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 2020

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

Table of Contents

Executive Board Members
As at 31 December 2020

EXECUTIVE BOARD MEMBERS

Chairman:

Mr Yves CACCLIN
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Thierry BODSON
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
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

Mr Christian ROUSSON (since 3 April 2020)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Supervisory Board Members
As at 31 December 2020

SUPERVISORY BOARD MEMBERS

Chairman:

Mr Olivier BLANC (from 11 February 2020 until 5 April 2020)*
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Pierre LESCOURRET (Member since 19 March 2020 – Chairman since 6 April 2020)*
Employee of Société Générale
Basalte, 4 boulevard Franck Kupcka, F-92800 Puteaux, France

* There was no Chairman of the Supervisory Board from 27 September 2019 to 11 February 2020.

Members:

Mr Olivier BLANC (since 6 April 2020)
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 (until 19 March 2020)
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
As at 31 December 2020

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 (until 19 March 2020)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Olivier BLANC (since 6 April 2020)
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

Management and Administration
As at 31 December 2020

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 2020.

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 S.A. ("Société Générale") 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 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 Prospectuses prepared by Société Générale.

The main programs for Notes are (i) the Debt Instruments Issuance Program, the Base Prospectus of which has been updated and approved by the CSSF on 5 June 2020 and (ii) the "Programme d'Emission de Titres de Créance", the Base Prospectus of which has been updated and approved by the CSSF on 15 June 2020. Similarly, the main program for Warrants is the Warrants Issuance Program, for which the last updates have been approved by the CSSF on 29 June 2020.
In addition, (i) the German law Dual Language Debt Instruments Issuance Programme has been approved by the CSSF on 2 July 2020 and (ii) the Dual Language Leveraged and Tracking Products Issuance Programme has been approved by the CSSF on 15 July 2020.

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

The decrease in total assets and liabilities (before impact of the offsetting) (see Note 4) is due to the evolution of the activity of issuing financial instruments and significant changes in the fair value of the notes, induced by the Covid-19 impact on the stocks market.

During the year ended 31 December 2020, 11 902 new Notes were issued (among which 53 secured Notes) and 2 991 Warrants were issued[1].

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 FFS 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. COVID-19 CRISIS

The development of the Covid-19 virus into a pandemic has created an unprecedented environment both operationally and in financial markets. The lockdown measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during the year 2020 : the crisis has been affecting both the supply and demand for goods and services and has led to financial market dislocations. In this context, the Company has been closely monitoring the situation and following instructions 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.

Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy. Strong uncertainties still remain about the consequences, magnitude and duration of the crisis.

During the year 2020, the crisis had a limited impact on the Company, considering the quality of the asset portfolio and the robustness of its balance sheet. The specific setup of the Company and the hedging of assets and liabilities contributed to fully mitigate the Company's exposure to the market volatility. Nevertheless, the Covid-19 crisis had an impact on the volume of the activity due to the decrease in clients' requests for this type of instruments.

[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 period.

4. DECONSOLIDATION OF SGIS BY SOCIETE GENERALE LUXEMBOURG S.A.

The Company was a 100% owned subsidiary of Société Générale Luxembourg S.A. until 30 November 2020. On this date, Société Générale Luxembourg S.A. sold 100 shares to Société Générale S.A. ("SG S.A.") and renounced to its voting rights on its remaining shares. As Société Générale S.A. is the sole shareholder with voting rights, it inherits the power and control over SGIS. Consequently, Société Générale Luxembourg has lost power and control on SGIS as per IFRS 10. SGIS is thus directly consolidated by Société Générale S.A. as from 1 December 2020.

Despite Société Générale Luxembourg does not consolidate SGIS, Société Générale Luxembourg keeps a significant influence on SGIS. Société Générale Luxembourg has lost the power and control over SGIS but, based on the existing significant economic relationships, the Group's supervision and the common workforce, Société Générale Luxembourg conserves significant influence as per IAS 28.

5. FUTURE DEVELOPMENTS AND PERSPECTIVES

In the context of the acquisition by the Société Générale Group (SG Group) of the listed warrants activities from Commerz Bank, Société Générale has decided that new warrants for this activity would mostly be done by another issuer of the Group starting from 1 April 2020. As this activity represented most of the Warrants issued by SGIS so far, the Executive Board noticed a significant drop in new Warrant issuances starting from the second quarter of 2020, which represented however a slight decrease in the commission income for the Company. The Executive Board expects that the drop in Warrants issuances will continue during the year 2021.

Furthermore, 2021 will with no doubt be marked by the unprecedented macroeconomic consequences of the Covid-19 pandemic. It is expected that the financial markets environment will affect the Company's volume of Notes issued and sold to the public during the period when the outbreak continues. In such highly uncertain environment, the Company intends to continue in the coming years the development of its business.

6. SUBSEQUENT EVENTS

SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities (16 000 KEUR for securities issued by SG Issuer and guaranteed by Société Générale). The French corporate was the subject of a "safeguard procedure", which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

For this litigation (and any other litigation relating to securities issued by SG Issuer) SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer in the context of this litigation regarding potential damages or attorneys' fees.

7. 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.

7.1 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 on demand several times during the year.

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.

7.2 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.

7.3 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 23 April 2021, during which the financial statements for the year ended 31 December 2020 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.

7.4 Internal Audit

The Internal Audit of both Société Générale Luxembourg and Société Générale 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.

Report of the Executive Board and Corporate Governance Statement (continued)
As at 31 December 2020

7.5 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 Société Générale 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.

7.6 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.

7.7 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 Société Générale Luxembourg and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by Société Générale 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 Société Générale 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.

Luxembourg, 29 April 2021

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
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 2020, 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, 29 April 2021

Executive Board Member
For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Building a better
working world

Ernst & Young
Société anonyme

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L-2017 Luxembourg

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Independent auditor's report

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 S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2020, and 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 2020, 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 the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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.

Hedging of financial instruments issued

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 2020.

For a sample of financial instruments issued by the Company as at 31 December 2020, we verified 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.

Building a better working world

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 Executive Board 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 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 communicate to 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 30 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 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, 29 April 2021

Statement of Financial Position
As at 31 December 2020

	Notes	('000 EUR) 2020	('000 EUR) 2019
Cash and cash equivalents	3	44 293	65 975
Financial assets at fair value through profit or loss			
- *Mandatorily measured at fair value through profit or loss*	4.1	43 135 651	52 893 265
- *Trading derivatives*	4.1	674 352	5 786 274
Loans and receivables	5	49 902	51 660
Other assets	6	835 571	430 988
Total assets		**44 739 769**	**59 228 162**
Financial liabilities at amortised cost	4.3	65 342	83 669
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss*	4.2	43 146 652	52 889 867
- *Trading derivatives*	4.2, 10, 14	676 965	5 788 693
Other liabilities	6	848 336	463 523
Tax liabilities	7	75	62
Total liabilities		**44 737 370**	**59 225 814**
Share capital	8.1	2 000	2 000
Share premium		-	-
Legal reserve	8.2	200	200
Profit for the financial year		199	148
Total equity		**2 399**	**2 348**
Total liabilities and equity		**44 739 769**	**59 228 162**

The accompanying Notes are an integral part of these financial statements.

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	('000 EUR) 2020	('000 EUR) 2019
Interest income	9	917	1 023
Commission income	10	48 748	52 679
Other income	11	-	14 384
Total revenues		**49 665**	**68 086**
Interest expenses	9	(18 409)	(36 624)
Net loss from financial instruments at fair value through profit or loss		(139)	(727)
Personnel expenses	12	(273)	(411)
Other operating expenses	13	(30 569)	(30 114)
Cost of risk	5	(1)	-
Total expenses		**(49 391)**	**(67 876)**
Profit before tax		**274**	**210**
Income tax	7	(75)	(62)
Profit for the financial year		**199**	**148**
Total comprehensive income for the financial year		**199**	**148**

The accompanying Notes are an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2020

	('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 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 2019	-	-	-	-	**-**	**-**	**148**	**148**
As at 31 December 2019	**2 000**	**-**	*200*	-	-	**200**	**148**	**2 348**
Transfer to available reserves Allocation of the result of the previous year before dividend distribution	-	-	-	-	*148*	**148**	**(148)**	**-**
Dividend to the sole shareholder	-	-	-	-	*(148)*	**(148)**	**-**	**(148)**
Capital increase/Allocation to the share premium account (Note 8.1)	-	34 981	-	-	-	**-**	**-**	**34 981**
Reimbursement of the share premium (Note 8.1)	-	(34 981)	-	-	-	**-**	**-**	**(34 981)**
Profit for the financial year 2020	-	-	-	-	-	**-**	**199**	**199**
As at 31 December 2020	**2 000**	**-**	*200*	-	-	**200**	**199**	**2 399**

The accompanying Notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	('000 EUR) 2020	('000 EUR) 2019 *Restated**
OPERATING ACTIVITIES			
Profit for the financial year		199	148
Net(increase)/decrease in financial assets	4.1	(3 866 206)	11 650 759
Net increase/(decrease) in financial liabilities	4.2	3 899 072	(11 626 283)
(Increase)/decrease in other assets	6	(404 583)	(260 399)
Increase/(decrease) in tax liabilities and other liabilities	6, 7	384 750	279 831
Taxes paid	7	75	62
Non cash adjustments :			
Net change in fair value and foreign exchange difference	4.1, 4.2	139	727
Change in cost of risk	5	1	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		**13 446**	**44 845**
FINANCING ACTIVITIES			
Payment of capital surplus**	8.1	(34 981)	(56 605)
Dividend paid		(148)	(1 849)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(35 129)**	**(58 454)**
Cash and cash equivalents as at January 1st	3	65 975	79 584
Net increase/(decrease) in cash and cash equivalents		(21 682)	(13 609)
Cash and cash equivalents as at December 31st		**44 293**	**65 975**
Additional information on operational cash flows from interest and dividends			
Interest paid		35 775	57 428
Interest received	9	917	1 023
Dividend received		-	-

** Refer to Note 2.5 - comparative data.*

*** KEUR 34 981 for the year ended 31 December 2020 (and KEUR 56 605 for the year ended 31 December 2019) represent the share premium reimbursed by the Company to the shareholder (refer to Note 8.1).*

The accompanying Notes are an integral part of these financial statements.

Notes to the financial statements
As at 31 December 2020

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 was 100% owned by Société Générale Luxembourg S.A. until 30 November 2020. At this date, Société Générale Luxembourg S.A. sold 100 shares to Société Générale S.A. and renounced to its voting rights on its remaining shares. SG Luxembourg S.A. inherits the power and control over SGIS. Consequently, Société Générale Luxembourg has lost power and control on SGIS as per IFRS 10.SGIS is thus directly consolidated by SG S.A. from 1 December 2020.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter ”Société Générale” or the “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 2020 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 2020 were authorised for issue by the Supervisory Board on 28 April 2021.

2.1.2 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.

2.1.3 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).

2.1.4 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 2020

Amendments to IFRS 3 "Business Combinations" (Note 2.2.1.1)
Amendments to IAS 1 and IAS 8 "Definition of materiality" (Note 2.2.1.2)
Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the interest rate benchmark reform ("IBOR Reform") (Note 2.2.1.3)
First application of the revised conceptual framework for financial reporting (the revised "Conceptual Framework") (Note 2.2.1.4).
Amendments to IFRS 16 "Lease contract" due to the Covid-19 crisis (Note 2.2.1.5)

2.2.1.1 Amendments to IFRS 3 "Business Combinations"

Issued by the IASB on 22 October 2018 and adopted by the European Union on 29 November 2019.
The amendments are intended to provide clearer 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. This amendment to IFRS 3 standard is not applicable to the Company, as the acquisition of business is not part of its usual activity and it did not proceed to any acquisition in the previous periods.

2.2.1.2 Amendments to IAS 1 and IAS 8 "Definition of materiality"

Issued by the IASB on 31 October 2018 and adopted by the European Union on 29 November 2019.

These amendments are intended to clarify the definition of 'materiality' in order to facilitate the judgment in the context of the preparation of financial statements and interim financial information, particularly when selecting the information to be presented in the Notes.

The Company assessed the potential impact of this clarification. No impact on the financial statements as at 31 December 2020 was observed.

2.2.1.3 Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the interest rate benchmark reform ("IBOR Reform")

Issued by the IASB on 27 August 2020 and adopted by the European Union on 14 January 2021.

In the context of the interest rate reform – or IBOR reform – currently being implemented by SG Group, the accounting standards applicable have been amended by the IASB. The project structure is set-up at the level of SG Group, with specific application of the changes by business line.

The objective of the first amendments, implemented by the Group since 31 December 2019, is to enable the continued application of hedge accounting treatments despite uncertainties regarding the timetable and specificities regarding the transition from current interest rate benchmarks to new ones; and to do so despite any possible changes to financial instruments indexed on the current interest rate benchmarks. These amendments have no impact on the Company's financial statements considering it doesn't use hedge accounting.

Supplementary amendments have been introduced by the IASB regarding the treatment of the changes in financial instruments contracts in the framework of the IBOR reform. Adopted by the European Union on 14 January 2021, they were early applied at the level of SG Group in its financial statements as at 31 December 2020 and by extension at the level of the Company.

These supplementary amendments provide for the application of the following treatments:

- changes brought about by the IBOR reform in the determination of the contractual cash flows, when performed on an economically equivalent basis, should be booked as a revision of the variable interest rate when measuring financial assets and liabilities at amortised cost, financial assets at fair value through other comprehensive income and lease liabilities;
- continuation of the hedging relationship when changes are made, in the framework of the IBOR reform, on the hedged item and/or the hedging instrument and leading to a new documentation of the hedge .

The Company has assessed no impact of the IBOR reform further to the early adoption of the above amendments.

2.2.1.4 First application of the revised conceptual framework for financial reporting (the revised "Conceptual Framework")

Issued by IASB on 29 March 2018 and adopted by the European Union on 6 December 2019.

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.
The changes to the Conceptual Framework affect the application of IFRS in situations where no standard applies to a particular transaction or event.
The revised Conceptual Framework is effective for the Company as it develops accounting policies based on the Conceptual Framework, it is effective in the financial statements as at 31 December 2020.
To date, the Company has not identified any impact on the application of IFRS due to the revised Conceptual Framework.

2.2.1.5 Amendments to IFRS 16 "Lease contract" due to the COVID-19 crisis

Issued by the IASB on 28 May 2020 – Adopted by the European Union on 12 October 2020

These amendments are to allow, as an option, tenants benefiting from rent relief in the context of the Covid-19 pandemic, not to analyse whether the concessions granted to them should be accounted for as modifications to rental contracts. This would imply spreading out the effects of the advantage granted over the term of the contract in profit or loss, they can recognise these reductions as negative variable rents (generating an immediate gain in profit or loss). The amendment specifies that the lessees electing to apply the exemption should apply it retrospectively in accordance with IAS 8 but are not required to restate priori period figures.
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.
The Company did not benefit from any rent relief following the Covid-19 crisis in 2020.

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 2020. They are required to be applied from annual periods beginning on 1 January 2021 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 31 December 2020.

Notes to the financial statements

As at 31 December 2020

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

2022	Amendments to IFRS 3 (Reference to the Conceptual Framework) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts - contract execution costs Annual IFRS Improvement (2018 - 2020 Cycle) Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before intended use
2023	• Amendments to IAS 1 "Classification of liabilities as current or non-current" • IFRS 17 « Insurance contracts »

2.2.2.1 Amendments to IFRS 3 (Reference to the Conceptual Framework

Published by the IASB on 14 May 2020

After its meeting on 30 January 2020, the IASB finalised the amendments to IFRS 3 and decided to require an entity to apply the amendments to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

The IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements.

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

2.2.2.2 Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" – Onerous contracts – Contract execution costs

Published by the IASB in May 2020

These amendments specify the costs to be used in determining the costs of performing a contract when analyzing onerous contracts. These amendments will be effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

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

2.2.2.3 Annual IFRS Improvements (2018 – 2020 Cycle)

Published by IASB on 14 May 2020

As part of the annual procedure for improving IFRS, the IASB published minor changes to IFRS 9 "Financial instruments"" and IFRS 16 "Leases". The IASB also published minor changes to IFRS 1 "First time adoption of International Financial Reporting Standards" and IAS 41 "Agriculture", which is not applicable to the Company.

The amendment on IFRS 9 "Financial instruments" clarifies which fees an entity includes when performing the "10 per cent" test to assess whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The Company will integrate this new guidances in its accounting policy. At this stage, the Company does not expect any significant impact from these amendments.

The amendment to IFRS 16 clarifies the treatment of lease incentives related to reimbursement of leasehold improvements by the lessor. The amendment only relates to an illustrative example and as such will not result in any impact for the Company.

2.2.2.4 Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before intended use

Published by IASB on 14 May 2020

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Such sales proceeds or related costs realised during the preparation of the asset for its intended use should be recognised in profit or loss.

As the Company has no property, plant and equipment, the Company does not expect any impact from these amendments.

2.2.2.5 Amendments to IAS 1 "Classification of liabilities as current or non current"

Published by IASB on 23 January 2020

On 23 January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2022.

On 15 July 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023.

At this stage, the Company does not expect any significant impact from these amendments.
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2.2.2.6 IFRS 17 "Insurance Contracts"

Issued by the IASB on 18 May 2017, amended on 25 June 2020

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**
31.12.2020	1.2271	126.4900	0.8990	9.5142	1.0802
31.12.2019	1.1234	121.9400	0.8508	8.7473	1.0854

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 measured 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).

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.
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) is 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.

The reevaluation differences attributable to the Company's credit risk are thus determined using valuation models which take into account the most recent financing terms and conditions on the markets along with the residual maturity of the related liabilities.

- For secured notes issued by the Company, as investors are not exposed to the Company's risk, no own credit risk should impact the fair value of the instruments and as such, no adjustment has to be calculated.
- For unsecured notes, investors are not contractually exposed to the Company's credit risk but to Société Générale Group's own credit risk.

SGIS valuation models therefore reflects the absence of credit risk, and structured bonds are not impacted by Own Credit Adjustments within the entity.

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:

- (currently has a legally enforceable right to set off the recognized amounts; and
- 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 and are presented separately in distinctive captions on assets or liabilities side (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.

Income related to the issuance of Notes and Warrants falls under the scope of IFRS 15 and as such, is considered separately as income generated by 2 services when the Company performs 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.

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.

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:

- 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,

- 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 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 Prior years corrections of error

During Q4 2019, SG Issuer identified that, in 2019 as well as in prior years, Société Générale 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 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 had 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 was recorded in "Other income" for the year ended 31 December 2019 and was presented as such in the financial statements as of 31 December 2019 (please also refer to Notes 10 and 11).

This excess remuneration paid by Société Générale to SG Issuer amounted to KEUR 14 384 for the year ended 31 December 2019.

2.5 Comparative data

The presentation of the statement of cash flows was slightly changed in 2020 in order to clarify some of its components ("Taxes paid" as well as fair value and foreign exchange difference are now presented separately).

In the statement of cashflows, the comparative data for the year ended 31 December 2019 have been restated for comparison purposes. The restatements have no impact on the subtotals and total disclosed in the statement of cash flows.

2.6 Brexit

The United Kingdom organised on 23 June 2016 a referendum at which a majority of British people voted to leave the European Union (Brexit).

After having been postponed several times, the United Kingdom withdrawal agreement entered into force on 31 January 2020 with transition period which ended on 31 December 2020. The law of Europe-an union has also ceased to apply to the United Kingdom since 1 January 2021.

Despite the unfavourable health and political context, the negotiations conducted between the Unit Kingdom and the European Union resulted on 24 December 2020 in a Trade and cooperation agreement excluding financial services. To date, there is merely a European equivalence for the use of Clearing Houses for an 18-month period from 1 January 2021.

The impacts on the Company's operations have been analysed, and they mainly relate to transactions in GBP, as a result the Company had very limited impacts due to Brexit. The Company continues to follow the ongoing negotiations and has taken into account the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates selected to prepare the consolidated accounts.

2.7 Covid-19 crisis

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

Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy. Strong uncertainties remain about the consequences, magnitude and duration of the crisis. In this context, Société Générale Group has defined new potential scenarios of economic recovery and analysed their effects on its activities in order to integrate them into the assumptions and estimates used for preparing the financial statements.

In conjunction with the numerous publications of regulatory authorities and of the IASB, Société Générale Group has also introduced some adjustments and taken into account Governments support measures in the methodology used for the application of measurement principles regarding expected credit losses.

SGIS policy is to rely on the methodological framework defined by the Société Générale Group. Therefore, SGIS adopted a similar approach to Société Générale Group for the adjustments related to Governments support measures due to the fact is generally operates in similar countries and environments and also relies on its parent Group's modelizations for macroeconomic scenarios and analysis of activities.

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

Covid-19 impact on Market Risk

Following the Covid-19 outbreak, we noted as explained above a significant change in fair value of financial liabilities. Given the specific setup of SGIS, the notes are fully backed, meaning that the change in fair value of SGIS notes is fully reflected on asset side. Due to these hedging arrangements, there can be no impact on the statement of profit and loss.

Consequently, on the market risk ground, the Covid-19 situation did not have any impact. The absence of profit or loss on issuing GOPs ("Groupe Opérationnel", securities portfolio) is still monitored on a daily basis ensuring that no profit or loss remain on GOPs.

Covid-19 impact on Expected Credit Loss

Both the Statement of financial position and the off-balance sheet of SGIS are largely out of scope as regards Expected Credit Loss (ECL) calculation. Financial assets (Fully Funded Swaps) and options held are measured at Fair Value through Profit or Loss ("FVTPL") as described in note 2.3.3.1 (classification of financial instrument).

Only a minor part of the statement of financial position is measured at amortized cost and thus subject to impairment in accordance with IFRS 9, corresponding essentially as at 31 December 2020 to term deposits with Société Générale 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 amounts to KEUR 4 as at 31 December 2020 (31 December 2019: KEUR 3).

Covid-19 support measures

Given its specific activities, SGIS does not deal directly with clients, does not grant loans and its only counterpart is SG or Société Générale Group entities. Therefore, SGIS suffer today no impact in terms of potential downgrade in credit risk rating or in terms of granted moratorium and no specific measures has been put in place due to Covid-19 crisis regarding credit risk nor operational risk.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 44 293 as at 31 December 2020 (31 December 2019: KEUR 65 975) and are mainly composed of cash held with Société Générale Luxembourg and Société Générale.

As of 31 December 2020 and 2019, this caption only contained cash that was repayable on demand.

NOTE 4 – FINANCIAL INSTRUMENTS

4.1 Financial assets measured at fair value through profit or loss

	31.12.2020 ('000 EUR)	31.12.2019 ('000 EUR)
Financial assets at fair value through profit or loss		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	43 135 651	52 893 265
- Trading derivatives (Options)	674 352	5 786 274
Total	**43 810 003**	**58 679 539**

As at 31 December 2020, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 43 135 651 (31 December 2019: KEUR 52 893 265) and replicate all the Notes issued by the Company (see Note 4.2). Differences between the fair value of Fully Funded Swaps and Notes arise due to late settlements.

As at 31 December 2020, Trading derivatives (Options) amount to KEUR 674 352 (31 December 2019: KEUR 5 786 274) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between the fair value of Options and Warrants arise due to late settlements.

As at 31 December 2020, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 43 040 180 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2019: KEUR 30 038 519) and KEUR 9 324 545 for the non-sold Warrants and the corresponding Options (31 December 2019: KEUR 6 692 028) (see Note 4.2).

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

	('000 EUR) Mandatorily at fair value through profit or loss	('000 EUR) Trading derivatives	('000 EUR) Total
As at 1 January 2020	**52 893 265**	**5 786 274**	**58 679 539**
Acquisition	24 577 807	43 734 538	68 312 345
Maturity/Disposal/Liquidation/Cancellation	(15 955 857)	(48 488 524)	(64 444 381)
Change in fair value and foreign exchange difference	(5 377 903)	2 274 582	(3 103 321)
Offsetting of Assets and Liabilities (Change)	(13 001 661)	(2 632 518)	(15 634 179)
As at 31 December 2020	**43 135 651**	**674 352**	**43 810 003**

	('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	72 576 576	40 408 628	112 985 204
Maturity/Disposal/Liquidation/Cancellation	(86 760 549)	(37 874 504)	(124 635 053)
Change in fair value and foreign exchange difference	11 266 997	494 774	11 761 771
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

	31.12.2020 ('000 EUR)	31.12.2019 ('000 EUR)
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	43 146 652	52 889 867
- Trading derivatives (Warrants)	676 965	5 788 693
Total	**43 823 617**	**58 678 560**

As at 31 December 2020, the Company has issued secured and unsecured Notes for a total amount of KEUR 43 146 652 (31 December 2019: KEUR 52 889 867):

- 25 095 unsecured Notes were issued (stock) for a total amount of KEUR 37 165 082 (31 December 2019: 31 999 unsecured Notes were issued (stock) for a total amount of KEUR 48 347 725);
- 613 secured Notes were issued (stock) for a total amount of KEUR 5 981 570 (31 December 2019: 846 secured Notes were issued (stock) for a total amount of KEUR 4 542 142).

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 2020, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 3 924 732 (31 December 2019: KEUR 4 468 186).

As at 31 December 2020, the Company also issued Warrants for a total amount of KEUR 676 965 (31 December 2019: KEUR 5 788 693). Refer to Note 14 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2020, the impact of the offsetting (decrease in the balance sheet) is KEUR 43 040 180 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2019: KEUR 30 038 519) and KEUR 9 324 545 for the non-sold Warrants and the corresponding Options (31 December 2019: KEUR 6 692 028) (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 2020	**52 889 867**	**5 788 693**	**58 678 560**
Acquisition	24 671 673	43 256 910	67 928 583
Cancelled/Liquidation/Maturity Disposal	(16 034 970)	(48 011 195)	(64 046 165)
Change in fair value and foreign exchange difference	(5 378 257)	2 275 075	(3 103 182)
Offsetting of Assets and Liabilities (Change)	(13 001 661)	(2 632 518)	(15 634 179)
As at 31 December 2020	**43 146 652**	**676 965**	**43 823 617**

	('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 and foreign exchange difference	11 414 790	347 708	11 762 498
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 2020 and 2019, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by Société Générale Luxembourg, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to Société Générale Luxembourg both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.505% as at 31 December 2020) and activity related interests. Activity related interests means 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 2020, the Company also has amounts due to banks related to the Company's overdrafts current accounts for KEUR 406 (31 December 2019: KEUR 681).

NOTE 5 – LOANS AND RECEIVABLES

As at 31 December 2020 and 2019, loans and receivables only consist in deposits with Société Générale 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 4 as at 31 December 2020 (31 December 2019: KEUR 3).

NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES

As at 31 December 2020 and 2019, other assets and other liabilities are mainly composed of settlement accounts, as presented below:

	('000 EUR) 31.12.2020	**('000 EUR) 31.12.2019**
Settlement accounts on securities transactions	788 415	372 987
Miscellaneous receivables	47 156	58 001
Total other assets	**835 571**	**430 988**

	('000 EUR) 31.12.2020	**('000 EUR) 31.12.2019**
Settlement accounts on securities transactions	(774 392)	(392 183)
Deferred income	(7 198)	(7 605)
Miscellaneous payables	(66 746)	(63 735)
Total other liabilities	**(848 336)**	**(463 523)**

Miscellaneous payables and receivables mainly consist of payables on partly paid Notes and receivables on financial instruments replicating the partly paid Notes issued.

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.

The rate of current tax applied as of 31 December 2020 is 24.94 % (31 December 2019: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the year ended 31 December 2020, tax expenses amount to KEUR 75 (31 December 2019: KEUR 62).

NOTE 8 – SHAREHOLDERS' EQUITY

8.1 Share capital and share premium

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

By resolution adopted on 15 January 2020, the Executive Board decided to increase the authorized 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. In the context of the capital increase, the 2019 activity related interests amounting to EUR 34 981 050 have been allocated to the Share Premium. This Share premium has been paid to Société Générale Luxembourg in June 2020.

On 30 November 2020, 100 shares were sold by Société Générale Luxembourg S.A. to Société Générale S.A. for a total amount of EUR 4 000. Société Générale Luxembourg S.A. still holds 49 907 shares amounting to EUR 1 996 280 for which it waived its entire voting rights.

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 of the Shareholders, 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 2020 and 2019, the legal reserve amounts to KEUR 200.

8.2.2 Other reserves

Since 2013, the Company is fiscally integrated in its parent company Société Générale Luxembourg. Société Générale 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 2020 and 2019, the amount of other reserves is nil.

NOTE 9 – INTEREST INCOME AND EXPENSES

	('000 EUR) 31.12.2020	**('000 EUR) 31.12.2019**
Interest income on cash and cash equivalents	21	74
Interest income on loans and receivables	896	949
Total interest income	**917**	**1 023**
Interest expenses on financial liabilities at amortised cost (note 4.3)	(18 409)	(36 624)
Total interest expenses	**(18 409)**	**(36 624)**
Net interest margin	**(17 492)**	**(35 601)**

Notes to the financial statements
As at 31 December 2020

NOTE 10 – COMMISSION INCOME

Commission income can be broken down as follows:

	('000 EUR) 31.12.2020	**('000 EUR) 31.12.2019**
Issuing upfront fees on Notes	37 407	45 436
Servicing fees on Notes	7 009	2 951
Commission on Warrants	4 332	4 292
Commission income	**48 748**	**52 679**

As at 31 December 2020, KEUR 7 198 are retained as deferred income under the caption "other liabilities" (2019 : KEUR 7 605) (cf. Note 6).

NOTE 11 – OTHER INCOME

As explained in Note 2.4, Other income included an excess remuneration of KEUR 14 384 for the year ended 31 December 2019.

NOTE 12 – PERSONNEL EXPENSES

	('000 EUR) 31.12.2020	**('000 EUR) 31.12.2019**
Wages and salaries	(212)	(333)
Social charges and associated costs	(44)	(63)
Recharge of personnel expenses from related parties	(17)	(15)
Total	**(273)**	**(411)**

The Company had 3 full-time equivalent during the year ended 31 December 2020 (2019: 3).

The annual cost of pension is calculated and invoiced by Société Générale Luxembourg, 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) 31.12.2020	**('000 EUR) 31.12.2019**
Issuance fees	(26 146)	(26 556)
Other operating charges	(4 423)	(3 558)
Total	**(30 569)**	**(30 114)**

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 Société Générale Luxembourg.

Remuneration of the Réviseur d'entreprises agréé

The fees paid by the Company to its Réviseur d'entreprises agréé were as follows:

	('000 EUR) 31.12.2020	**('000 EUR) 31.12.2019**
Statutory audit of the financial statements	245	241
Other assurance services	40	40
Total	**285**	**281**

NOTE 14 – OFF-BALANCE SHEET

As at 31 December 2020, financial instruments to be issued (engagement taken before 31 December 2020 with value date after 31 December 2020) amount to KEUR 2 498 866 (31 December 2019: KEUR 2 836 408).

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

Notes to the financial statements
As at 31 December 2020

Warrants issuance summary

The Warrants issued as at 31 December 2020 and 2019 break down as follows:

				31 December 2020			31 December 2019		
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	11 409	12 299	1	12 462	14 432
Commodity Future Warrant	Future	Mutual Fund	Put	10	37 801	142	24	35 591	6 048
		Commodity Future	Call	6	13 251	3	76	637 284	42 969
			Put	12	19 777	10 734	74	176 905	25 045
Commodity Warrant	Commodity	Bruts	Call	6	436 509	0			
		Index	Call	1	500	309	9	40 197	19 188
		Mutual Fund	Call	17	25 860	0	136	904 041	130 055
			Put	58	96 407	111	83	154 736	10 222
		Precious metals	Call	4	9 333	0	11	22 469	5 626
			Put	10	22 906	0	11	26 439	126
		Future Contract	Call	1	124 275	3 572	1	-	57 440
Currency Warrant	Currency	Currency	Call	60	18 978	45	9 155	88 621	41 196
			Put	85	270 190	0	4 152	417 838	305 098
Equity Warrant	Equity	American Depositary Receipt	Call	4	21 681	330	63	202 059	9 155
			Put	1	417	2	36	60 612	4 152
		Mutual Fund	Call	2	77 778	3	6	139 725	960
		Ordinary Share	Call	1 534	21 602 883	209 139	4 397	27 304 462	1 045 517
			Put	814	6 622 179	(11 836)	3 217	10 749 863	522 589
		Own Share	Call	12	36 680	161	67	103 867	12 856
			Put	5	3 719	129	42	52 041	8 039
		Preference	Call	6	12 621	137	29	61 705	2 846
			Put	4	6 453	0	19	31 784	822

Notes to the financial statements

As at 31 December 2020

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31 December 2020 Quantity	31 December 2020 Notional ('000 EUR)	31 December 2020 Fair Value ('000 EUR)	31 December 2019 Quantity	31 December 2019 Notional ('000 EUR)	31 December 2019 Fair Value ('000 EUR)
Real Estate Investment Trust	REIT	REIT	Call	10	94 519	82	47	140 612	6 483
			Put	2	1 233	42	40	87 700	2 315
Index Warrant	Index	Index	Call	802	29 010 394	481 932	2 169	53 295 928	3 009 616
			Put	384	7 525 299	(59 540)	1 319	25 762 353	471 170
Fund Warrant	Fund	Mutual Fund	Call	175	1 115 036	26 814	228	1 467 868	34 668
			Put	-	-	-	6	118 816	60
		Fund	Call	1	10 000	2 355	-	-	-
Total Call				**2 642**	**52 621 707**	**737 182**	**16 395**	**84 421 300**	**4 433 007**
Total Put				**1 385**	**14 606 381**	**(60 217)**	**9 023**	**37 674 678**	**1 355 686**
Total Warrants				**4 027**	**67 228 088**	**676 965**	**25 418**	**122 095 978**	**5 788 693**

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 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 2020 and 2019, no financial assets were past due nor 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 2020, 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:

- the financial instruments issued by the Company; and
- the financial assets replicating the financial instruments issued by the Company.

Analysis per remaining contractual maturities

As at 31 December 2020, analysis per remaining contractual maturities is as follows:

31.12.2020 - 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	44 293	-	-	-	-	44 293
Financial assets at fair value through profit or loss						
- *Mandatorily at fair value through profit or loss*	3 402 805	8 286 764	16 244 254	15 201 828	-	43 135 651
- *Trading derivatives*	76 606	199 233	335 032	63 481	-	674 352
Loans and receivables		200	48 702	1 000		49 902
Other assets	835 571	-	-	-	-	835 571
Total assets	**4 359 275**	**8 486 197**	**16 627 988**	**15 266 309**	**-**	**44 739 769**
Financial liabilities at amortised cost	405	16 937	48 000	-	-	65 342
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	3 406 716	8 286 877	16 243 680	15 209 379	-	43 146 652
- *Trading derivatives*	86 103	198 394	329 063	63 405	-	676 965
Other liabilities	848 336	-	-	-	-	848 336
Tax liabilities	75	-	-	-	-	75
Total liabilities	**4 341 635**	**8 502 208**	**16 620 743**	**15 272 784**	**-**	**44 737 370**

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**

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
As at 31 December 2020

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 2020 (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	18 295	18 299	Simple and complex derivatives on funds, equities or baskets on stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[1.6% ; 347.5%]
					Equity dividends	[0.0% ; 35.8%]
					Unobservable correlations	[-99.6% ; 100 %]
					Hedge funds volatilities	[7.6% ; 20.0%]
					Mutual funds volatilities	[2.1% ; 26.1%]
Rates and Forex	4 065	4 064	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-46.2% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[0.0% ; 27.5%]
			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	[55.0% ; 88.90%]
Credit	4 409	4 416	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	5	5	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	0
Total	**26 774**	**26 784**				

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
As at 31 December 2020

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

31.12.2020 - EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	44 293	44 293
Financial assets at fair value through profit or loss		
- *Mandatorily at fair value through profit or loss*	43 135 651	43 135 651
- *Trading derivatives*	674 352	674 352
Loans and receivables *	49 902	51 057
Other assets	835 571	835 571
Total assets	**44 739 769**	**44 740 924**
Financial liabilities at amortised cost *	65 342	66 995
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	43 146 652	43 146 652
- *Trading derivatives*	676 965	676 965
Other liabilities	848 336	848 336
Tax liabilities	75	75
Total liabilities	**44 737 370**	**44 739 023**

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**

* 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
As at 31 December 2020

The fair value hierarchy of IFRS 13

As at 31 December 2020, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2020 - 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		**16 742 790**	**26 392 861**	**43 135 651**
Commodities instruments	-	65 635	5 146	70 781
Credit derivatives/securities	-	757 733	3 868 234	4 625 967
Equity and index securities	-	13 294 655	17 941 949	31 236 604
Foreign exchange instruments/securities	-	769 582	1 507 575	2 277 157
Interest rate instruments/securities	-	1 540 967	2 557 228	4 098 195
Other financial instruments	-	314 218	512 729	826 947
- Trading derivatives		**293 242**	**381 110**	**674 352**
Equity and Index instruments	-	283 580	352 688	636 268
Foreign exchange instruments / securities	-	121	-	121
Other financial instruments	-	9 541	28 422	37 963
Financial liabilities at fair value through profit or loss				
- Designated at fair value through profit or loss		**16 756 021**	**26 390 631**	**43 146 652**
Commodities instruments	-	65 635	5 146	70 781
Credit derivatives/securities	-	758 637	3 867 054	4 625 691
Equity and index securities	-	13 300 879	17 941 049	31 241 928
Foreign exchange instruments/securities	-	769 390	1 507 425	2 276 815
Interest rate instruments/securities	-	1 541 023	2 557 228	4 098 251
Other financial instrument	-	320 457	512 729	833 186
- Trading derivatives		**283 392**	**393 573**	**676 965**
Equity and Index instruments	-	275 506	357 534	633 040
Foreign exchange instruments / securities	-	45	-	45
Other financial instruments	-	7 841	36 039	43 880

Notes to the financial statements
As at 31 December 2020

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
As at 31 December 2020

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 01.01.2020**	Acquisitions (Issuance)	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	**Balance 31.12.2020**
Designated at fair value through P&L	**31 720 314**	**22 296 217**	**(1 385 452)**	**(15 265 696)**	**3 317 982**	**(12 106 854)**	**(2 185 880)**	**26 390 631**
Equity and index instrument	20 866 396	18 626 719	(1 042 806)	(10 938 790)	2 895 051	(11 019 510)	(1 446 011)	**17 941 049**
Commodity instruments	6 113	-	431	14 142	814	(15 831)	(523)	**5 146**
Credit derivatives	4 855 992	841 742	(323 127)	(1 475 901)	179 927	(182 710)	(28 869)	**3 867 054**
Foreign exchange instruments	847 573	2 261 911	(85 711)	(215 326)	156 576	(533 014)	(924 584)	**1 507 425**
Interest rate instruments	3 961 009	446 628	67 452	(1 674 612)	66 762	(335 807)	25 796	**2 557 228**
Others financial instruments	1 183 231	119 217	(1 691)	(975 209)	18 852	(19 982)	188 311	**512 729**
Trading derivatives	**559 585**	**(4 442)**	**328 411**	**(271 242)**	**(173 667)**	**501**	**(45 573)**	**393 573**
Equity and index instruments	221 988	(6 097)	58 183	62 582	68 836	419	(48 377)	**357 534**
Foreign exchange instruments	-	-	252 680	-	(252 680)	-	-	**-**
Other financial instruments	337 597	1 655	17 548	(333 824)	10 177	82	2 804	**36 039**

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), collect of 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 2020 and 2019 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 SG Luxembourg, its 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 with SG Luxembourg and its 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
As at 31 December 2020

As at 31 December 2020 **EUR' 000**	**Société Générale (Parent Company)**	**SG Luxembourg**	**Other SG Group entities**
Cash and cash equivalents	33 538	31	10 032
Financial assets at fair value through profit or loss			
- *Mandatorily at fair value through profit or loss*	43 135 651	-	-
- *Trading derivatives*	674 352	-	-
Loans and receivables	-	49 902	-
Other assets	835 571	-	-
Total assets	**44 679 112**	**49 933**	**10 032**
Financial liabilities at amortised cost	-	64 936	-
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss**	-	-	-
- *Trading derivatives**	-	-	-
Other liabilities	845 107	-	-
Tax liabilities	-	75	-
Total liabilities	**845 107**	**65 011**	**-**
Interest income	30	896	-
Commission income	48 748	-	-
Total revenues	**48 778**	**896**	**-**
Interest expenses	(690)	(17 720)	-
Personnel expenses	-	(273)	-
Other operating charges	(2 832)	(20 709)	(3 377)
Total expenses	**(3 522)**	**(38 702)**	**(3 377)**
Total comprehensive income for the financial year	**45 256**	**(37 806)**	**(3 377)**
Financial commitments	**2 498 866**	**-**	**-**
Financial commitments-collateral to be returned	**3 924 732**	**-**	**-**

***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.**

Notes to the financial statements
As at 31 December 2020

As at 31 December 2019 **EUR' 000**	**Société Générale (Ultimate Parent Company)**	**SG Luxembourg (Parent Company)**	**Other SG Group entities**
Cash and cash equivalents	62 219	1 426	1 106
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**	**1 106**
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**	14 384	-	-
Total revenues	**67 081**	**949**	**-**
Interest expenses	(405)	(35 805)	-
Personnel expenses	-	(411)	-
Other operating charges	(1 755)	(21 033)	(3 865)
Total expenses	**(2 160)**	**(57 249)**	**(3 865)**
Total comprehensive income for the financial year	**64 921**	**(56 300)**	**(3 865)**
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.

** As explained in Note 2.4, "Other Income" with Société Générale S.A. included in 2019 an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 .

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

The independent director of the Company, earned a remuneration of EUR 28 000 for his services related to the year ended 31 December 2020 (31 December 2019: EUR 28 000).

As at 31 December 2020 and 2019, 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 2021, the Executive Board decided to increase the capital of the Company from EUR 2 000 280 to EUR 2 000 320 by the issue of a new share with a nominal value of EUR 40, subscribed by Société Générale Luxembourg S.A.. After this increase, the subscribed and fully paid share capital is EUR 2 000 320, divided into 50 008 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 16 925 951 to the share premium account.

In January and April 2021, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities (16 000 KEUR for securities issued by SG Issuer and guaranteed by Société Générale). The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

For this litigation (and any other litigation relating to securities issued by SG Issuer), SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer in the context of this litigation regarding potential damages or attorneys' fees.