SG Issuer

Société Anonyme

Financial statements,
Report of the Executive Board and Corporate Governance Statement and
Report of the Réviseur d’entreprises agréé

As at and for the year ended 31 December 2019

16, boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg: B121.363

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Executive Board Members
As at 31 December 2019

EXECUTIVE BOARD MEMBERS

Chairman:

Mr Yves CACCLIN (until 29 April 2019 and since 27 September 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Aude de ROQUANCOURT (from 29 April 2019 and until 27 September 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Noël ALISON (until 20 September 2019)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris- La Défense 7, France

Mr Thierry BODSON
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Amaury de BELER (until 1 February 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Alexandre GALLICHE
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Pascal JACOB (since 29 April 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Estelle STEPHAN JASPARD
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Laurent WEIL
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mrs Aude de ROQUANCOURT (from 1 February 2019 and until 29 April 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Supervisory Board Members
As at 31 December 2019

SUPERVISORY BOARD MEMBERS

Chairman:

Mr Yves CACCLIN (from 29 April 2019 and until 27 September 2019)*
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Arnaud JACQUEMIN (until 29 April 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

* Yves CACCLIN was appointed as Chairman of the Executive Board on 27 September 2019. Therefore there was no Chairman of the Supervisory Board from 27 September 2019 to 11 February 2020. On 11 February 2020, Olivier BLANC was appointed as Chairman of Executive Board.

Members:

Mr Olivier BLANC (since 27 September 2019)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Gregory CLAUDY
Independent Director
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Mr Olivier FREITAS
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Vincent ROBILLARD
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

AUDIT COMMITTEE MEMBERS

Chairman:

Mr Gregory CLAUDY
Independent Director
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Members:

Mr Olivier FREITAS
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Management and Administration
As at 31 December 2019

MANAGEMENT AND ADMINISTRATION

Issuer
SG Issuer
16, Bd Royal, L-2449 Luxembourg, Luxembourg

Guarantor (if applicable, as specified in the Final Terms)
Société Générale
29, boulevard Haussmann, F-75009 Paris, France

Arranger and Dealer
Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Security Trustee and Security Agent Trustee
The Bank of New York Mellon Corporate Trustee Services Limited
One Canada Square, London E14 5AL, United Kingdom

Collateral Custodian
The Bank of New York Mellon S.A., Luxembourg Branch
Vertigo Building, Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg

Collateral Monitoring Agent
The Bank of New York Mellon London Branch
One Canada Square, London E14 5AL, United Kingdom

Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent
Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

Paying Agents
Société Générale
29, boulevard Haussmann, F-75009 Paris, France
&
Société Générale, New York Branch
1221, avenue of the Americas, New York NY 10020, United States of America

Warrant Agent
Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ

Legal advisers
To the Arranger as to English, French and U.S. laws
Allen & Overy LLP
52, avenue Hoche, CS 90005, 75379 Paris Cedex 08, France

To the Trustee as to English Law
Allen & Overy LLP
1 Bishops Square, London E1 6AD, United Kingdom

To the Arranger as to Luxembourg Law
Allen & Overy Luxembourg
5, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

Independent Auditor (Réviseur d'entreprises agréé)
Ernst & Young S.A.
35E, Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the year ended 31 December 2019.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The purpose of SG Issuer is to issue Notes and Warrants with all types of underlyings including, without restriction, Shares, Index, Interest Rate, Dividend, Credit Risk, Foreign Exchange, Commodities, Funds, Warrants, allowing investors to access to the full pricing capabilities of Société Générale, which proposes an extensive range of investment strategies linked to these various asset classes.

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings.

Notes are mainly Debt Securities, Bonds, Certificates. Issuing Proceeds raised by the sale of the Notes are transferred to Société Générale Paris through a Fully Funded Swap ("FFS"), which perfectly hedges SGIS for the full issue size.

Warrants are financial products like Turbos, inline Warrants, daily Leverage Certificates, etc., which aim to replicate the same financial exposure as buying (Call) or selling (Put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.

Warrants are distributed by Société Générale mainly to clients in France, Belgium, Luxembourg, United-Kingdom, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore. Issuing proceeds raised by the sale of the Warrants are transferred to Société Générale Paris S.A. ("Société Générale") through a FFS.

Payments in respect of the Notes and Warrants issued by the Company are unconditionally and irrevocably guaranteed by Société Générale.

On request of investors, the Company can issue Collateralised Notes or Warrants ("Secured Notes" or "Secured Warrants") in order to propose an additional layer of protection to investors in case of default of Société Générale.

Notes and Warrants issuances are governed by the Base Prospectus prepared by Société Générale as arranger. The main programs for Notes are the Debt Instruments Issuance Program, for which the last annual updates have been approved by the CSSF on 14 June 2019 or the "Programme d'Emission de Titres de Créance" for which the last annual update has been approved by the CSSF on 21 June 2019. Similarly, the main programs for Warrants are the Issuance Program approved by the CSSF on 1 July 2019 and the Warrants and Turbo Warrants Issuance Program approved by the CSSF on 16 July 2019. Two programs are hosted by SG Frankfurt, Dual Language DIIP dated 12 July 2019 and Dual Language Daily Leveraged Products dated 17 July 2019. The Hong Kong Warrants Program was last updated on 3 April 2020 and the Singapore Warrants Program was last updated on 21 June 2019.

The state of business of the Company at the closing of the financial year is adequately presented in the financial statements published herewith.

The increase in total assets and liabilities (before impact of the off-setting) (see Note 4) is due to the development of the activity of issuing financial instruments and significant changes in the fair value of the notes.

During the year ended 31 December 2019, 17 895 Notes were issued (among which 141 secured Notes) and 10 716 Warrants were issued[1]. The net profit for the financial year 2019 amounts to KEUR 148.

The Company did not exercise any research and development activity, does not have any branch, and did not acquire any own shares.

2. RISKS AND UNCERTAINTIES

The risks associated with the investment in the Notes or Warrants depend on several factors. Such factors will vary depending on the characteristics of the Notes or Warrants issued, in particular depending on the underlying type, the maturity, the secured / unsecured status of the Notes or Warrants, the interest rates incurred, the volatility of the underlying.

For each Note, the Company systematically hedges its position by contracting a swap with Société Générale, with strictly identical characteristics. Also, for each Warrant, the Company systematically hedges its position by contracting an option with Société Générale, with strictly identical characteristics.

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 15 hereafter.

3. FUTURE DEVELOPMENTS AND PERSPECTIVES

In the context of acquisition by SG Group of the listed product activities from Commerz Bank, Société Générale has decided that new issuances for this activity would mostly be done by another issuer starting from 1 April 2020. As this activity represented most of the Warrants issued by SGIS so far, the Executive Board expects a significant drop in new Warrant issuances from second quarter 2020 which should represent however a slight decrease in the commission income for the Company.

On another hand, 2020 will no doubt be marked by the unprecedented macroeconomic consequences of the Covid-19 pandemic disease. In such highly uncertain environment, the Company intends to continue in the coming years the development of its business.

[1] The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial year.

Report of the Executive Board and Corporate Governance Statement (continued)
As at 31 December 2019

4. SUBSEQUENT EVENTS

The current worldwide Coronavirus outbreak commenced in China shortly prior to the reporting date, being notified to the World Health Organisation ("WHO") by China on 31 December 2019, and the situation has continued to evolve throughout the period since the reporting date, being declared by the WHO as a Public Health Emergency of International Concern on 30 January 2020 and as a worldwide pandemic on 11 March 2020. In the opinion of the Directors, the Coronavirus outbreak is likely to have a material adverse effect on the volumes of Notes issued and sold to the public during the period when the outbreak continues, reducing in due proportion the results of the Company.

5. CORPORATE GOVERNANCE STATEMENT

The Executive Board of the Company is committed to maintaining the standards of corporate governance enforced at the level of the European Union and at level of the Société Générale Group. This statement describes the Company's governance principles and practices.

In compliance with its status, the Company is governed by an Executive Board and supervised by a dedicated Supervisory Board.

5.1 Executive Board

The Executive Board supervises and controls the Management and operations of the Company and is responsible for the Company system of risk management and internal control.

The Executive Board meetings are held several times during the year when necessary.

The Board has quorum when more than half of its members are present. An opinion supported by more than half of the members present becomes a decision.

Key tasks of the Executive Board:
- Ensures that the supervision of accounting is organized and monitored appropriately;
- Reviews and approves the Company's financial statements and condensed interim financial information;
- Supervises and controls operative management.

5.2 Supervisory Board

The Supervisory Board ensures permanently and by all means suited the control of the Management of the Company carried out by the Executive Board. However, this supervision has to be translated in no way by an intervention in the Management of the Company. The Supervisory Board can mandate advisory committees comprised of members of the Supervisory Board and/or of other non-members to lead different missions. The Supervisory Board can confer these advisory committees of the power or mandates permanently or temporary. These advisory committees cannot have the effect of restricting the powers of the Executive Board.

5.3 Audit Committee

The mission of the Audit Committee is to monitor the issues related to the preparation and control of accounting and financial information, to monitor the independence of the statutory auditors, as well as to monitor the efficiency of the internal control, measurement, supervision and risk control systems related to the accounting and financial processes. If needed, it gives recommendations and its opinion to the Supervisory Board.

An Audit Committee of the Company took place on 2020, during which the financial statements for the year ended 31 December 2019 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

5.4 Internal Audit

The Internal Audit of both Société Générale Luxembourg ("SG Luxembourg") and Société Générale Group support the Company's Executive Board in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the functioning of SG Issuer on a regular basis and evaluate its internal controls, risk management, and administrative function. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments at the request of management.

Internal Audit does not have any direct authority over the activities it reviews.

5.5 Controls framework

First level of controls is related to the execution of the procedures, guidelines and instructions established to ensure the proper and efficient functioning of the Company. They are executed by the involved teams in charge of the production.

A second level of control is ensured by SG Luxembourg : Outsourced Essential Services ("OES") supervision (ensured by the Corporate department), Market Risk and Operational Risk (ensured by the Risk department), "Level 2 permanent control" activity (monitoring and assessment of the level 1 permanent control system)."

The Chief Financial Officer of the Company ensures the completeness of the procedural framework.

5.6 New Products Committee

All the new activities and business of the Company are analysed and authorized by a dedicated New Products Committee (NPC). All involved departments within Société Générale are represented (operations, finance, risk, accounting standards, etc…) to assess the impact for the Company.

5.7 Service level agreements

The Company and several of its service providers are subsidiaries of the Société Générale Group.

Service Level Agreements ("SLAs") were signed by the Company with SG Luxembourg and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by SG Luxembourg and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from SG Luxembourg and operational services – Middle Office and Back Office – from Société Générale). In particular, the calculation of the remuneration related to the issuance of the Notes is delegated to Societe Generale Paris Middle Office within the framework of the SLA.

5.8 Prior years correction of error

During Q4 2019, SG Issuer identified that, in 2019 as well as in prior years, Société Générale S.A. had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors in SG Issuer's notes and warrants at any time.

Société Générale S.A. confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident has no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration is recorded in "Other income" for the year ended 31 December 2019. In accordance with IAS 8, SG Issuer has restated the comparative amount in the Income statement for the year ended 31 December 2018 as well as in the notes to the financial statements (notes 2.5, 11 and 16).

Given the absence of impact of such undue remuneration on both the net result and the shareholders' equity, SG Issuer has decided not to restate the opening balances of assets, liabilities and equity for the prior year presented.

This excess remuneration paid by Société Générale S.A. to SG Issuer amounts to KEUR 14 384 for the year ended 31 December 2019 and KEUR 25 807 for the year ended 31 December 2018.

Additional controls have been since implemented at different levels to enhance the monitoring of the remuneration calculation.

Report of the Executive Board and Corporate Governance Statement (continued)
As at 31 December 2019

Luxembourg, 30 April 2020

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Thierry BODSON
Member of the Executive Board

GLOBAL STATEMENT FOR THE FINANCIAL STATEMENTS

To the best of our knowledge, the financial statements gives a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the Report of the Executive Board (management report) includes a fair presentation of the development and performance of the business and the position of the Company, together with a description of the main risks and uncertainties that it faces.

Luxembourg, 30 April 2020

Executive Board Member

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Thierry BODSON
Member of the Executive Board

Ernst & Young
Société anonyme

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Report of the réviseur d'entreprises agréé

To the sole Shareholder of
SG Issuer
16, boulevard Royal
L-2449 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SG Issuer (the "Company"), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Hedging of financial instruments issued</u>

Description

The activity of the Company consists in issuing Notes and Warrants, which are subscribed by investors. These financial instruments are fully hedged with mirror transactions concluded with Société Générale S.A. replicating the financial instruments issued by the Company (see Note 4).

We have considered the hedging of financial instruments issued to be a key audit matter considering the financial risk which would result from inadequate hedging of the financial instruments issued by the Company.

How the matter was addressed in our audit

We tested the key controls implemented by the Company in relation with the issuance of financial instruments and the conclusion of mirror transactions with Société Générale S.A., as well as the key controls on the stock of financial instruments to ensure the effectiveness of the hedging.

We verified the intercompany reconciliation process between the Company and Société Générale S.A., and the intercompany reconciliations performed as at 31 December 2019.

For a sample of financial instruments issued by the Company as at 31 December 2019, we ensured that the Company has contracted the mirror financial instruments with Société Générale S.A..

Also, we inquired about the existence of operational errors during the year and, if applicable, the related financial impact.

Other information

The Executive Board is responsible for the other information. The other information comprises the information included in the report of the Executive Board and Corporate Governance Statement but does not include the financial statements and our report of “réviseur d’entreprises agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Executive Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 29 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The report of the Executive Board is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the report of the Executive Board, is the responsibility of the Executive Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Charles Dequaire

Luxembourg, 30 April 2020

Statement of Financial Position
As at 31 December

STATEMENT OF FINANCIAL POSITION

	Note	('000 EUR) 2019	('000 EUR) 2018 Restated*
Cash and cash equivalents	3	65 975	79 584
Financial assets at fair value through profit or loss			
- *Mandatorily measured at fair value through profit or loss*	4.1	52 893 265	45 062 134
- *Trading derivatives*	4.1	5 786 274	4 168 362
Loans and receivables	5	51 660	52 570
Other assets	6	430 988	170 589
Total assets		**59 228 162**	**49 533 239**
Financial liabilities at amortised cost	4.3	83 669	96 284
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss*	4.2	52 889 867	45 053 728
- *Trading derivatives*	4.2	5 788 693	4 170 486
Other liabilities	6	463 523	183 628
Tax liabilities	7	62	64
Total liabilities		**59 225 814**	**49 504 190**
Share capital	8.1	2 000	2 000
Share premium	8.1	-	25 000
Legal reserve	8.2	200	200
Other reserves	8.2	-	1 662
Profit for the financial year		148	187
Total equity		**2 348**	**29 049**
Total equity and liabilities		**59 228 162**	**49 533 239**

*** Restatement explained in Note 2.4 a.**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	('000 EUR) 2019	('000 EUR) 2018 Restated*
Interest income	9	1 023	1 682
Commission income	10	52 679	40 883
Other income	11	14 384	25 807
Impairments		-	1
Total revenues		**68 086**	**68 373**
Interest expenses	9	(36 624)	(33 035)
Net loss from financial instruments at fair value through profit or loss		(727)	(71)
Personnel expenses	12	(411)	(320)
Other operating expenses	13	(30 114)	(34 696)
Total expenses		**(67 876)**	**(68 122)**
Profit before tax		**210**	**251**
Income tax	7	**(62)**	**(64)**
Profit for the financial year		**148**	**187**
Total comprehensive income for the financial year		**148**	**187**

* Restatements explained in Notes 2.4 b and 2.5.

Statement of Changes in Equity
As at 31 December 2019

STATEMENT OF CHANGES IN EQUITY

	('000 EUR) Share capital	('000 EUR) Share premium	('000 EUR) *Legal reserve*	('000 EUR) *Other unavailable reserves*	('000 EUR) *Other available reserves*	('000 EUR) Total reserves	('000 EUR) Profit for the financial year	('000 EUR) Total equity
As at 31 December 2017	**2 000**	**-**	*200*	*1 664*	*1 716*	**3 580**	**78**	**5 658**
Transfer to available reserves	-	-	-	*(1 664)*	*1 664*	-	-	-
Allocation of the result of the previous year before dividend distribution	-	-	-	-	*78*	**78**	**(78)**	-
Dividend to the sole shareholder	-	-	-	-	*(1 794)*	**(1 794)**	-	**(1 794)**
IFRS 9 FTA impact	-	-	-	-	*(2)*	**(2)**	-	**(2)**
Capital increase/Allocation to the share premium account (Note 8.1)	-	62 725	-	-	-	-	-	**62 725**
Reimbursement of the share premium (Note 8.1)	-	(37 725)	-	-	-	-	-	**(37 725)**
Profit for the financial year 2017	-	-	-	-	-	-	**187**	**187**
As at 31 December 2018	**2 000**	**25 000**	*200*	-	*1 662*	**1 862**	**187**	**29 049**
Transfer to available reserves								
Allocation of the result of the previous year before dividend distribution	-	-	-	-	*187*	**187**	**(187)**	-
Dividend to the sole shareholder	-	-	-	-	*(1 849)*	**(1 849)**	-	**(1 849)**
Capital increase/Allocation to the share premium account (Note 8.1)	-	31 605	-	-	-	-	-	**31 605**
Reimbursement of the share premium (Note 8.1)	-	(56 605)	-	-	-	-	-	**(56 605)**
Profit for the financial year 2018	-	-	-	-	-	-	**148**	**148**
As at 31 December 2019	**2 000**	**-**	*200*	-	-	**200**	**148**	**2 348**

Statement of Cash Flows
As at 31 December

STATEMENT OF CASH FLOWS

	Note	('000 EUR) 2019	('000 EUR) 2018 Restated*
OPERATING ACTIVITIES			
Profit for the financial year		148	187
Adjustments for:			
Net (Increase)/decrease in financial assets	4.1	(9 448 133)	(1 371 046)
Net Increase/(decrease) in financial liabilities	4.2	9 473 336	1 405 667
(Increase)/decrease in other assets	6	(260 399)	170 589
Increase/(decrease) in tax liabilities and other liabilities	6, 7	279 893	(201 181)
Other (IFRS 9 impact)		-	(2)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**44 845**	**4 214**
FINANCING ACTIVITIES			
Payment of capital surplus**	8.1	(56 605)	(37 725)
Dividend paid		(1 849)	(1 794)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(58 454)**	**(39 519)**
Cash and cash equivalents at the beginning of the year	3	79 584	114 889
Net increase/(decrease) in cash and cash equivalents		(13 609)	(35 305)
Cash and cash equivalents at the end of the year		**65 975**	**79 584**
Cash flows from interest and dividends			
Interest paid		57 428	38 566
Interest received		1 023	1 682
Dividend received		-	-

*** Restatements explained in Note 2.5.*

** KEUR 56 605 for the year ended 31 December 2019 (and KEUR 37 725 for the year ended 31 December 2018) represent the share premium reimbursed by the Company to the sole shareholder (see Note 8.1).*

NOTE 1 – CORPORATE INFORMATION

SG Issuer (hereafter the "Company" or “SGIS”) is a Luxembourg company incorporated on 16 November 2006 as a public limited company (“Société .Anonyme”.) for an unlimited period.

Since April 2013, the Company’s corporate objects are to issue debt securities, bonds, certificates, Warrants and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, Warrant or option coupons, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

To that effect, the Company may purchase, hold, dispose of, lend, loan or resell, by any means, including in particular the use of trusts, in trust or repurchase, any type of assets whatever their names and forms and whether or not accompanied by guarantees, in particular financial instruments (financial securities - stocks, fund units, bonds, certificates, Warrants - or financial contracts - swaps, options or other) or any other debt securities, acknowledgements of debts or capital securities, receive or issue monetary loans (including loans convertible into shares of the Company) - within the group of companies to which the Company belongs - and to supply guarantees in any form (actual guarantees such as pledges, securities, mortgages or other - personal guarantees or any other form of guarantee) for their own account, for the account of the group of companies to which the Company belongs or on behalf of third parties.

The Company’s financial year begins on 1 January and ends on 31 December each year.

The Company’s capital is fully owned by Société Générale Luxembourg S.A. (hereafter “SG Luxembourg”), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated accounts of SG Luxembourg, which is the smallest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 11, avenue Emile Reuter, L-2420 Luxembourg.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter ”Société Générale” or the “ultimate parent Company”), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements as at and for the year ended 31 December 2019 were authorised for issue by the Supervisory Board on 30 April 2020.

2.1.2 Basis of measurement of financial assets and financial liabilities

Financial assets and financial liabilities linked to the activity of the Company are measured at fair value through profit or loss. Other financial assets and financial liabilities are measured at amortised cost.

2.1.3 Functional and presentation currency

The financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital. Unless stated otherwise, the amounts in the financial statements are expressed in thousands of EUR (KEUR). The value "0" indicates the presence of a number, which is rounded to zero, while ”-" represents the value nil.

2.1.4 Use of estimates and judgments

The preparation of the Company's financial statements requires Executive Board to make judgments, estimates and assumptions that affect the reported amount of figures recorded in the statement of profit and loss, on the unrealised or deferred gains and losses, on the valuation of assets and liabilities in the statement of financial position, and on information disclosed in the notes to the financial statements.

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

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, Executive Board has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial Executive Board judgment and/or estimates are listed below with respect to judgments/estimates involved.

The use of significant estimates and judgment mainly concerns the following topics:

- Fair value in the statement of financial position of financial instruments not quoted in an active market which are classified as financial assets and liabilities at fair value through profit or loss (see Notes 4.1 and 4.2);
- The amount of impairment and provisions for credit risk related to financial assets measured at amortized cost (see Note 4.3);
- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

2.1.5 Segment reporting

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements are presented to the Executive Board of SGIS in analysing the performance of the Company. The company has only one geographical area related to its revenue, which is France.

2.2 New accounting standards

2.2.1 New accounting standards applied by the Company as at 1 January 2019

IFRS 15 “Revenue from contracts with customers” (Note 2.2.1.1.)

IFRS 16 "Leases" (Note 2.2.1.2.)

IFRIC 23 “Uncertainty over Income Tax Treatments” (Note 2.2.1.3.)

Amendments to IAS 28 “Long-Term Interests in associates and joint ventures” (Note 2.2.1.4)

Annual improvements (2015-2017) (Note 2.2.1.5)

Amendments to IAS 19 “Plan Amendments, Curtailment or Settlement” (Note 2.2.1.6)

2.2.1.1 IFRS 15 “Revenue from contracts with customers”

Adopted by the European Union on 1 January 2018

This standard supersedes IAS 18 “Revenue” and sets out the new requirements for recognising revenues earned from all types of contracts entered into with customers.

The recognition of revenues in the income statement shall depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To apply this core principle, IFRS 15 provides a five-step model from the identification of the contract with the customer until the recognition of the related revenue when the performance obligation is fulfilled.

Changes in accounting policies were applied from 1 January 2019 related to revenue recognition to be in line with the standard and are described in Note 2.4.

2.2.1.2 IFRS 16 “Leases”

Adopted by the European Union on 31 October 2017

This new standard supersedes the existing standard IAS 17 and modifies accounting requirements for leases, and more specifically in relation to the lessees’ financial statements, with very few impacts for the lessors.

For all lease agreements in the scope of IFRS 16, lessee are required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

In its statement of profit and loss, the lessee separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

SGIS has only one lease agreement related to the building. Since the term of this agreement is 2 years and the annual rental fees amount to KEUR 23, leases are considered non material and therefore the Company continues to expense the lease expense.

2.2.1.3 IFRIC 23 “Uncertainty over Income Tax Treatments”

Adopted by the European Union on 23 October 2018

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. The approach to be used should be the one that provides the best predictions of the resolution of the uncertainty.

The process for identifying, analyzing and monitoring tax uncertainties has been reviewed both at Group level and at the Company’s level.

There is no tax treatment at the level of the Company which would raise uncertainty requiring assessment of potential other tax treatment. Consequently, no effect of this interpretation has been booked.

2.2.1.4 Amendments to IAS 28 “Long-Term Interests in associates and joint ventures”

Issued by IASB on 12 October 2017

The amendments clarify that IFRS 9 “Financial Instruments” shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

The Company did not identify any impact from these amendments as the Company does not have any long-term interest in neither associate nor joint venture.

2.2.1.5 Annual improvements (2015-2017)

Issued by IASB on 12 December 2017

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”.

These improvements had no effect on the Company’s financial statements as the Company has neither business combinations, nor joint arrangements. Minor changes in IAS 12 and IAS 23 have no impact on the Company as they are related respectively to financial instruments classified as equity and to borrowing costs eligible for capitalisation, which are not applicable to the Company.

Notes to the financial statements (continued)
As at 31 December 2019

2.2.1.6 Amendments to IAS 19 “Plan Amendments, Curtailment or Settlement”

Published by IASB on 7 February 2018

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans.

In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be re-measured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

The Company is not impacted by this standard as there is no pension plan at its level.

2.2.2 Accounting standards, amendments or interpretations to be applied by the Company in the future

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 31 December 2019. They are required to be applied from annual periods beginning on 1 January 2020 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 31 December 2019.

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

2020

Amendements to IFRS 3 "Business combinations"
- Amendements to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of IBOR reform

2023

- IFRS 17 « Insurance contracts »

2.2.2.1 Amendments to IFRS 3 “Business Combinations”

Published by the IASB on 22 October 2018

The amendments are intended to provide clearer application guidance to facilitate the differentiation between the acquisition of a business and the acquisition of a group of assets, for which the accounting treatment is different.

The Company expects not effect from these amendments as it has no business combinations.

2.2.2.2 Amendments to IAS 1 and IAS 8 “Definition of Material”

Published by the IASB on 31 October 2018

These amendments are intended to clarify the definition of ‘material’ in order to facilitate the judgment in the context of the preparation financial statements, particularly when selecting the information to be presented in the Notes.

At this stage, the Company does not expect any significant impact from these amendments.

2.2.2.3 Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of the interest rate benchmark reform

Published by IASB in September 2019; adopted by the European Union on 15 January 2020.

In the context of the financial crisis, the inaccuracy and lack of integrity of interest rate benchmarks (EONIA, EURIBOR, LIBOR, etc.) made it necessary to reform their method of determination.

At the international level, 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: ESTR (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.

Within the European Union, regulation 2016/1011 (known as “BMR regulation”) was passed to implement the principles and recommendations of IOSCO and FSB by creating, as of 1 January 2018, a uniform legal framework regarding the provision of benchmarks. As part of the implementation of this regulation, the administrators of EONIA, EURIBOR and LIBOR were required to review and, if necessary, to modify the methodologies used for these indexes in order to make them compliant to the new BMR provisions.

Since 2 October 2019, ESTER has come to replace EONIA; this latter will however be published until 31 December 2021 by anchoring on ESTER (EONIA = ESTER + 8.5 bps). The reform of the EURIBOR was started in December 2018 and this index was declared compliant with BMR regulation on 3 July 2019. The EURIBOR quotation should continue for at least 5 years. The new SOFR and SONIA benchmarks, intended to replace the LIBOR benchmarks, have been published since 2018, but the publication of the latter will continue at least until 2021. 12 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 SG 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 stock of legacy transactions identifying these current interest rates benchmarks and which will mature after 2021.

Uncertainties about the timing and the precise methods of transition between the current benchmarks and the new benchmarks, as well as the modifications which could be made to the financial instruments referencing the current benchmarks, are likely to have consequences on accounting treatment related to the hedge accounting, and to the modification applied to these instruments (following the application of replacement contractual clauses - “Fallback” clauses - or following 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 uncertainties existing before the transition from jeopardising the hedge accounting applied for hedging interest rate risk. These amendments introduce reliefs related mainly to the compliance with the highly probable nature of the cash flows covered, the compliance with the identifiable nature of the risk covered, the carrying out of prospective and retrospective effectiveness tests. These reliefs will be applicable until the uncertainties referred to are removed, that is to say until the clauses of the financial instruments concerned are effectively modified.

These amendments were adopted by the European Union on 15 January 2020 and can be early-applied from 2019. The Company decided not to early-apply the amendments in its 31 December 2019 financial statements, as it does not use hedging relationship and therefore is not submitted to uncertainties potentially affecting such relationships in the context of the IBOR reform.

The IASB is currently studying the additional amendments that could be made to the accounting treatment of the contractual modifications that will be made to financial instruments as part of the IBOR reform (replacement of the interest rate benchmark, introduction of new fallback clauses). An exposure draft is expected to be issued at the end of the 2nd quarter 2020.

2.2.2.4 IFRS 17 "Insurance Contracts"

Issued by IASB on 18 May 2017

This new standard will replace IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the statement of financial position is replaced by a current value measurement of insurance contracts. The Company expects no effect from this standard as it has no insurance contracts.

2.3 Summary of significant accounting policies

2.3.1 Foreign currency transactions

Transactions in foreign currencies are initially recorded in EUR at the exchange rate ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the statement of profit and loss and other comprehensive income in the caption Net gains from financial instruments at fair value through profit or loss and Interest Expenses.

The most important foreign currency positions for the Company are USD, JPY, GBP, HKD and CHF. The following foreign exchange rates were used:

	USD	**JPY**	**GBP**	**HKD**	**CHF**
31.12.2019	1.1234	121.9400	0.8508	8.7473	1.0854
31.12.2018	1.1450	125.8500	0.8945	8.9675	1.1269

2.3.2 Cash and cash equivalents

Cash and cash equivalents comprise only cash repayable on demand.

Cash and cash equivalents in the Company are subject to impairment under IFRS 9 and are presented net of impairment (cf. Note 2.3.3.3).

2.3.3 Financial instruments

2.3.3.1. Classification of financial instruments

Classification of financial assets

Financial assets are classified under IFRS 9 based on the characteristics of their contractual cash flows and on how they are managed (business models).

For the debt instruments held, SGIS has defined its business model as “held to collect” for the Fully Funded Swaps, for Cash and cash equivalents and for Loans and receivables. These assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past years and no sale is anticipated in the future.

The Fully Funded Swaps (hereafter “FFS”) are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). This type of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As these financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the Solely Payments of Principles and Interest (or “SPPI”) test and consequently these financial assets are mandatorily mea sured at Fair Value through Profit and Loss (“FVTPL”).

Cash and cash equivalents and Loans and receivables are SPPI compliant and are thus measured at amortised cost. Cash and cash equivalents and Loans and receivables are subject to impairment under IFRS 9 and are presented net of impairment.

The Options held, covering the Warrants issued, are Trading derivatives and thus measured at FVTPL.

Purchases and sales of financial assets recorded under Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are recognised in the statement of financial position at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders’ equity depending on the accounting category of the relevant financial assets. Loans and receivables are recorded in statement of financial position on the date they are paid or at the maturity date for invoiced services. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Company.

Classification of financial liabilities

Financial liabilities are classified into one of the following two categories:

- Financial liabilities at fair value through profit or loss:

These are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Company upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option.

The Company has designated at fair value through profit or loss the notes issued because mirror transactions

(Fully Funded Swaps or “FFS”) that are used to hedge those notes are measured mandatorily at fair value through profit and loss and thus reduce the accounting mismatch;

- Financial liabilities at amortised cost:

These include the other non-derivative financial liabilities and are measured at amortized cost.

2.3.3.2. Valuation of financial instruments

Definition of fair value

Fair value is 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.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

Fair value hierarchy

The fair values of financial instruments include accrued interest as applicable.

For information purposes, in the notes to the financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the significance of the inputs used according to the following levels:

Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 1 instruments carried at fair value on the statement of financial position include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the statement of financial position date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm's length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm's length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Company has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

Level 2 (L2): instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

These are instruments measured using a financial model based on observable market inputs. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Level 2 instruments include in particular non derivative financial instruments carried at fair value on the statement of financial position that are not directly quoted or do not have a quoted price on a sufficiently active market (e.g. corporate bonds, repos transactions, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

Level 3 (L3): instruments valued using inputs that are not based on observable market data (referred to as unobservable inputs)

Level 3 instruments carried at fair value on the statement of financial position are predominantly instruments for which the sales margin is not immediately recognized in profit or loss.

Accordingly, Level 3 financial instruments include derivatives with longer maturities than those usually traded and/or with specifically-tailored return profiles. Similarly, debt measured at fair value is classified as Level 3 where the valuation of the associated embedded derivatives is also based on unobservable inputs.

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, or between interest rates and exchange rates, for example for quanto products (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);
- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation (“N to default” products in which the buyer of the hedge is compensated as of the Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- Commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e. options on commodity swaps or instruments based on baskets of underlyings).

Notes to the financial statements (continued)
As at 31 December 2019

At the level of SG Group, valuation models are determined in order to fully embed the impact of IFRS 13 as described above and use appropriate parameters and methodologies in order to determine L3 instruments valuation. Counterparty credit risk estimates relies on Credit Value Adjustments (CVA) and Debit Value Adjustments (DVA) calculations.

Different calculation methods can exist regarding the CVA-DVA / OCA (Own Credit Adjustment) impact calculation: derived from the yield discounting methodology, other from the Monte-Carlo EPE/ENE (Expected Positive / Negative Exposure). The methodology for calculation of CVA-DVA (OCA not applicable to the Company) applied to SGIS (the same as the SG Group) is the yield discounting methodology.

Fair value is 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. The valuation methods used by the Company to establish the fair value of financial instruments are detailed below.

The fair values of financial instruments include accrued interest as applicable.

- For unsecured Notes and Fully Funded Swaps

The fair value for both the unsecured Notes (liabilities) and the Fully Funded Swap (FFS) (assets) are calculated by discounting the expected future cash flows with the risk free curve. To take the credit adjustment into account, the risk free curve is adjusted with Société Générale Group's credit spread curve. A dedicated process has been implemented using Société Générale Group and SGIS operational teams' input. This process is fully functional, constantly monitored as of today.

- For secured and Repack Notes

Secured Notes are Notes which are collateralized with assets deposited on segregated or pooled accounts with external custodian (The Bank of New York Mellon S.A., Luxembourg Branch, hereafter "BNY Mellon Luxembourg") and pledged in favor of the Note holders.

Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the "Reference Bond") issued by a third-party issuer (the "Reference Bond Issuer").

The collateral assets are composed of eligible securities.

Should Société Générale defaults, the pledge on the assets is to be enforced; the Notes holders are exposed to credit risk of the collateral (external securities). Therefore, as Société Générale and SGIS are mere risk pass-through, the credit risk premium (external bonds issuers) shall not be adjusted with Société Générale credit spread. Thus, no additional credit adjustment is needed for the secured Notes.

The fair value of the secured Notes and the Repack Notes and the associated FFS is computed, for each accounting period, by discounting the expected future cash flows by a composite Repo rate curve.

- For Warrants and Options

For financial instruments recognised at fair value in the statement of financial position, 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 statement of financial position date or if the clearing value does not reflect transaction prices.

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

The base models may not fully capture all factors relevant to the valuation of SGIS on these financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, SGIS applies various techniques (from the Group) to estimate the credit risk associated with its financial instruments measured at fair value.

Deferred margin related to main unobservable inputs

The Company does not apply deferred margin related to its main unobservable inputs as margin on Notes and Warrants issued are offset by a similar margin on Fully Funded Swaps and Options purchased.

2.3.3.3. Impairments and provisions

Some financial assets involve credit risk which exposes the Company to a potential loss if the counterparties were to be unable to respect their financial commitments. The Company is remunerated for bearing this risk by a portion of the contractual interest that it receives on those assets; this is known as the credit margin.

This potential loss, or expected credit loss, is recognised in profit or loss without waiting for the occurrence of a default event on a specific counterparty.

For loans and receivables measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Company, is recognised in profit or loss. On the statement of financial position, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairments are written-back in case of a subsequent decrease of credit risk. No impairment is recognised on cash and cash equivalents. The Company does not have loan commitments or financial guarantees contracts.

Impairment and provisions for credit risk

To determine the amount of impairment or loss allowances to be recorded at each reporting date, these exposures are classified into one of three categories based on the increase in credit risk observed since initial recognition. An impairment or loss allowance shall be recognised for the exposures in each category as follows:

- Exposures classified in Stage 1: At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are underperforming/credit-impaired on acquisition. Stage 1 exposures are impaired for the amount of credit losses that the Company expects to incur within 12 months (12-month expected credit losses), based on past data and the current situation.
- Exposures classified in Stage 2: To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Company, taking into account the counterparty's credit risk rating, the magnitude of the change in the counterparty's credit rating and the existence of payments of more than 30 days.
- Exposures classified in Stage 3 (doubtful outstandings): The Company determines whether or not there is objective evidence of impairment (default event).

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Company expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity.

Impairments / Reversal of impairments

Impairments / Reversal of impairments includes net reversals of impairment and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

2.3.3.4. Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented on the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties.

The financial instruments issued by the Company are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The instruments which are unsold are held by SG.

The treatment is applied based on IAS 32 paragraph 42: "A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

In December 2014, a cash netting clause was added in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (the Fully Funded Swaps) and the liabilities (the Notes) are settled (and intended to be settled) simultaneously.

In June 2017, the Company added a new cash netting clause in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (OTC Options) and the liabilities (the Warrants) are settled (and intended to be settled) simultaneously.

In application of IAS 32 - Offsetting a financial asset and a financial liability, the Company proceeds to the accounting netting of the non-sold amounts. The impact of the off-setting for the non-sold Notes and the corresponding Fully Funded Swaps and impact of the off-setting for the non-sold Warrants and the corresponding options are described in Note 4.1 and Note 4.2.

2.3.4 Other assets and other liabilities

Settlement accounts for trades are included in other assets or other liabilities depending on the position reported in credit or debit (cf. Note 6).

2.3.5 Shareholders' equity

Equity are the resources contributed to the Company by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings).

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

2.3.6 Interest income and expense

Interest is recognized as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.
Interest income and expense are recorded in the statement of profit and loss under Interest and similar income and Interest and similar expense for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income).

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is measured at the effective interest rate applied to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

2.3.7 Fee income and expense

Fee income and Fee expense combine fees on services rendered and received, as well as fees on pledge security granted that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest income and Interest expenses.
The Company recognizes fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:
- fees for ongoing services, such as custody fees and administration costs are recognized as income over the life of the service;
- fees for one-off services, such as issuance and listing fees are recognized as income when the service is provided.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognized under Other Assets and Other Liabilities. For exemple : supplier contracts generate trade payables, accrued expenses or prepaid expenses.

As stated in Note 2.4, Income related to the issuance of Notes and Warrants were presented under the caption “net gains from financial instruments at fair value through profit or loss” until 31 December 2018 in accordance with IFRS 9. The Company has reassessed the accounting treatment of such income in 2019 and now considers separately the income generated by 2 services when performing its activities:

- The issuing fee recognized upfront for the initiation and the structuration of the issuance;
- Account and security servicing during the lifecycle of the security.

Notes to the financial statements (continued)
As at 31 December 2019

2.3.8 Other operating expenses

The Company records operating expenses according to the type of services to which they refer.

Other operating expenses mainly include lease payments, building maintenance and other costs, travel and business expenses, outsourcing and advisory fees and marketing and advertising expenses. Detail is provided in Note 13.

2.3.9 Income tax

Income tax includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period.
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

2.3.9.1. Current tax

Current tax is based on the taxable profit and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under Income tax in the statement of profit and loss.

2.3.9.2. Deferred tax

Deferred taxes are recognized whenever the Company identifies a temporary difference between the accounting base and tax base for assets and liabilities that will affect future tax payments or from tax loss carried forward.

The amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value. The Company off-sets its deferred tax assets against liabilities as there is both legal right to offset its current tax assets and liabilities and it is the Company's intention to settle on a net basis.

Notes to the financial statements (continued)
As at 31 December 2019

2.3.10. Other commitments linked to secured notes

In relation to each Serie of Secured Notes, in order to secure its obligations in respect of such Notes, the Company enters into a pledge agreement which will be governed by the Luxembourg act dated 5 August 2005 on financial collateral arrangements, as amended. Under each Pledge Agreement, the Company will grant first ranking security over the Collateral Assets contained in one or more accounts held by the Company with BNY Mellon Luxembourg (or such other custodian or account bank as is specified in the applicable Final Terms, pursuant to the terms of a custodian agreement between, inter alia, the Company and the collateral custodian).

The security granted under each Pledge Agreement will be granted either in favour of:

- (i) in the case of English Law Notes, The Bank of New York Mellon Corporate Trustee Services Limited or such other security trustee as is specified in the applicable Final Terms as security trustee on behalf of itself and the relevant Noteholders and the other relevant Secured Parties (as defined in the Additional Terms and Conditions for Secured Notes) or,
- (ii) in the case of French Law Notes, directly in favour of the relevant Noteholders and the other relevant Secured Parties as represented by The Bank of New York Mellon Corporate Trustee Services Limited or such other security agent as is specified in the applicable Final Terms as security agent.

Following the occurrence of a Secured Note Acceleration Event (as defined in the Additional Terms and Conditions for Secured Notes), all Noteholders whose Notes have become immediately due and payable will first be entitled to claim for any outstanding amounts due to them under the terms of the Guarantee. If neither the Issuer nor the Guarantor (pursuant to the terms of the Guarantee) has paid all amounts due to Noteholders within a period of 3 Collateral Business Days following the occurrence of a Secured Note Acceleration Event, Noteholders may send a notice in writing to the Security Trustee (in the case of English Law Notes) or the Security Agent (in the case of French Law Notes) requesting that the relevant Pledge Agreement be enforced in accordance with the terms of the Base Prospectus.

The Company borrows the securities to be pledged from Société Générale Group. In accordance with IFRS 9, the borrowing of the securities to be pledged by the Company is not assimilated to the transfer of assets and thus does not result in recognition in the statement of financial position. The risks and rewards associated to the securities remain in Société Générale Group and as such are not presented in the Company's statement of financial position.

The pledged securities are accounted as an off balance-sheet commitment "Securities pledged". The committed amount is re-measured at each closing to reflect the value of the securities pledged.

2.4 Changes in accounting policy

a. Presentation of other assets and other liabilities

In 2018, the presentation of other assets and other liabilities in the statement of the financial position offset the positions of both captions and displayed the net position either on assets side or on liabilities side.

This presentation was changed as of 1 January 2019. The Company decided to provide a non-offsetting presentation in order to show separately the amounts in distinctive captions.

In order to comply with the requirements of IAS 8, the Company presents its financial figures in 2018 and 2019 with a restatement of 2018 amounts to clarify the comparative amounts as presented in the current period financial statements have been adjusted. The change in the presentation has been reflected in the statement of financial position and in the notes to the financial statements (note 6). Given the absence of impact of such offsetting on both the net result and the shareholders' equity, SG Issuer has decided not to restate the opening balances of assets, liabilities and equity for the prior year presented.

b. Revenue recognition

Income related to the issuance of Notes and Warrants were presented under the caption "net gains from financial instruments at fair value through profit or loss" until 31 December 2018 in accordance with IFRS 9. Income were accounted upfront, at issuance of the Notes and Warrants. In 2019, the Company has reassessed the accounting treatment of such income and conclude that such income was in scope of IFRS 15. This new accounting policy has been applied since 1 January 2019. Comparative presentation of 2018 profit and loss was restated accordingly.

The remuneration of SGIS is composed by 2 distinct services:

- The issuing fee recognized upfront for the initiation and the structuration of the operation (thereafter issuing upfront fee);

- The account and security servicing during the lifecycle of the security recognized over time (thereafter security servicing fee).

2.5 Prior years corrections of error

During Q4 2019, SG Issuer, a fully owned subsidiary of SG Luxembourg, identified that, in 2019 as well as in prior years, Société Générale S.A. had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors in SG Issuer's notes and warrants at any time.

Société Générale S.A. confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident has no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration is recorded in "Other income" for the year ended 31 December 2019. In accordance with IAS 8, SG Issuer has restated the comparative amount in the Income statement for the year ended 31 December 2018 as well as in the notes to the financial statements (Notes 11 and 16).

Given the absence of impact of such undue remuneration on both the net result and the shareholders' equity, SG Issuer has decided not to restate the opening balances of assets, liabilities and equity for the prior year presented.

This excess remuneration paid by Société Générale S.A. to SG Issuer amounts to KEUR 14 384 for the year ended 31 December 2019 and KEUR 25 807 for the year ended 31 December 2018.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 65 975 as at 31 December 2019 (31 December 2018: KEUR 79 584) and are mainly composed of cash held with SG Luxembourg and Société Générale.

As at 31 December 2019 and 2018, this caption only contains cash that is repayable on demand.

NOTE 4 – FINANCIAL INSTRUMENTS

4.1 Financial assets measured at fair value through profit or loss

	31.12.2019 ('000 EUR)	31.12.2018 ('000 EUR)
Financial assets at fair value through profit or loss		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	52 893 265	45 062 134
- Trading derivatives (Options)	5 786 274	4 168 362
Total	**58 679 539**	**49 230 496**

As at 31 December 2019, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 52 893 265 (31 December 2018: KEUR 45 062 134) and replicate all the Notes issued by the Company (see Note 4.2). Differences between Fully Funded Swaps and Notes arise due to late settlements.

As at 31 December 2019, Trading derivatives (Options) amount to KEUR 5 786 274 (31 December 2018: KEUR 4 168 362) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between Options and Warrants arise due to late settlements.

As at 31 December 2019, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 30 038 519 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 6 692 028 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.2).

The movements in financial assets at fair value through profit or loss were as follows:

Notes to the financial statements (continued)
As at 31 December 2019

	('000 EUR) Mandatorily at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2018	**44 051 537**	**3 806 822**	**47 858 359**
Acquisition	61 735 479	33 911 397	95 646 876
Maturity/Disposal/Liquidation/Cancellation	(33 489 422)	(32 708 620)	(66 198 042)
Change in fair value	(12 067 577)	(2 686 752)	(14 754 329)
Exchange difference	1 987 248	181 090	2 168 338
Offsetting of Assets and Liabilities (Change)	(17 155 131)	1 664 425	(15 490 706)
As at 31 December 2018	**45 062 134**	**4 168 362**	**49 230 496**

	('000 EUR) Mandatorily at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2019	**45 062 134**	**4 168 362**	**49 230 496**
Acquisition	71 660 086	40 408 628	112 068 714
Maturity/Disposal/Liquidation/Cancellation	(86 760 549)	(37 874 504)	(124 635 053)
Change in fair value	11 224 067	353 266	11 577 333
Exchange difference	959 420	141 508	1 100 928
Offsetting of Assets and Liabilities (Change)	10 748 107	(1 410 986)	9 337 121
As at 31 December 2019	**52 893 265**	**5 786 274**	**58 679 539**

4.2 Financial liabilities measured at fair value through profit or loss

	31.12.2019 ('000 EUR)	31.12.2018 ('000 EUR)
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	52 889 867	45 053 728
- Trading derivatives (Warrants)	5 788 693	4 170 486
Total	**58 678 560**	**49 224 214**

As at 31 December 2019, the Company has issued secured and unsecured Notes for a total amount of KEUR 52 889 867 (31 December 2018: KEUR 45 053 728):

- 31 999 unsecured Notes were issued (stock) for a total amount of KEUR 48 347 725 (31 December 2018: 29 736 unsecured Notes were issued (stock) for a total amount of KEUR 41 584 165);
- 846 secured Notes were issued (stock) for a total amount of KEUR 4 542 142 (31 December 2018: 871 secured Notes were issued (stock) for a total amount of KEUR 3 469 563).

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.

Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.

As at 31 December 2019, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 4 468 186 (31 December 2018: KEUR 3 609 288).

As at 31 December 2019, the Company also issued Warrants for a total amount of KEUR 5 788 693 (31 December 2018: KEUR 4 170 486). Refer to Note 14 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2019, the impact of the offsetting (decrease in the balance sheet) is KEUR 30 038 519 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 6 692 028 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.1).

The movements in financial liabilities at fair value through profit or loss were as follows:

	('000 EUR) Designated at fair value through profit or loss	**('000 EUR) Trading derivatives**	**('000 EUR) Total**
As at 1 January 2018	**44 048 143**	**3 818 679**	**47 866 822**
Acquisition	62 374 839	33 934 907	96 309 746
Cancelled/Liquidation/Maturity Disposal	(33 989 259)	(33 348 931)	(67 338 190)
Change in fair value	(12 231 930)	(2 310 924)	(14 542 854)
Exchange difference	2 007 066	412 330	2 419 396
Offsetting of Assets and Liabilities (Change)	(17 155 131)	1 664 425	(15 490 706)
As at 31 December 2018	**45 053 728**	**4 170 486**	**49 224 214**

	('000 EUR) Designated at fair value through profit or loss	**('000 EUR) Trading derivatives**	**('000 EUR) Total**
As at 1 January 2019	**45 053 728**	**4 170 486**	**49 224 214**
Acquisition	73 253 218	39 985 252	113 238 470
Cancelled/Liquidation/Maturity Disposal	(87 579 976)	(37 303 767)	(124 883 743)
Change in fair value	10 470 909	122 616	10 593 525
Exchange difference	943 881	225 093	1 168 974
Offsetting of Assets and Liabilities (Change)	10 748 107	(1 410 987)	9 337 120
As at 31 December 2019	**52 889 867**	**5 788 693**	**58 678 560**

4.3 Financial liabilities measured at amortised cost

As at 31 December 2019 and 2018, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by SG Luxembourg, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to SG Luxembourg both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.671% as at 31 December 2019) and activity related interests. Activity related interests mean an amount equal to 100% of the activity related profit generated by the Company.
The convertible bond maturity shall be automatically extended by successive periods of one year, unless either the Issuer or the Holder has exercised its right to terminate the bond on the scheduled maturity date. The conversion option belongs to the Holder.

As at 31 December 2019, the Company also has amounts due to banks related to the Company's bank current accounts for KEUR 681 (31 December 2018: KEUR 16 673).

NOTE 5 – LOANS AND RECEIVABLES

As at 31 December 2019 and 2018, loans and receivables only consist in deposits with SG Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds.

The amount of expected credit loss calculated on loans and receivables in accordance with IFRS 9 is KEUR 0 as at 31 December 2019 (31 December 2018: KEUR 2).

NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES

As at 31 December 2019 and 2018, other assets and other liabilities are mainly composed of settlement accounts for trades, as presented below. Miscellaneous payables and receivables mainly consist of payables on partly paid Notes and receivables on financial instruments replicating the partly paid notes issued respectively.

	('000 EUR) 31.12.2019	**('000 EUR) 31.12.2018 Restated (Note 2.4)**
Settlement accounts on securities transactions	372 987	97 333
Miscellaneous receivables	58 001	73 256
Total other assets	**430 988**	**170 589**

	('000 EUR) 31.12.2019	**('000 EUR) 31.12.2018 Restated (Note 2.4)**
Settlement accounts on securities transactions	(392 183)	(94 524)
Deferred income	(7 605)	-
Miscellaneous payables	(63 735)	(89 104)
Total other liabilities	**(463 523)**	**(183 628)**

NOTE 7 – TAXATION

The Company is liable for all taxes applicable to Luxembourg commercial companies.

Since 2007, the Company has been part of a tax integration group led by SG Luxembourg, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the “Agreement”) with SG Luxembourg. Under the Agreement, the Company pays to SG Luxembourg, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

Current tax was adjusted further to the fiscal law reform on December 2016. The rate of current tax applied as of 31 December 2019 is 24.94% (31 December 2018: 26.01%). The current tax rate includes the corporate tax and the municipal tax.

NOTE 8 – SHAREHOLDERS’ EQUITY

8.1 Share capital and share premium

As at 31 December 2018, the subscribed and fully paid share capital, 100% held by SG Luxembourg, was EUR 2 000 200, divided into 50 005 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2019, the Executive Board decided to increase the authorized capital of the Company from EUR 2 000 200 to EUR 2 000 240 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. In the context of the capital increase, the 2019 activity related interests amounting to EUR 31 604 629 have been allocated to the Share Premium. During the year ended 31 December 2019, a share premium amounting to a total of EUR 56 604 630 was reimbursed by the Company to the sole shareholder (EUR 31 604 630 in October 2019 and 25 000 000 in December 2019).

As at 31 December 2019, the subscribed and fully paid share capital, 100% held by Société Générale Luxembourg S.A., is EUR 2 000 240, divided into 50 006 shares with a nominal value of EUR 40 each.

The Company manages its capital to ensure it will be able to continue as a going concern. The capital amount may be increased, subject to the approval or the sole Shareholder, if the Company’s activity evolves, incurring specific additional risks.

8.2 Reserves

8.2.1 Legal reserve

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

As at 31 December 2019, the legal reserve amounts to KEUR 200 (31 December 2018: KEUR 200).

8.2.2 Other reserves

Since 2013, the Company is fiscally integrated in its parent company SG Luxembourg. SG Luxembourg constitutes the Net Wealth Tax reserve for the Company. As a consequence, no additional Net Wealth Tax reserve has been constituted by the Company since 2013.

As at 31 December 2019, the amount of other reserves is nil. As at 31 December 2018, the other reserves amounted to KEUR 1 662 and were mainly related to the remaining Net Wealth Tax reserve that was constituted by the Company before 2013 and released in 2018.

Notes to the financial statements (continued)
As at 31 December 2019

NOTE 9 – INTEREST INCOME AND EXPENSES

	('000 EUR) 31.12.2019	('000 EUR) 31.12.2018
Interest income on cash and cash equivalents	74	541
Interest income on loans and receivables	949	1 141
Total interest income	**1 023**	**1 682**
Interest expenses on financial liabilities at amortised cost	(36 624)	(33 035)
Total interest expenses	**(36 624)**	**(33 035)**
Net interest margin	**(35 601)**	**(31 353)**

NOTE 10 – COMMISSION INCOME

As explained in Note 2.4 b, the new accounting policy IFRS 15 has been applied by the Company since 1 January 2019. Comparative presentation of 2018 profit and loss was restated accordingly.

Commission income can be broken down as follows:

	('000 EUR) 31.12.2019	('000 EUR) 31.12.2018 Restated (Note 2.4)
Issuing upfront fees on Notes	45 436	29 926
Servicing fees on Notes	2 951	5 281
Commission on Warrants	4 292	5 676
Commission income	**52 679**	**40 883**

As at 31 December 2019, KEUR 7 605 are retained as deffered income under the caption "other liabilities"(2018 : nil).

NOTE 11 – OTHER INCOME

As explained in Note 2.5, Other income includes an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 (KEUR 25 807 for the year ended 31 December 2018).

NOTE 12 – PERSONNEL EXPENSES

	('000 EUR) 31.12.2019	('000 EUR) 31.12.2018
Wages and salaries	(333)	(243)
Social charges and associated costs	(63)	(60)
Recharge of personnel expenses from related parties	(15)	(17)
Total	**(411)**	**(320)**

The Company had 3 full-time equivalent during the year ended 31 December 2019 (2018: 3).

The annual cost of pension is calculated and invoiced by SG Luxembourg, the parent company, based on SG Luxembourg's group total cost of pensions and according to the number of the Company's full time equivalent employees.

NOTE 13 – OTHER OPERATING EXPENSES

	(‘000 EUR) 31.12.2019	**(‘000 EUR) 31.12.2018**
Issuance fees	(26 556)	(27 425)
Other operating charges	(3 558)	(7 271)
Total	**(30 114)**	**(34 696)**

Issues fees mainly consist of listing fees, collateral monitoring agent fees, maintenance of registers fees and trading fees.

Other operating charges are mainly composed of operating costs related to the Company (including audit fees) as well as activities outsourced to Société Générale S.A. and SG Luxembourg.

Remuneration of the Réviseur d’entreprises agréé

The fees paid by the Company to its Réviseur d’entreprises agréé, Ernst & Young S.A., were as follows:

	(‘000 EUR) 31.12.2019	**(‘000 EUR) 31.12.2018**
Statutory audit of the financial statements	241	241
Other assurance services	40	40
Tax consulting services	-	-
Other services	-	-
Total	**281**	**281**

NOTE 14 – OFF-BALANCE SHEET

As at 31 December 2019, financial instruments to be issued (engagement taken before 31 December 2019 with value date after 31 December 2019) amount to KEUR 2 836 408 (31 December 2018: KEUR 2 790 111).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.

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As at 31 December 2019

Warrants issuance summary
The Warrants issued as at 31 December 2019 and 2018 break down as follows:

				31 December 2019			31 December 2018		
Warrant Type	**Category of Underlying**	**Type of Underlying**	**Option Type**	**Quantity**	**Notional ('000 EUR)**	**Fair Value ('000 EUR)**	**Quantity**	**Notional ('000 EUR)**	**Fair Value ('000 EUR)**
Basket warrant	Basket	Index	Call	1	12 462	14 432	2	15 581	14 584
		Equity	Call	-	-	-	4	3 144	4 350
Commodity Future Warrant	Future	Mutual Fund	Put	24	35 591	6 048	4	7 138	6
		Commodity Future	Call	76	637 284	42 969	76	381 303	11 361
			Put	74	176 905	25 045	148	439 664	119 532
Commodity Warrant	Commodity	Index	Call	9	40 197	19 188	-	-	-
		Mutual Fund	Call	136	904 041	130 055	63	161 967	40 489
			Put	83	154 736	10 222	80	240 430	27 319
		Precious metals	Call	11	22 469	5 626	12	24 767	3 657
			Put	11	26 439	126	14	34 545	2 235
		Future Contract	Call	1	-	57 440	-	-	-
Currency Warrant	Currency	Currency	Call	9 155	88 621	41 196	201	159 308	36 455
			Put	4 152	417 838	305 098	253	176 373	65 947
Equity Warrant	Equity	American Depositary Receipt	Call	63	202 059	9 155	21	25 218	1
			Put	36	60 612	4 152	18	17 817	-
		Mutual Fund	Call	6	139 725	960	-	-	-
		Ordinary Share	Call	4 397	27 304 462	1 045 517	4 654	26 923 067	596 199
			Put	3 217	10 749 863	522 589	3 487	11 659 558	790 924
		Other Certificate	Call	-	-	-	1	300	-
			Put	-	-	-	8	4 894	459
		Other Receipt	Call	-	-	-	2	2 442	-
			Put	-	-	-	2	1 252	-
		Own Share	Call	67	103 867	12 856	92	193 993	3 526
			Put	42	52 041	8 039	82	112 290	28 196
		Preference	Call	29	61 705	2 846	23	35 672	331
			Put	19	31 784	822	29	41 791	888

Notes to the financial statements (continued)

As at 31 December 2019

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31 December 2019 Quantity	31 December 2019 Notional ('000 EUR)	31 December 2019 Fair Value ('000 EUR)	31 December 2018 Quantity	31 December 2018 Notional ('000 EUR)	31 December 2018 Fair Value ('000 EUR)
Real Estate Investment Trust	REIT	REIT	Call	47	140 612	6 483	42	148 254	908
			Put	40	87 700	2 315	35	35 074	3 453
Index Warrant	Index	Index	Call	2 169	53 295 928	3 009 616	1 354	51 887 633	1 066 292
			Put	1 319	25 762 353	471 170	1 451	30 468 115	1 333 566
Fund Warrant	Fund	Mutual Fund	Call	228	1 467 868	34 668	196	1 171 799	19 733
			Put	6	118 816	60	10	137 095	75
Total Call				**16 395**	**84 421 300**	**4 433 007**	**6 743**	**81 134 448**	**1 797 886**
Total Put				**9 023**	**37 674 678**	**1 355 686**	**5 621**	**43 376 036**	**2 372 600**
Total Warrants				**25 418**	**122 095 978**	**5 788 693**	**12 364**	**124 510 484**	**4 170 486**

NOTE 15 – RISK MANAGEMENT

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from Société Générale's internal control systems.

For any further information on the risks relating to the Group, investors and/or Noteholders should refer to the "Risk and Capital Adequacy" section of the Registration Document (https://www.societegenerale.com).

15.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates, securities prices, and foreign exchange rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with FFS concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the Secured / Unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc.

The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SG Luxembourg) with hedged interest rate risk. The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

15.2 Credit risk

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with its parent companies, SG Luxembourg and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SG Luxembourg and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 31 December 2019 and 2018, no financial assets were past due or impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As at 31 December 2019, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

15.3 Interest rate risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

15.4 Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any material liquidity risk thanks to the perfect replication between the contractual obligations of:

i) the financial instruments issued by the Company; and
ii) the financial assets replicating the financial instruments issued by the Company.

Notes to the financial statements (continued)
As at 31 December 2019

Analysis per remaining contractual maturities

As at 31 December 2019, analysis per remaining contractual maturities is as follows:

31.12.2019 - EUR' 000	**< 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**> 5 years**	**Without fixed maturity**	**Total**
Cash and cash equivalents	65 975	-	-	-	-	65 975
Financial assets at fair value through profit or loss						
- *Mandatorily at fair value through profit or loss*	3 163 448	11 165 213	19 600 467	18 964 137	-	52 893 265
- *Trading derivatives*	1 193 884	947 357	1 080 289	2 564 744	-	5 786 274
Loans and receivables	-	1 953	48 707	1 000	-	51 660
Other assets	430 988	-	-	-	-	430 988
Total assets	**4 854 295**	**12 114 523**	**20 729 463**	**21 529 881**	**-**	**59 228 162**
Financial liabilities at amortised cost	681	34 988	48 000			83 669
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	3 163 305	11 165 232	19 597 397	18 963 933	-	52 889 867
- *Trading derivatives*	1 191 838	949 542	1 079 739	2 567 574	-	5 788 693
Other liabilities	463 523	-	-	-	-	463 523
Tax liabilities	62	-	-	-	-	62
Total liabilities	**4 819 409**	**12 149 762**	**20 725 136**	**21 531 507**	**-**	**59 225 814**

As at 31 December 2018 analysis per remaining contractual maturities is as follows:

31.12.2018 - EUR' 000 **Restated (Note 2.4)**	**< 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**> 5 years**	**Without fixed maturity**	**Total**
Cash and cash equivalents	79 584	-	-	-	-	79 584
Financial assets at fair value through profit or loss						
- *Mandatorily at fair value through profit or loss*	2 659 566	7 215 881	20 045 169	15 141 518	-	45 062 134
- *Trading derivatives*	682 685	1 033 560	508 253	1 943 864	-	4 168 362
Loans and receivables	189	828	50 553	1 000	-	52 570
Other assets	170 589	-	-	-	-	170 589
Total assets	**3 592 613**	**8 250 269**	**20 603 975**	**17 086 382**	**-**	**49 533 239**
Financial liabilities at amortised cost	16 673	31 611	48 000	-	-	96 284
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	2 648 107	7 216 548	20 037 056	15 152 017	-	45 053 728
- *Trading derivatives*	684 009	1 029 500	514 100	1 942 877	-	4 170 486
Other liabilities	183 628	-	-	-	-	183 628
Tax liabilities	64	-	-	-	-	64
Total liabilities	**3 532 481**	**8 277 659**	**20 599 156**	**17 094 894**	**-**	**49 504 190**

15.5 Fair Value measurement

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

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 Notes or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

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

The Notes and the related FFS are classified as Level 3 when the valuation of the associated embedded derivatives (underlying of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensibilities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

Notes to the financial statements (continued)
As at 31 December 2019

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 2019 (by type of underlyings):

Type of underlyings	Assets In million EUR	Liabilities In million EUR	Main products	Valuation techniques used	Significant unobservable inputs	Range of unobservable inputs Min & Max
Equity / funds	21 089	21 089	Simple and complex derivatives on funds, equities or baskets on stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[3.8% ; 90.5%]
					Equity dividends	[0.0% ; 21.3%]
					Unobservable correlations	[-80.0% ; 97.8%]
					Hedge funds volatilities	[8.5% ; 20.0%]
					Mutual funds volatilities	[1.7% ; 42.2%]
Rates and Forex	6 326	6 329	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-47.30%;90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[1.0% ; 32.80%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayement modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Inflation/ inflation correlations	[50.50% ; 88.90%]
Credit	4 856	4 856	Collateralized 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%]
					Unobservable credit spreads	[0 bps ; 1 000 bps]
Commodity	6	6	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	[9.88% ; 96.37%]
Total	**32 277**	**32 280**				

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company. Moreover, changes in an unobservable parameter would have by underlying a minor effect on both assets and liabilities.

Notes to the financial statements (continued)

As at 31 December 2019

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

31.12.2019 - EUR' 000	**Carrying amount**	**Fair value**
Cash and cash equivalents	65 975	65 975
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	52 893 265	52 893 265
- *Trading derivatives*	5 786 274	5 786 274
Loans and receivables *	51 660	53 302
Other assets	430 988	430 988
Total assets	**59 228 162**	**59 229 804**
Financial liabilities at amortised cost *	83 669	85 311
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	52 889 867	52 889 867
- *Trading derivatives*	5 788 693	5 788 693
Other liabilities	463 523	463 523
Tax liabilities	62	62
Total liabilities	**59 225 814**	**59 227 456**

31.12.2018 - EUR' 000	**Carrying amount Restated (Note 2.4)**	**Fair value Restated (Note 2.4)**
Cash and cash equivalents	79 584	79 584
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	45 062 134	45 062 134
- *Trading derivatives*	4 168 362	4 168 362
Loans and receivables *	52 570	54 993
Other assets	170 589	170 589
Total assets	**49 533 239**	**49 535 662**
Financial liabilities at amortised cost *	96 284	98 451
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	45 053 728	45 053 728
- *Trading derivatives*	4 170 486	4 170 486
Other liabilities	183 628	183 628
Tax liabilities	64	64
Total liabilities	**49 504 190**	**49 506 357**

* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris). Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

Notes to the financial statements (continued)
As at 31 December 2019

The fair value hierarchy of IFRS 13

As at 31 December 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2019 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss		**21 171 636**	**31 721 629**	**52 893 265**
Commodities instruments	-	736 757	6 113	742 870
Credit derivatives/securities	-	1 378 833	4 856 266	6 235 099
Equity and index securities	-	15 198 731	20 867 313	36 066 044
Foreign exchange instruments/securities	-	1 777 010	847 690	2 624 700
Interest rate instruments/securities	-	1 921 912	3 961 009	5 882 921
Other financial instruments	-	158 393	1 183 238	1 341 631
- Trading derivatives		**5 229 694**	**556 580**	**5 786 274**
Equity and Index instruments	-	3 203 565	222 023	3 425 588
Other financial instruments	-	2 026 129	334 557	2 360 686
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss		**21 169 553**	**31 720 314**	**52 889 867**
Commodities instruments	-	736 757	6 113	742 870
Credit derivatives/securities	-	1 379 219	4 855 992	6 235 211
Equity and index securities	-	15 197 980	20 866 396	36 064 376
Foreign exchange instruments/securities	-	1 775 900	847 573	2 623 473
Interest rate instruments/securities	-	1 921 464	3 961 009	5 882 473
Other financial instrument	-	158 233	1 183 231	1 341 464
- Trading derivatives		**5 229 108**	**559 585**	**5 788 693**
Equity and Index instruments	-	3 201 226	221 988	3 423 214
Other financial instruments	-	2 027 882	337 597	2 365 479

Notes to the financial statements (continued)
As at 31 December 2019

As at 31 December 2018, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2018 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- Mandatorily at fair value through profit or loss	**-**	**20 606 194**	**24 455 940**	**45 062 134**
Commodities instruments	-	1 160 486	40 872	1 201 358
Credit derivatives/securities	-	1 509 044	4 490 176	5 999 220
Equity and index securities	-	15 226 349	15 031 332	30 257 681
Foreign exchange instruments/securities	-	793 456	779 644	1 573 100
Interest rate instruments/securities	-	1 626 581	2 624 148	4 250 729
Other financial instruments	-	290 278	1 489 768	1 780 046
- Trading derivatives	**-**	**4 050 694**	**117 668**	**4 168 362**
Equity and Index instruments	-	3 573 416	94 142	3 667 558
Other financial instruments	-	477 278	23 526	500 804
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss	**-**	**20 599 491**	**24 454 237**	**45 053 728**
Commodities instruments	-	1 160 486	40 872	1 201 358
Credit derivatives/securities	-	1 508 480	4 488 869	5 997 349
Equity and index securities	-	15 221 303	15 031 014	30 252 317
Foreign exchange instruments/securities	-	792 379	779 568	1 571 947
Interest rate instruments/securities	-	1 626 565	2 624 147	4 250 712
Other financial instrument	-	290 278	1 489 767	1 780 045
- Trading derivatives	**-**	**4 052 818**	**117 668**	**4 170 486**
Equity and Index instruments	-	3 574 563	94 142	3 668 705
Other financial instruments	-	478 255	23 526	501 781

Notes to the financial statements (continued)
As at 31 December 2019

The following table describes the variation in Level 3 by financial instruments (in KEUR):

Financial liabilities at fair value through profit or loss	**Balance at 01.01.2019**	Acquisitions	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	**Balance 31.12.2019**
Designated at fair value through P&L	**24 454 237**	**30 514 576**	**(4 048 824)**	**(20 458 301)**	**(2 833 767)**	**349 154**	**3 743 239**	**31 720 314**
Equity and index instrument	15 031 014	25 508 705	(3 275 083)	(16 714 403)	(1 977 001)	126 495	2 166 669	20 866 396
Commodity instruments	40 872	87	(626)	(38 600)	(3 138)	-	7 518	6 113
Credit derivatives	4 488 869	2 220 574	(465 306)	(832 306)	(662 175)	128 031	(21 695)	4 855 992
Foreign exchange instruments	779 568	199 861	(46 032)	(85 976)	(9 976)	-	10 128	847 573
Interest rate instruments	2 624 147	2 384 246	(152 157)	(1 266 238)	(167 756)	75 488	463 279	3 961 009
Others financial instruments	1 489 767	201 103	(109 620)	(1 520 778)	(13 721)	19 140	1 117 340	1 183 231
Trading derivatives	**117 668**	**408 072**	**178 007**	**(175 707)**	**69 436**	**(13 588)**	**(24 303)**	**559 585**
Equity and index instruments	94 142	228 783	83 393	(153 324)	-	(13 588)	(17 418)	221 988
Other financial instruments	23 526	179 289	94 614	(22 383)	69 436	-	(6 885)	337 597

The above figures are valued on the liabilities side at fair value through profit or loss. Variations of Level 3 of financial instruments in assets are not presented because the figures are similar.

Transfers from Level 3 to Level 2

The 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 high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of 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 parameters.

Transfers from Level 2 to Level 3

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc…).

15.6 Operational risk

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collecting internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

NOTE 16 – RELATED PARTIES

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2019 and 2018 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions. The Company has a related party relationship with its direct parent company (SG Luxembourg), its ultimate parent company (SG) and with its Executive Board Members, Supervisory Board Members and Executive Officers. As disclosed below in the table, the Company entered into transactions only with its direct parent company (SG Luxembourg) and its ultimate parent company (SG).

The issued Notes are sold to Société Générale as market maker, such Notes being expected to be subscribed *in fine* by third party investors, either for their own account or via distribution network. Moreover, all Notes are guaranteed by Société Générale.

Also, the Company borrows securities from Société Générale, which serve as collateral for the secured Notes issued by the Company.

Notes to the financial statements (continued)
As at 31 December 2019

As at 31 December 2019 EUR' 000	Société Générale (Ultimate Parent Company)	SG Luxembourg (Parent Company)
Cash and cash equivalents	62 219	1 426
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	52 893 265	-
- *Trading derivatives*	5 786 274	-
Loans and receivables	-	51 660
Other assets	430 988	-
Total assets	**59 172 746**	**53 086**
Financial liabilities at amortised cost	-	82 988
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss**	-	-
- *Trading derivatives**	-	-
Other liabilities	(461 711)	-
Tax liabilities	-	62
Total liabilities	**(461 711)**	**83 050**
Interest income	18	949
Commission income	52 679	-
Other income (1)	14 384	-
Total revenues	**67 081**	**949**
Interest expenses	(405)	(35 805)
Personnel expenses	-	(411)
Other operating charges	(1 755)	(21 033)
Total expenses	**(2 160)**	**(57 249)**
Total comprehensive income for the financial year	**64 921**	**(56 300)**
Financial commitments	**2 836 408**	**-**
Financial commitments-collateral to be returned	**4 468 186**	**-**

*The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

(1) As explained in Note 2.5 “Other Income” includes an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 (KEUR 25 807 for the year ended 31 December 2018).

Notes to the financial statements (continued)
As at 31 December 2019

As at 31 December 2018 **EUR' 000**	**Société Générale (Ultimate Parent Company) Restated***	**SG Luxembourg (Parent Company) Restated***
Cash and cash equivalents	73 336	1 008
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	45 062 134	-
- *Trading derivatives*	4 168 362	-
Loans and receivables	-	52 570
Other assets	170 589	-
Total assets	**49 474 421**	**53 578**
Financial liabilities at amortised cost	-	79 611
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss***	-	-
- *Trading derivatives***	-	-
Other liabilities	183 564	-
Tax liabilities	-	64
Total liabilities	**183 564**	**79 675**
Interest income	1 604	78
Commission income	40 883	-
Other income (1)	25 807	-
Total revenues	**68 294**	**78**
Interest expenses	(600)	(32 435)
Personnel expenses	-	(320)
Other operating charges	(4 559)	(28 022)
Total expenses	**(5 159)**	**(60 777)**
Total comprehensive income for the financial year	**63 135**	**(60 699)**
Financial commitments	**2 790 111**	**-**
financial commitments-collateral to be returned	**3 609 288**	**-**

* Restatements explained in Notes 2.4 a and 2.4 b.

****** The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

(1) As explained in Note 2.5 "Other Income" includes an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 (KEUR 25 807 for the year ended 31 December 2018).

NOTE 17 – REMUNERATION, ADVANCES AND LOANS GRANTED TO MEMBERS OF THE ADMINISTRATIVE OR SUPERVISORY BODY

The independent director of the company, appointed 25 June 2018, earned a remuneration of EUR 28 000 for his services related to the year ended 31 December 2019 (31 December 2018: EUR 7 000).

As at 31 December 2019 and 2018, no other payment, advance or loans were given to members of the administrative or supervisory body.

NOTE 18 – SUBSEQUENT EVENTS

By resolution adopted on 15 January 2020, the Executive Board decided to increase the capital of the Company from EUR 2 000 240 to EUR 2 000 280 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. After this increase, the subscribed and fully paid share capital is EUR 2 000 280, divided into 50 007 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 34 981 050 to the share premium account.

The development of the COVID-19 virus into a pandemic has created an unprecedented environment both operationally and in financial markets. In this context, the Company has been closely monitoring the situation and following instructions with the whole Société Générale Group given by the World Health Organisation and the authorities in Luxembourg. The Company has put in place the necessary measures to ensure business continuity with consideration for staff and client health and safety as a priority. It is too early to perform a detailed assessment of the impact on SG Issuer. Nevertheless, it is expected that the financial market environment will affect the Company's volume of Notes issued and sold to the public during the period when the outbreak continues.

As at 31 December 2019, the COVID crisis had no impact on the Company's financial statements, neither on profit. As a result economic uncertainties have arisen which are likely to negatively impact in due proportion 2020 results. Given then uncertainties and ongoing developments the Company cannot accurately and reliably estimate the quantitative impact. It is to be noted that as of the date of this report, the Company does not expect a significant decrease in future financial position.