**84**	**(684)**	**(612)**	**(1,590)**	
(+) IFRIC 21 linearisation	*353*				*(166)*	*179*	
*(-) Group refocusing plan**			*(77)*		*0*	*(77)*	*Corporate Centre*
*(-) Goodwill impairment**				*(684)*		*(684)*	*Corporate Centre*
*(-) DTA impairment**					*(650)*	*(650)*	*Corporate Centre*
Underlying	**(8,185)**	**(2,099)**	**161**	**0**	**(128)**	**0**	

Q2 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
Reported	**(4,270)**	**(314)**	**(80)**	**1,054**	
(+) IFRIC 21 linearisation	*(138)*			*(101)*	
*(-) Restructuring provision**	*(256)*			*(192)*	*GBIS (EUR -227m) / IBFS (EUR -29m)*
*(-) Group refocusing plan**		*(18)*	*(84)*	*(102)*	*Corporate Centre*
Underlying	**(4,152)**	**(296)**	**4**	**1,247**	

H1 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
Reported	**(9,059)**	**(578)**	**(131)**	**1,740**	
(+) IFRIC 21 linearisation	*303*			*222*	
*(-) Restructuring provision**	*(256)*			*(192)*	*GBIS (EUR -227m) / IBFS (EUR -29m)*
*(-) Group refocusing plan**		*(18)*	*(137)*	*(177)*	*Corporate Centre*
Underlying	**(8,500)**	**(560)**	**6**	**2,332**	

(*) exceptional item

6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 45 and 574 of Societe Generale's 2020 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q2 20	Q2 19	H1 20	H1 19
French Retail Banking	Net Cost Of Risk	442	129	691	223
	Gross loan Outstandings	207,517	192,896	204,328	192,159
	Cost of Risk in bp	**85**	**27**	**68**	**23**
International Retail Banking and Financial Services	Net Cost Of Risk	418	133	647	261
	Gross loan Outstandings	133,475	139,634	134,941	134,747
	Cost of Risk in bp	**125**	**38**	**96**	**39**
Global Banking and Investor Solutions	Net Cost Of Risk	419	33	761	75
	Gross loan Outstandings	175,673	164,162	166,868	164,512
	Cost of Risk in bp	**95**	**8**	**91**	**9**
Corporate Centre	Net Cost Of Risk	0	19	0	19
	Gross loan Outstandings	10,292	8,705	10,001	8,977
	Cost of Risk in bp	**3**	**86**	**3**	**42**
Societe Generale Group	Net Cost Of Risk	1,279	314	2,099	578
	Gross loan Outstandings	526,958	505,397	516,138	500,395
	Cost of Risk in bp	**97**	**25**	**81**	**23**

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 45 and 46 of Societe Generale's 2020 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 46 of Societe Generale's 2020 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

ROTE calculation: calculation methodology

End of period	Q2 20	Q2 19	H1 20	H1 19
Shareholders' equity Group share	**60,659**	**62,492**	**60,659**	**62,492**
Deeply subordinated notes	(8,159)	(9,861)	(8,159)	(9,861)
Undated subordinated notes	(283)	(280)	(283)	(280)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	20	(39)	20	(39)
OCI excluding conversion reserves	(834)	(636)	(834)	(636)
Dividend provision		(717)		(717)
ROE equity end-of-period	**51,403**	**50,959**	**51,403**	**50,959**
Average ROE equity	**52,388**	**50,250**	**52,830**	**49,842**
Average Goodwill	(4,270)	(4,541)	(4,416)	(4,619)
Average Intangible Assets	(2,417)	(2,194)	(2,393)	(2,194)
Average ROTE equity	**45,701**	**43,515**	**46,021**	**43,029**
Group net Income (a)	**(1,264)**	**1,054**	**(1,590)**	**1,740**
Underlying Group net income (b)	**8**	**1,247**	**0**	**2,332**
Interest on deeply subordinated notes and undated subordinated notes (c)	(161)	(192)	(320)	(357)
Cancellation of goodwill impairment (d)	684	41	684	108
Ajusted Group net Income (e) = (a)+ (c)+(d)	**(741)**	**903**	**(1,227)**	**1,491**
Ajusted Underlying Group net Income (f)=(b)+(c)	**(153)**	**1,056**	**(321)**	**1,975**
Average ROTE equity (g)	**45,701**	**43,515**	**46,021**	**43,029**
ROTE [quarter: (4*e/g), 6M: (2*e/g)]	-6.5%	8.3%	-5.3%	6.9%
Average ROTE equity (underlying) (h)	**46,973**	**43,612**	**47,611**	**43,325**
Underlying ROTE [quarter: (4*f/h), 6M: (2*f/h)]	-1.3%	9.7%	-1.3%	9.1%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	T2-20	T2-19	Variation	S1-20	S1-19	Variation
French Retail Banking	**11,460**	11,306	+1.4%	**11,321**	11,281	+0.4%
International Retail Banking & Financial Services	**10,820**	11,051	-2.1%	**10,708**	11,336	-5.5%
Global Banking & Investor Solutions	**14,453**	15,543	-7.0%	**14,024**	16,064	-12.7%
Core Businesses	**36,733**	37,900	-3.1%	**36,053**	38,681	-6.8%
Corporate Centre	**15,655**	12,350	+26.8%	**16,777**	11,162	+50.3%
Group	**52,388**	50,250	+4.3%	**52,830**	49,842	+6.0%

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 48 of the Group's 2020 Universal Registration Document. The items used to calculate them are presented below:

End of period	H1 20	Q1 20	2019	H1 19
Shareholders' equity Group share	**60,659**	**62,580**	**63,527**	**62,492**
Deeply subordinated notes	(8,159)	(8,258)	(9,501)	(9,861)
Undated subordinated notes	(283)	(288)	(283)	(280)
Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	20	1	4	(39)
Bookvalue of own shares in trading portfolio	335	381	375	431
Net Asset Value	**52,572**	**54,416**	**54,122**	**52,743**
Goodwill	(3,928)	(4,611)	(4,510)	(4,548)
Intangible Assets	(2,458)	(2,376)	(2,362)	(2,226)
Net Tangible Asset Value	**46,186**	**47,429**	**47,250**	**45,969**
Number of shares used to calculate NAPS**	**851,133**	**851,133**	**849,665**	**844,026**
Net Asset Value per Share	**61.8**	**63.9**	**63.7**	**62.5**
Net Tangible Asset Value per Share	**54.3**	**55.7**	**55.6**	**54.5**

*** The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.*
In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 47 of Societe Generale's 2020 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 47 of Societe Generale's 2020 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).
The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	H1 20	Q1 20	2019	H1 19
Existing shares	**853,371**	**853,371**	**834,062**	**821,189**
Deductions				
Shares allocated to cover stock option plans and free shares awarded to staff	2,728	2,972	4,011	4,214
Other own shares and treasury shares			149	249
Number of shares used to calculate EPS**	**850,643**	**850,399**	**829,902**	**816,726**
Group net Income	**(1,590)**	**(326)**	**3,248**	**1,740**
Interest on deeply subordinated notes and undated subordinated notes	(320)	(159)	(715)	(357)
Capital gain net of tax on partial buybacks				
Adjusted Group net income	**(1,910)**	**(485)**	**2,533**	**1,383**
EPS (in EUR)	**-2.25**	**-0.57**	**3.05**	**1.69**
Underlying EPS* (in EUR)	**-0.38**	**-0.07**	**4.03**	

* Excluding exceptional items and including linearisation of the IFRIC 21 effect.
** The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 - The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The fully-loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

Table of the change in the CET1 ratio in the quarter

In bp	
CET1 as at 31/3/2020	**12.6%**
Own funds evolution	**-7bp**
Organic RWAs change* of which	**-15bp**
RWAs of businesses	+2bp
Non-guaranteed part of State-Guaranteed loans	-4bp
Rating migration	-8bp
Corporates credit line drawdowns	-5bp
SME supporting factor	**+14bp**
Effect of waiting period on State-guaranteed loans (based on an assumption of a final loan guarantee rate of approximately 90%)	**-27bp**
Quick fix BCE Of which	**+12bp**
VaR/sVaR multiplicator	+7bp
PVA transitional provision	+5bp
CET1 as at 30/06/2020	**12.3%**
Phasing IFRS 9	+20bp
CET1 as at 30/06/2020 including IFRS9 phasing	**12,5%**

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 138,000 members of staff in 62 countries and supports on a daily basis 29 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking which encompasses the Societe Generale**, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates,** with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

For more information, you can follow us on Twitter @societegenerale or visit our website www.societegenerale.com

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30.06.2020 | CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited figures)

CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In millions of euros)		30.06.2020	31.12.2019
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
Total		**1,453,372**	**1,356,303**

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In millions of euros)		30.06.2020	31.12.2019
Due to central banks		2,980	4,097
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	405,113	364,129
Hedging derivatives	Notes 3.2 and 3.4	12,705	10,212
Debt securities issued	Notes 3.6 and 3.9	136,261	125,168
Due to banks	Notes 3.6 and 3.9	121,542	107,929
Customer deposits	Notes 3.6 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
Total liabilities		**1,387,693**	**1,287,733**
Shareholders' equity			
Shareholders' equity, Group share			
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
Sub-total		**60,982**	**63,908**
Unrealised or deferred capital gains and losses		(323)	(381)
Sub-total equity, Group share		**60,659**	**63,527**
Non-controlling interests		5,020	5,043
Total equity		**65,679**	**68,570**
Total		**1,453,372**	**1,356,303**

CONSOLIDATED INCOME STATEMENT

(In millions of euros)		1st half of 2020	2019	1st half of 2019
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
o/w net gains and losses on financial instruments at fair value through profit or loss		*765*	*4,343*	*2,289*
o/w net gains and losses on financial instruments at fair value through other comprehensive income		*25*	119	101
o/w net gains and losses from the derecognition of financial instruments at amortised cost		*(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)
Net banking income		**10,466**	**24,671**	**12,475**
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)
Gross operating income		**1,928**	**6,944**	**3,416**
Cost of risk	Note 3.8	(2,099)	(1,278)	(578)
Operating income		**(171)**	**5,666**	**2,838**
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)	-	-
Earnings before tax		**(766)**	**5,210**	**2,722**
Income tax	Note 6	(612)	(1,264)	(645)
Consolidated net income		**(1,378)**	**3,946**	**2,077**
Non-controlling interests		212	698	337
Net income, Group share		**(1,590)**	**3,248**	**1,740**
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

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

(In millions of euros)	Shareholders' equity Group share						Non-controlling interests	Total consolidated shareholder's equity
	Issued common stocks and capital reserves	Other equity instruments	Retained earnings	Net income, Group share	Unrealised and deferred gains and losses	Total		
At 1 January 2019	**20,746**	**9,110**	**32,199**	**-**	**(1,029)**	**61,026**	**4,783**	**65,809**
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)
Sub-total of changes linked to relations with shareholders	***1,008***	***490***	***(2,159)***	***-***	-	***(661)***	***(414)***	***(1,075)***
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
Sub-total	***-***	***(1)***	***2***	***1,740***	***386***	***2,127***	***358***	***2,485***
At 30 June 2019	**21,754**	**9,599**	**30,042**	**1,740**	**(643)**	**62,492**	**4,727**	**67,219**
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)
Sub-total of changes linked to relations with shareholders	***215***	***(467)***	***(429)***	***-***	-	***(681)***	***(54)***	***(735)***
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)
Sub-total	***-***	***1***	***(55)***	***1,508***	***262***	***1,716***	***370***	***2,086***
At 31 December 2019	**21,969**	**9,133**	**29,558**	**3,248**	**(381)**	**63,527**	**5,043**	**68,570**
Allocation to retained earnings	6	-	3,229	(3,248)	13	-	-	-
At 1 January 2020	**21,975**	**9,133**	**32,787**	**-**	**(368)**	**63,527**	**5,043**	**68,570**
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
Sub-total of changes linked to relations with shareholders	***109***	***(1,102)***	***(308)***	***-***	-	***(1,301)***	***(125)***	***(1,426)***
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)
Sub-total	***-***	***-***	***(22)***	***(1,590)***	***45***	***(1,567)***	***102***	***(1,465)***
At 30 June 2020	**22,084**	**8,031**	**32,457**	**(1,590)**	**(323)**	**60,659**	**5,020**	**65,679**

CASH FLOW STATEMENT

(In millions of euros)	1st half of 2020	2019	1st half of 2019
Consolidated net income (I)	**(1,378)**	**3,946**	**2,077**
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)
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	**5,441**	**3,532**	**(564)**
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
Net increase / decrease in cash related to operating assets and liabilities (III)	**50,881**	**2,926**	**1,371**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**54,944**	**10,404**	**2,884**
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)
Net cash inflow (outflow) related to investment activities (B)	**(4,629)**	**(6,976)**	**(2,621)**
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
Net cash inflow (outflow) related to financing activities (C)	**(331)**	**2,010**	**1,857**
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	222	1,386	719
Net inflow (outflow) of cash and cash equivalents (A) + (B) + (C) + (D)	**50,206**	**6,824**	**2,839**
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)
Cash and cash equivalents at the start of the year	**108,480**	**101,656**	**101,656**
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)
Cash and cash equivalents at the end of the year	**158,686**	**108,480**	**104,495**
Net inflow (outflow) of cash and cash equivalents	**50,206**	**6,824**	**2,839**

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

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:

2020	• Amendments to IFRS 16 "Leases" Covid-19 related rent concessions
2022	• Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts - Cost of fulfilling a contract • Annual improvements to IFRS standards 2018 - 2020
2023	• IFRS 17 "Insurance contracts"

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.

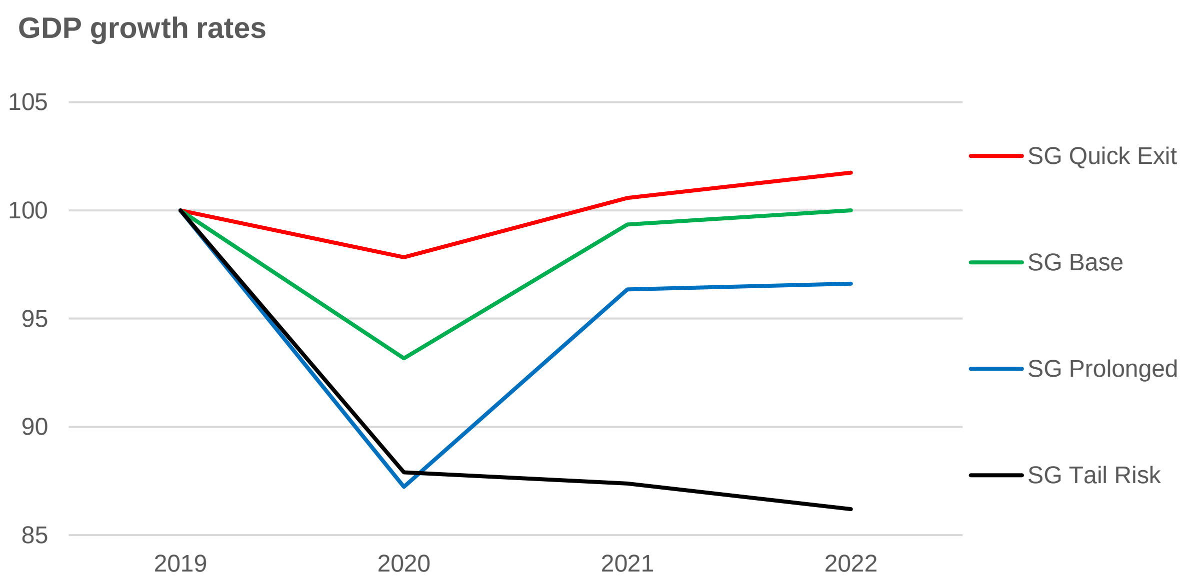
On 31 December 2019, to assess credit losses, the Group used three scenarios which were weighted as follows: 74% for the central scenario, 16% for the stressed scenario, and 10% for the optimistic scenario. On 30 June 2020, the magnitude of the crisis led the Group to build four new macroeconomic scenarios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



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

SG Quick Exit scenario	**2020**	**2021**	**2022**	**2023**
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

SG Base scenario	**2020**	**2021**	**2022**	**2023**
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

SG Prolonged scenario	**2020**	**2021**	**2022**	**2023**
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

SG Tail Risk scenario	**2020**	**2021**	**2022**	**2023**
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

NOTE 2.1 - CONSOLIDATION SCOPE

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

The main change to the consolidation scope as at 30 June 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:

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

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:

Assumptions as at 30 June 2020	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale network and Crédit du Nord	7.9%	1.5%
International Retail Banking and Financial Services		
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%
Global Banking and Investor Solutions		
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:

French Retail Banking	
Societe Generale Network and Crédit du Nord	▪ 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 ▪ Confirmation of Boursorama's customer acquisition plan
International Retail Banking & Financial Services	
Europe	▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations ▪ Strict discipline applied to operating expenses and normalisation of the cost of risk
Russia	▪ Continued development of activities in Russia ▪ Strict discipline applied to the operating expenses and cost of risk
Africa, Mediterranean Basin and Overseas	▪ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ▪ Continued focus on operating efficiency
Insurance	▪ 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
Equipment and Vendor Finance	▪ Consolidation of the leadership in these corporate financing businesses ▪ Restoration of profitability by continuing to focus on activities with the best risk/reward ▪ Strict discipline applied to operating expenses
Auto Leasing Financial Services	▪ 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 ▪ Continued focus on operating efficiency
Global Banking and Investor Solutions	
Global Markets and Investor Services	▪ 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 ▪ 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 ▪ Continuation of the optimisation measures and investments in IT
Financing and Advisory	▪ Continuation of the origination momentum of financing activities ▪ Consolidation of market-leading franchises (commodity and structured financing) ▪ Gradual normalization of cost of risk despite challenging economic conditions
Asset and Wealth Management	▪ Consolidation of commercial and operational efficiency in Wealth Management in a constrained environment and continued development of synergies with retail bank network ▪ Integration of Commerzbank Asset Management activities

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

	30.06.2020		31.12.2019	
(In millions of euros)	Assets	Liabilities	Assets	Liabilities
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
Total	**419,147**	**405,113**	**385,739**	**364,129**
o/w securities purchased/sold under resale/repurchase agreements	*119,170*	*113,627*	*111,818*	*97,895*

1. TRADING PORTFOLIO

ASSETS

(In millions of euros)	30.06.2020	31.12.2019
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 [1]	169,488	135,849
Other trading assets	-	182
Total	**393,756**	**358,033**
o/w securities lent	*9,865*	*13,349*

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In millions of euros)	30.06.2020	31.12.2019
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 (1)	176,676	138,120
Other trading liabilities	1,251	1,372
Total	**333,774**	**281,246**

(1) See Note 3.2 Financial derivatives.

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

(In millions of euros)	30.06.2020	31.12.2019
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
Total	**24,172**	**24,977**

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

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

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

ASSETS

(In millions of euros)	30.06.2020	31.12.2019
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
Total	**1,219**	**2,729**

LIABILITIES

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

	30.06.2020		**31.12.2019**	
(In millions of euros)	Fair value	Amount redeemable at maturity	Fair value	Amount redeemable 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

	30.06.2020		31.12.2019	
(In millions of euros)	**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
Total	**169,488**	**176,676**	**135,849**	**138,120**

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)

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

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

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

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)

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

(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

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

1. DEBT INSTRUMENTS

CHANGES OF THE PERIOD

(In millions of euros)	2020
Balance as at 1 January	**53,012**
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)
Balance as at 30 June	**55,348**

UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

(In millions of euros)	30.06.2020	31.12.2019
Unrealised gains	445	391
Unrealised losses	(217)	(186)
Total	**228**	**205**

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

	30.06.2020				31.12.2019			
(In millions of euros)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio	**81,245**	**137,959**	**5,064**	**224,268**	**89,037**	**129,130**	**4,017**	**222,184**
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
Trading derivatives	**64**	**163,188**	**6,236**	**169,488**	**191**	**132,572**	**3,086**	**135,849**
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
Financial assets measured mandatorily at fair value through profit or loss	**215**	**19,715**	**4,242**	**24,172**	**350**	**21,746**	**2,881**	**24,977**
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
Financial assets measured using fair value option through profit or loss	**3**	**1,151**	**65**	**1,219**	**1,296**	**1,320**	**113**	**2,729**
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
Hedging derivatives	**-**	**21,845**	**-**	**21,845**	**-**	**16,837**	**-**	**16,837**
Interest rate instruments	-	21,492	-	21,492	-	16,785	-	16,785
Foreign exchange instruments	-	353	-	353	-	50	-	50
Equity and index instruments	-	-	-	-	-	2	-	2
Financial assets measured at fair value through other comprehensive income	**54,485**	**860**	**261**	**55,606**	**51,730**	**1,282**	**244**	**53,256**
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
Total	**136,012**	**344,718**	**15,868**	**496,598**	**142,604**	**302,887**	**10,341**	**455,832**

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	30.06.2020				31.12.2019			
(In millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	**5,935**	**150,134**	**1,029**	**157,098**	**5,001**	**136,800**	**1,325**	**143,126**
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
Trading derivatives	**102**	**168,987**	**7,587**	**176,676**	**216**	**132,371**	**5,533**	**138,120**
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
Financial liabilities measured using fair value option through profit or loss	**-**	**33,911**	**37,428**	**71,339**	**-**	**38,160**	**44,723**	**82,883**
Hedging derivatives	**-**	**12,705**	**-**	**12,705**	**-**	**10,212**	**-**	**10,212**
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
Total	**6,037**	**365,737**	**46,044**	**417,818**	**5,217**	**317,543**	**51,581**	**374,341**

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In millions of euros)	Balance as at 31.12.2019	Acqui-sitions	Disposals / redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 30.06.2020
Trading portfolio	**4,017**	**2,973**	**(673)**	**(956)**	**318**	**(573)**	**(1)**	**(41)**	**5,064**
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	-	-	-	-	-	-	-	-	-
Trading derivatives	**3,086**	**146**	**(16)**	**(1,835)**	**3,213**	**1,650**	**(8)**	**-**	**6,236**
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)	-	-	-
Financial assets measured mandatorily at fair value through profit or loss	**2,881**	**224**	**(37)**	**-**	**1,437**	**(328)**	**(3)**	**68**	**4,242**
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
Financial assets measured using fair value option through profit or loss	**113**	**117**	**(84)**	**(100)**	**-**	**31**	**-**	**(12)**	**65**
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	-	-	-	-	-	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets measured at fair value option through other comprehensive income	**244**	**-**	**-**	**-**	**-**	**17**	**-**	**-**	**261**
Debt instruments	-	-	-	-	-	-	-	3	3
Equity instruments	244	-	-	-	-	17	-	(3)	258
Loans and receivables	-	-	-	-	-	-	-	-	-
Total	**10,341**	**3,460**	**(810)**	**(2,891)**	**4,968**	**797**	**(12)**	**15**	**15,868**

FINANCIAL LIABILITIES AT FAIR VALUE

(In millions of euros)	Balance as at 31.12.2019	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance as at 30.06.2020
Trading portfolio	**1,325**	**462**	**(392)**	**(180)**	**-**	**(182)**	**(4)**	**-**	**1,029**
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	136	-	-	(26)	-	(28)	(4)	-	78
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Borrowings and securities sold under repurchase agreements	1,189	462	(392)	(154)	-	(157)	-	-	948
Other trading liabilities	-	-	-	-	-	3	-	-	3
								-	
Trading derivatives	**5,533**	**718**	**(108)**	**(2,230)**	**3,359**	**325**	**(1)**	**(9)**	**7,587**
Interest rate instruments	3,293	34	-	(2,053)	2,009	620	24	(9)	3,918
Foreign exchange instruments	115	-	-	(28)	14	40	-	-	141
Equity and index 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 instruments	-	-	-	-	-	-	-	-	-
								-	
Financial liabilities measured using fair value option through profit or loss	**44,723**	**12,922**	**(12,626)**	**(8,942)**	**6,947**	**(5,550)**	**(34)**	**(12)**	**37,428**
								-	
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
								-	
Total financial liabilities at fair value	**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 for each input taken individually, whereas it was until now assessed by family of inputs with homogeneous characteristics, and new inputs have been included into the analysis. These changes, aiming at extending and improving the system by measuring observability at a finer 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, the use of an unobservable input to calculate the fair value of an instrument automatically 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.

(In millions of euros)	Value in the balance sheet						
Cash instruments and derivatives [(1)]	**Assets**	**Liabilities**	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of inputs min & max**	
Equities / funds	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%
Credit	970	316	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%	100%
					Recovery rate variance for single name underlyings	0%	100%
			Other credit derivatives	Credit default models	Time to default correlations	0%	100%
					Quanto correlations	-50%	40%
					Credit spreads	0 bps	1 000 bps
Commodities	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	-	-
Total	**15,868**	**46,044**					

(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	
(In millions of euros)	**Negative impact**	**Positive impact**	**Negative impact**	**Positive impact**
Shares and other equity instruments and derivatives	**(63)**	**182**	**(9)**	**79**
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
Rates or Forex instruments and derivatives	**(8)**	**34**	**(6)**	**43**
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
Credit instruments and derivatives	**0**	**8**	**(3)**	**13**
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
Commodity derivatives	**0**	**0**	**0**	**1**
Commodities correlations	0	0	0	1
Long term securities	**NA**	**NA**	**NA**	**NA**

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as at the computation date 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.

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

NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES AT AMORTISED COST

OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST

	30.06.2020		31.12.2019	
(In millions of euros)	**Carrying amount**	*o/w impairment*	**Carrying amount**	*o/w impairment*
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)*
Total	**528,669**	***(12,043)***	**519,099**	***(10,761)***

1. DUE FROM BANKS

(In millions of euros)	30.06.2020	31.12.2019
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
Due from banks before impairments [(1)]	**55,273**	**56,360**
Credit loss impairment	(29)	(24)
Revaluation of hedged items	48	30
Total	**55,292**	**56,366**

(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

(In millions of euros)	30.06.2020	31.12.2019
Overdrafts	19,925	19,181
Other customer loans (1)	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
Customer loans before impairments (2)	**470,037**	**460,587**
Credit loss impairment	(12,004)	(10,727)
Revaluation of hedged items	467	384
Total	**458,500**	**450,244**

(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

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

NOTE 3.6 - DEBTS

1. DUE TO BANKS

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

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

2. CUSTOMER DEPOSITS

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

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

3. DEBT SECURITIES ISSUED

(In millions of euros)	30.06.2020	31.12.2019
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
Total	**136,261**	**125,168**
o/w floating-rate securities	*58,914*	*49,343*

NOTE 3.7 - INTEREST INCOME AND EXPENSE

(In millions of euros)	**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
Central banks	*78*	*(39)*	*39*	*427*	*(181)*	*246*	*247*	*(93)*	*154*
Bonds and other debt securities	*174*	*(872)*	*(698)*	*318*	*(2,096)*	*(1,778)*	*212*	*(1,089)*	*(877)*
Due from/to banks	*498*	*(512)*	*(14)*	*1,010*	*(1,632)*	*(622)*	*587*	*(886)*	*(299)*
Customer loans and deposits	*5,438*	*(1,162)*	*4,276*	*12,053*	*(3,123)*	*8,930*	*6,087*	*(1,599)*	*4,488*
Subordinated debt	*-*	*(251)*	*(251)*	*-*	*(516)*	*(516)*	*-*	*(276)*	*(276)*
Securities lending/borrowing	*3*	*(6)*	*(3)*	*10*	*(6)*	*4*	*2*	*(2)*	*-*
Repo transactions	*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
Real estate lease agreements	*90*	*(21)*	*69*	*189*	*(43)*	*146*	*95*	*(22)*	*73*
Non-real estate lease agreements	*488*	*-*	*488*	*989*	*(1)*	*988*	*486*	*-*	*486*
Subtotal interest income/expense on financial instruments using the effective interest method	**10,607**	**(5,366)**	**5,241**	**23,270**	**(12,527)**	**10,743**	**11,657**	**(6,288)**	**5,369**
Financial instruments mandatorily at fair value through profit or loss	226	-	226	442	-	442	201	-	201
Total Interest income and expense	**10,833**	**(5,366)**	**5,467**	**23,712**	**(12,527)**	**11,185**	**11,858**	**(6,288)**	**5,570**
o/w interest income from impaired financial assets	*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

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 whithout 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

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

(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

(In millions of euros)	**Amount as at 31.12.2019**	Allocations	Write-backs available	**Net impairment losses**	**Write-backs used**	**Currency and scope effects**	**Amount as at 30.06.2020**
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	1	-	-	-		-	1
Impairment on under-performing outstandings (Stage 2)	-	-	-	-		-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	-	8
Total	**9**	**-**	**-**	**-**	**-**	**-**	**9**
Financial assets measured at amortised cost							
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
Total	**10,976**	**4,898**	**(2,963)**	**1,935**	**(474)**	**(128)**	**12,309**
o/w lease financing and similar agreements	***742***	***217***	***(96)***	***121***	***(22)***	***(18)***	***823***
Impairment on performing outstandings (Stage 1)	*90*	*34*	*(18)*	*16*		*(2)*	*104*
Impairment on under-performing outstandings (Stage 2)	*91*	*79*	*(27)*	*52*		*(6)*	*137*
Impairment on doubtful outstandings (Stage 3)	*561*	*104*	*(51)*	*53*	*(22)*	*(10)*	*582*

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

(In millions of euros)	Amount as at 31.12.2019	Production & Acquisition	Dere-cognition (1)	Transfer between stages of impairment	Other variations	Amount as at 30.06.2020
Financial assets at fair value through other comprehensive income						
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
Total	**9**	**-**	**-**	**-**	**-**	**9**
Financial assets at amortised cost						
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)	**9,032**	**59**	**(598)**	**641**	**503**	**9,637**
Total	**10,976**	**657**	**(895)**	**925**	**646**	**12,309**
o/w lease financing and similar agreements	***742***	***24***	***53***	***46***	***(42)***	***823***
Impairment on performing outstandings (Stage 1)	*90*	*12*	*-*	*(8)*	*10*	*104*
Impairment on under-performing outstandings (Stage 2)	*91*	*10*	*2*	*28*	*6*	*137*
Impairment on doubtful outstandings (Stage 3)	*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

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

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

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

(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

(In millions of euros)	**1st half of 2020**	**2019**	**1st half of 2019**
Net allocation to impairment losses	(1,935)	(1,202)	(535)
On financial assets at fair value through other comprehensive income	-	*2*	*2*
On financial assets at amortised cost	*(1,935)*	*(1,204)*	*(537)*
Net allocations to provisions	(200)	12	15
On financing commitments	*(94)*	*47*	*22*
On guarantee commitments	*(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 (1)	60	20	-
Total	**(2,099)**	**(1,278)**	**(578)**

(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

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

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

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	30.06.2020	
(In millions of euros)	**Carrying amount**	**Fair value**
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
Total	**716,935**	**717,173**

	31.12.2019	
(In millions of euros)	**Carrying amount**	**Fair value**
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
Total	**666,174**	**666,834**

NOTE 4 - OTHER ACTIVITIES

NOTE 4.1 - FEE INCOME AND EXPENSE

(In millions of euros)	1st half of 2020			2019			1st half of 2019		
	Income	Expense	Net	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**80**	**(62)**	**18**	**157**	**(149)**	**8**	**76**	**(73)**	**3**
Transactions with customers	**1,402**	**-**	**1,402**	**3,072**	**-**	**3,072**	**1,540**	**-**	**1,540**
Financial instruments transactions	**1,179**	**(1,230)**	**(51)**	**2,261**	**(2,351)**	**(90)**	**1,100**	**(1,148)**	**(48)**
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
Loan and guarantee commitments	**379**	**(123)**	**256**	**772**	**(213)**	**559**	**385**	**(99)**	**286**
Various services	**1,250**	**(502)**	**748**	**2,806**	**(1,098)**	**1,708**	**1,433**	**(545)**	**888**
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)
Total	**4,290**	**(1,917)**	**2,373**	**9,068**	**(3,811)**	**5,257**	**4,534**	**(1,865)**	**2,669**

NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

	1st half of 2020			2019			1st half of 2019		
(In millions of euros)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
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 (1)	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)
Total	**5,403**	**(4,594)**	**809**	**11,629**	**(9,785)**	**1,844**	**5,632**	**(4,682)**	**950**

(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

1. INSURANCE CONTRACTS RELATED LIABILITIES

BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

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

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In millions of euros)	30.06.2020	31.12.2019
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
Total	**136,718**	**140,155**
Attributable to reinsurers	(749)	(750)
Underwriting reserves of insurance net of the share attributable to reinsurers	**135,969**	**139,405**

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

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

(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).

	30.06.2020					
	Carrying amount			Fair value		
(In millions of euros)	Basic instruments	Other instruments	**Total**	Basic instruments	Other instruments	**Total**
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
Total financial investments	**75,121**	**87,553**	**162,674**	**75,294**	**87,625**	**162,919**

	31.12.2019					
	Carrying amount			Fair value		
(In millions of euros)	Basic instruments	Other instruments	**Total**	Basic instruments	Other instruments	**Total**
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
Total financial investments	**75,246**	**89,116**	**164,362**	**75,451**	**89,232**	**164,683**

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	30.06.2020			
(In millions of euros)	**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
Total	**141,027**	**15,068**	**584**	**156,679**

	31.12.2019			
(In millions of euros)	**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
Total	**143,346**	**14,363**	**614**	**158,323**

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In millions of euros)	2020
Balance as at 1st January	**91,899**
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)
Balance as at 30 June	**92,014**

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		
(In millions of euros)	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**626**	**(30)**	**596**
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		
(In millions of euros)	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	**556**	**(30)**	**526**
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).

(In millions of euros)	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) (1)	(5,185)	(15,736)	(7,721)
Other net technical income (expense)	91	(182)	(112)
Net income of insurance activities	**1,038**	**1,925**	**898**
Funding costs	(3)	(5)	(2)
Net banking income of insurance companies	**1,035**	**1,920**	**896**

(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

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

(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

(In millions of euros)	30.06.2020	31.12.2019
Guarantee deposits received (1)	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 (2)	11,893	13,194
Miscellaneous payables - insurance	9,097	8,980
Total	**94,115**	**85,062**

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

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

NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

1. PERSONNEL EXPENSES

(In millions of euros)	1st half of 2020	2019	1st half of 2019
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)
Total	**(4,497)**	**(9,955)**	**(5,091)**
Including net expenses from share - based payments	*(60)*	*(171)*	*(58)*

2. DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In millions of euros)	Provisions as at 31.12.2019	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions as at 30.06.2020
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**
Total	**2,416**	**135**	**(57)**	**78**	**(134)**	**(29)**	**7**	**2,338**

3. DESCRIPTION OF THE 2020 SHARE-BASED PAYMENT PLANS

2020 SOCIETE GENERALE FREE SHARES PLAN [1]

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 [2]	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 (1)

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

(In millions of euros)	1st half of 2020	2019	1st half of 2019
Current taxes	(380)	(968)	(582)
Deferred taxes	(232)	(296)	(63)
Total	**(612)**	**(1,264)**	**(645)**

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.

(In millions of euros)	1st half of 2020	2019	1st half of 2019
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	**(87)**	**5,339**	**2,707**
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)%
Group effective tax rate	**43.25%**	**23.67%**	**23.81%**

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

2. TAX ASSETS AND LIABILITIES

TAX ASSETS

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

TAX LIABILITIES

(In millions of euros)	30.06.2020	31.12.2019
Current tax liabilities	387	602
Provisions for tax adjustments	95	101
Deferred tax liabilities	757	706
Total	**1,239**	**1,409**

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:

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

(In millions of euros)	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)
Total	**22,084**	**21,969**

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	30.06.2020	31.12.2019
Ordinary shares	853,371,494	853,371,494
Including treasury stock with voting rights (1)	*2,238,415*	*3,706,880*
Including shares held by employees	*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:

(In millions of euros)	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

(In millions of euros)	1st half of 2020	2019	1st half of 2019
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)
Net income attributable to ordinary shareholders	**(1,910)**	**2,536**	**1,383**
Weighted average number of ordinary shares outstanding (1)	850,643,440	829,901,725	816,726,466
Earnings per ordinary share (in euros)	**(2.25)**	**3.05**	**1.69**
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
Diluted earnings per ordinary share (in euros)	**(2.25)**	**3.05**	**1.69**

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

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

	Global Banking and Investor Solutions											
	Global Markets and Investors Services			Financing and Advisory			Asset and Wealth Management			Total		
(In millions of euros)	1st half of 2020	2019	1st half of 2019 [(6)]	1st half of 2020	2019	1st half of 2019 [(6)]	1st half of 2020	2019	1st half of 2019	1st half of 2020	2019	1st half of 2019
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 [(2)]	(2,303)	(4,788)	(2,611)	(843)	(1,676)	(866)	(401)	(888)	(464)	(3,547)	(7,352)	(3,941)
Gross operating income	**(544)**	**422**	**108**	**443**	**871**	**434**	**61**	**59**	**22**	**(40)**	**1,352**	**564**
Cost of risk	(29)	(13)	(3)	(715)	(195)	(78)	(17)	2	6	(761)	(206)	(75)
Operating income	**(573)**	**409**	**105**	**(272)**	**676**	**356**	**44**	**61**	**28**	**(801)**	**1,146**	**489**
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	-	-	-	-	-	-	-	-	-	-	-	-
Earnings before tax	**(555)**	**417**	**110**	**(273)**	**675**	**355**	**44**	**63**	**28**	**(784)**	**1,155**	**493**
Income tax	113	(89)	(26)	91	(70)	(35)	(9)	(15)	(7)	195	(174)	(68)
Consolidated net income	**(442)**	**328**	**84**	**(182)**	**605**	**320**	**35**	**48**	**21**	**(589)**	**981**	**425**
Non-controlling interests	14	20	10	-	-	0	1	3	1	15	23	11
Net income, Group share	**(456)**	**308**	**74**	**(182)**	**605**	**320**	**34**	**45**	**20**	**(604)**	**958**	**414**

(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.

(In millions of euros)	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
Segment assets	1,453,372	1,356,303	254,572	232,648	137,778	115,555
Segment liabilities (1)	1,387,693	1,287,733	254,056	225,848	117,514	107,558

(In millions of euros)	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
Segment assets	125,255	122,695	42,453	43,730	165,698	167,249	333,406	333,674
Segment liabilities (1)	92,062	89,754	13,698	13,980	152,777	156,212	258,537	259,946

(In millions of euros)	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
Segment assets	563,270	505,413	128,727	133,132	35,619	35,881	727,616	674,426
Segment liabilities (1)	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

(In millions of euros)	1st half of 2020	2019	1st half of 2019
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)
Total	**(3,294)**	**(6,285)**	**(3,243)**

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

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

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

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

NOTE 9 - INFORMATION ON RISKS AND LITIGATION

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

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

- On 24 October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to the bank. On 19 March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23 September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'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.

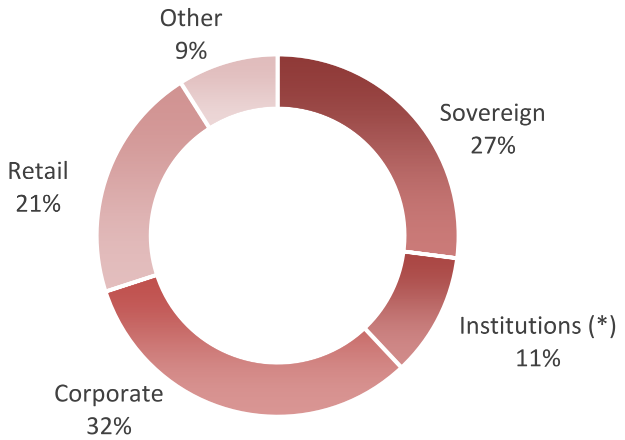
This note presents the risks associated with financial instruments and the way in which the Group manages them.

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.

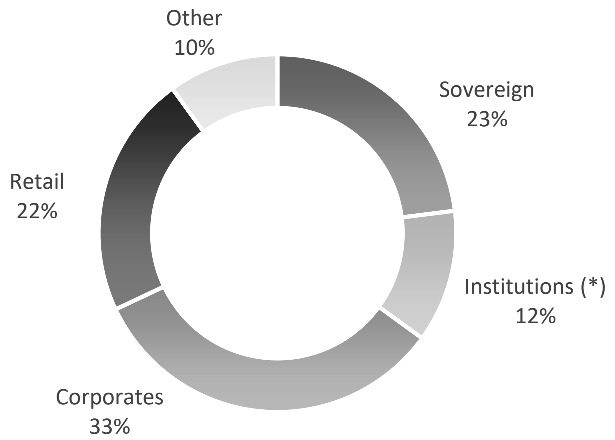
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 30 JUNE 2020

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



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

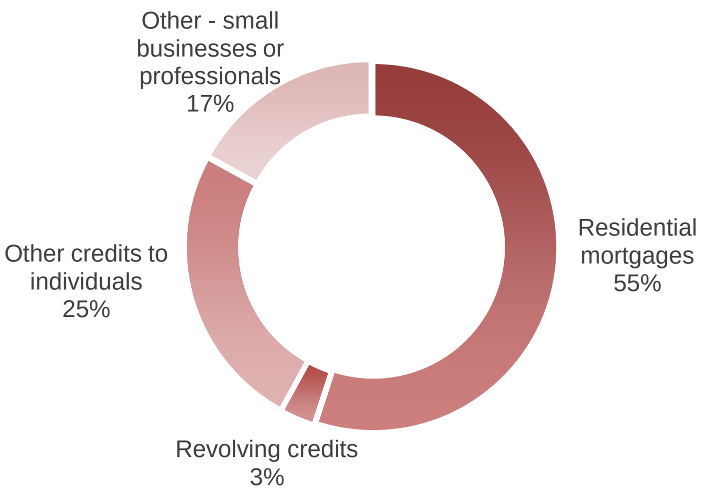
On- and off-balance sheet exposures (EUR 918 billion in EAD)



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

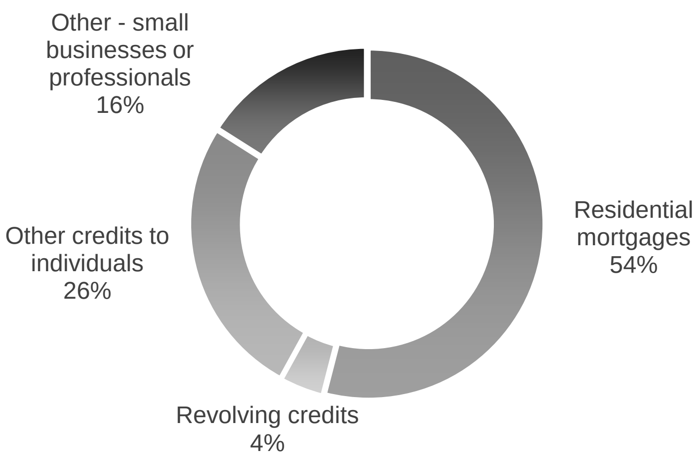
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 30 JUNE 2020

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

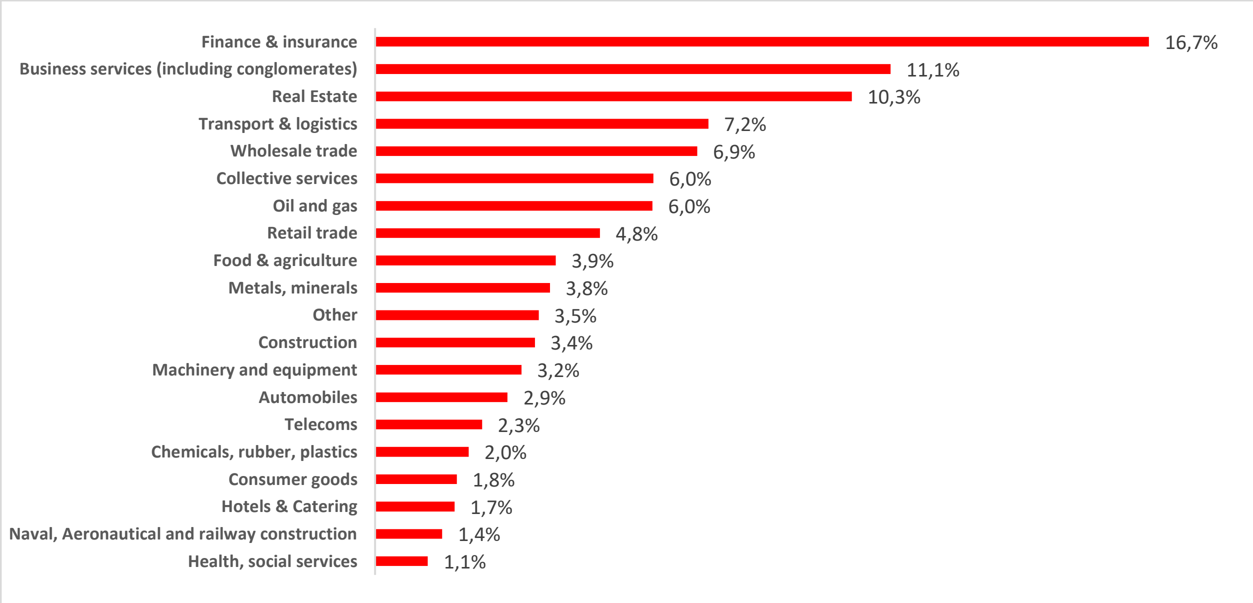


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AS AT 31 DECEMBER 2019

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



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

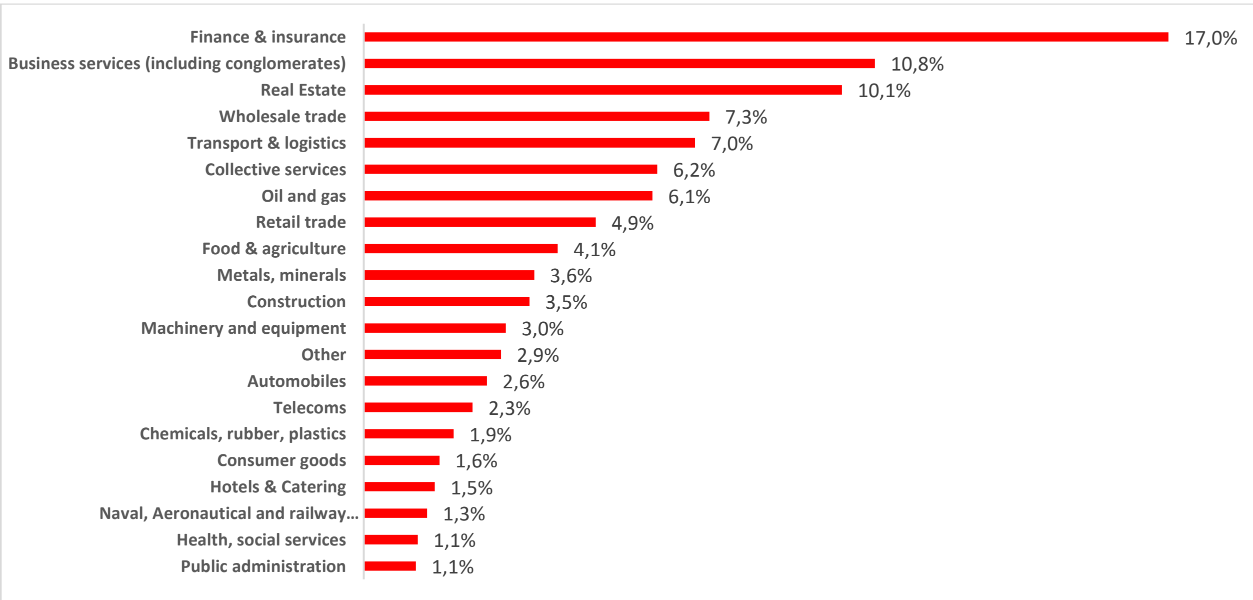


(1) of which 0.7% of the Group's total maritime transport exposures.

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.

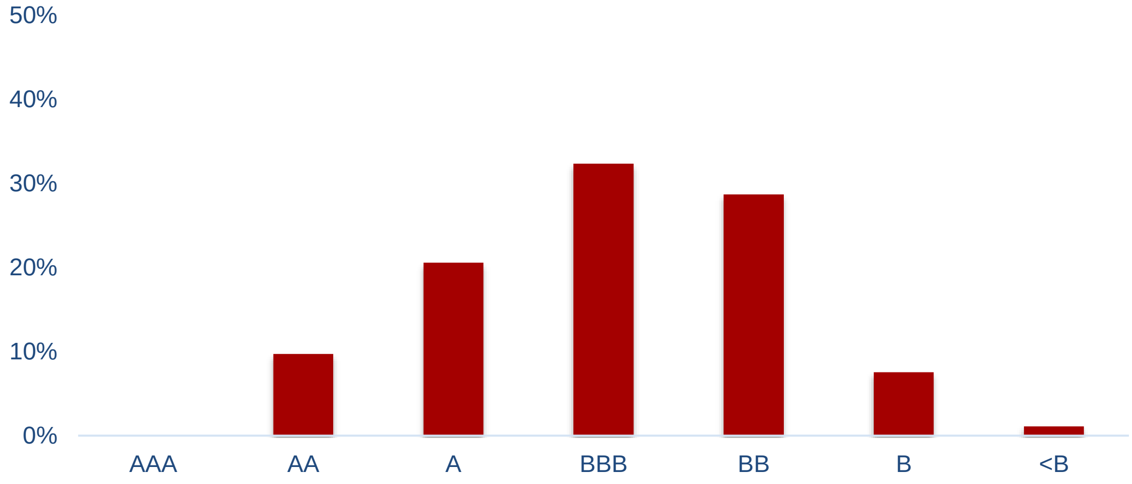
GROUP CORPORATE EXPOSURE BY SECTOR AS AT 31 DECEMBER 2019 (BASEL PORTFOLIO)



CORPORATE AND BANK CLIENTS EXPOSURE

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

As % of EAD

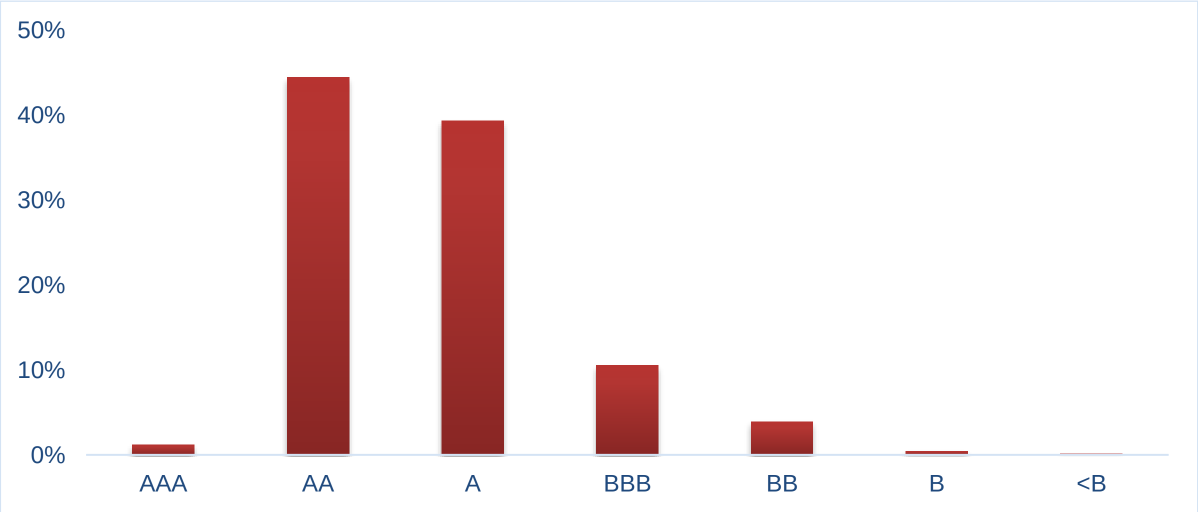


Regarding Corporate clients, the scope consists of the performing loans recorded under the IRB approach (excluding the prudential classification criterion, by weight, of specialized financing) in the entire Corporate clients portfolio, all divisions combined, and represents a EUR 276 billion EAD (out 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

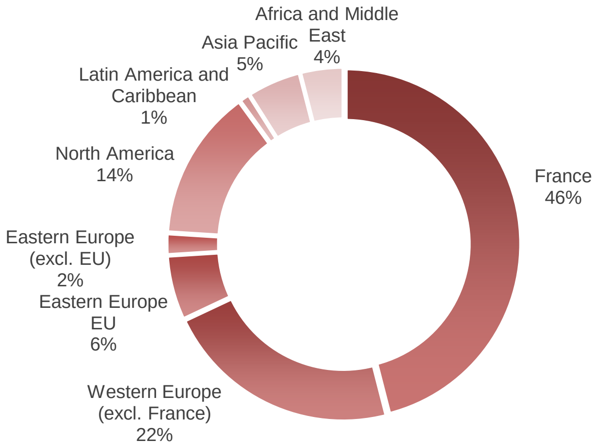


Regarding banking clients, the scope consists of the performing loans recorded under the IRB approach in the entire banking clients portfolio, all divisions combined, and represents a EUR 65 billion EAD (out of a EUR 107 billion total EAD for the Banks Basel portfolio, Standardized approach included). 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)

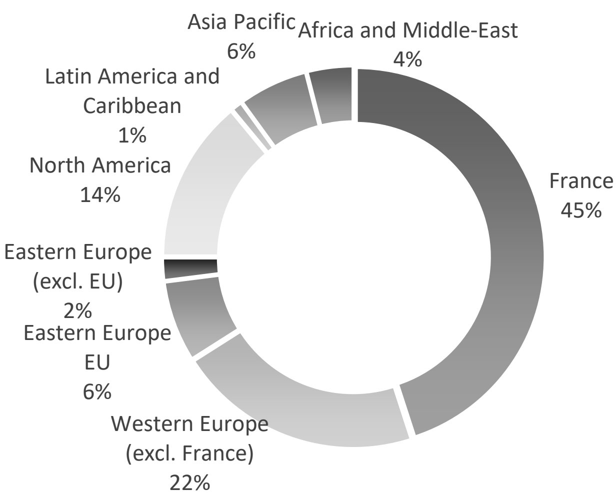
On- and off-balance sheet exposures (EUR 990 billion in EAD)



As at 30 June 2020, 90% of the Group's on- and off-balance sheet exposure is concentrated in the major industrialized countries[(1)]. 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

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

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

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

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

	30.06.2020							
	Oustanding amounts				Impairment and Provisions			
(In millions of euros)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
France	415,856	23,343	10,219	**449,418**	584	912	5,020	**6,516**
Western European countries (excl.France)	161,766	6,707	2,351	**170,824**	264	243	950	**1,457**
Eastern European countries EU	47,951	3,725	1,036	**52,712**	113	237	635	**985**
Eastern Europe excluding EU	22,790	1,142	483	**24,415**	89	52	378	**519**
North America	116,712	1,970	386	**119,068**	76	106	114	**296**
Latin America and Caribbean	9,314	1,154	251	**10,719**	13	18	102	**133**
Asia-Pacific	40,408	845	618	**41,871**	33	12	362	**407**
Africa and Middle East	43,260	3,082	3,398	**49,740**	200	205	2,429	**2,834**
Total	**858,057**	**41,968**	**18,742**	**918,767**	**1,372**	**1,785**	**9,990**	**13,147**

	31.12.2019							
	Oustanding amounts				Impairment and Provisions			
(In millions of euros)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
France	358,931	19,606	9,927	**388,464**	421	703	4,834	**5,958**
Western European countries (excl.France)	153,418	3,680	1,911	**159,009**	186	119	821	**1,126**
Eastern European countries EU	48,747	3,358	1,012	**53,117**	93	184	639	**916**
Eastern Europe excluding EU	25,879	518	516	**26,913**	85	25	437	**547**
North America	108,578	411	348	**109,337**	37	28	49	**114**
Latin America and Caribbean	10,198	344	206	**10,748**	9	5	103	**117**
Asia-Pacific	43,174	391	230	**43,795**	16	5	191	**212**
Africa and Middle East	43,690	1,837	3,241	**48,768**	192	158	2,285	**2,635**
Total	**792,615**	**30,145**	**17,391**	**840,151**	**1,039**	**1,227**	**9,359**	**11,625**

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

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

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

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.

Declaración de los auditores externos de Société Générale

Los suscritos, en su carácter de Socios y representantes legales de ERNST & YOUNG et Autres y DELOITTE & ASSOCIES, auditores conjuntos de Société Générale (Garante del programa de SGFP México, S.A. de C.V., el "**Garante**"), manifestamos bajo protesta de decir verdad, que hemos realizado una revisión limitada de los estados financieros consolidados semestrales condensados de Société Générale para el período del 1 de enero al 30 de junio de 2020, según se establece en nuestro reporte con fecha 5 de agosto de 2020 (el "**Reporte de Revisión Limitada**"), que se han incluido en el presente reporte de información financiera complementaria de SGFP México, S.A. de C.V., y cuya traducción al español ha sido certificada por perito traductor, de conformidad con las normas profesionales de auditoría aplicables en Francia.

Nuestro consentimiento para la inclusión de nuestro Reporte de Revisión Limitada en este reporte de información financiera complementaria no deberá ser interpretado como la reexpedición de dicho reporte. Hacemos notar que no hemos realizado auditoría o revisión alguna a los estados financieros consolidados de Société Générale con respecto a periodos posteriores al terminado el 30 de junio de 2020.

Asimismo, manifestamos que hemos leído el presente reporte de información financiera complementaria y, basado en su lectura y dentro del alcance del trabajo de revisión limitada realizado, no tenemos conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros consolidados semestrales condensados no auditados, señalados en el primer párrafo, ni de información del Garante que haya sido omitida o falseada en este reporte de información financiera complementaria, o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, no fuimos contratados para realizar, y no realizamos procedimientos adicionales con el objeto de expresar una opinión respecto de la otra información contenida en el reporte de información financiera complementaria que no provenga de los estados financieros consolidados semestrales condensados del Garante.

Micha Missakian
Socio y Representante Legal
ERNST & YOUNG et Autres

Jean-Marc Mickeler
Socio y Representante Legal
DELOITTE & ASSOCIES

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September 1, 2020

We, ERNST & YOUNG et Autres and DELOITTE & ASSOCIES, in our capacity as external auditors (as such term is defined in Article 2 of the General provisions applicable to entities and securities issuers supervised by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, the "***CNBV***") that hire independent audit services of their basic financial statements) published in the Official Federal Gazette on April 26, 2018 (as amended, the "**External Audit General Provisions**") and as statutory auditors under French law of Société Générale ("**SG**" or the "**Guarantor**"), make reference to:

(i) the revolving issuance program of SGFP México, S.A. de C.V. ("**SG Mexico**") in an aggregated principal amount of up to Ps.$23,000,000,000.00 (Twenty three billion Pesos 00/100, Mexican currency) or its equivalent in investment units (*unidades de inversión*) or foreign currencies which allows *(a)* the public, restricted public and without means of public offering issuance of long-term debt certificates in the form of *certificados bursátiles; (b)* the public, restricted public and without means of public offering issuance of short and long-term debt structured certificates in the form of *certificados bursátiles estructurados* (defined as *valores estructurados* on the General Provisions) (along with (a) above, the "**Certificates**"), and *(c)* the public, restricted public and without means of public offering issuance of warrants (*títulos opcionales* as defined under the Securities Market Law or *Ley del Mercado de Valores*) (the "**Warrants**") listed in the Mexican Stock Exchange and registered in Mexico, whereas SG Mexico may issue Certificates and Warrants from time to time during a 5 (five) year, counted as of the authorization date, May 4, 2017 (the "**Program**") and granted with a guarantee from the Guarantor.

(ii) the supplementary report with respect to the period from January 1 to June 30, 2020 (the "**Supplementary Report**") that must be prepared and published by SG Mexico in accordance with Article 33, section 1, paragraph b, subsection 1 of the General Provisions Applicable to Issuers of Securities and Other Securities Market Participants issued by the CNBV (the "**General Provisions**") and in the prospectuses, informative memorandums and/or supplements prepared by SG Mexico pursuant to Article 2, section 1, paragraph m) of the General Provisions (the "**Offering Documents**") and in connection with the Program.

We issue this letter in respect of the unaudited condensed half-yearly consolidated financial statements of the Guarantor as of and for the period from January 1 to June 30, 2020. We issue this letter at the request of the Guarantor for purposes of Articles 37 and 39 of the External Auditors General Provisions and Article 84 Bis of the General Provisions. As required thereunder, we hereby declare under oath the following:

I. We are independent from SG (a) under Article 6 and 7 of the External Audit General Provisions, except for (i) Article 7 of the External Audit General Provisions, as French regulation related to Public Interest Entities provides for mandatory rotation of audit firms every ten years, extendable to sixteen years in case of tender organized after the initial ten years or twenty-four years in case of joint audit and, in both cases, accompanied with a four-year cooling-off period as well as a mandatory signing partner rotation every six fiscal years with a three-year cooling-off period which differs from the requirements of Article 7 of the External Audit General Provisions, and (ii) the paragraph X of Article 6 of the External Audit General Provisions, as French statutory auditors have to comply with the French Code of Professional Ethics rather than the Mexican Code of Professional Ethics of the Mexican Institute of Public Accountants, and (b) as required by the laws of the French Republic and under the applicable professional rules of the "*Compagnie Nationale des Commissaires aux Comptes*" (National Statutory Auditors Association).

II. To the extent permissible under French law, we hereby grant our consent to provide the CNBV with any information it requires to verify our independence from SG.

III. For the purpose of the Articles 4 and 5 of the External Audit General Provisions we confirm that as at June 30, 2020, DELOITTE & ASSOCIES was in the eighteenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the ninth year, provided that, we are subject to and we have been in compliance with the French Code of Professional Ethic, in the understanding that such French Code of Professional Ethics contains provisions similar to those contained in Articles 4 and 5 of the External Audit General Provisions that we must comply with.

IV. We have documental evidence and records of the implementation of the quality control system equivalent to those set forth in Article 9 of the External Audit General Provisions, pursuant to French regulation, and we also participate in a quality evaluation program in France equivalent to the evaluations that adjust to the requirements set forth in Article 12 of the External Audit General Provisions.

V. We hereby commit to maintain physically and/or through electromagnetic means and for a period of no less than 5 (five) years, in our respective offices, all the documentation, information and other elements documenting and/or supporting the audit in accordance with French generally accepted auditing standards ("**French

GAAS") and the conclusions reported in our statutory auditors' review report with respect to the unaudited condensed half-yearly consolidated financial statements of SG as of and for the period from January 1 to June 30, 2020, and, to the extent permissible under French law, to provide the CNBV with such documentation when so requested.

VI. We hereby grant our consent to the inclusion and/or incorporation by reference in the Supplementary Report and the Offering Documents in connection with the Program, of our statutory auditors' review report dated August 5, 2020 (the "**Review Report**") issued in accordance with French GAAS with respect to the condensed half-yearly consolidated financial statements of SG as of and for the period from January 1 to June 30, 2020, which translation to Spanish has been certified by an official authorized translator in Mexico, and the references to our names in the form and context in which they are included.

The foregoing is on the understanding that we first verified that the information contained in the condensed half-yearly consolidated financial statements of the Guarantor included in the Supplementary Report, as well as any other financial information included in such report the source of which is the referred condensed half-yearly consolidated financial statements of the Guarantor or the Review Report thereon, agrees with the reviewed information, in order that such information be available for the investors

Our consent for the incorporation by reference and/or inclusion of our Review Report in the Supplementary Report and the Offering Documents in connection with the Program shall not be construed as a re-issuance of the Review Report and we accept no responsibility for the Review Report beyond that owed to those to whom it was addressed by us at the date of its issuance.

It should be noted that we have not conducted any audit or review of the financial statements of SG for any period subsequent to that ended June 30, 2020.

We have no responsibility to update our Review Report for events or circumstances occurring after August 5, 2020.

Aside from the Review Report, we take no responsibility for the information set out in the Supplementary Report and the Offering Documents.

VII. We have valid documentation that accredits our technical capabilities as required under the rules and standards set forth by the laws and regulations of the French Republic.

VIII. Neither Micha Missakian, nor Jean-Marc Mickeler have received or accepted any offer to become an officer of SG or SG Mexico (meaning the general director, financial director, legal director or a member of the Board of Directors of SG Mexico).

This letter is issued solely in connection with the Supplementary Report, as well Offering Documents in connection with the Program, and should not be used in any other context nor distributed to anyone else without our prior written consent.

Sincerely,

ERNST & YOUNG et Autres

Micha Missakian

DELOITTE & ASSOCIES

Jean-Marc Mickeler

Principales diferencias entre "Normas de Información Financieras aplicables en México" y "Normas Internacionales de Información Financiera"

Alcance

De acuerdo al artículo 79 de las disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores, la contabilidad de las Compañías emisoras, fidecomitentes o garantes de nacionalidad extranjera podrán ser elaborados bajo las Normas Internacionales de Información Financiera (IFRS) que emita el Consejo de Normas Internacionales de Contabilidad Internacional (Accounting Standards Boards). Derivado de esto a continuación se explica lo siguiente:

1. Las principales diferencias entre las NIF aplicables en México (utilizadas comúnmente en la preparación de estados financieros para sociedades reguladas) y las Normas Internacionales de Información Financiera ("IFRS", por sus siglas en inglés).

2. Las principales diferencias entre los criterios contables establecidos por la CNBV y las NIF.

Antecedentes

A partir del 1 de junio del 2004 el CINIF es responsable de emitir las NIF.

Actualmente, las NIF están integradas de la siguiente forma: i) ocho normas de la serie "A", que constituyen el marco conceptual de las NIF; ii) diecisiete normas y un boletín de la serie "B", que corresponden a las normas aplicables a los estados financieros en su conjunto; iii) veintiún normas y un boletín que integra la serie "C" los cuales incluyen conceptos específicos relacionados con los estados financieros; iv) ocho normas y un boletín de la serie "D" aplicables a problemas relacionados con la determinación de los resultados; y v) la serie "E" que incluye dos normas y un boletín aplicables a industrias específicas.

Las principales diferencias al comparar la información financiera preparada de conformidad con las NIF en general, y específicamente en el caso de instituciones reguladas por la CNBV, contra la información financiera preparada de conformidad con las IFRS, son las siguientes:

	IFRS **IAS 1**	**NIF** **NIF B2**
Periodos Financieros Requeridos	**Los estados financieros y sus notas deben presentarse en forma comparativa con el periodo anterior.**	**Los estados financieros y sus notas deben presentarse en forma comparativa con el periodo anterior.**
Formato del balance general y del estado de resultados	La IAS 1, *Presentación de estados financieros*, no establece un formato estándar, pero si incluye una lista de partidas mínimas, que son menos prescriptivas que los requisitos de la Regulación S-X.	No se establece un formato estándar ni para el balance general ni para el estado de variaciones en el capital contable. En la NIF A-5, Elementos *básicos* de *los* estados financieros, y en algunas normas particulares incluidas en las Series de la B a la E, se establecen algunas reglas de presentación, rubros que deben ser presentados en el balance general y en el estado de resultados, así como ejemplos de dichos estados.
Presentación de deuda como circulante vs. no circulante en el balance general	En los casos en que se presente una violación a las restricciones contractuales de una deuda *(covenant)*, la deuda debe presentarse como circulante, salvo que se haya llegado a un acuerdo con el acreedor antes de la fecha del balance general.	En los casos en que se presente una violación a las restricciones contractuales de una deuda *(covenant)*, la deuda debe presentarse como circulante, salvo que se haya llegado a un acuerdo con el acreedor antes de la fecha del balance general y que el periodo de gracia sea para un periodo superior a 12 meses después de la fecha de cierre.
Estado de resultados: presentación de operaciones discontinuadas	Se utiliza esta clasificación para componentes de una entidad que tengan la característica de estar disponibles para su venta, o para componentes cuya disposición se ha decidido y que, además, constituyan, ya sea: a) Una línea definida de negocios importante; b) Un área geográfica; o c) Una subsidiaria que fue adquirida con la única intención de ser vendida.	Se considera que una operación es discontinua si sus operaciones son interrumpidas de manera definitiva y además, estas representan una actividad significativa para la entidad, como: la disposición de una unidad generadora de efectivo, de un segmento, una sucursal, una subsidiaria, etcétera.

Revelación de medidas de desempeño	Ciertos conceptos tradicionales como el caso de "utilidad de operación" no se definen. Debido a lo anterior, existe diversidad en la práctica con respecto a la presentación de los niveles de utilidad, encabezados y subtotales presentados en el estado de resultados, ya que su presentación se basa en lo que se considera relevante para un entendimiento del desempeño financiero de la entidad.	De acuerdo con la práctica de cada sector o industria, las entidades pueden incluir en el estado de resultados o en sus notas: rubros, agrupaciones o niveles de utilidad adicionales a los requeridos, por ejemplo, "utilidad de operación", siempre y cuando dicha presentación contribuya a un mejor entendimiento del desempeño económico y financiero. En caso de que se revele o se presente la utilidad de operación, se considera adecuado hacerlo con base en las prácticas contables aceptadas en años anteriores (por ejemplo, reglas establecidas por el anterior Boletín B-3, Estado de resultados).

COMBINACIONES DE NEGOCIOS

	IFRS **NIIF 3**	**NIF** **NIF B7**
Medición de la participación no controladora	Se tienen las siguientes alternativas: a) Medir la participación no controladora y el crédito mercantil asociado a ella a su valor razonable, b) Medir la participación no controladora con base en la proporción que la misma tenga sobre el valor razonable de los activos netos adquiridos identificados, excluyendo el crédito mercantil.	La participación no controladora y el crédito mercantil asociado a ella, se miden a su valor razonable. Como alternativa, se permite valuar a la participación no controladora mediante la extrapolación del valor que le corresponde a esta, en función de la contraprestación pagada por la porción adquirida, eliminando cualquier prima de control que hubiese sido pagada por la entidad adquirente.
Activos y pasivos contingentes	Reconocimiento inicial Los pasivos contingentes se reconocen en la fecha de adquisición, siempre y cuando exista una obligación presente proveniente de un evento pasado y se pueda medir confiablemente su valor razonable. Los activos contingentes no se reconocen.	Reconocimiento inicial Los pasivos contingentes se reconocen en la fecha de adquisición, siempre y cuando exista una obligación presente proveniente de un evento pasado, se pueda medir confiablemente su valor razonable y sea probable que en el futuro exista una salida de recursos para la liquidación de la contingencia. Los activos contingentes no se reconocen.
	Medición posterior Los pasivos contingentes se miden posteriormente como el monto que resulte mayor entre:	Medición posterior

	a) Con base en el monto que se reconocería de conformidad con la IAS 37, o b) El monto que se reconoció inicialmente disminuyendo, si fuera aplicable, la amortización acumulada reconocida de conformidad con la IAS 18.	Los pasivos contingentes se miden con base en el valor que resulte mayor entre las distintas estimaciones del desembolso necesario para su liquidación.

DETERIORO DE ACTIVOS DE LARGA DURACION DEL CRÉDITO MERCANTIL Y DE ACTIVOS INTANGIBLES

	IFRS IAS 36	NIF NIF C15
Método para determinar el deterioro de activos de larga duración	El método consiste en un solo paso y requiere que se efectúen pruebas de deterioro siempre y cuando existan indicios de deterioro. Es la cantidad en la que el valor en libros del activo excede a su valor de recuperación. El Valor de recuperación es el que resulte mayor entre: a) El valor razonable menos costos de ventas, y b) El valor de uso (valor presente de flujos de efectivo futuros, incluyendo valor de realización al término de su vida útil).	El método consiste en un solo paso y requiere que se efectúen pruebas de deterioro siempre y cuando existan indicios de deterioro. Es la cantidad en la que el valor en libros del activo excede a su valor de recuperación. El valor de recuperación es el que resulte mayor entre: a) El precio neto de venta, y b) El valor de uso (valor presente de los flujos de efectivo futuros, incluyendo el valor de realización al término de su vida útil). Nota: El concepto de "precio neto de venta" puede diferir del concepto de "valor razonable", establecido en la IAS 36.
Asignación del crédito mercantil	Se asigna a la Unidad Generadora de Efectivo (UGE) o grupo de UGE que represente el nivel más bajo en la entidad, en donde el crédito mercantil sea monitoreado internamente. Este nivel no puede ser mayor a un segmento operativo, el cual se define en la IFRS 8, ***Segmentos de operación.***	De acuerdo con el Boletín C-15, el crédito mercantil debe asignarse a la (s) unidad (es) generadora (s) de efectivo. De acuerdo con la NIF C-8, el crédito mercantil debe asignarse a la unidad a informar.
Método para determinar el deterioro: crédito mercantil	El método comprende un solo paso, el cual consiste en aplicar una prueba de deterioro a nivel de la UGE. Esta prueba consiste en comparar el valor en libros de la UGE (incluyendo el crédito mercantil que se le haya asignado), con su valor de recuperación.	El método comprende un solo paso, el cual consiste en aplicar una prueba de deterioro. Esta consiste en comparar el valor neto en libros con su valor de recuperación. El valor de recuperación, es el valor que resulte mayor al comparar el precio neto de venta (si se puede obtener) y el valor de uso (estimado por medio de técnicas de valuación reconocidas, o bien, a través de la determinación del valor de perpetuidad, de acuerdo con el Boletín (C-15). El cálculo del valor de recuperación del crédito mercantil se desarrolla a nivel de la UGE o a nivel de la unidad a informar.

Reversión de la pérdida por deterioro	No permitida para crédito mercantil. En el caso de otros activos de larga duración, pueden ser revisados anualmente, determinando si existen indicadores de reversión. Si se dieran las circunstancias, la pérdida puede revertirse hasta por el valor de recuperación recientemente estimado, sin exceder el monto del valor en libros inicial ajustado por su depreciación o amortización correspondiente.	No permitida para crédito mercantil. Permitida para activos intangibles de vida indefinida, sujeta a que la pérdida hubiera sido causada por un evento externo especifico de naturaleza tan excepcional que no se espera vuelva a ocurrir y, además, de manera particular estos eventos externos hayan logrado revertir su efecto con posterioridad a la fecha de reconocimiento del deterioro. En el caso de otros activos, en general, se puede reversar la pérdida cuando mejore la tendencia del valor de recuperación. Si se dieran las circunstancias, la pérdida puede revertirse hasta por el valor de recuperación recientemente estimado, sin exceder el monto del valor en libros inicial ajustado por su depreciación o amortización correspondiente. También debe considerarse que la reversión debe estar plenamente justificada, y ser permanente y verificable.

INSTRUMENTOS FINANCIEROS

	IFRS 9	**NIF** **NIF C2** **NIF C-10 INSTRUMENTOS FINANCIEROS DERIVADOS Y RELACIONES DE COBERTURA** **NIF-C16 DETERIORO DE INSTRUMENTOS FINANCIEROS POR COBRAR** **NIF C19 INSTRUMENTOS FINANCIEROS POR PAGAR** **NIF C20 INSTRUMENTOS FINANCIEROS POR COBRAR CAPITAL E INTERESES**

Clasificación: deuda vs. capital	La clasificación de ciertos instrumentos con características, tanto de deuda como de capital, se enfoca en la obligación contractual de entregar efectivo, activos o las propias acciones de una entidad. Una necesidad económica no constituye una obligación contractual. Los contratos cuyo precio se base en el precio de las acciones de la propia compañía y que potencialmente se liquiden a través de las mismas, se clasifican como capital cuando se liquiden mediante un número fijo de acciones por un monto fijo de efectivo.	Para su clasificación, debe considerarse la sustancia económica del instrumento en torno a las diferencias básicas entre el pasivo y el capital, atendiendo a los conceptos de: a) Obligación virtualmente ineludible: son instrumentos de capital los que no representan obligaciones virtualmente ineludibles de transferir efectivo, bienes, servicios o más acciones en el futuro. b) Relación de propietario: es un instrumento de capital cuando el tenedor del mismo corre los riesgos y beneficios patrimoniales de la entidad. c) Valor monetario: son instrumentos de deuda aquellos cuyos tenedores esperan flujos de efectivo conocidos, es decir, valores monetarios fijos.
Efectividad de cobertura	No se permite la adopción del método *shortcut* para los swaps de tasas de interés que cubren instrumentos de deuda reconocidos. De acuerdo con las IFRS, la evaluación y medición de la efectividad en las coberturas considera técnicamente el cambio en el valor razonable de la parte cubierta designada de los flujos de efectivo del instrumento, siempre y cuando la parte pueda identificarse y medirse por separado.	Se permite el use del método *shortcut*, siempre y cuando las características críticas del instrumento de cobertura y de la posición primaria sean iguales, según se indica. En la práctica aplica a swaps de tasa de interés que cubren instrumentos de deuda reconocidos en el balance general.
Baja de activos financieros	La baja de activos financieros está basada en un modelo que considera, tanto la transferencia de los riesgos y beneficios, como la del control. Solo se considera que hay una transferencia del control cuando la evaluación de los riesgos y beneficios transferidos no es concluyente. Si la entidad que transfiere los activos financieros no retiene ni transfiere sustancialmente todos los riesgos y beneficios, entonces se hace una evaluación de la transferencia del control. Se considera que el control se ha transferido, si la entidad que recibe los activos financieros tiene la capacidad práctica para vender unilateralmente el activo transferido sin restricciones a un tercero. No se requiere efectuar la prueba de "aislamiento legal" del activo financiero. Los criterios para dar de baja un activo, pueden aplicar a una porción del activo financiero, solo si esta porción es un reflejo de las características del activo financiero, integro, original.	La baja de activos financieros ocurre cuando se dejan de tener los derechos sobre el activo financiero. Se considera que los derechos se han dejado de tener cuando se han transferido a un tercero, sin que exista responsabilidad posterior de ninguna especie

Medición: préstamos otorgados y cuentas por cobrar	Los préstamos otorgados y cuentas por cobrar son reconocidos a costo amortizado, a menos que se hayan clasificado en las categorías de: a) Valor razonable a través de utilidad o pérdida (fair value through profit or loss), o b) Disponibles para su venta. Categorías que son reconocidas en el balance general a su valor razonable.	Las cuentas por cobrar y préstamos que se encuentren dentro del alcance de la NIF C-3, Cuentas por cobrar, son reconocidas inicialmente a su valor razonable. En caso de que por las características de la cuenta por cobrar o préstamo, estos caigan dentro del alcance de la NIF C-20, serán reconocidos inicialmente a su valor razonable considerando los flujos de efectivo estimados que se recibirán por principal e intereses.

MONEDA EXTRANJERA E INFLACIÓN

	IFRS **IAS 21**	**NIF** **NIF B10**
Conversión de estados financieros de entidades en el extranjero cuando la moneda funcional proviene de economías hiperinflacionarias	Requiere que se mantenga la moneda funcional. Sin embargo, los montos de los estados financieros en moneda funcional local que todavía no se han convertido utilizando el tipo de cambio al cierre del periodo que se reporta (del ejercicio actual, como del anterior), se ajustan utilizando el índice general de precios (es decir, actualizado en función de la unidad de medición a la fecha del balance general reconociendo en resultados los efectos) y posteriormente se convierten a la moneda de reporte, utilizando el tipo de cambio de cierre.	Dichos estados financieros, tanto del ejercicio actual como del anterior, se ajustan utilizando el índice general de precios de su país, siempre que la entidad se encuentre en un entorno económico inflacionario (al menos, 26% acumulado en los últimos tres años) y posteriormente se convierten a la moneda de reporte, utilizando el tipo de cambio de cierre.
Consolidación de operaciones en el extranjero	El método de consolidación no se especifica, por lo mismo, puede aplicarse el método "directo" o el de "paso a paso". De acuerdo con el método "directo", cada entidad dentro del grupo se consolida directamente con la controladora final, independientemente de la existencia de cualquier entidad intermedia. La elección del método puede afectar los ajustes acumulados por conversión que se han diferido dentro del capital a niveles intermedios y, en consecuencia, también la reclasificación a resultados de estas diferencias cambiarias al momento de la disposición de una operación extranjera intermedia.	Aunque la norma indica seguir los procedimientos establecidos en las normas particulares para la consolidación de operaciones en el extranjero, estos procedimientos no se precisan.

IMPUESTO SOBRE LA UTILIDAD

	IFRS	**NIF**

	IAS 12	NIF D4
Base fiscal	La base fiscal es generalmente el monto deducible o gravable para fines fiscales. La manera en que la administración espera liquidar o recuperar el monto en libros, afecta la determinación de la base fiscal.	Los valores fiscales se determinan con base en las disposiciones fiscales aplicables a la entidad. El valor fiscal de un activo es el monto deducible o acumulable fiscalmente en ejercicios futuros. El valor fiscal de un pasivo está representado por su valor en libros menos la porción del mismo que sea deducible para efectos fiscales en ejercicios futuros o, en su caso, los pasivos no contables por acumularse fiscalmente.
Impuestos por la transferencia de activos entre compañías que permanecen dentro del grupo consolidado	Requiere que los impuestos pagados con base en las ganancias de transacciones entre intercompañias sean reconocidos conforme se incurren. El reconocimiento de los impuestos diferidos relativos a diferencias entre las bases fiscales de los activos transferidos entre las entidades/ jurisdicciones fiscales que permanecen dentro del grupo consolidado, es requerido.	Tema no tratado específicamente.
Excepciones al reconocimiento inicial	Los efectos de impuestos diferidos derivados del reconocimiento inicial de un activo o un pasivo no se reconocerán cuando:	Solo existe una excepción a la regla general de reconocimiento del impuesto diferido, que consiste en no determinar impuesto diferido alguno, por las partidas que no afectara al resultado contable ni al fiscal.
	a) Los montos no provengan de una combinación de negocios.	La NIF requiere el reconocimiento del impuesto diferido para todas las diferencias, aun cuando no sean deducibles fiscalmente (antes conocidas como "permanentes").
	b) Al momento en que se efectué, la transacción no afecte a la utilidad contable ni a la utilidad fiscal (p. ej., la adquisición de activos no deducibles).	
Reconocimiento de activos por impuestos diferidos	Los montos se reconocen únicamente en la medida en que sea probable (similar al concepto more *likely than not,* existente bajo U.S. GAAP) que se logren recuperar.	Los montos se reconocen en la medida en que se tenga alta certeza sobre su recuperación. El concepto de alta certeza está asociado al término "probable", establecido en la NIF A-1, *Estructura de las Normas de Información Financiera. La reducción debe hacerse por medio de una reserva de valuación.*

Calculo de los activos o pasivos por impuestos diferidos'	Deben aplicarse las tasas de impuestos aprobadas *(enacted)* o "sustancialmente aprobadas" *(substantively enacted)* a la fecha del balance general.	Se deben aplicar las tasas de impuestos, aprobadas o "sustancialmente aprobadas" a la fecha del balance general. Sin embargo, existe una diferencia con IFRS al requerirse bajo NIF que, cuando se aplique la tasa sustancialmente aprobada, esta tasa sea promulgada antes de la fecha de emisión de estados financieros.
Reconocimiento de pasivos por impuestos diferidos sobre inversiones en subsidiarias o negocios conjuntos (JVs) (a menudo denominadas: diferencias *outside basis)*	Se requiere su reconocimiento, a menos que la entidad que reporta tenga el control sobre el momento de reversión de la partida temporal y sea probable (more likely than not) que la diferencia no se revierta en un futuro próximo.	En los casos de subsidiarias se requiere el reconocimiento de estos impuestos diferidos en lo atribuible a: a) El efecto por conversión y, b) Los ajustes de los activos netos adquiridos. A diferencia de lo establecido por U.S. GAAP e IFRS, bajo NIF se propone el reconocimiento de impuestos diferidos por diferencias temporales diferentes a las mencionadas en los incisos a) y b) anteriores, como por ejemplo las que pudieran surgir del outside basis. Para el caso de asociadas y JVs, no se precisa su tratamiento.
Costos de reestructuración	Las disposiciones generales de la IAS 37, deben aplicarse una vez que la administración "demuestre estar comprometida" (es decir, se ha incurrido en una obligación legal o asumida) mediante un plan detallado para abandonar una operación. Generalmente el momento de reconocimiento de los costos se presenta antes bajo IFRS, debido a que las disposiciones de la IAS 37 consideran al plan de salida como un todo, en lugar de componentes individuales de costa.	Aplican las disposiciones generales del Boletín C-9; sin embargo, para que se considere que existe una obligación asumida, la entidad debe tener un plan formal y detallado para proceder a la reestructuración y deberá haberse producido una expectativa valida por parte de terceros de que la reestructuración se llevará a cabo, ya sea por haberse puesto en marcha el plan o por haberse anunciado sus principales características.

Principales diferencias entre los principios contables aplicables a instituciones reguladas por la CNBV y las NIF:

EL 15 de noviembre de 2018, la CNBV emitió resoluciones modificatorias a ciertos artículos transitorios de la Circular Única de Bancos (CUB), los cuales hacían referencia a cambios en el marco normativo contable que entrarían en vigor a partir del 1 de enero de 2019. Estas resoluciones fueron publicadas el 4 de noviembre de 2019 en el Diario Oficial de la Federación y establecen la inclusión dentro del marco normativo contable contenido en el criterio A-2, Aplicación de normas particulares de la CUB, de ciertas NIF emitidas por la CINIF, cuya entrada en vigor se estableció a partir del 1 de enero de 2021, las cuales se mencionan a continuación.

NIF B-17, Determinación del Valor Razonable - Esta NIF se emitió con el propósito de definir el concepto de valor razonable como el precio de salida que sería recibido por vender un activo o pagado para transferir un pasivo en una transacción ordenada entre participantes del mercado a la fecha de valuación, es decir, un valor actual basado en un precio de salida, establecer en un solo marco normativo la determinación del valor razonable y estandarizar las revelaciones correspondientes.

NIF C-3, Cuentas por cobrar - Esta norma es aplicable a las cuentas por cobrar comerciales y otras cuentas por cobrar a plazo menor de un año, las cuales deben reconocerse al valor razonable de la contraprestación a recibir, que generalmente es el valor nominal, sin embargo, debe evaluarse si el valor del dinero en el tiempo es importante en atención al plazo de la cuenta y al modelo de negocios y, en su caso, reconocer desde inicio, el valor presente de la cuenta por cobrar. Adicionalmente, se establece que la estimación para incobrabilidad de las cuentas por cobrar se reconozca desde que el ingreso se devenga, con base en las pérdidas crediticias esperadas, debiendo presentar una conciliación de la estimación de cada periodo presentado.

NIF C-9, Provisiones, contingencias y compromisos - Sustituye el boletín C-9 Pasivos, provisiones, activos y pasivos contingentes y compromisos. Entre los principales cambios de la NIF C-9 con relación al boletín C-9 son: a) se disminuyó del alcance de la NIF C-9 el tratamiento contable de los pasivos financieros, emitiéndose para ello la NIF C-19, instrumentos financieros por pagar, y b) se ajustó la definición de pasivo, eliminándose el calificativo de virtualmente ineludible y se incluyó el término probable disminución de recursos económicos.

NIF C-16, Deterioro de instrumentos financieros por cobrar (IFC) - Los principales requerimientos de esta norma consisten en establecer que las pérdidas esperadas por deterioro de Instrumentos Financieros por Cobrar (IFC), deben reconocerse cuando al haberse incrementado el riesgo de crédito se concluye que una parte de los flujos de efectivo futuros del IFC no se recuperará.

NIF C-19, Instrumentos por pagar - La NIF C-19, contiene el tratamiento contable de los pasivos financieros, e incluye algunas precisiones sobre el tratamiento contable que puede darse a ciertas operaciones, como son: a) la posibilidad de valuar, subsecuentemente a su reconocimiento inicial ciertos pasivos financieros a su valor razonable, cumpliendo ciertas condiciones, b) valuar los pasivos a largo plazo a su valor presente en su reconocimiento inicial, c) se incluyen los conceptos de costo amortizado y el de método de interés efectivo, para la valuación de los pasivos financieros, entre otros.

NIF C-20, Instrumentos financieros por cobrar - Se refiere a instrumentos de financiamiento por cobrar que se generan por financiamiento de las cuentas por cobrar comerciales a largo plazo y de préstamos que las instituciones de crédito y otras entidades dan a sus clientes, o bien instrumentos de deuda adquiridos en el mercado con el objeto de obtener rendimiento. El principal cambio se refiere a la clasificación, se elimina el concepto de intención de adquisición y tenencia y, en su lugar, se adopta el concepto de modelo de negocio para generar utilidades, consistentes en: 1) instrumentos de financiamiento por cobrar, cuyo objetivo es obtener flujos contractuales, se valúan a su costo amortizado y, 2) instrumentos financieros con fines de negociación, cuando se utilizan para generar una ganancia con base en su compraventa.

NIF D-1, Ingresos por contratos con clientes - Los cambios más significativos consisten en establecer un modelo de reconocimiento de ingresos basado en: i) la transferencia del control, base para la oportunidad del reconocimiento de ingresos; ii) la identificación de las diferentes obligaciones a cumplir en un contrato; iii) la asignación de los montos de la transacción entre las diferentes obligaciones a cumplir con base en precios de venta independientes; iv) incorporación del concepto de cuenta por cobrar condicionada, al satisfacerse una obligación a cumplir y generarse un derecho incondicional a la contraprestación porque sólo se requiere el paso del tiempo antes de que el pago de esa contraprestación sea exigible; v) el reconocimiento de derechos de cobro, que en alguno casos, se puede tener un derecho incondicional a la contraprestación antes de haber satisfecho una obligación a cumplir y; vi) la valuación del ingreso considerando aspectos como el reconocimiento de componentes importantes de financiamiento, la contraprestación distinta del efectivo y la contraprestación pagadera a clientes.

NIF D-2, Costos por contratos con clientes - Separa la norma relativa al reconocimiento de ingresos por contratos con clientes de la norma correspondiente al reconocimiento de los costos por contratos con clientes.

NIF D-5, Arrendamientos - Se introduce un único modelo de reconocimiento de los arrendamientos por el arrendatario y requiere que éste reconozca los activos y pasivos de todos los arrendamientos con una duración superior a doce meses, a menos que el activo subyacente sea de bajo valor. Se requiere reconocer un activo por derecho de uso del activo subyacente arrendado y un pasivo por arrendamiento que representa su obligación para efectuar los pagos por arrendamiento correspondientes. El principio básico de dicha NIF consiste en los dos siguientes aspectos:

a) El arrendatario debe reconocer un activo por derecho de uso de un activo subyacente y un pasivo por arrendamiento por su obligación de efectuar los pagos correspondientes al arrendamiento, a menos que el arrendamiento sea de corto plazo o que el activo subyacente sea de bajo valor.

b) El arrendador debe clasificar sus contratos de arrendamiento en operativos o financieros, dependiendo de la transferencia sustancial de los riesgos y beneficios inherentes a la propiedad de un activo subyacente. En los arrendamientos financieros, el arrendador da de baja el activo subyacente y reconoce una cuenta por cobrar. En los arrendamientos operativos, el arrendador no reconoce una baja del activo subyacente y reconoce los pagos por arrendamiento procedentes de los arrendamientos como ingresos, al devengarse.

Para los arrendatarios, tendrá los siguientes cambios más significativos:

- Deberá evaluar al comienzo de un contrato, si obtiene el derecho a controlar el uso de un activo identificado por un periodo determinado.

- Se elimina la clasificación de arrendamientos como operativos o financieros (capitalizables) para un arrendatario, y éste reconoce un pasivo por arrendamiento considerando el valor presente de los pagos por arrendamiento y un activo por el derecho de uso por ese mismo monto.

- Se sustituye la naturaleza de los gastos por arrendamientos operativos en línea recta, con un gasto por depreciación o amortización de los activos por derecho de uso y un gasto por interés sobre los pasivos por arrendamiento de esta manera se homologa el tratamiento del gasto por arrendamiento de todos los arrendamientos.

- Se modifica la presentación de los flujos de efectivo relacionados con los anteriores arrendamientos operativos, reduciendo las salidas de flujos de efectivo de actividades de operación e incrementando las salidas de flujos de efectivo de las actividades de financiamiento.

- Se modifica el reconocimiento de la ganancia o pérdida cuando un vendedor-arrendatario transfiere un activo a otra entidad o arrienda ese activo en vía de regreso. En lugar de reconocer la ganancia o pérdida en función de la clasificación del arrendamiento en vía de regreso, ahora el vendedor-arrendatario sólo debe reconocer como una venta los derechos transferidos al comprador-arrendador que no le regresan (valor residual no garantizado del arrendamiento).

  El reconocimiento de los arrendamientos para el arrendatario cambia de manera importante, sin embargo, para el arrendador no hay cambios importantes en relación con el anterior Boletín *D-5 Arrendamientos*, salvo por el requerimiento de revelaciones adicionales.

Otras diferencias principales entre los principios contables aplicables a instituciones reguladas por la CNBV y las NIF son los siguientes:

- Los criterios contables de la CNBV establecen reglas particulares para la presentación y agrupación de los estados financieros básicos, las cuales en algunos casos difieren de las NIF.

- Los deudores diversos no cobrados en 60 días naturales siguientes a su registro inicial, cuando correspondan a deudores no identificados y a los 90 días naturales siguientes a su registro inicial, cuando correspondan a deudores identificados, se reservan en el estado de resultados, independientemente de su posible recuperación.

- Se suspende la acumulación de los intereses devengados de las operaciones crediticias, en el momento en que el saldo insoluto del crédito sea considerado como vencido. En tanto el crédito se mantenga en cartera vencida, el control de los intereses devengados se lleva en cuentas de orden. Cuando dichos intereses vencidos son cobrados, se reconocen directamente en los resultados del ejercicio en el rubro de “Ingresos por intereses”. Las NIF requieren el reconocimiento de los intereses devengados y, en su caso, la creación de una estimación para cuentas de cobro dudoso con base en un estudio de su recuperabilidad.

- Las cuentas de aportaciones o de margen manejadas (entregadas y recibidas) cuando se negocian instrumentos financieros derivados en mercados no reconocidos, se registran en el rubro de “Disponibilidades” y “Acreedores diversos y otras cuentas por pagar”, respectivamente, en lugar de presentarlo en el rubro de “Derivados”, tal como lo establecen las NIF.

- La Participación de los Trabajadores en las Utilidades (PTU) se presenta en el estado de resultado dentro del rubro de “Gastos de administración y promoción”. De conformidad con las NIF, la PTU corriente y diferida se presenta dentro del rubro de costos o gastos que corresponda.

- En los criterios contables de la CNBV, se establece que en coberturas de valor razonable el ajuste al valor en libros por la valuación de la partida cubierta se presente en un rubro por separado en el balance general, en lugar de presentarlo conjuntamente con la posición primaria cubierta, de acuerdo con las NIF.

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5.2 Statutory Auditors' Review Report on the Half-yearly financial information

Société Générale

Société anonyme
17, cours Valmy
92972 Paris-La Défense Cedex
Period from January 1 to June 30, 2020

Statutory auditors' review report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Société Générale, for the period from January 1 to June 30, 2020;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 31, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review prepared on July 31, 2020.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, August 5, 2020

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Marc Mickeler	Micha Missakian