

**SOCIETE GENERALE LUXEMBOURG**  
**PILLAR 3 2023**

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**RISK REPORT**



**Societe Generale Luxembourg**

11 Avenue Emile Reuter  
L-2420 Luxembourg

**Pillar 3 on 31 December 2023 positions**

R.C.S. Luxembourg: B 006.061

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# FOREWORD

The purpose of this report is to provide Pillar 3 disclosures for Société Générale Luxembourg Group (hereafter “SGL Group”) as required by the regulatory framework for capital & liquidity pursuant to Part Eight of the “Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms” (Capital Requirements Regulation, or “CRR”). The CRR was amended by the Regulation (EU) No 2019/876 (“CRR 2”) and has entered fully into force since 28 June 2021.

The CRR 2 significantly amends the CRR in several aspects, such as the standardized approach for counterparty credit risk (SA-CCR), the introduction of minimum requirements for leverage ratio (LR), net stable funding ratio (NSFR), own funds and eligible liabilities (MREL). Following CRR article 434a, the EBA has implemented a more comprehensive, unified and standardized approach to Pillar 3 that holds its own Implementing Technical Standards on institutions’ public disclosures. This will repeal the disclosure requirements included in the previous regulations and guidelines.

In line with CRR Article 13 (1), significant subsidiaries and those subsidiaries which are of significance for their local market are required to disclose information to the extent applicable in respect to own funds, capital requirements, countercyclical capital buffers, credit risk, remuneration policy, leverage ratio and liquidity requirements on an individual or sub-consolidated basis. Being a part of Société Générale Group (hereafter “SG Group”), Société Générale Luxembourg (hereafter “SGL” or “Bank”) has been identified as significant subsidiary and hence required to provide additional disclosure requirements in accordance with CRR Article 13 (1) on sub-consolidated basis.

According to CRR article 433 (2), SGL Group is required to publish the Pillar 3 disclosure report on an annual basis on its website.

The information presented in this document aims at providing a comprehensive description of SGL Group’s Risk Management organization, along with a quantitative and qualitative overview of SGL Group’s risk exposure as of December 31, 2023.

Please note that some rows and columns from the Pillar 3 templates that are not relevant or not applicable would not be disclosed in order to enhance readability.

# 1. KEY FIGURES

This risk report provides in-depth information on the SGL Group's approach and strategy for managing its equity capital and risks.

The report also aims to meet the requirements of various stakeholders, including regulators (in compliance with Part Eight of the CRR), investors and analysts.

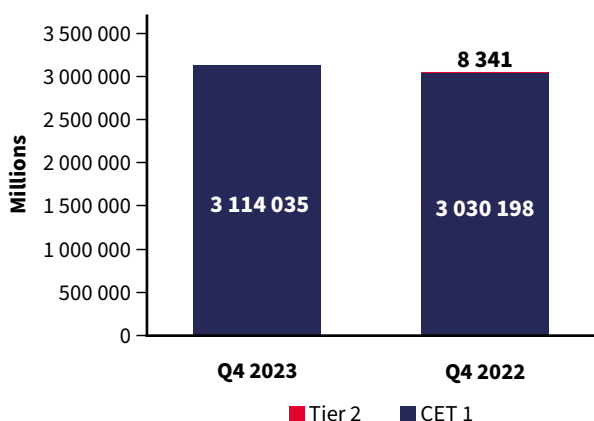
## SUMMARY CONSOLIDATED PROFIT AND LOSS <sup>1</sup>

(in EUR thousand)	31 December 2023	31 December 2022
<b>Net banking income</b> <sup>2</sup>	926 418	807 857
<b>Net income for the period</b>	543 973	232 578
<b>Net income for the period/total assets</b>	0.82%	0.34%
<b>Cost of risk</b> <sup>3</sup>	92 354	(168 298)

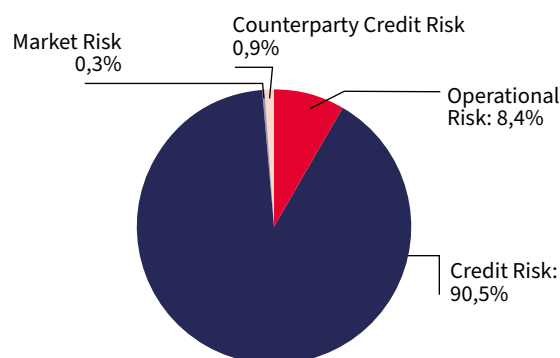
## SUMMARY CONSOLIDATED BALANCE SHEET <sup>1</sup>

(in EUR thousand)	31 December 2023	31 December 2022
<b>Total Assets</b>	66 363 631	67 889 036
<b>Total Liabilities</b>	62 450 653	64 310 794
<b>Total Equity</b>	3 912 978	3 578 242

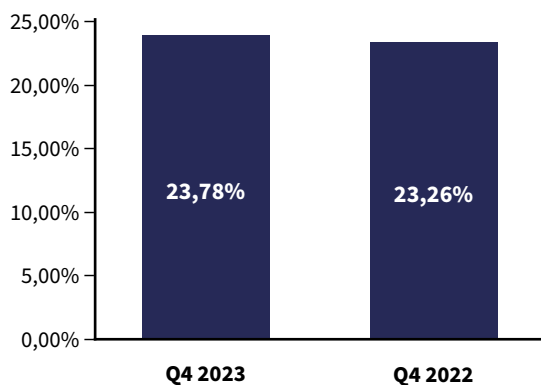
### SGL GROUP OWN FUNDS



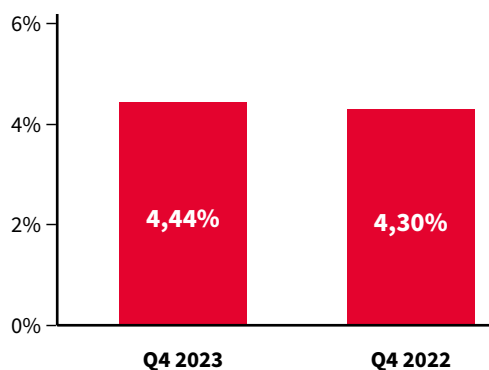
### SGL GROUP RWAS BY RISK TYPE



### SGL GROUP SOLVENCY RATIO



### SGL GROUP LEVERAGE RATIO

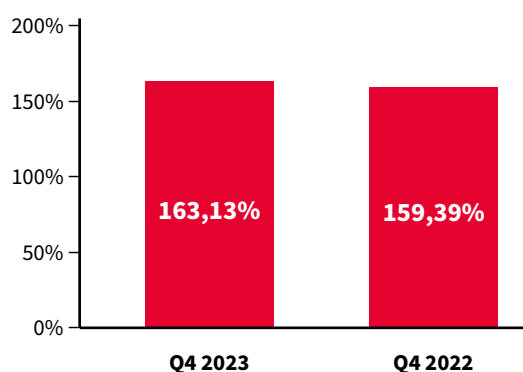


1 As per consolidated financial statements.

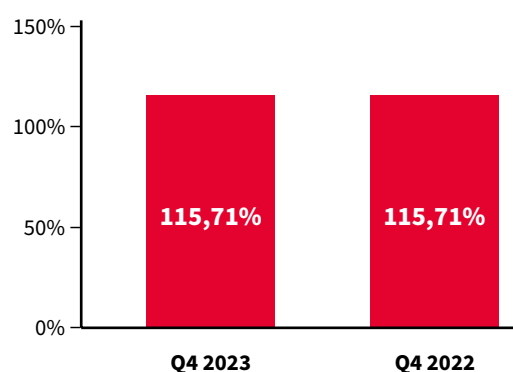
2 2023 Net banking Income was mainly supported by the increase in volume in deposits notably by GTPS and SGPBE clients in a positive interest rate environment.

3 This net recovery over the year, concentrated on Stage 2 exposures, was mainly due to the favorable evolution of the credit portfolio on Russian corporates, with an active policy of debt sales and restructuring carried out throughout the year.

## SGL GROUP LIQUIDITY COVERAGE RATIO



## SGL GROUP NET STABLE FUNDING RATIO



## 1.1 ENVIRONMENTAL AND SOCIAL RISK STRATEGY

Being one of the oldest banks in Luxembourg, SGL group has a particular responsibility as a Corporate entity as well as a leading banking group to promote a sustainable development of the country and sustainable finance more globally.

To achieve this goal, SGL Group acted collectively in 2019 to launch a CSR strategy focused on our engagement as a Corporate and our engagement as a Bank.

**As a Corporate**, we natively pursue our environmental and social initiatives in order to be a responsible employer and to contribute positively to climate and environment preservation.

**As a Bank**, we aim to embed ESG in all our activities, and in particular by intensifying our offer of sustainable and positive impact investment products and services, and by fostering sustainable and positive impact financing and services.

The third pillar of our strategy is to **enrich our environmental and social risk framework** to follow carefully the ESG Group's mandatory instructions, but also to anticipate regulatory developments at the local and European levels.

SGL Group is focusing on:

- Enriching existing risks maps with the environmental and social risk dimension:
  - Operationalize SG Group's ESG strategy and commitments (Portfolio alignment, Sectorial Policies, Voluntary disclosures, reduction of greenhouse gas footprint, Responsible employer...)
  - Address regulatory obligations (ECB guidelines on Climate & Environmental EBA guidelines on Loan Origination, Mandatory disclosure, EU Taxonomies, CSRD,...)
  - E&S Risk factors identification has been performed since 2021 for ICAAP exercises purpose based on the ECB climate related and environmental risks guidelines

- An add on Internal Capital Need (ICAAP purpose) has been calculated by applying SG Group methodology on SGL credit portfolio
- A breakdown of the Bank exposures by Industry Climate Vulnerability Index (ICVI) is reported quarterly. This indicator is a score measuring the sensitivity to climate risks and the climate transition adaptation ability of a sector

- Updating risk assessment and reporting tools and procedures:
  - Integration and subsequent monitoring of a renewable limit in SGL Risk Appetite Statement since 2021
  - ESG risk analysis was introduced within corporate credit granting process when relevant (counterparties belonging to sensitive sectors)
  - On Private Banking activities, enforcement of exclusion list for eligible financial collateral in PRIV Credit Policy and EPC collect for real estate loans
- Updating its governance to foster and control the adequate integration of this dimension into our risk management framework:
  - Appointment of a CSR Coordinator in charge of coordinating and implementing the CSR strategy defined by the BUs/SUs and monitoring the E&S risk framework
  - Launch of a quarterly CSR Committee at SGL Group level in 2019 in charge of monitoring the strategy and coordinating our various CSR initiatives
  - Launch of a CSR Community in 2019 with more than 250 members as today
  - More globally, Integration of SGL in ESG by design, SG Group program aiming at the global compliance with the ECB guidelines
- Educating our stakeholders on this environmental and social dimension.

# 2. GOVERNANCE AND RISK MANAGEMENT ORGANISATION

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In accordance with Regulation CRR 575/2013 of the European Parliament and of the Council dated 26 June 2013 and with the CSSF circular 17/673, this report, published under the responsibility of SGL Group Authorised Management, sets out the quantitative and qualitative information required on own funds and risk management within SGL Group, to ensure transparency vis-à-vis market players. This information has been prepared in compliance with the internal control procedures approved by the Board of Directors in the course of the validation of the SGL Group Risk Appetite Framework and SGL Group Risk Appetite Statement.

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SGL Group is part of SG Group and as such SGL risk profile is integrated into the monitoring performed by SG Group. The risk profile and governance of SG Group is detailed in a separate Pillar 3 report published on the website of SG Group. On a consolidated basis, exposures towards SG Group represent about 39% of total exposures which in the various tables of Chapter 4 Credit Risk primarily relate to exposures to “Institutions”.

## 2.1 INTRODUCTION

A strong risk culture is an integral part of the corporate culture. The identity of SG Group and SGL Group are built around four values: teamwork, innovation, commitment and responsibility. The SGL Group strives for all staff to adopt these values and conduct their business with ethics and responsibility. These elements of culture and expected behaviours are criteria incorporated into the entire HR process (recruitment, performance assessment, promotion, compensation, penalties, etc.). The notion of risk specific to a function is explicitly included in each job description sent to employees and is emphasized when setting objectives.

## 2.2 TYPES OF RISKS

SGL Group's business model involves the following main risk categories:

- **Credit and counterparty risk (including concentration effects)** is the risk of losses arising from the inability of customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk.
- **Market risk** is the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.
- **Operational risk** is the risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.
- **Structural interest and exchange rate risk** is the risk of losses of interest margin or of the value of the fixed-rate structural position due to changes in interest rates, foreign exchange rates or credit spreads. Structural interest and exchange rate risks and credit spread risks arise from commercial activities and from corporate centre transactions.
- **Liquidity risk** is the inability to meet financial obligations at a reasonable cost. Funding risk is the risk of being unable to finance the development of activities in line with commercial objectives and at a competitive cost.
- **Non-compliance risk** (including legal and tax risks) is the risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing activities.
- **Reputational risk** is the risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the ability to maintain or engage in business relationships and to sustain access to sources of financing.



- **Risks related to insurance activities:** through its reinsurance subsidiary (SGL Ré) and its credit insurance subsidiary SG LuCI, SGL is exposed to risks related to this business, mainly balance sheet management risks (interest rate, valuation, counterparty and foreign exchange risk).

- **Business and strategic risks** are the risks linked to the execution of the strategy and business plan measured during the project / implementation phase and during the run / execution phase.

## 2.3 RISK APPETITE

Risk appetite is the level of risk that SGL Group is prepared to bear in the course of pursuing its strategic objectives. It is formalised in the risk appetite statement document, which describes the principles, policies and metrics that set the risk appetite. The definition of the risk appetite framework and how to adapt it are under the oversight of the Authorised Management. The Authorised Management regularly ensures compliance with the risk appetite framework and is responsible for ensuring the effectiveness and integrity of the risk appetite implementation mechanism.

The SGL's Board of Directors approves annually the risk appetite governance, implementation and adaptation mechanism. The Board is regularly informed through the Risk and Compliance Committee of the risk appetite framework and whether the mechanism is operating appropriately based on periodic

assessments by the Internal Audit Division. The Board also sets the compensation of the Authorised Management and decides on the principles of the compensation policy, in particular for regulated persons whose activities may have a significant impact on the bank's risk profile and ensures that they are in keeping with risk management objectives. The risk appetite exercise is shared with the various business lines and performed in a manner consistent with objectives, budget procedures and limits. It is also shared with the Finance and Risk Divisions of SG Group. The scope of the risk appetite framework matches the consolidated prudential scope in force for establishing its various regular disclosures to the ECB and the CSSF. Risk appetite in relation to the major risks to which SGL Group is exposed is regulated by limits and thresholds. These metrics aid in reaching financial targets and orienting the profitability profile.

## 2.4 RISK MAPPING FRAMEWORK AND STRESS TESTS

The risks to which SGL Group is exposed are each covered by measurement elements standardized at SG Group level and/or by regulations. The Risk Division's information system for monitoring loans relies on a regular reconciliation of commitments, collateral and internal credit limits. This credit risk architecture is upgraded and maintained according to the project and development maintenance catalogues of the Risk Division to ensure risk monitoring and regulatory requirements. The liquidity and exchange rate risk monitoring mechanism are based on SG Group reporting tools and calculators. Oversight of operational risk is primarily provided via the use of an SG Group community tools for entering, reporting, and consolidating information, including incidents, permanent monitoring and action plans.

Stress tests or crisis simulations are used to assess the potential impact of a downturn in activity on the behaviour of a portfolio, activity or entity. They are used to help identify, assess and manage risk, and to evaluate SGL Group's capital adequacy with regard to risks.

In the context of the budget, SG Group performs annually, a stress test exercise (referred to "Budget global stress" or "stress global du budget" in French) aiming at assessing the resilience of SG Group in a plausible but severe scenario in which all the risks would not materialize simultaneously.

SGL Group stress test (balance sheet, net banking income and risk weight assets impacts) has been built based on SG Group stress test by businesses considering some adjustments reviewed with the businesses (both in Luxembourg and at the SG Group level).

As such, the stress test framework in place is part of preparing SGL Group's Risk Appetite and Internal Capital Adequacy Assessment Process (ICAAP). It is used in particular to check SGL's compliance with prudential ratios. It covers all of SGL Group's activities and is based on three global three-year-horizon macroeconomic scenarios: a core budgetary macroeconomic scenario and two macroeconomic scenarios of severe but plausible stress extrapolated based on the core scenario. Each scenario is developed for a large number of countries or regions and incorporates a series of economic and financial variables. Each global scenario is consistent on two levels: consistency between national scenarios and consistency of trends in national aggregates for each individual country.

- The core scenario is meant to represent the most likely course of events at the time of its formulation. It is developed based on a series of observed factors, including the recent economic situation and trends in economic (budgetary, monetary and exchange rate) policy. Based on these observed factors, economists determine the most likely trajectory for the economic and financial variables over a given time frame.

## 2. GOVERNANCE AND RISK MANAGEMENT ORGANISATION

The stressed scenarios are intended to simulate a loss of business (based on real GDP figures) deviating from the core scenario. The impact of the stress scenario on the other economic and financial variables is determined by measuring its deviation from the core scenario.

- The stagflationary Stress scenario starts from a negative supply shock, modelled on the 1979 oil price shock, with an oil equivalent energy price shock of \$70/b, \$120/b, \$80/b, \$50/b over 4yrs.

This initial energy price shock then spills over to broader commodity prices and triggers protectionist measures. The inflation shock for the advanced economies is set to +6 pts in the first year after the initial shock, followed by +2 pts, +1 pt and +1 pt in the subsequent three years.

The major central banks respond promptly to the price shocks, concerned by the risk that the initial direct price shocks and related indirect effects will spill over to more durable second rounds effects (wage-price spiral). As a result, yield curves invert. While not the initial cause, a financial crisis occurs. In the euro area, sovereign spreads come under renewed sharp pressure.

The supply side of the economy comes under pressure as production costs increase and with potential disruption to the availability of inputs, while the demand side suffers from a loss of purchasing power as incomes fail to keep pace with headline inflation. The demand side is further dampened by a sharp tightening of financial conditions.

As the demand side of the economic slumps, inflationary pressures start to ease in the second year of the shock albeit it still at high levels due to on-going supply side frictions. While central banks find some room for policy easing, this is very gradual only and not least compared to the easing cycles observed in recent decades.

The stagflationary Stress further assumes that governments do not respond with fiscal easing beyond the automatic stabilizers. Moreover, given already elevated government debt levels

and tighter financial conditions, governments may find fiscal capacity to be limited.

The deflationary Stress scenario starts from a negative demand shock with all countries facing a GDP shock of similar intensity. As for the magnitude of the deviations, the cumulative loss reaches 10% of GDP, which exceeds or matches the GDP losses observed during the Global Financial Crisis of 2008/2009 in the US and France, the European debt crisis in 2010 and the Covid-19 shock episode based on present knowledge. The trajectory of consumer prices in stress is consistent with a scenario of economic recession and high unemployment.

GDP growth deviates from the trajectory of the central scenario from 2022 to 2026. In 2027 GDP converges to the growth rate of the central scenario. The stress scenario is “generic” in that its triggering set of events is not specified. Yet, the stress scenario illustrates the materialization of threats to stability present in the current global economic environment and models a severe crisis.

The adverse scenario takes effect from 2023 onwards and assumes that the world economy enters a severe recession from the beginning of the year.

Private sector balance sheets deteriorate translating into higher spreads for corporate debt. Government balance sheets also deteriorate, leaving little room for relief coming from fiscal support. Most indebted governments also face higher sovereign spreads.

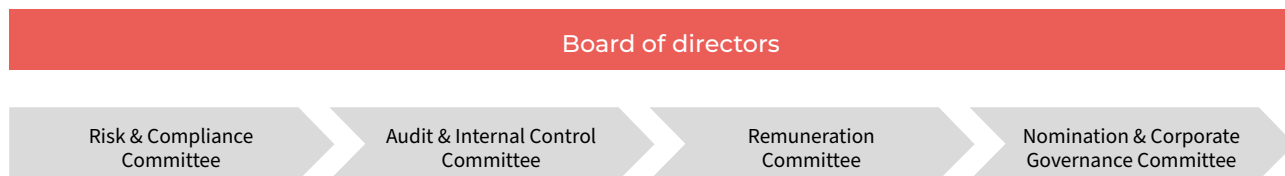
Central banks provide liquidity and adopt accommodative policies to address the crisis. Policy rates remain very low all over the period of the stress.

The crisis reinforces the status of the US dollar as a safe haven and the main reserve currency.

Deflationary pressures could also be exacerbated by a disorderly transition and deeper physical risks forcing debt deleveraging and defaults.

## 2.5 RISK PLAYERS AND MANAGERMENTS

As of 31 December 2023, the specialized committees of the Board were:



- **Audit and Internal Control Committee:** At 31 December 2023, the Audit and Internal Control Committee comprised four members including three Independent Directors: Didier MOUGET (independent director), Isabelle GOUBIN (independent director), Marie DOUCET (independent director) and Patrick SUET. The Committee is chaired by Didier MOUGET.

The Audit and Internal Control Committee’s mission is to monitor issues related to the preparation and control of accounting and financial information as well as the monitoring of the effectiveness of internal control, measurement, monitoring and risk control systems.

In particular, it is responsible for:

- ensuring the monitoring of the process for the production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process; where appropriate, it makes recommendations to ensure their integrity;
- analysing the draft accounts to be submitted to the Board of Directors in order to, in particular, verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up annual accounts and consolidated annual accounts;
- conducting the procedure for selecting the Statutory Auditors and issuing a recommendation to the Board of Directors, developed in accordance with the provisions of the CSSF Circular 12/552;
- ensuring the independence of the Statutory Auditors in accordance with the regulations in force;
- approving the provision of services other than the certification of accounts after analyzing the risks to the Statutory Auditor's independence and the safeguard measures applied by the latter;
- reviewing the work programme of the Statutory Auditors and, more generally, monitoring the control of the accounts by the Statutory Auditors in accordance with the regulations in force;
- ensuring the monitoring of the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. To this end, the Committee is responsible in particular for:
  - reviewing SGL Group's permanent control quarterly dashboard,
  - reviewing the internal control and risk control of the business segments, divisions and main subsidiaries,
  - reviewing SGL Group's periodic monitoring program and giving its opinion on the organisation and functioning of the internal control departments,
  - reviewing the reports prepared in order to comply with the regulations in terms of internal control

It regularly reports to the Board of Directors on the performance of its missions, including the outcomes of the mission of certification of the accounts, how this mission contributed to the integrity of the financial information and the role it played in this process. It informs the Board of Directors without delay of any difficulty encountered.

The Statutory Auditors are invited to the Audit and Internal Control Committee meetings.

The Audit and Internal Control Committee also includes the heads of the internal control functions (risk, second level permanent control, compliance, internal audit) as well as the Chief Financial Officer and, where necessary, the managers in charge of preparing the accounts, internal control, risk control, compliance control and periodic control.

- **Risk and Compliance Committee:** At 31 December 2023, the Risk and Compliance Committee comprised three Directors, including two Independent Directors: Isabelle GOUBIN (independent director), Didier MOUGET (independent director) and Mathilde GUERIN. The Committee is chaired by Isabelle GOUBIN.

The Risk and Compliance Committee advises the Board of Directors on the overall strategy regarding Risks and Compliance and the appetite regarding all kinds of risks, both current and future, and assists it when it controls the implementation of this strategy. Its objective is also to assess the risk management taking into account regulatory changes and their impacts.

In particular, in terms of Risks, it is responsible for:

- presenting a synthesis of the risk supported by SGL Group:
  - quality of credit portfolio
  - non-performing loans and net cost of risk ratio
  - operational losses and related action plans
  - IT security and business continuity management items
  - market risk limits overview
- preparing the debates of the Board of Directors on documents relating to risk appetite;
- reviewing the risk control procedures and is consulted for the setting of overall risk limits;
- undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and communicating its conclusions to the Board of Directors;
- issuing an opinion on SGL Group's provisioning policy, as well as on specific provisions for significant amounts;
- reviewing the reports prepared to comply with the banking regulations on risks;

In terms of Compliance, it is responsible for:

- presenting the regulatory changes and their impact on processes and procedures regarding the fight against money laundering and terrorist financing, professional and personal ethics
- presenting the result of the work, checks and findings carried out in terms of: KYC/AML/FT, interests' clients and investors protection, markets' integrity, personal ethics, compliance issues related to new products and services, cross-border activities, data protection or tax transparency issues
- reviewing the quality of the processes and the progress of implementation of new tools/methodologies' projects
- reviewing suspicious transaction reports and information/investigation's requests from authorities
- reviewing complaints related to Compliance issues
- monitoring the observations and reports of regulatory authorities;
- **Remuneration Committee:** At 31 December 2023, the Remuneration Committee comprised four Directors, two Group representative, one Independent Director and one Director representing employees: Marie DOUCET (independent director), Christophe LATTUADA, Bertrand COZZAROLO and Frédéric ROVEDA. The Committee is chaired by Marie DOUCET.

## 2. GOVERNANCE AND RISK MANAGEMENT ORGANISATION

The Remuneration Committee prepares the decisions that the Board of Directors adopts regarding compensation, especially those that have an impact on the risk and the management of risks in the Company.

It conducts an annual review of:

- the principles of the Company's compensation policy;
- the compensation policy for regulated employees within the meaning of the banking regulations;
- **Nomination and Corporate Governance Committee:** At 31 December 2023, the Nomination and Internal Governance Committee comprised two Directors and one Independent Director: Patrick SUET, Christophe LATTUADA and Marie DOUCET (independent director). The Committee is chaired by Patrick SUET.

The Nomination and Corporate Governance Committee:

- is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees members as well as on the succession of the executive officers, especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved in relation to the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective;
- periodically reviews the structure, size, composition of the Board of Directors and its work effectiveness and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;
- periodically reviews the Board of Directors' policies regarding the selection and appointment of the members of the management body and Key Functions (Chief Risk Officer, Chief Compliance Officer and Chief Internal Audit Officer) and Effective Senior Managers; it makes recommendations in this area;
- is informed in advance of the appointment of the Chief Risk Officer, Chief Compliance Officer, Chief Internal Audit Officer and Chief Finance Officer. This committee is also informed of the succession plan for these senior officers;
- prepares the review by the Board of Directors of corporate governance issues as well as the Board of Directors' work on matters relating to Corporate culture.

Oversight of internal control and risk management is also exercised by a number of additional committees directly chaired by the Authorized Management:

- The Finance Committee which defines SGL Group's financial strategy and ensures the steering of scarce resources (capital, liquidity, balance sheet and fiscal capacity), their allocation, and the monitoring of structural risks.
- The Assets Liabilities Committee ensures the control of structural risks (Interest rate and foreign exchange risks in the banking book and, Liquidity risk of the entire banking and trading book) including employee benefits and their investments, in compliance with the Group's ALM standards

- The Enterprise Risk Committee which objective is to enable SGL management to ensure the management and reporting of the major cross-sector risk processes within the scope of SGL.
- The Compliance Committee reviews the non-compliance risks of the perimeter of SGL Group and the related main elements at stake.
- The IS Security Committee defines and follows SGL Group's: security policy strategy and governance, data leakage, security and security incidents reporting, prioritization of actions based on risk assessments, optimization of capital allocated to Information Security and all other areas essential to the management of security policy. It also ensures consistency with SG Group projects and the defined SG Group strategy.
- The IS Strategic Committee validates SGL information system strategy, follows this strategy and follows the decommissioning plan
- The Internal Control Coordination Committee ensures the consistency and effectiveness of internal control within SGL Group and evaluates in detail the control framework
- The Data Quality Committee oversees the definition, prioritization, and implementation of remediation plans to correct quality anomalies
- The Outsourced Services Committee Review monitors the portfolio of outsourced services ("OS") of Société Générale Luxembourg and subsidiaries within the risk management framework
- The CSR Committee defines SGL's Corporate Social Responsibility strategy and monitors its effective implementation.

The main Divisions in charge of risk managements are:

The Risk Division whom main responsibilities are to contribute to the development of SGL Group's activities and profitability by defining its risk appetite (broken down by business) under the Authorized Management supervision and in collaboration with the Finance Division and Core Businesses, and to establish a risk management and monitoring system. In exercising its functions, the Risk Division reconciles independence from the business lines and close cooperation with the Core Businesses, which bear primary responsibility for the transactions that they initiate.

To this end, the Risk Division is responsible for setting the risk appetite; identifying all risks; implementing a governance and monitoring system for these risks, including cross-business risks, regularly reporting on their nature and extent to Authorized Management, the Board of Directors and the supervisory authorities; contributing to the definition of risk policies, taking into account the aims of the business lines and the relevant risk issues; defining and validating risk analysis, assessment, approval and monitoring methods and procedures; validating transactions and limits proposed by business managers; defining and validating the risk monitoring information system; and ensuring its suitability for the needs of the businesses.

The Risk Division manages:

- Credit risk through processes shared across all business units that ensure a robust credit acceptance process and

monitoring framework. The main components of these mechanisms are a prior sound analysis of the debtor's creditworthiness and of the transaction followed by a formal approval process of risk taking, and complemented by daily, monthly and quarterly reviews of compliance with risk authorized limits and also the suitability of collateral;

- Operational risk through a second level supervision which consist mainly to:
  - The challenges and controls the first line of defence which is part of business lines.
  - The definition of a set of indicators and the oversight of regular risk assessment exercises.
  - The implementation of a process for collecting and tracking operational risk incidents, challenge and propose corrective or remediation action plans.
  - The definition of a crisis management and business continuity framework.
  - The oversight of the process for new product launch and outsourced externalized supervision (OES).
- Market risk through the daily monitoring of risk metrics (primarily the Value at Risk and Stressed Value at Risk) in order to ensure exposures, remain within limit approved by the bank's Board.
- Structural Risk (IRRBB Risk and Liquidity Risk) as second line of defence (cf. below).

The Compliance Function role is to anticipate, identify, assess, report and monitor compliance risks of the Bank as well as to assist the authorized management in providing the Bank with measures to comply with applicable laws, regulations and standards.

The Compliance Function monitors two broad categories of non-compliance risks:

- Financial Security: Know your customer, compliance with the rules and regulations on international sanctions and embargoes, fight against money laundering and terrorist financing (AML/FT), including reporting suspicious transactions to the relevant authorities.
- Regulatory risks including in particular: Client Protection, Anti-bribery and Corruption, Ethics and Conduct; compliance with regulations related to Tax Transparency, compliance with regulations on Social and Environmental Responsibility and the Group's commitments, Financial Market Integrity (MI) and Personal Data Protection.

The Finance Division is in charge of:

- Liquidity and refinancing risk: Various indicators are produced to track liquidity risk and thereby ensure that the risk assumed remains consistent with the framework set by management. These indicators cover different aspects of liquidity risk management: independence from financing not related to commercial activity, the business-as-usual liquidity situation, and liquidity in a period of stress. These indicators are enforced either by regulatory limits (to which SGL Group adds a safety buffer) or by internal limits, discussed and set jointly by the central teams. Likewise, the ALM behavioral models for liquidity and interest rates are reviewed annually and centrally validated by those same

teams. Oversight of the indicators is provided by teams including ALM and cash flow. Level 1 control is provided by a local team. Level 2 control is carried out jointly by the SGL Group Risk Division and the SG Group Finance Division.

- Interest rate risk and foreign exchange risk: interest rates and foreign exchange risk influence assets and profitability, as markets exhibit fluctuations. In the SGL Group, the monitoring of interest rate risk and foreign exchange risk is centrally delegated to two different teams based on whether the transactions are categorized as structural or market.

The level 2 permanent control is performed by an independent team attached to the Deputy CEO in charge of the General Secretary, Risk and Compliance functions on the following areas :

- Finance, where the level 2 permanent control mission focuses on the quality of accounting, regulatory and financial information, taxation except the prevention of risks
- Compliance where the Level 2 control mission focuses on non-compliance risks grouped into two broad categories:
  - Financial security: customer knowledge the fight against money laundering and the financing of terrorism; compliance with rules on international sanctions and embargoes, including declarations of suspicion to the referring authorities when necessary
  - Other regulatory risks: client protection; integrity of financial markets; fight against corruption; ethics and conduct; compliance with international tax regulations based on knowledge of clients' tax profiles; protection of personal data; corporate social responsibility.
- Risks where the level 2 control mission focuses on operational risks, including the risks specific to the various businesses: operational risks related to the Sourcing, Communication, HR, Real Estate, IS/ISS processes or operational risk related to credit, market and liquidity risks.

Three different bodies ensure the second line of defence (LOD2) function regarding the liquidity risk as well as the interest rate and the foreign exchange risks on the banking book:

- The Risk Division of SGL Group is in charge of the overall follow up of the activity, including the second level monitoring of liquidity metrics, participation on all asset and liabilities management committees, participation in the model and limit definition process;
- The Risk Division of SG Group has as primary role to review and validate liquidity models and limits, and they have the necessary expertise to reach this goal. More generally, they are also entitled to define, for the whole perimeter of SG Group, the framework for liquidity risk management and to centralize the review of the liquidity risk metrics;
- The Second Level Control function within SGL Group is in charge to review and to assess, following an annual control schedule, the permanent control framework of the bank. In this context, they perform notably deep controls on the quality of the liquidity metrics and on the production process.

The governance and organisational principles of the Internal Audit Department are formalised through the Directive DI.

## 2. GOVERNANCE AND RISK MANAGEMENT ORGANISATION

10380 dated February, 23rd, 2023 regarding the organisation of internal governance of the SGL Group and the Directive no. DI-10020 dated April 5th, 2022 regarding the organisation of the internal control system within the SGL Group. The Audit Charter sets out the rules of the General Inspection and Internal Audit activity in terms of mandate, scope and rights of the internal audit function and also of resources professional practices.

The Board of Directors approved the updated Audit Charter on March 23rd 2023.

The General Inspection and Internal Audit Department constitute the third line of defence and is an independent and objective activity. The General Inspection function is based in Paris and conducts reviews throughout the Group, including all activities, risks, processes and geographies. The intervention of the General Inspection is also structured on a risk based approach and may at times include some advisory objectives and scope which are carried out following specific rules to avoid any subsequent conflicts of interest.

In compliance with the standards published by the IIA (Institute of Internal Auditors), the role of IGAD is to provide independent, objective, reliable and timely assurance to the CACI, and, where applicable, external auditors and regulators over the effectiveness of controls, risk management, and

governance activities to mitigate risk and enhance the control culture within the SGL Group. This includes a comprehensive assessment of the different category of risks (credit risk, market risk, operational risk), without any exception and the effectiveness of the system of internal controls and the governance arrangement in place to manage its key risks within both the SGL Group and critical service providers. Furthermore, IGAD provides SGL senior management, CACI, and other stakeholders with information, analysis, and recommendations about the adequacy, effectiveness, and efficiency of (i) business operations, (ii) internal controls, and (iii) the integrity of financial reports to assist them in the effective discharge of their responsibilities and promote organizational improvement. This information may include insights, themes, and trends regarding the adequacy of control effectiveness to support the SGL Group's strategic agenda. Finally, IGAD monitors and evaluates the adequacy and effectiveness of governance processes and provides effective challenge of management policies, procedures, activities and processes and controls in place using a risk-based approach.

The internal audit mandate covers all SGL Group activities and entities, including local and foreign subsidiaries and branches of SGL, and can focus on all aspects of their operations without exception.

## 2.6 INTERNAL CONTROL

Internal control is part of a regulatory framework, the Basel Committee has defined four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of internal control carried out by credit institutions. These principles are completed by EBA's recommendations and CSSF's circulars.

Within SGL Group, these principles are applied through directives, procedures, instructions and dedicated committees defined at SGL Group level to comply with all regulatory requirements.

Coherence is ensured with the general framework defined by SG Group's internal control, the SG Group Audit Charter, and other frameworks relating to the management of credit risks, market risks, operational risks, structural interest rate, exchange rate and liquidity risks, compliance control and reputational risk control.

Control is based on a body of standards and procedures.

All SGL Group's activities are governed by rules and procedures covered by a set of documents referred to collectively as the "Normative Documentation". This documentation includes any documents:

- setting forth rules for action and behavior applicable to staff;
- defining the structures of the businesses and the sharing of roles and responsibilities;
- describing the management rules and internal procedures specific to each business and activity.

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

- legal and regulatory provisions;
- professional and ethical practices;
- the internal rules and guidelines defined by the Authorised Management.

The internal control system shall aim in particular at:

- prevent malfunctions;
- to measure the risks involved and to exercise sufficient control to ensure that they are controlled;
- ensure the adequacy and proper functioning of internal processes;
- to detect irregularities;
- ensure the reliability, integrity and availability of financial and management information;
- to check the quality of information and communication systems;
- and to implement corrective or remedial actions in response to any identified deficiencies

The internal control system is organized according to the "three lines of defense" model in accordance with the texts of the Basel Committee:

- The first line of defense includes all employees and operational management, both within the businesses and in

Corporate Divisions (in the latter case, with respect to their own operations).

Operational management is responsible for risks, their prevention and their management – by putting in place first-level of permanent control measures, among other things – as well as for implementing corrective or remedial actions in response to any failures identified by controls and/or process steering;

- The second line of defense is provided by the compliance and risk divisions.

Within the internal control framework, these functions are tasked with continuously verifying that the security and management of risks affecting operations are ensured, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls as instructed.

Accordingly, these functions must provide the necessary expertise to define, within their respective fields, the controls and other means of risk management to be implemented by the first line of defense, and to oversee that they are effectively implemented; they conduct second-level permanent control over all of the risks, employing the controls they have established or that have been established by other expert functions (e.g. sourcing, legal, tax, human resources, information system security, etc.) and by the businesses;

- The third line of defense is provided by the Internal Audit Division. This division conducts an independent, objective and critical assessment of the first two lines of defense and the internal governance system as a whole.

The three lines of defense are complementary, with each line of defense carrying out its control responsibilities independently of the others.

In addition to the three lines of defense above, the permanent level 2 control, “control of controls”, is exercised by a team independent of the operational teams in charge of the following 3 functions to ensure the effectiveness of permanent controls exercised by the first line of defense :

- The Compliance function (CTL/CPL)
- The Risk function (CTL/RISQ)
- The Finance function (CTL/DFIN)

In order to coordinate the three lines of defense, an Internal Control Coordination Committee (ICCC) is in place, chaired by the Authorized Management of SGL. This committee is decision-making body that eventually makes recommendations, initiates and follows action plans, and observations of inadequacy or dysfunction.

The objective of this Committee is to ensure the overall consistency of the control system by means of a cross-disciplinary approach to the topics.

The ICCC (Internal Control Coordination Committee) provides a global focus on SGL/subsidiaries.

The ICCC is an element of the overall architecture of the internal control system of the SGL Group, as well as of its coherence and effectiveness.

As such, the ICCC:

- ensures the consistency of the overall organizational structure and governance of internal control;
- monitors the effectiveness of the system.

A review of the internal control system framework covering all BUs/SUs (including feedback from subsidiaries/meetings within each BU/SU) the SGL Group is carried out.

This involves in particular:

- identifying the risks involved
- reviewing the internal control system, the results of controls and any shortcomings identified
- presenting the action plans envisaged and/or implemented by the BU/SU/Authorized Management to remedy them, and
- to monitor the action plans and main recommendations of the internal (permanent and periodic) and external (supervisory authorities) control bodies.

# 3. CAPITAL MANAGEMENT AND ADEQUACY

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## 3.1 THE REGULATORY FRAMEWORK

The Basel Committee, mandated by the G20, defined the new rules governing capital and liquidity aimed at making the banking sector more resilient. The so-called Basel 3 rules were published in December 2010. They were translated into European law by a directive (CRD4) and a regulation (CRR) which entered into force on 1st January 2014. It was amended by the Regulation CRR2 and the Directive CRD5 which fully entered into force on 28 June 2021.

The general framework defined by Basel 3 is structured around three pillars:

- Pillar 1 sets the minimum solvency requirements and defines the rules that banks must use to measure risks and calculate associated capital requirements, according to standard or more advanced methods;

- Pillar 2 relates to the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar 1, and to calibrate additional capital requirements with regard to all the risks to which these institutions are exposed;
- Pillar 3 encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to better assess a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

SGL Group complied with the minimum ratio requirements applicable to its activities for the year 2023.



## 3.2 SCOPE OF APPLICATION – PRUDENTIAL SCOPE

SGL Group amended the prudential consolidation perimeter as follows:

- New leasing services entity created:
  - Meribou Investments S.A.

**Please refer to Note 2.2. from the 2023 consolidated financial statements for more information on the significant variation compared to the year of 2022.**

SGL Group's prudential reporting scope includes all consolidated subsidiaries, with the exception of insurance and reinsurance subsidiaries, which are subject to separate capital supervision (see table 1).

**TABLE 1: EU LI3 - OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)**

a	b	c			e	f	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation			Neither consolidated nor deducted	Description of the entity	
		Full consolidation	Equity method				
SGBT Asset Based Funding S.A.	Full consolidation	X				Investment & management	
Société Immobilière de l'Arsenal S.à.r.l.	Full consolidation	X				Non-financial corporation	
SGBT Finance Ireland Ltd.	Full consolidation	X				Corporate Financing	
Montalis Investment B.V.	Full consolidation	X				Corporate Financing	
SG Luxembourg S.A.	Full consolidation	X				Bank	
SG Private Banking (Monaco) S.A.	Full consolidation	X				Private Banking	
Ivefi S.A.	Full consolidation	X				Other financing corporation	
SG Private Banking (Suisse) S.A.	Full consolidation	X				Bank	
SG Financing and Distribution S.A.	Full consolidation	X				Financial Services/Bank	
SG Private Wealth Management S.A.	Full consolidation	X				Wealth management	
Société Générale Luxembourg Leasing S.A.	Full consolidation	X				Leasing Services	
Surya Investments S.A.	Full consolidation	X				Leasing Services	
SGBT Italia	Full consolidation	X				Private Banking	
SGBT CI S.A.	Full consolidation	X				Corporate Financing	
SG Issuer S.A.	Equity method		X			Security Issuance	
SG Capital Market Finance S.A.	Full consolidation	X				Financial Services/Bank	
Meribou Investments S.A.	Full consolidation	X				Leasing Services	
SG Life Insurance Broker S.A.	Full consolidation	X				Brokerage	
SGL Ré S.A.	Full consolidation				X	Reinsurance	
Société Générale Luxembourg Credit Insurance	Full consolidation				X	Insurance	
Société Générale Ré S.A.	Full consolidation				X	Reinsurance	
Sogelife S.A.	Equity method				X	Insurance	

## 3.3 REGULATORY CAPITAL

Reported according to international financial reporting standards (IFRS) as adopted by the European Union, SGL Group's regulatory capital consists of the following components.

### COMMON EQUITY TIER 1 CAPITAL

According to CRR2/CRD5 regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves;

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

- estimated dividend payment;
- goodwill and intangible assets, net of associated deferred tax liabilities;
- unrealised capital gains and losses on cash flow hedging;
- any positive difference between expected losses on customer loans and receivables, risk-weighted using the Internal Ratings Based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- value adjustments resulting from the requirements of prudent valuation;
- excess of deduction from T2 items in CET1 capital;
- insufficient coverage for non-performing exposures.

### ADDITIONAL TIER 1 CAPITAL

SGL Group has no Additional Tier 1 capital.

### TIER 2 CAPITAL

According to CRR2/CRD5 regulations, Tier 2 capital is made up primarily of the following:

- IRB Excess of provisions over expected losses eligible;
- Deduction of T2 instruments of financial sector entities where the institution has a significant investment.

SGL Group's capital on a consolidated basis is composed of:

- Common Equity Tier 1 capital: EUR 3 114 million (2022: EUR 3 030 million).
- Tier 2 capital : EUR 0 million (2022: EUR 8 million)

SGL is benefiting from a favorable assessment by the rating agency Standard & Poor's with regard to the Group's financial stability: A-1 in the short-term A in the long term (confirmed in December 2023).

The SGL Group has not issued any hybrid securities or subordinated borrowings not eligible for prudential capital.

### SOLVENCY RATIOS

The solvency ratios are set by comparing SGL group's equity (Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC)) with the sum of risk-weighted credit exposures and the capital requirement multiplied by 12.5 for market and operational risks. They are expressed as a percentage of RWA and according to the split of own funds i.e.: Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC).

Every quarter, each ratio is calculated following the accounting closing and then compared to the supervisory requirements.

As of 31st December 2023, the Overall Capital requirements (OCR) to be made up of Common Equity Tier 1 capital (CET1) applicable to the SGL Group was set to 8.49%. The breakdown of OCR to be made up of CET1 is the following:

- Minimum capital requirements for CET1 capital: 4.5%
- Pillar 2 requirements (P2R) for CET1 capital: 0.56%
- Capital conservation buffer: 2.5%
- Institution Specific Countercyclical capital buffer: 0.43%
- Other Systemically Important Institution buffer (O-SII): 0.5%

As part of Other Systemically Important Institution (O-SII), a discretionary specific systemic buffer is applicable to SGL Group (art.59-9 LSF). For 2023, this specific capital buffer reaches its fully loaded level of 0.5%.

The countercyclical buffer plays a role in determining the overall buffer requirement. The countercyclical buffer rate is set by country. Each establishment calculates its countercyclical buffer requirement by measuring the average countercyclical buffer rate for each country, adjusted to take into account the relevant credit risk exposures in these countries. The countercyclical buffer rate, in force as of 1st January 2016, generally lies between 0% and 2.5% by country. The countercyclical buffer requirement for SGL Group as of 31st December 2023 represents an add-on of 0.43%.

Following the Supervisory Review and Evaluation Process (SREP) notification, SGL has been informed by official letter by the CSSF that The Bank must hold 1% of P2R entirely in the form of CET1.

The ECB allowed banks to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital to meet the P2Rs. SGL Group were thus allowed to meet their P2R as follows:

- 0.5625% in the form of CET1 capital
- 0.75% in the form of Tier 1 capital
- 1% in the form of Total capital

## 3.4 CAPITAL REQUIREMENTS

The Basel 3 Accord established the new rules for calculating minimum capital requirements in order to more accurately assess the risks to which banks are exposed. The calculation of credit risk-weighted assets takes into account the transaction risk profile based on two approaches for determining risk-weighted assets: (i) a standard method, and (ii) advanced methods based on internal models for rating counterparties.

**TABLE 2: EU OV1 - OVERVIEW OF RISK WEIGHTED EXPOSURE AMOUNTS**

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
<i>(in EUR 1000)</i>				
1	Credit risk (excluding CCR)	8 477 786	9 173 656	678 223
2	<i>Of which the standardised approach</i>	676 968	1 036 243	54 157
3	<i>Of which the Foundation IRB (F-IRB) approach</i>	50 901	49 676	4 072
EU 4a	<i>Of which equities under the simple riskweighted approach</i>	108 250	144 315	8 660
5	<i>Of which the Advanced IRB (A-IRB) approach</i>	7 187 527	7 520 230	575 002
6	Counterparty credit risk - CCR	113 299	62 323	9 064
7	<i>Of which the standardised approach</i>	42 363	58 699	3 389
EU 8b	<i>Of which credit valuation adjustment - CVA</i>	4 019	3 502	322
9	<i>Of which other CCR</i>	66 917	122	5 353
15	Settlement risk	37 478	201	2 998
16	Securitisation exposures in the non-trading book (after the cap)	3 334 573	2 622 073	266 766
EU 19a	<i>Of which 1250%</i>	3 334 573	2 622 073	266 766
20	Position, foreign exchange and commodities risks (Market risk)	39 257	39 184	3 141
21	<i>Of which the standardised approach</i>	39 257	39 184	3 141
23	Operational risk	1 095 064	1 165 840	87 605
EU 23a	<i>Of which basic indicator approach</i>	117 507	102 238	9 401
EU 23c	<i>Of which advanced measurement approach</i>	977 557	1 063 601	78 205
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	456 189	432 687	36 495
<b>29</b>	<b>Total</b>	<b>13 097 457</b>	<b>13 063 277</b>	<b>1 047 797</b>

## 3.5 CAPITAL MANAGEMENT

As part of managing its capital, SGL Group (under the supervision of the Finance Division) ensures that its solvency level is always compatible with the following objectives:

- meeting its regulatory requirement;
- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth, within SG Group risk weighted assets allocation;
- maintaining the bank's resilience in the event of stress scenarios;

SGL Group Board of Directors approves its internal capital risk appetite thresholds and limits in accordance with these objectives and regulatory requirements.

SGL Group has an internal process (Internal Adequacy Assessment Process "ICAAP") for assessing the adequacy of its capital that measures the adequacy of the Group's capital ratios in light of regulatory constraints and future regulatory changes. This process also includes stress tests and a reverse stress test. The assessment of this adequacy is based on a selection of key metrics that are relevant to SGL Group in terms of risk and capital measurement, such as solvency ratios (CET1, Tier 1, Total Capital), leverage ratio and MREL ratios. The capital regulatory indicators are supplemented by an assessment of the internal capital needs by available CET1 capital, thus confirming the relevance of the targets set in the risk appetite.

As of 31st December 2023, the SGL Group's Common Equity Tier 1 and the total capital ratio were at 23.78% (please refer to chapter 3.8 for more details).

TABLE 3: EU KM1 - KEY METRICS TEMPLATE

		a	e
		T	T-4
<i>(in EUR 1000)</i>			
<b>Available own funds (amounts)</b>			
1	Common Equity Tier 1 (CET1) capital	3 114 035	3 030 198
2	Tier 1 capital	3 114 035	3 030 198
3	Total capital	3 114 035	3 038 539
<b>Risk-weighted exposure amounts</b>			
4	Total risk exposure amount	13 097 457	13 063 277
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
5	Common Equity Tier 1 ratio (%)	23.78%	23.20%
6	Tier 1 ratio (%)	23.78%	23.20%
7	Total capital ratio (%)	23.78%	23.26%
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.00%	1.00%
EU 7b	<i>of which: to be made up of CET1 capital (percentage points)</i>	0.56%	0.56%
EU 7c	<i>of which: to be made up of Tier 1 capital (percentage points)</i>	0.75%	0.75%
EU 7d	Total SREP own funds requirements (%)	9.00%	9.00%
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.43%	0.15%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.50%	0.50%
11	Combined buffer requirement (%)	3.43%	3.15%
EU 11a	Overall capital requirements (%)	12.42%	12.15%
12	CET1 available after meeting the total SREP own funds requirements (%)	14.78%	18.14%
<b>Leverage ratio</b>			
13	Total exposure measure	70 109 435	70 548 375
14	Leverage ratio (%)	4.44%	4.30%
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU 14b	<i>of which: to be made up of CET1 capital (percentage points)</i>	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>			
EU 14d	Leverage ratio buffer requirement (%)	0%	0%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%
<b>Liquidity Coverage Ratio</b>			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	13 324 875	13 834 165
EU 16a	Cash outflows - Total weighted value	19 608 174	25 152 295
EU 16b	Cash inflows - Total weighted value	11 439 895	16 472 676
16	Total net cash outflows (adjusted value)	8 168 278	8 679 619
17	Liquidity coverage ratio (%)	163.13%	159.39%
<b>Net Stable Funding Ratio</b>			
18	Total available stable funding	36 537 835	35 773 866
19	Total required stable funding	31 576 103	30 917 759
20	NSFR ratio (%)	115.71%	115.71%

## 3.6 LEVERAGE RATIO MANAGEMENT

SGL Group calculates its leverage ratio according to the CRR leverage ratio rules, as amended by the Delegated Act of 10th October 2014 and manages it according to the changes brought by CRR2 applicable from June 2021.

Managing the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling SGL Group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that SGL Group sets for itself.

SGL Group aims to maintain a consolidated leverage ratio higher than the 3.0% minimum in the Basel Committee's recommendations. To this end, SGL Group determines its internal capital risk appetite thresholds and limits in accordance with these objectives.

As of 31st December 2023, SGL Group's leverage ratio stood at 4.44%.

**TABLE 4: EU LRI - SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES**

		<b>a</b>
<i>(in EUR 1000)</i>		<b>Applicable amount</b>
1	Total assets as per published financial statements	66 363 631
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(133 137)
8	Adjustment for derivative financial instruments	(18 158)
9	Adjustment for securities financing transactions (SFTs)	381 357
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3 587 185
12	Other adjustments	(71 443)
<b>13</b>	<b>Total exposure measure</b>	<b>70 109 435</b>

TABLE 5: EU LR2 - LEVERAGE RATIO COMMON DISCLOSURE

		CRR leverage ratio exposures	
		a	b
		T	T-1
<i>(in EUR 1000)</i>			
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	65 965 834	67 091 230
6	(Asset amounts deducted in determining Tier 1 capital)	(71 443)	(59 573)
<b>7</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>65 894 391</b>	<b>67 031 657</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	83 302	155 088
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	163 200	190 433
<b>13</b>	<b>Total derivatives exposures</b>	<b>246 502</b>	<b>345 521</b>
<b>Securities financing transaction (SFT) exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	191 493	0
16	Counterparty credit risk exposure for SFT assets	189 864	0
<b>18</b>	<b>Total securities financing transaction exposures</b>	<b>381 357</b>	<b>0</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	5 632 070	5 175 005
20	(Adjustments for conversion to credit equivalent amounts)	(2 044 885)	(2 003 808)
<b>22</b>	<b>Off-balance sheet exposures</b>	<b>3 587 185</b>	<b>3 171 197</b>
<b>Excluded exposures</b>			
<b>EU-22k</b>	<b>(Total exempted exposures)</b>	<b>0</b>	<b>0</b>
<b>Capital and total exposure measure</b>			
23	Tier 1 capital	3 114 035	3 030 198
<b>24</b>	<b>Total exposure measure</b>	<b>70 109 435</b>	<b>70 548 375</b>
<b>Leverage ratio</b>			
25	Leverage ratio (%)	4.44%	4.30%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.44%	4.30%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of Central bank reserves) (%)	4.44%	4.30%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	<i>of which: to be made up of CET1 capital</i>	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
<b>Choice on transitional arrangements and relevant exposures</b>			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	N/A	N/A
<b>Disclosure of mean values</b>			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	196 689	0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	191 493	0
30	Total exposure measure (including the impact of any applicable temporary exemption of Central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	70 114 631	70 548 375

### 3. CAPITAL MANAGEMENT AND ADEQUACY

30a	Total exposure measure (excluding the impact of any applicable temporary exemption of Central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	70 114 631	70 548 375
31	Leverage ratio (including the impact of any applicable temporary exemption of Central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.44%	4.30%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of Central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.44%	4.30%

**TABLE 6: EU LR3 - SPLIT-UP OF ON BALANCE SHEET EXPOSURES  
(EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)**

		<b>a</b>
		<b>CRR leverage ratio exposures</b>
<i>(in EUR 1000)</i>		
<b>EU-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>65 965 834</b>
EU-2	Trading book exposures	2 300
EU-3	Banking book exposures, of which:	65 963 534
EU-5	Exposures treated as sovereigns	13 945 032
EU-7	Institutions	24 343 483
EU-8	Secured by mortgages of immovable properties	1 046 815
EU-9	Retail exposures	2 016 241
EU-10	Corporates	21 939 448
EU-11	Exposures in default	0
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2 672 515

## 3.7 RATIO OF LARGE EXPOSURES

The CRR 2 (European Capital Requirements Regulation) incorporates the provisions regulating large exposures. As such, the SGL Group must not have any exposure where the total amount of net risks incurred on a single beneficiary exceeds 25% of the SGL Group's Tier 1 capital. The eligible capital used to calculate the large exposure ratio is the Tier 1 regulatory capital.

On 31 December 2023, SGL Group had no additional RWA requirements due to the large exposure's framework.



## 3.8 QUALITATIVE AND QUANTITATIVE INFORMATION ON REGULATORY OWN FUNDS AND COUNTERCYCLICAL CAPITAL BUFFER

TABLE 7: EU CCA - MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS

		a	b	c	d
		Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information
1	Issuer	SG Luxembourg S.A.	SG Luxembourg S.A.	SG Luxembourg S.A.	SG Luxembourg S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A
2a	Public or private placement	Private	Private	Private	Private
3	Governing law(s) of the instrument	Luxembourg law	Luxembourg law	Luxembourg law	Luxembourg law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	Yes	Yes	Yes
<b>Regulatory treatment</b>					
4	<i>Current treatment taking into account, where applicable, transitional CRR rules</i>	<i>Common Equity Tier 1</i>	<i>Ineligible</i>	<i>Ineligible</i>	<i>Ineligible</i>
5	<i>Post-transitional CRR rules</i>	<i>Common Equity Tier 1</i>	<i>Ineligible</i>	<i>Eligible liabilities</i>	<i>Eligible liabilities</i>
6	<i>Eligible at solo/(sub-)consolidated/ solo&amp;(sub-)consolidated</i>	<i>Solo and (Sub-) Consolidated</i>	<i>Solo and (Sub-) Consolidated</i>	<i>Solo and (Sub-) Consolidated</i>	<i>Solo and (Sub-) Consolidated</i>
7	<i>Instrument type (types to be specified by each jurisdiction)</i>	<i>Ordinary share</i>	<i>Borrowing</i>	<i>Borrowing</i>	<i>Borrowing</i>
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	1389	400	750	970
9	Nominal amount of instrument	EUR 126	MEUR 400	MEUR 750	MEUR 970
EU-9a	Issue price	N/A	N/A	N/A	N/A
EU-9b	Redemption price	N/A	N/A	N/A	N/A
10	Accounting classification	Shareholder's equity	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
11	Original date of issuance	11/4/1956	24/01/2020	15/12/2022	12/6/2023
12	Perpetual or dated	Perpetual	dated	dated	dated
13	<i>Original maturity date</i>	<i>N/A</i>	<i>24/01/2024</i>	<i>15/12/2026</i>	<i>3/6/2029</i>
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes
15	<i>Optional call date, contingent call dates and redemption amount</i>	<i>N/A</i>	<i>24/01/2023</i>	<i>15/12/2025</i>	<i>3/6/2028</i>
16	<i>Subsequent call dates, if applicable</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<b>Coupons / dividends</b>					
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	EURIBOR 3M	EURIBOR 3M	EURIBOR 3M

### 3. CAPITAL MANAGEMENT AND ADEQUACY

19	Existence of a dividend stopper	N/A	N/A	N/A	N/A
EU-20a	<i>Fully discretionary, partially discretionary or mandatory (in terms of timing)</i>	<i>Fully discretionary</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>
EU-20b	<i>Fully discretionary, partially discretionary or mandatory (in terms of amount)</i>	<i>Fully discretionary</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>
21	<i>Existence of step up or other incentive to redeem</i>	<i>N/A</i>	<i>No</i>	<i>No</i>	<i>No</i>
22	<i>Noncumulative or cumulative</i>	<i>N/A</i>	<i>Non cumulative</i>	<i>Non cumulative</i>	<i>Non cumulative</i>
23	Convertible or non-convertible	N/A	Non convertible	Non convertible	Non convertible
24	<i>If convertible, conversion trigger(s)</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
25	<i>If convertible, fully or partially</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
26	<i>If convertible, conversion rate</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
27	<i>If convertible, mandatory or optional conversion</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
28	<i>If convertible, specify instrument type convertible into</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
29	<i>If convertible, specify issuer of instrument it converts into</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
30	Write-down features	N/A	Yes	Yes	Yes
31	<i>If write-down, write-down trigger(s)</i>	<i>N/A</i>	<i>On supervisory request</i>	<i>On supervisory request</i>	<i>On supervisory request</i>
32	<i>If write-down, full or partial</i>	<i>N/A</i>	<i>full</i>	<i>full</i>	<i>full</i>
33	<i>If write-down, permanent or temporary</i>	<i>N/A</i>	<i>Permanent</i>	<i>Permanent</i>	<i>Permanent</i>
34	<i>If temporary write-down, description of write-up mechanism</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
34a	Type of subordination (only for eligible liabilities)	N/A	Contractual	Contractual	Contractual
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	5	5	5
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deeply subordinated notes	Unsecured senior debt	Unsecured senior debt	Unsecured senior debt
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A

TABLE 8: EU CC1 - COMPOSITION OF REGULATORY OWN FUNDS

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
<i>(in EUR 1000)</i>			
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	1 391 860	
	<i>of which: Fully paid-up capital instruments</i>	1 389 043	a
	<i>of which: Share premium</i>	2 817	b
2	Retained earnings	1 719 873	b
3	Accumulated other comprehensive income (and other reserves)	97 199	b and c
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>3 208 932</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	(7)	N/A
8	Intangible assets (net of related tax liability) (negative amount)	(22 626)	d
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(17 079)	c
12	Negative amounts resulting from the calculation of expected loss amounts	0	N/A
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	(31 731)	
27a	Other regulatory adjustments	(23 454)	e (deposit guarantee scheme reserve deduction)
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(94 897)</b>	
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>3 114 035</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>			
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>0</b>	
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	(31 731)	
42a	Other regulatory adjustments to AT1 capital	31 731	
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>0</b>	
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>0</b>	
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>3 114 035</b>	
<b>Tier 2 (T2) capital: instruments</b>			
50	Credit risk adjustments	3 269	
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>3 269</b>	
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-35 000	f (subordinated loans to an insurance subsidiary)
EU-56b	Other regulatory adjustments to T2 capital	31 731	
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>0</b>	
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>0</b>	
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>3 114 035</b>	
<b>60</b>	<b>Total Risk exposure amount</b>	<b>13 097 457</b>	

### 3. CAPITAL MANAGEMENT AND ADEQUACY

<b>Capital ratios and requirements including buffers</b>			
61	Common Equity Tier 1 capital	23.78%	
62	Tier 1 capital	23.78%	
63	Total capital	23.78%	
64	Institution CET1 overall capital requirements	8.49%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.43%	
67	of which: systemic risk buffer requirement	0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.50%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.56%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	14.78%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	73 170	g
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	181 657	g
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	819	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	8 636	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	3 269	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	43 697	

**TABLE 9: EU CC2 - RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS**

		a	b	c
		<b>Balance sheet as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Reference</b>
<i>(in EUR 1000)</i>		As at period end	As at period end	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>				
1	Cash, due from Central banks*	12 659 385	20 933 067	
2	Financial assets at fair value through profit or loss	440 921	536 404	g
3	Hedging derivatives	156 525	156 525	
4	Financial assets at fair value through other comprehensive income	1 539 911	1 539 911	
5	Securities at amortized cost	9 953 229	9 878 145	
6	Due from banks at amortized cost*	23 067 296	14 705 264	
7	Customer loans at amortized cost	17 633 172	17 640 531	f

8	Insurance and reinsurance contracts assets	15 992	0	
9	Tax assets	1 966	1 966	
10	Other assets	588 643	609 044	e
11	Investments accounted for using the equity method	113 779	36 824	
12	Tangible and intangible fixed assets and right of use assets	192 812	192 812	d
<b>13</b>	<b>Total assets</b>	<b>66 363 631</b>	<b>66 230 493</b>	
<b>Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements</b>				
1	Financial liabilities at fair value through profit or loss	109 650	109 650	
2	Hedging derivatives	2 599	2 599	
3	Revaluation differences on portfolios hedged against interest risk Debt securities issued	22 629	22 629	
4	Debt securities issued	16 730	16 730	
5	Due to banks	21 761 332	21 732 402	
6	Customer deposits	39 127 204	39 336 769	
7	Tax liabilities	143 616	109 987	
8	Other liabilities	1 137 689	1 021 440	
9	Insurance and reinsurance contracts related issued - liabilities	73 516	0	
10	Provisions	55 688	73 107	
<b>11</b>	<b>Total liabilities</b>	<b>62 450 653</b>	<b>62 425 313</b>	
<b>Shareholders' Equity</b>				
1	Issued Capital	1 389 043	1 389 043	a
2	Reserves and retained earnings	1 972 641	1 791 041	b
3	Net income	543 973	596 140	
4	Unrealised or deferred capital gains and losses	7 212	28 848	c
5	Non-controlling interests	109	108	
<b>6</b>	<b>Total shareholders' equity</b>	<b>3 912 978</b>	<b>3 805 180</b>	

\*In accordance with FINREP ITS instructions, other demand deposits are reported as "Cash, cash balances at Central Banks, other demand deposits"

**TABLE 10: EU CCYB2 - AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER**

<i>(in EUR 1000)</i>		<b>a</b>
1	Total risk exposure amount	13 097 457
2	Institution specific countercyclical capital buffer rate	0.43%
3	Institution specific countercyclical capital buffer requirement	55 595

### 3. CAPITAL MANAGEMENT AND ADEQUACY

**TABLE 11: EU CCYB1 - GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER**

		a	b	e	f
		General credit exposures			
		Exposure value under the standardised approach	Exposure value under the IRB approach	Securitisation exposures Exposure value for non-trading book	Total exposure value
<b>010</b>	<b>Breakdown by country:</b>				
011	Australia	0	422	0	422
012	Bulgaria	0	6 213	0	6 213
013	Croatia	0	398	0	398
014	Cyprus	0	330 932	0	330 932
015	Czech Republic	0	7 205	0	7 205
016	Denmark	0	29	0	29
017	Estonia	0	3	0	3
018	France	273 429	2 680 438	266 766	3 220 633
019	Germany	54 731	134 235	0	188 966
020	Hong Kong	0	54 349	0	54 349
021	Ireland	25 105	524 111	0	549 216
022	Lithuania	0	358	0	358
023	Luxembourg	425 182	6 448 094	0	6 873 276
024	Monaco	24 451	1 687 259	0	1 711 710
025	Netherlands	768	520 424	0	521 192
026	Norway	0	3	0	3
027	Romania	0	147	0	147
028	Spain	0	425 580	0	425 580
029	Sweden	0	179 435	0	179 435
030	Switzerland	27 721	1 127 085	0	1 154 806
031	Slovakia	0	17	0	17
032	Slovenia	0	2	0	2
033	United Kingdom	125 748	597 108	0	722 856
034	Virgin Islands, British	0	110 730	0	110 730
035	Other countries*	148 085	4 692 680	0	4 840 765
<b>031</b>	<b>Total</b>	<b>1 105 219</b>	<b>19 527 259</b>	<b>266 766</b>	<b>20 899 244</b>

\* For which no countercyclical buffer has been defined by the competent authority and the own fund requirement weight is less than 2%

	g	i	j	k	l	m
Own fund requirements						
Relevant credit risk exposures - Credit risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)	
4	0	4	48	0.00%	1.00%	
122	0	122	1 525	0.02%	2.00%	
3	0	3	33	0.00%	1.00%	
10 391	0	10 391	129 887	1.33%	0.50%	
111	0	111	1 384	0.01%	2.00%	
1	0	1	11	0.00%	2.50%	
0	0	0	0	0.00%	1.50%	
65 804	266 766	332 570	4 157 127	42.66%	0.50%	
4 498	0	4 498	56 220	0.58%	0.75%	
750	0	750	9 378	0.10%	1.00%	
11 542	0	11 542	144 278	1.48%	1.00%	
2	0	2	30	0.00%	1.00%	
180 984	0	180 984	2 262 303	23.21%	0.50%	
33 387	0	33 387	417 340	4.28%	0.00%	
11 369	0	11 369	142 109	1.46%	1.00%	
0	0	0	0	0.00%	2.50%	
1	0	1	12	0.00%	1.00%	
23 502	0	23 502	293 776	3.01%	0.00%	
5 583	0	5 583	69 789	0.72%	2.00%	
35 693	0	35 693	446 162	4.58%	0.00%	
0	0	0	1	0.00%	1.50%	
0	0	0	0	0.00%	0.50%	
15 143	0	15 143	189 282	1.94%	2.00%	
27 322	0	27 322	341 530	3.50%	0.00%	
86 665	0	86 665	1 083 318	11.12%	0.00%	
<b>512 878</b>	<b>266 766</b>	<b>779 644</b>	<b>9 745 545</b>	<b>100.00%</b>	<b>-</b>	

# 4. CREDIT RISKS

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Credit and counterparty risk (including concentration effects) means the risk of losses arising from the inability of the SGL Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk. It is extended to supplier risks and takes into account techniques for limiting the effects of concentration. It also incorporates settlement/delivery risk.

## 4.1 CREDIT RISK MANAGEMENT: ORGANISATION AND STRUCTURE

For each business line, the risk tolerance is consistent with the decisions and orientations taken by SGL Board of Directors and the strategy, guidelines and practices defined by the SG Group. This risk tolerance is monitored by the Risk Division which has defined a control and monitoring system, in conjunction with the business divisions and based on the credit risk policy.

The Risk Division is responsible for:

- setting global and individual credit limits by client, client category or transaction type;
- authorizing transactions submitted by the sales departments;
- approving ratings or internal client rating criteria;
- monitoring exposures (daily, monthly, large exposures and various specific credit portfolios);
- approving specific and general provisioning policies.

In addition, a specific department performs comprehensive portfolio analyses, provides the associated reports, including

those for the supervisory authorities and assumes the Risk Project steering.

The amount of exposure for each client group is assessed relative to the amount of SGL Group's own capital under the Large Exposure approach. In addition, the SGL Group has defined an individual concentration management policy for corporate clients. This policy relies on an internal reference table for evaluating the level of individual concentration, taking into account a consistent measure of exposure (senior unsecured equivalent exposure) and based on the duration of the commitments and the counterparty's rating. The governance rules for tracking and validating individual concentration and the approval level of threshold breaches have been validated by the Risk Committee and the Board of Directors. All of the client groups that have a high exposure level are regularly presented in the Risk Committee. This governance requires that every new transaction with a concentration greater than a specific threshold must be approved by SGL CEO.

## 4.2 CREDIT POLICY

SGL Group's credit policy is based on the principle that approval of any credit risk undertaking must be based on sound knowledge of the client and the client's business, an understanding of the purpose and structure of the transaction, and of the sources of repayment of the debt. Credit decisions must also ensure that the structure of the transaction will minimise the risk of loss in the event that the counterparty defaults. Furthermore, the credit approval process takes into consideration the overall commitment of SGL Group to which the client belongs. Risk approval forms part of the SGL Group's risk management strategy in line with its risk appetite.

The risk approval process is based on four core principles:

- all transactions involving credit risk (debtor risk, settlement/delivery risk, issuer risk and replacement risk) must be pre-authorised;

- responsibility for analysing and approving transactions lies with the dedicated primary customer relation unit and risk unit, which examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management;
- the primary customer relation unit and the risk unit must be independent from each other;
- For corporate clients, credit decisions must be systematically based on internal risk ratings (obligor rating), as provided by the primary customer relation unit and approved by the Risk Division. The Risk Division submits recommendations on the limits which it deems appropriate for certain countries, geographic regions, sectors, products or customer types, in order to reduce risks with strong correlations. These limits form part of the Risk Appetite Exercise and are subject to approval of the SGL's Board of Directors.



## 4.3 RISK SUPERVISION AND MONITORING SYSTEM

### Private bank activities

As mentioned above; the business line has a specific credit policy that is regularly updated and adapted to each of its entities, which specifies the practical terms for implementation.

The risk associated with Private Banking clients is primarily managed through the quality of the debtor and its credit worthiness with a case-by-case analysis of the transaction.

The minimisation of risk of loss and the optimisation of the profitability/capital ratio allocated to the risks is a major goal. Loan approval is primarily offered to clients who hold assets with SGL Group, or prospects that have a real development potential for its target business. In principle, any credit exposure granted must receive a guarantee (pledge/surety/collateral), preferably drawing on financial assets and meeting criteria such that the potential risk of loss is minimal. The credit approach is based on the bank's operational capacity to track changes in each loan's collateral.

Loan to value is determined by applying discounts to the value of the collateralized assets based on its quality, liquidity, volatility, and diversification of assets. SGL Group implements a monitoring mechanism for detecting degradation in collateral and if it arises defining, with its clients, measures for resolving any margin shortfall. The loan applications are also reviewed in order to assess the debtor's quality and make a decision about the transaction (background and economic justification for the financing).

SGL Group also offers centralized cash management services to Private banking clients which generate interbank exposures and exposures to financial institutions with respect to the conversions performed and the hedging transactions. The risk policy in the matter relies on privileged recourse to the entities of SGL Group for treasury activities, with limitation to the minimum of the external interbank loans (overnight and term loans); increased reinvestment with respect to Central Banks; close management of depositor risk in the corresponding banks (nostri accounts); and prioritised use of clearing for interbank foreign-exchange activity.

### Corporate loans

The business line's credit approach is based on a case-by-case approval of the proposed arrangements and structures, from regulatory, prudential, tax, risk and accounting perspectives. As mentioned above, the credit approach is in line with a comprehensive banking relationship which disallows the approval of credit in the absence of a business relationship with SG Group. Beyond the unit credit limits for each client, counterparty, or group of clients and counterparties, SGL Group sets limits and thresholds in terms of concentration. It pays particular attention to the concentration of its credit risks

while ensuring, along several axes, that its exposures are well diversified. These thresholds are set and reviewed annually and are steered through the quarterly Risk Committee. In the event these limits and thresholds are breached, an action plan is established. The limits and thresholds are approved by the SGL's Board of Directors.

SGL Group regularly measures industry concentrations. Sensitive industries are identified by risk rating; by a net exposure after deducting guarantees, insurance and cash collateral or by a decision of the Risk Committee. Industries identified as posing a concentration risk are covered by special guidance through an industry-based limit approved in the Risk Committee. The calibration of the thresholds primarily relies on measuring risk in stress tests, particularly by measuring the estimated loss to the SGL Group equity in a stress scenario.

### Monitoring of Country Risk

Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing regulatory, political, economic, social and financial conditions in the country of exposure. It includes exposure to any kind of counterparty, including a sovereign state (sovereign risk is also controlled by the system of counterparty risk limits). Overall limits and strengthened monitoring of exposures have been established for countries based on their internal ratings and governance indicators. Supervision is not limited to emerging markets. Country limits are approved annually by SGL's Authorised Management and the SGL's Board of Directors.

They can be revised downward at any time if the country's situation deteriorates or is expected to deteriorate. All of SGL Group's exposures (securities, derivatives, loans and guarantees) are taken into account by this monitoring. The country risk methodology determines an initial country of risk and a final country of risk (after the effects of any guarantees) within the country limits framework.

### Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Division had implemented a stress test plan, as promoted in Circular CSSF 11/506 updated by Circular CSSF 20/573, in order to assess to what extent unfavourable elements may challenge the match between the business model (activity stress), the risk profile and the existing capacity to manage and support the risk. This exercise leads, if required, to the development and implementation of corrective action plans to guarantee the longevity of the institution.

Like global stress tests, specific stress tests draw on a core scenario and stressed scenarios, which are defined by the SG Group's sector experts and economists. The core scenario

## 4. CREDIT RISKS

draws on an in-depth analysis of the situation surrounding the activity or the relevant country. The stressed scenarios describe triggering events and assumptions regarding the development of a crisis, both in quantitative terms (changes in a country's GDP, the unemployment rate, deterioration in a sector) and qualitative terms.

Structured around the portfolio analysis function, the Risk Division teams translate these economic scenarios into impacts on risk parameters (default exposure, default rate, provisioning rate at entry into default, etc.). To this end, the leading methods are based in particular on the historical relationship between economic conditions and risk parameters. As with the global stress tests, in connection with the regulatory pillar, stress tests routinely take into account the possible effect of counterparty performance for counterparties in which the SGL Group is most highly concentrated in a stressed environment.

### Impairment

Impairments include impairments on groups of homogeneous assets, which cover performing loans, and specific impairments, which cover counterparties in default.

Impairments on groups of homogeneous assets are collective impairments booked for portfolios that are homogeneous and have a deteriorated risk profile although no objective evidence of default can be observed at an individual level.

These homogeneous groups include sensitive counterparties, sectors or countries. They are identified through regular analyses of the portfolio by sector, country or counterparty type.

These impairments are calculated on the basis of assumptions on default rates and loss rates after default. These assumptions are calibrated by homogeneous group based on their specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division of SG Group.

Decisions to book specific impairments on certain counterparties are taken where there is objective evidence of default. The amount of impairment depends on the probability of recovering the amounts due. The expected cash flows are based on the financial position of the counterparty, its economic prospects and the guarantees called up or that may be called up.

A counterparty is deemed to be in default when at least one of the following conditions is verified:

- a significant decline in the counterparty's financial position leads to a high probability of it being unable to fulfil its overall commitments (credit obligations), thereby generating a risk of loss to The Bank whether or not the debt is restructured; and/or
- regardless of the type of loan (property or other), one or more receivables past due at least 90 days have been recorded (with the exception of loans restructured on probation, which are considered to be in default at the first missed payment, in accordance with the technical standard published in 2013 by the EBA relative to restructured loans); and/or
- a recovery procedure is under way; and/or

- the debt was restructured less than one year previously; and/or
- legal proceedings such as a bankruptcy, legal settlement or compulsory liquidation are in progress.

SGL Group applies the default contagion principle to all of counterparty's outstanding exposures. When a debtor belongs to a group, all of the group's outstanding exposures are generally defaulted as well.

### Restructured loan

Loans issued or acquired by The SGL Group may be restructured due to financial difficulties. This takes the shape of a contractual modification of the initial terms of the loan (e.g. lower interest rates, rescheduled loan payments, partial debt forgiveness, or additional collateral). This adjustment of the contractual terms is strictly linked to the borrower's financial difficulties and/or insolvency (whether they have already become insolvent or are certain to do so if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recognized in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuring loss. This discount is equal to the negative difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to Cost of risk in the income statement. As a result, the amount of interest income subsequently recognised into income are still computed using the initial effective interest rate of the loan.

Post-restructuring, these financial assets are systematically classified in Stage 3 for impairment (credit-impaired exposures), as the borrowers are deemed to be in default. Stage 3 classification is maintained for at least one year, or longer if The SGL Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in Stage 3, the assessment of the significant increase of credit risk will be performed by comparing the credit risk level at the closing date and the level at the initial recognition date of the loan before restructuring.

Where they no longer pass the SPPI test, restructured loans are derecognised and replaced by new loans recognized according to the restructured terms and conditions. These new loans are then classified as financial assets measured mandatorily at fair value through profit or loss.

Restructured loans do not include loans and receivables subject to commercial renegotiations that are loans to customers for which The SGL Group has agreed to renegotiate the debt with the aim of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

## 4.4 IFRS 9 ORGANISATION

### IFRS 9 Debt instruments provisioning: general concepts

An impairment or loss allowance will be recognized for expected credit losses on debt instruments classified in financial assets at amortised cost or at fair value through equity, for lease receivables and for loan commitments and financial guarantees given. These impairments and allowances are recognised as soon as the loan is granted or as soon as the bonds are acquired, without waiting for the occurrence of an objective evidence of impairment.

The objective is to provide a gradual and phased approach to the recognition of loss allowances for credit risk symmetrically to the recognition in profit/(loss) of the credit margin included in the interest income.

The financial assets will be allocated to three categories according to the gradual increase in their credit risk since initial recognition. Impairment will be booked to each of these categories as follows:

CREDIT RISK IDENTIFIED FROM INITIAL RECOGNITION OF THE FINANCIAL ASSET			
RISK CATEGORIES	STAGE 1 PERFORMING LOANS	STAGE 2 SIGNIFICANT INCREASE IN CREDIT RISK	STAGE 3 DOUBTFUL DEBT/ CREDIT IMPAIRED
TRANSFER CRITERIA	Initial classification in Stage 1 > <i>Maintained as long as there is no significant increase in credit risk</i>	There is a significant increase in credit risk since initial recognition on the balance sheet/ more than 30 days past due	Default identified/ more than 90 days past due
CREDIT RISK MEASUREMENT	12-months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
BASIS OF CALCULATION OF INTEREST INCOME	Gross carrying amount of the financial asset before allowance for impairment	Gross carrying amount of the financial asset before allowance for impairment	Net carrying amount of the financial asset after allowance for impairment

A significant increase in credit risk will be assessed on an instrument-by-instrument basis but may also be assessed on the basis of homogenous portfolios of similar assets, where individual assessment is not relevant. A counterparty-based approach (applying the default contagion principle to all of the counterparty's outstanding loans) will also be possible if it gives similar results. SGL Group take into account all available information as well as the potential consequences of a change in macro-economic factors so that any significant increase in the credit risk on a financial asset can be assessed as early as possible. There will be a rebuttable presumption that the credit risk on a financial asset has increased significantly when the contractual payments on this asset are more than 30 days past due. However, this 30-day late period is an ultimate indicator. The entity should use all available information (behaviour scores, "loan to value" type indicators, etc.) and apply a forward-looking approach to assess whether there is a significant increase in credit risk before contractual payments are over 30 days past due. Application of IFRS 9 will not alter the definition of default currently used by SGL Group to determine whether or not there is objective evidence of impairment of a financial asset. An asset will notably be presumed in default if one or more contractual payments are more than 90 days past due. Impairment of groups of similar assets will be replaced by impairment calculated according to the 12-month or lifetime expected credit losses:

- A portion of the exposures on counterparties whose financial position has deteriorated since initial recognition of the financial assets, but where no individual objective indication of impairment has been identified (increase in credit risk) will be included in Stage 2 and impairment will be calculated in the amount of the lifetime ECL;
- Exposures on counterparties in economic sectors considered to be in crisis following the occurrence of loss events, or exposures on regions or countries in which an increase in credit risk has been assessed will be classified either in Stage 1 (impairment calculated in an amount equal to the 12-month ECL) or Stage 2 (impairment calculated in an amount equal to the lifetime ECL), depending on their individual credit risk and factoring in the deterioration in the sector or country from inception to the balance sheet date.

12-month expected credit losses will be measured considering past events, the current situation, as well as reasonable forward-looking information. Therefore, these expected losses will not be calculated according to average data observed through the cycle.

The calculation of lifetime expected credit losses will consider historical data, the current situation, and reasonable forward-looking information on possible changes in general economic

## 4. CREDIT RISKS

conditions, as well as relevant macroeconomic factors until contract maturity.

An impairment or loss allowance must be recognized for expected credit losses on debt instruments classified in financial assets at amortised cost or at fair value through equity, for lease receivables and for loan commitments and financial guarantees given, according to IFRS 9 standards.

The expected credit loss must be at least equal to the 12-month expected credit loss and must be adjusted to give the lifetime expected credit loss for the remaining term of the financial instrument if there is a significant increase in credit risk since initial recognition.

Therefore, the main change is the recognition of impairment on sound loans, from inception or from acquisition of the bonds.

### IFRS 9 implementation principles

Since 1 January 2018, SGL Group has been recording provisions on performing loans under the IFRS9 accounting standard. This assessment is based on statistical models for assessing probabilities of default and potential losses in the event of default, which take into account a prospective analysis based on macroeconomic scenarios. SGL Group's cost of risk could be negatively impacted by a proven or anticipated deterioration in the quality of the outstanding loan portfolios or macroeconomic prospects. In addition, IFRS 9 accounting standard principles and provisioning models could be pro-cyclical in the event of a sharp and sudden deterioration in the environment or result in enhanced volatility in the event of fluctuations in the economic prospects. This could lead to a significant and/or not fully anticipated change in the cost of risk and therefore in SGL Group's results.

The methodology for calculating Stage 1 and 2 expected credit losses is based on the Basel framework, which served as the basis for selecting the methods for valuing the parameters for calculating IFRS 9 provisions (probability of default and loss given default for exposures under the A-IRB approaches, and the provisioning rate for exposures under the standardised method). The segmentation of portfolios is realized at the level of SGL to ensure that they are consistent in terms of risk characteristics and to ensure better correlation with global and local macroeconomic variables. This new segmentation is consistent or equivalent to one defined in the Basel framework to ensure the uniqueness of past data on defaults and losses.

The forward-looking ECL approach (12-month/lifetime ECL) is based first and foremost on the incorporation of economic forecasts in probability of default. The main macroeconomic variable used for SGL Group is the economic growth of each European country.

The ECL is calculated using assumptions on default rates and losses on default. It considers macro-economic forecasts specific to the business sector or country. The assumptions are calibrated by homogenous groups of assets based on each group's specific characteristics, its sensitivity to the economic environment and historical data.

On private banking perimeter, a simplified approach of expected credit losses calculation is deployed.

Under the simplified method, given the unavailability or lack of depth of historical data and the small size of portfolios at SG Group level, for Stage 1 exposures the ECL is estimated based on a flat-provisioning rate per homogeneous risk group (pools).

This rate, reviewed by SG Group Risk department in charge with the business line, is determined based on statistical approach using  $PD \times LGD$  estimated based on historical default and recovery rates per portfolio.

For Stage 2 exposures, SGL applies an individual approach, based on an expert analysis for each counterparty or transaction. However, a floor, which corresponds to S1 provisioning rate must be applied to Private Banking Stage 2 expected credit losses.

### 4.4.1 Geopolitical Crises and macroeconomic context

The economic and financial environment remains exposed to intensifying geopolitical risks. Tensions between Russia and Western countries over the situation in Ukraine has led to financial sanctions by many countries, particularly in Europe and the United States, against Russia and Belarus.

Based on the sanctions published since the beginning of the conflict, the SGL Group is exposed to Russian risk either through compliance and reputation risk or through credit risk (namely in the corporate financing activity and the private banking activity).

Since the start of the crisis, SGL had set up a very close monitoring of its credit exposures on Russian counterparties and clients, as any new international sanctions or Russian countermeasures could have an impact on the global economy and consequently on the SGL Group risks.

2023 has been marked by a strong decrease of SGL corporate exposures on Russian counterparties following cessations, reimbursements and restructuring of the commitments.

However, any new international sanctions or Russian countermeasures could have an impact on the global economy and consequently on the SGL Group risks.

To summarize, 2023 was a year of cumulative uncertainties with, in particular, the continuing conflict in Ukraine but also tensions in the banking sector in the United States of America and Europe at the beginning of the year, as well as the situation in the Middle East at the end of the year. Monetary policies were clearly restrictive. Focusing on inflation control, central banks increased interest rates rapidly and significantly.

In the euro area:

- the slowdown in economic activity observed during the first half of 2023 continued and was accentuated during the second half of the year;
- inflation remained high in 2023; it is expected to drop down to around 3% in 2024 and fall back to the target in the mid-term.

In the U.S.A., the economy performed better than expected by most forecasters. Warning signs point to a sharper slowdown already apparent towards the end of the year.

In this context, the SG Group updated the macroeconomic scenarios chosen for the preparation of the consolidated financial statements.

## Macroeconomic scenarios

SGL Group approach relies on the SG Group's models for macroeconomic scenario and analysis of activities.

The details of evolutions to macroeconomic scenarios and their impacts on calculation of Expected Credit Losses (ECL) under IFRS 9 are presented below.

As at 31 December 2023, SG Group has selected three macroeconomic scenarios to help understand the uncertainties related to the current macroeconomic context.

The assumptions selected to build these scenarios are described below:

- The central scenario ("SG Central") predicts a continuing economic slowdown in the euro area in 2024 with only a modest rebound in 2025. The fall in inflation, around 2.5%, will be accompanied by an increase in the unemployment rate. The ECB would lower its interest rates starting in Spring 2024 but would continue scaling down its balance sheet at least until 2025 (reducing its direct purchases on the market). It is expected that in the U.S.A, too, economic growth shall decelerate in 2024, interest rates shall decrease, and inflation shall remain on a downward trend while the unemployment rate increases;
- the favourable scenario ("SG Favourable") describes an accelerated economic growth compared to the trajectory projected in the central scenario; this growth may result from improved supply conditions owing to a positive shock on productivity or from unexpectedly improved demand conditions. In both cases, stronger growth will have a positive impact on employment and the profitability of companies;

the stressed scenario ("SG Stress") corresponds to a crisis situation leading to a negative deviation in GDP compared to the central scenario. This scenario may result from a financial crisis (2008 crisis, euro area crisis...), an exogenous crisis (Covid-19-like pandemic) or a combination of both.

These scenarios are developed by Société Générale Economic and Sector Research for all the entities of the SG Group based, in particular, on the information published by the statistical institutes in each country.

Forecasts of institutions (IMF, Global Bank, ECB, OECD...) and the consensus among market economists serve as a reference to challenge the SG Group's forecasts.

The scenarios provided by the SG Group economists are incorporated into the expected credit loss provisioning models over a three-year horizon, followed by a two-year period to gradually return by the fifth year to the average probability

of default observed during the calibration period. The assumptions made by the SG Group with a view to developing these macroeconomic scenarios have been updated during the fourth quarter 2023 to account for uncertainties about the macroeconomic context.

## Variables

The GDP growth rate, the profit margin of businesses in France, the unemployment rates, the inflation rate in France and the yield on France ten-year government bonds are the main variables used in the expected credit losses measurement models.

The variables with the stronger impact on the determination of expected credit losses (GDP growth percentage for the major countries in which the SG Group operates and profit margin of businesses in France) for each scenario are detailed hereinafter:

<b>"SG Favourable" scenario</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
France GDP	1.5	2.7	2.1	2.3	1.5
Corporate profit margin in France	33.0	32.7	32.9	32.9	32.4
Euro area GDP	1.5	2.8	2.1	2.3	1.4
United States GDP	1.9	3.5	2.8	3.0	2.2
China GDP	5.4	6.0	4.8	4.8	3.8

<b>"SG Central" scenario</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
France GDP	0.5	0.7	1.1	1.3	1.5
Corporate profit margin in France	32.4	32.4	32.4	32.3	32.4
Euro area GDP	0.5	0.8	1.1	1.3	1.4
United States GDP	0.9	1.5	1.8	2.0	2.2
China GDP	4.4	4.0	3.8	3.8	3.8

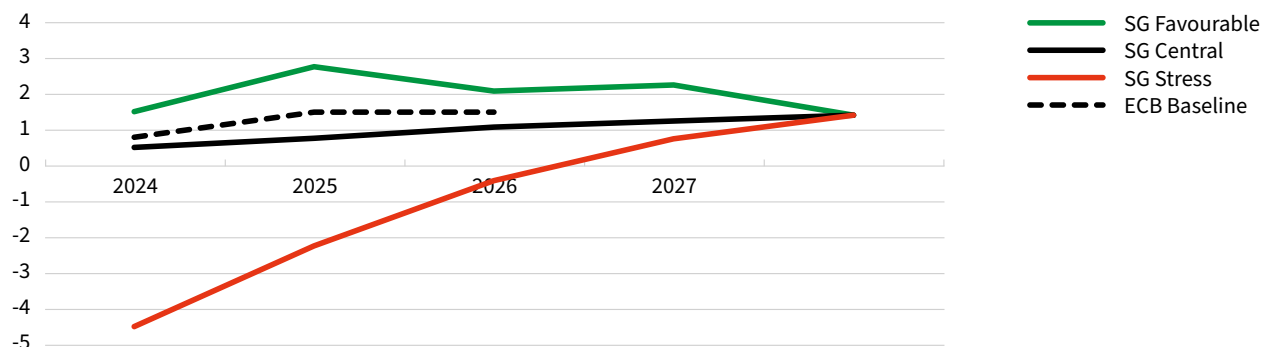
<b>"SG Stress" scenario</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
France GDP	(4.5)	(2.3)	(0.4)	0.8	1.5
Corporate profit margin in France	30.2	30.2	30.2	30.1	32.4
Euro area GDP	(4.5)	(2.2)	(0.4)	0.8	1.4
United States GDP	(4.1)	(1.5)	0.3	1.5	2.2
China GDP	(0.6)	1.0	2.3	3.3	3.8

These simulations assume that the historical relationships between the key economic variables and the risk parameters remain unchanged. In reality, these correlations may be impacted by geopolitical or climatic events, or changes in behaviour, legal environment or credit granting policy.

#### 4. CREDIT RISKS

The graph below compares the GDP forecasts in the euro area used by the SG Group for each scenario with the scenarios published by the ECB in December 2023.

#### GDP FORECASTS BY SCENARIO, IN PERCENTAGE



### Weighting of the macroeconomic scenarios

The probabilities used are based on the differences observed over the past 25 years between the forecasts made by a consensus of economists regarding the US GDP and the actual scenario that occurred (forecast similar to the actual scenario, significantly optimistic or pessimistic).

In order to better account for a possible reversal in the cycle, the SG Group applies to its scenarios a weighting methodology (mainly based on the observed output gaps for the USA and the euro area) and assigns a higher weight to the SG Central scenario when the economy is depressed. Conversely, the methodology provides for a higher weight to be assigned to the SG Stress scenario when the economy moves towards the peak of the cycle. Accordingly, the weighting applied to the SG Central scenario is set at 62% as at 31 December 2023.

Presentation of the changes in weightings:

	31 December 2023	30 June 2023	31 December 2022
SG Central	62%	62%	60%
SG Stress	28%	28%	30%
SG Favourable	10%	10%	10%

### Geopolitical crises and macroeconomic context

In 2023, the SG Group revised the parameters used in the models based on the updated macroeconomic scenarios which take account of the recent economic developments and macroeconomic impacts related to the current geopolitical environment.

To account for the uncertainties related to the macroeconomic and geopolitical environment, the Group updated the model and post-model adjustments in 2023.

The effects of these adjustments in the determination of expected credit losses are described hereinafter.

### ADJUSTMENTS SUPPLEMENTING THE APPLICATION OF MODELS

As at 31 December 2023, the adjustment regarding the additional criterion for classification in Stage 2 set in 2020 following the Covid-19 crisis has been removed.

#### SECTORAL ADJUSTMENTS

SG Group may supplement the models with sectoral adjustments relating to the possible revision of the expected credit loss estimates (with no impact on the classification of the outstanding loans) for some sectors.

These adjustments allow for better anticipation of the default/recovery cycle in some sectors that have a cyclical business, have been subject to peaks of default in the past or are most exposed to the current crises and on which the SG Group's exposure exceeds a threshold that is annually reviewed and set by the Risk Division.

These sectoral adjustments are examined and updated quarterly by the Risk Division and validated according to materiality thresholds by SG Group Management.

The main sectors concerned as at 31 December 2023 are commercial real-estate, non-food retail, construction and the hotel, restaurant and leisure industry.

The total sectoral adjustments amount to EUR 0.6 million as of December 31, 2023.

### SPECIFIC ADJUSTMENTS

For Russian Investment banking clients, a specific adjustment has been computed based on multi-scenarios approach.

- **Business as usual scenario** (probable to 30%): PD and LGD remain unchanged.
- **Intermediate scenario** (probable to 40%): deepening of the crisis. The average rating of the portfolio decreases to 7-. LGDs are downgraded, especially as financing is less secure. This scenario is considered to have a high probability.
- **Extreme scenario** (probable to 30%): default by all counterparties. LGD downgraded. Off-balance sheet transactions are considered as eligible for drawdown.

On Corporate and Investment banking perimeter, this overlay, impacting stage 2, is designed to take into account the specific risk on the offshore credit portfolio for Russian clients, corporates and banks. These clients are subject to a specific risk of default, due to sanctions (particularly in the event of an embargo), or, in the worst case scenario, the consequences of a breakdown in relations between Russia and Europe. In the event of default, recovery could be subject to specific difficulties due to the geopolitical context. The overlay amount decreases when Russian deals are sold or restructured.

In 2023, on Private Banking perimeter, SG Group decided to maintain the specific adjustment on the offshore credit portfolio to Russian clients (out of sanctioned or restricted PEP counterparties).

The total specific adjustments amount to EUR 27 million as at December 31, 2023, down 75% (EUR – 82 million) compared with December 31, 2022 following sales and restructuring of Russian deals.

Specially on Private Banking perimeter, SG Group has maintained in 2023, the specific adjustment on financial market instability.

## IMPACTS ON CREDIT EXPOSURES

The tables below present the exposures (measured at amortised cost) booked by the SGL Group entities on Russian counterparties and clients (nationality and/or tax residence).

### GLBA perimeter – corporate exposures

<i>(In EUR million)</i>	<b>12.31.2023</b>	
	<b>Gross outstanding</b>	<b>Net outstanding*</b>
Russia clients exposures	138	60

\*The net outstanding columns does not consider the exposures covered by a specific credit insurance.

### Private banking perimeter – retail exposures

<i>(In EUR million)</i>	<b>12.31.2023</b>
	<b>EAD</b>
Russia clients exposures	471
of which restricted clients*	32

\*The restricted clients correspond to clients with Russian nationality and tax residence out of EU.

All the exposures related to corporates counterparties (138 million euros) are classified in Stage 2 (2 counterparties) or in stage 3 (1 counterparty).

On the Private Banking perimeter, as the exposures are fully collateralized by real estate or financial collaterals, a case-by-case analysis has been performed to identify “sensitive” counterparties.

### CALCULATION OF EXPECTED CREDIT LOSSES

The main evolution that occurred over the year at SGL Group level is the decrease in the amount of Russian overlays.

Based on the scenarios and weightings mentioned above, and after taking into account the methodological adjustments, the calculation of expected credit losses led SGL Group to record a Net Cost of Risk reversal of EUR 92.36 million as of December 31, 2023.

SGL Group cost of risk as at December 31, 2023 split by business lines:

<i>(In EUR million)</i>	<b>2023 NCR</b>		
	<b>Stage 1 &amp; Stage 2</b>	<b>Stage 3</b>	<b>Global</b>
Private Banking	(1.57)	3.12	1.55
Securities services	0.26	-	0.26
Corporate and Investment Banking	(94.77)	0.26	(94.51)
Corporate center	0.34	-	0.34
<b>SGL Group</b>	<b>(95.75)</b>	<b>3.39</b>	<b>(92.36)</b>

## 4.5 REPLACEMENT RISK

Replacement risk, i.e. counterparty risk associated with market transactions, is a type of credit risk (potential loss in the event that the counterparty defaults). It represents the current cost to the SGL Group of replacing transactions with a positive market value should the counterparty default. Transactions giving rise to a replacement risk are, inter alia, security repurchase agreements, securities lending and borrowing, purchase/sale transactions or foreign exchange transactions in Delivery Versus Payment (DVP) and derivative contracts such as swaps, options and futures traded over the counter or with central counterparty clearing houses (CCP).

### Management of counterparty risk linked to market transactions

SGL Group places great emphasis on carefully monitoring its credit and counterparty risk exposure in order to minimise its losses in case of default. Counterparty limits are assigned to all counterparties on the supervision of SG Group Risk Division.

The credit profile of counterparties is reviewed on a regular basis and limits are set both according to the type and maturity of the relevant instruments. The intrinsic creditworthiness of counterparties and the reliability of the associated legal documentation are two factors considered when setting these limits. Information technology systems allow both traders and the Risk Division to ensure that counterparty limits are not exceeded. Any significant weakening in the bank's counterparties also prompts urgent internal rating reviews. A specific supervision and approval process is put in place

for more sensitive counterparties or more complex financial instruments.

### Setting individual counterparty limits

To quantify the potential risk, SGL Group uses the internal model and associated metrics of the SG Group which estimates a loss distribution. Two metrics from the loss distribution are used to monitor the risk:

- Current average risk, particularly suitable for analysing the risk exposure for a portfolio of customers;
- Credit VaR (or CVaR): the largest loss that would be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties.

### Wrong-way risk

Wrong-way risk is the risk that occurs when the exposure-at-default to a counterparty increases when the probability that the counterparty defaults also increase.

Within SGL Group this risk can occur mainly in its private banking activities where clients could provide collateral whose value is correlated with their own probability of default. SGL Group limits this risk by having a limit on the percentage of collateral requirements met with collateral presenting wrong-way risk. This ensures that most of the collateral value provided is not correlated with the probability of default.

## 4.6 HEDGING OF CREDIT RISK

### Guarantees and collateral

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

There are two main categories:

- A commitment made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions (insurers, export credit agencies or credit insurers mainly).
- Collateral can consist of physical assets in the form of property, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies. It could also include precious metal. Appropriate

haircuts are applied to the value of collateral, reflecting its quality and liquidity. The SGL Group proactively manages its risks by diversifying guarantees.

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

Guarantor ratings and guarantees are reviewed frequently. The Risk function is responsible for approving the operating procedures established by the business divisions for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, whether during the approval phase for a new loan or upon the annual renewal of the credit application.



## Mitigation of counterparty risk linked to market transactions

SGL Group uses a number of techniques to manage its credit risk. With regard to counterparties dealing with market transactions, it seeks to implement master agreements with a termination clearing clause wherever it can. In the event of default, these allow netting of all due and payable amounts. These contracts usually call for the revaluation of the required collateral at regular intervals (often on a daily basis) and for the payment of the corresponding margin calls. Collateral is largely composed of cash and high-quality liquid assets, such as government bonds with a high rating. Other tradable assets are also accepted, provided that the appropriate haircuts are made to reflect the lower quality and/or liquidity of the asset.

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when the SGL Group 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. In this respect, the SGL Group recognises in its balance sheet the net amount of derivative financial instruments traded with certain clearing houses where they achieve net settlement through a daily cash margining process, or where their gross settlement system has features that eliminate or result in insignificant credit and liquidity risk, and that process receivables and payables in a single settlement process or cycle.

**TABLE 12: EU CR3 - CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES**

	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	a	b	c	d	e
<i>(in EUR 1000)</i>					
1 Loans and advances	35 641 498	17 785 492	11 741 548	6 043 944	0
2 Debt securities	2 152 602	9 317 315	9 054 872	262 443	
<b>3 Total</b>	<b>37 794 100</b>	<b>27 102 807</b>	<b>20 796 420</b>	<b>6 306 387</b>	<b>0</b>
4 <i>Of which non-performing exposures</i>	4 053	205 119	158 166	46 953	0
EU-5 <i>Of which defaulted</i>	4 053	205 119			

**TABLE 13: EU CR4 - STANDARDISED APPROACH -CREDIT RISK EXPOSURE AND CRM EFFECTS**

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	a	b	c	d	e	f
<i>(in EUR 1000)</i>						
1 Central governments or Central banks	15 923	0	15 923	0	2 048	12.86%
6 Institutions	3 380 490	351 101	315 855	726 963	157 353	15.09%
7 Corporates	9 709 878	1 102 825	127 001	0	104 296	82.12%
10 Exposures in default	0	0	0	0	0	0%
14 Collective investment undertakings	30	0	30	0	376	1250.00%
16 Other items	405 752	14 286	405 752	7 143	412 895	100.00%
<b>17 Total</b>	<b>13 512 072</b>	<b>1 468 211</b>	<b>864 560</b>	<b>734 106</b>	<b>676 968</b>	<b>42.35%</b>

TABLE 14: EU CR7-A - IRB APPROACH - DISCLOSURE OF THE EXTENT OF THE USE OF CRM TECHNIQUES

		Total exposures*	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)
<i>A-IRB (in EUR'000)</i>		a	b	c
1	Central governments and Central banks	14 430 716	0.00%	1.78%
2	Institutions	25 130 456	0.69%	0.00%
3	Corporates	11 100 841	0.16%	29.46%
3,1	<i>Of which Corporates – SMEs</i>	4 709 497	0.10%	45.90%
3,2	<i>Of which Corporates – Specialised lending</i>	1 651 452	0.00%	45.91%
3,3	<i>Of which Corporates – Other</i>	4 739 891	0.27%	7.39%
4	Retail	3 500 003	0.00%	32.73%
4,2	<i>Of which Retail – Immovable property non-SMEs</i>	1 067 840	0.00%	96.83%
4.5	<i>Of which Retail – Other non-SMEs</i>	2 432 163	0.00%	4.59%
<b>5</b>	<b>Total</b>	<b>54 162 016</b>	<b>0.35%</b>	<b>8.63%</b>

\*Exposure value have been disclosed after substitution effect despite the instructions from the ITS of Pillar 3.

## 4.7 RISK MEASUREMENT AND INTERNAL RATINGS

SGL Group uses the internal models developed by SG Group since 2007. SGL Group obtained the authorisation from SG Group supervisory authorities to apply the Advanced Internal Ratings-Based (AIRB) approach to most of its exposures in order to calculate the capital requirements in respect of credit risk.

Since the initial authorisation was given, the transition from the standard approach to the AIRB approach for some of its activities and exposures has been selective and marginal. Exposures treated under the Standardised approach for Credit Risk are limited and mainly correspond to SGCMF and SGFD (subsidiaries of SGL).

### Credit risk measurement for wholesale clients

SGL Group uses the SG Group rating system for Wholesale clients, for example for exposures to Sovereign, Financial

Institutions and Specialised Lending. The SG Group's credit risk measurement system, which estimates internal Basel parameters, uses a quantitative evaluation mechanism coupled with an expert opinion.

For Corporate, Banking and Sovereign portfolios, the measurement system is based on three key components:

- a counterparty rating system;
- a system that automatically assigns Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters according to the characteristics of each transaction;
- a collection of procedures setting out the rules relating to ratings (scope, revision frequency, rating approval procedure, etc.), as well as to the supervision, back testing and validation of models. Among other things, these procedures help to support the human judgement that provides the critical scrutiny that is an essential complement to the models for these portfolios.

Credit risk Mitigation techniques			Credit risk Mitigation methods in the calculation of RWEAs	
Funded credit Protection (FCP)				
Part of exposures covered by <b>Immovable property Collaterals (%)</b>	Part of exposures covered by <b>Receivables (%)</b>	Part of exposures covered by <b>Other physical collateral (%)</b>	<b>RWEA without substitution effects</b> (reduction effects only)	<b>RWEA with substitution effects</b> (both reduction and substitution effects)
<b>d</b>	<b>e</b>	<b>f</b>	<b>m</b>	<b>n</b>
0.00%	0.00%	1.78%	66	31 794
0.00%	0.00%	0.00%	1 993 232	2 280 611
20.41%	3.16%	5.89%	4 504 818	4 185 711
45.90%	0.00%	0.00%	1 762 702	1 743 628
6.30%	0.00%	39.60%	456 440	424 712
0.00%	7.39%	0.00%	2 285 676	2 017 371
32.73%	0.00%	0.00%	689 411	689 411
96.83%	0.00%	0.00%	394 322	394 322
4.59%	0.00%	0.00%	295 089	295 089
<b>6.30%</b>	<b>0.65%</b>	<b>1.68%</b>	<b>7 187 527</b>	<b>7 187 527</b>

## RATING SYSTEM

The rating system consists in assigning a rating to each counterparty according to an internal scale, for which each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's over more than 20 years.

The following table presents SG's internal rating scale and the corresponding scales of the main external credit assessment institutions, as well as the corresponding mean probability of default.

The rating assigned to a counterparty is generally proposed by a model and then adjusted and approved by experts in the Risk function further to the individual analysis of each counterparty.

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

The Company rating models are underpinned by statistical models (regression methods) of client default. They combine

quantitative parameters derived from financial data that evaluate the sustainability and solvency of counterparties and qualitative parameters that evaluate economic and strategic dimensions.

## LGD MODELS

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

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

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

#### 4. CREDIT RISKS

### CCF MODELS (CREDIT CONVERSION FACTOR)

For its off-balance sheet exposures, the SGL Group is authorized to use the internal approach for “term loan with drawing period” products and revolving credit lines.

### BACKTESTS

The performance level of the entire wholesale client credit system is measured by regular back tests that compare PD, LGD and CCF estimates with actual results by portfolio.

The compliance of this system is based on the consistency between the parameters used and the long-term trends analysed, with safety margins that take into account areas of uncertainty (cyclicality, volatility, quality of data, etc.).

The safety margins applied are regularly estimated, checked and revised if necessary. The results of back tests can justify the implementation of remedial plans if the system is deemed to be insufficiently prudent.

### Credit risk measurements of retail clients

SGL Group uses retail client credit models for its Private banking activities.

### PROBABILITY OF DEFAULT MODELS

The modelling of the probability of default of retail client counterparties is carried out specifically by each of the SG Group’s business lines recording its assets using the IRBA method. The models incorporate data on the payment behaviour of counterparties.

Once the counterparties have been classified into statistically distinct homogenous risk pools, the probability of default parameters are estimated by observing the average long-term default rates for each product. These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle, using a through-the-cycle (TTC) approach.

### LGD MODELS

The models for estimating the Loss Given Default (LGD) of retail customers are specifically applied by business line portfolio.

LGD values are estimated by product, according to the existence or not of collateral.

Consistent with operational recovery processes, estimate methods are generally based on a two-step modelling process that initially estimates the proportion of defaulted loans in loan termination, followed by the loss incurred in case of loan termination.

The expected losses are estimated using internal long-term historical recovery data for exposures that have defaulted. These estimates are adjusted by safety margins in order to reflect the possible impact of a downturn.

### CCF MODELS (CREDIT CONVERSION FACTOR)

For its off-balance sheet exposures, SGL Group applies its estimates for revolving loans and overdrafts on current accounts held by retail customers.

### BACKTESTS

The performance level of the entire retail client credit system is measured by regular back tests, which check the performance of PD, LGD and CCF models and compare estimated figures with actual figures.

Each year, the average long-term default rate observed for each homogenous risk pool is compared with the PD. If necessary, the calibrations of PD are adjusted to preserve a satisfactory safety margin. The discrimination level of the models and changes in the portfolio’s composition are also measured.

Regarding the LGD, the back test consists in comparing the last estimation of the LGD obtained by computing the average level of payments observed and the value used to calculate regulatory capital.

The difference should in this case reflect a sufficient safety margin to take into account a potential economic slowdown, uncertainties as to the estimation, and changes in the performance of recovery processes.

Likewise, for the CCF, the level of conservatism of estimates is assessed annually by comparing estimated drawdowns to observed drawdowns on the undrawn part.

**TABLE 15: INTERNAL RATING SCALE<sup>4</sup> AND CORRESPONDING SCALES OF RATING AGENCIES**

Counterparty internal rating	DBRS	Fitch Ratings	Moody’s	S&P	1 year PD
1	AAA	AAA	Aaa	AAA	[0,01% ; 0,03%]
2	AA high to AA low	AA+ to AA-	Aa1 to Aa3	AA+ to AA-	[0,03% ; 0,09%]
3	A high to A low	A+ to A-	A1 to A3	A+ to A-	[0,09% ; 0,74%]
4	BBB high to BBB low	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	[0,74% ; 3,88%]
5	BB high to BB low	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	[3,88% ; 12,79%]
6	B high to B low	B+ to B-	B1 to B3	B+ to B-	[12,79% ; 100%]
7	CCC high to CCC low	CCC+ to CCC-	Caa1 to Caa3	CCC+ to CCC-	20.67%
8, 9 and 10	CC and below	CC and below	Ca and below	CC and below	100.00%

<sup>4</sup> The internal rating scales used by SGL Group correspond to the scales used by SG Group.

## 4.8 QUANTITATIVE INFORMATION ON CREDIT RISK AND COUNTERPARTY CREDIT RISK

TABLE 16: EU CR8 - RWEA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH

		Risk weighted exposure amount
		a
<i>(in EUR 1000)</i>		
<b>1</b>	<b>Risk weighted exposure amount as at the end of the previous reporting period</b>	<b>6 695 969</b>
2	Asset size (+/-)	756 862
3	Asset quality (+/-)	(15 605)
4	Model updates (+/-)	0
5	Methodology and policy (+/-)	0
6	Acquisitions and disposals (+/-)	21 269
7	Foreign exchange movements (+/-)	(309 122)
8	Other (+/-)	38 153
<b>9</b>	<b>Risk weighted exposure amount as at the end of the reporting period</b>	<b>7 187 527</b>

TABLE 17: EU CR10 - SPECIALISED LENDING AND EQUITY EXPOSURES UNDER THE SIMPLE RISK WEIGHTED APPROACH

Template EU CR10.5

Equity exposures under the simple risk-weighted approach							
Categories	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount	
<i>(in EUR 1000)</i>	a	b	c	d	e	f	
Private equity exposures	0	0	190%	0	0	0	
Exchange-traded equity exposures	0	0	290%	0	1	0	
Other equity exposures	29 256	0	370%	29 256	108 249	702	
<b>Total</b>	<b>29 257</b>	<b>0</b>		<b>29 257</b>	<b>108 250</b>	<b>702</b>	

SGL Group does not have any specialized lending exposures treated under the slotting approach, therefore template EU CR10.1/2/3/4 are not produced.

TABLE 18: EU CR1-A - MATURITY OF EXPOSURES

		a	b	c	d	e	f
		Net exposure value					
<i>(in EUR 1000)</i>		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	229 861	17 529 028	8 391 757	6 343 968	0	<b>32 494 613</b>
2	Debt securities	0	9 607 420	1 769 676	92 821	0	<b>11 469 917</b>
<b>3</b>	<b>Total</b>	<b>229 861</b>	<b>27 136 448</b>	<b>10 161 433</b>	<b>6 436 789</b>	<b>0</b>	<b>43 964 530</b>

#### 4. CREDIT RISKS

**TABLE 19: EU CR2 - CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES**

<i>(in EUR 1000)</i>		<b>a</b>
		<b>Gross carrying amount</b>
<b>010</b>	<b>Initial stock of non-performing loans and advances</b>	<b>472 225</b>
020	Inflows to non-performing portfolios	51 895
030	Outflows from non-performing portfolios	(276 803)
040	Outflows due to write-offs	0
050	Outflow due to other situations	(276 803)
<b>060</b>	<b>Final stock of non-performing loans and advances</b>	<b>247 316</b>

**TABLE 20: EU CRI - PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS**

<i>(in EUR 1000)</i>		<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>f</b>
		<b>Gross carrying amount/nominal amount</b>				
		<b>Performing exposures</b>		<b>Non-performing exposures</b>		
			Of which stage 1	Of which stage 2		Of which stage 3
005	Cash balances at Central banks and other demand deposits	20 932 377	20 932 377	0	0	0
010	Loans and advances	32 344 874	31 419 060	776 995	247 316	247 316
030	<i>General governments</i>	1 007	1 007	0	0	0
040	<i>Credit institutions</i>	14 705 810	14 705 810	0	0	0
050	<i>Other financial corporations</i>	3 814 974	3 656 719	9 437	10 048	10 048
060	<i>Non-financial corporations</i>	10 927 480	10 250 595	676 884	162 476	162 476
070	<i>Of which SMEs</i>	3 019 545	2 770 483	249 062	110 110	110 110
080	<i>Households</i>	2 895 604	2 804 930	90 674	74 792	74 792
090	Debt securities	11 469 965	11 418 104	0	0	0
110	<i>General governments</i>	1 345 966	1 345 966	0	0	0
120	<i>Credit institutions</i>	242 768	242 768	0	0	0
130	<i>Other financial corporations</i>	9 881 231	9 829 370	0	0	0
150	Off-balance-sheet exposures	5 889 710	5 839 649	50 061	0	0
180	<i>Credit institutions</i>	764 820	764 820	0	0	0
190	<i>Other financial corporations</i>	3 007 047	3 007 047	0	0	0
200	<i>Non-financial corporations</i>	1 417 124	1 383 719	33 405	0	0
210	<i>Households</i>	700 719	684 063	16 656	0	0
<b>220</b>	<b>Total</b>	<b>70 636 926</b>	<b>69 609 190</b>	<b>827 057</b>	<b>247 316</b>	<b>247 316</b>

g	h	i	j	l	n	o
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Collateral and financial guarantees received	
Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2		Of which stage 3		
0	0	0	0	0	0	0
(59 433)	(21 944)	(37 489)	(38 143)	(38 143)	17 580 373	205 119
0	0	0	0	0	0	0
(545)	(545)	0	0	0	2 408 383	0
(1 930)	(1 859)	(71)	(4 850)	(4 850)	2 552 032	5 181
(51 032)	(13 853)	(37 179)	(13 383)	(13 383)	9 793 681	148 700
(9 239)	(8 879)	(360)	(8 292)	(8 292)	2 991 250	101 747
(5 926)	(5 686)	(240)	(19 910)	(19 910)	2 826 277	51 237
(48)	(48)	0	0	0	9 317 315	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(48)	(48)	0	0	0	9 317 315	0
1 610	1 544	66	0	0	2 002 072	0
35	35	0	0	0	159	0
616	616	0	0	0	584 728	0
634	569	65	0	0	935 528	0
325	324	1	0	0	481 657	0
<b>(61 091)</b>	<b>(23 536)</b>	<b>(37 556)</b>	<b>(38 143)</b>	<b>(38 143)</b>	<b>28 899 760</b>	<b>205 119</b>

4. CREDIT RISKS

TABLE 21: EU Q3 - CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

		a	b	c	d	e
		Gross carrying amount/nominal amount				
		Performing exposures		Unlikely to pay that are not past due or are past due ≤ 90 days		
				Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	
005	Cash balances at Central banks and other demand deposits	20 932 377	20 932 377	0	0	0
010	Loans and advances	32 344 874	32 290 137	54 737	247 316	82 193
030	<i>General governments</i>	1 007	1 007	0	0	0
040	<i>Credit institutions</i>	14 705 810	14 705 810	0	0	0
050	<i>Other financial corporations</i>	3 814 974	3 814 974	0	10 048	0
060	<i>Non-financial corporations</i>	10 927 480	10 883 450	44 029	162 476	54 974
070	<i>Of which SMEs</i>	3 019 545	2 975 516	44 029	110 110	2 608
080	<i>Households</i>	2 895 604	2 884 896	10 707	74 792	27 219
090	Debt securities	11 469 965	11 469 965	0	0	0
110	<i>General governments</i>	1 345 966	1 345 966	0	0	0
120	<i>Credit institutions</i>	242 768	242 768	0	0	0
130	<i>Other financial corporations</i>	9 881 231	9 881 231	0	0	0
150	Off-balance-sheet exposures	5 889 710			0	
180	<i>Credit institutions</i>	764 820			0	
190	<i>Other financial corporations</i>	3 007 047			0	
200	<i>Non-financial corporations</i>	1 417 124			0	
210	<i>Households</i>	700 719			0	
<b>220</b>	<b>Total</b>	<b>70 636 926</b>	<b>64 692 479</b>	<b>54 737</b>	<b>247 316</b>	<b>82 193</b>



f	g	h	i	j	k	l
<b>Gross carrying amount/nominal amount</b>						
<b>Non-performing exposures</b>						
Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
0	0	0	0	0	0	0
21 636	20 751	78 131	28 126	1 928	14 552	247 316
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	10 048	0	0	10 048
7 649	14 743	70 086	11 070	0	3 953	162 476
7 649	14 743	70 086	11 070	0	3 953	110 110
13 986	6 007	8 045	7 007	1 928	10 599	74 792
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
						0
						0
						0
						0
						0
						0
<b>21 636</b>	<b>20 751</b>	<b>78 131</b>	<b>28 126</b>	<b>1 928</b>	<b>14 552</b>	<b>247 316</b>

4. CREDIT RISKS

TABLE 22: EU CQ1 - CREDIT QUALITY OF FORBORNE EXPOSURES

		a	b	c	d
		Gross carrying amount/nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		
			Of which defaulted	Of which impaired	
<i>(in EUR 1000)</i>					
010	Loans and advances	473 708	7 128	7 128	7 128
050	Other financial corporations	0	0	0	0
060	Non-financial corporations	441 600	5 220	5 220	5 220
070	Households	32 108	1 908	1 908	1 908
090	Loan commitments given	10 597	0	0	0
<b>100</b>	<b>Total</b>	<b>484 305</b>	<b>7 128</b>	<b>7 128</b>	<b>7 128</b>

		e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
<i>(in EUR 1000)</i>					
010	Loans and advances	(25 861)	(1 466)	333 458	5 662
050	Other financial corporations	0	0	0	0
060	Non-financial corporations	(25 792)	(777)	300 201	4 443
070	Households	(69)	(690)	33 258	1 218
090	Loan commitments given	0	0	0	0
<b>100</b>	<b>Total</b>	<b>(25 861)</b>	<b>(1 466)</b>	<b>333 458</b>	<b>5 662</b>

TABLE 23: EU CQ4 - QUALITY OF NON-PERFORMING EXPOSURES BY GEOGRAPHY

		a	c	e	f	g
		Gross carrying/nominal amount		Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which defaulted			
<i>(in EUR 1000)</i>						
<b>010</b>	<b>On-balance-sheet exposures</b>	<b>44 062 155</b>	<b>247 316</b>	<b>(97 625)</b>		<b>0</b>
020	France	21 685 721	49 860	(12 261)		0
030	Luxembourg	7 942 468	11 313	(24 379)		0
040	Other countries*	14 433 966	186 143	(60 984)		0
<b>050</b>	<b>Off-balance-sheet exposures</b>	<b>5 889 710</b>	<b>0</b>		<b>1 610</b>	
060	France	1 957 213	0		276	
070	Luxembourg	1 513 597	0		676	
080	Other countries*	2 418 900	0		658	
<b>090</b>	<b>Total</b>	<b>49 951 865</b>	<b>247 316</b>	<b>(97 625)</b>	<b>1 610</b>	<b>0</b>

\*Materiality threshold of 10% for each exposure class.

#### 4. CREDIT RISKS

**TABLE 24: EU CQ5 - CREDIT QUALITY OF LOANS AND ADVANCES BY INDUSTRY**

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which defaulted		
<i>(in EUR 1000)</i>					
010	Agriculture, forestry and fishing	0	0	0	0
020	Mining and quarrying	395 929	0	(1 928)	0
030	Manufacturing	834 108	52 352	(25 867)	0
040	Electricity, gas, steam and air conditioning supply	177 807	0	(543)	0
050	Water supply	15 311	0	(34)	0
060	Construction	29 807	0	(89)	0
070	Wholesale and retail trade	356 613	0	(20)	0
080	Transport and storage	774 062	0	(303)	0
090	Accommodation and food service activities	225 275	0	(14 151)	0
100	Information and communication	72 989	0	(64)	0
110	Financial and insurance activities	512 344	5 330	(5 472)	0
120	Real estate activities	258 736	0	(1 079)	0
130	Professional, scientific and technical activities	498 457	0	(883)	0
140	Administrative and support service activities	4 356 547	0	(432)	0
150	Public administration and defense, compulsory social security	0	0	0	0
160	Education	0	0	0	0
170	Human health services and social work activities	0	0	0	0
180	Arts, entertainment and recreation	0	0	0	0
190	Other services	2 581 973	104 794	(13 549)	0
<b>200</b>	<b>Total</b>	<b>11 089 955</b>	<b>162 476</b>	<b>(64 415)</b>	<b>0</b>

**TABLE 25: EU CQ7 - COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES**

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
<i>(in EUR 1000)</i>			
010	Property, plant and equipment (PP&E)	0	0
020	Other than PP&E	961	(121)
030	Residential immovable property	961	(121)
040	Commercial Immovable property	0	0
050	Movable property (auto, shipping, etc.)	0	0
060	Equity and debt instruments	0	0
070	Other collateral	0	0
<b>080</b>	<b>Total</b>	<b>961</b>	<b>(121)</b>

# 5. SECURITIZATION

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## 5.1 SECURITIZATION

This chapter presents information on SGL Group's securitization activities. SGL Group does not carry out any securitizations as a sponsor. However, SGCMF (a subsidiary of SGL) invested in securitization assets ("Assets") fully financed by deposits with a limited recourse feature. The deposits are thus reimbursed only to the extent SGCMF receives repayment under the Assets. In 2017, SGCMF has issued a first loss guarantee in favour of SG Group which covers the first loss of a portfolio of assets selected by SGCMF among those which have been purchased by SGCMF in the normal course of its business. The first loss guarantee is collateralized by a cash deposit pledged for the benefit of SG Group. If triggered the first loss guarantee could result in a maximum loss of EUR 266 766 KEUR at 31 December 2023.

In accordance with Regulation (EU) 575/2013, this investment is subject to the Securitization framework provided by Part 3, Title II, Chapter 5 of the Regulation and by the Regulation (EU) 2017/2402 laying down a general framework for securitisation. It should be noted that there is no expectation that SGL or any of its subsidiaries (other than SGCMF) will invest or undertake additional securitization activities.

For prudential purposes, this first loss guarantee is considered as a banking book exposure, where The Bank invests in a synthetic securitization. This first loss is risk-weighted at 1250%. This thus generates total risk-weighted assets of 3 334 573 KEUR at 31 December 2023.

## 5.2 ACCOUNTING METHODS

This first loss guarantee is recorded at amortized cost represented as the conclusion of a guarantee commitment together with a cash deposit whose cash flows are "Solely Payment of Principal and Interest". The guarantee commitments given are subject to an Expected Credit Loss (ECL) provision. This ECL is thus accounted under IFRS 9 upon conclusion of the commitment.

## 5.3 MONITORING OF SECURITIZATION RISKS

In term of risk governance, the Assets covered by the first loss guarantee are selected through a two-step mechanism:

- I. at inception, Assets are selected as follows: SGCMF analyses the risks associated to the new Asset based on a traditional credit analysis and then decides if the exposure is eligible to the first loss guarantee.
- II. at each renewal of the first loss guarantee, SGCMF performs an acceptance committee and decides which exposures will remain or be added to or excluded from the first loss guarantee.

Securitization risks are monitored through a quarterly portfolio review according to the rules established by SG Group based on the pool of underlying assets. The maturity is short (1-6 months) and renewable at SGCMF's initiative, allowing SGCMF to remain agile in the management of its risk profile, and be able to quickly adjust to a deteriorating credit environment if needed.

# 6. MARKET RISKS

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Market risks are the risks of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters, and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, prices of securities (equities or bonds), commodities, derivatives and other assets. They apply to all trading book transactions.

## 6.1 ORGANISATION

Market risk is managed through procedures that explain how and when to activate and monitor limits for SGL independently and for its subsidiaries.

Although primary responsibility for risk monitoring naturally falls onto front office managers, the oversight mechanism also relies on independent structures.

From an organizational viewpoint, responsibility for managing market risk within SGL Group is distributed as follows:

- SG Group's Market Risk Department establishes the risk measurement methods and control procedures, centrally handles SG Group's market risk reporting examines and validates the limits requests from the various activities.

- The entities of SGL Group bearing market risk (SGL and SGPB Switzerland) have a dedicated risk team, independent from the business lines, in charge of managing risks resulting from market activities. The daily market risk calculation and monitoring and the limits and methodologies validation are under the accountability of the Risk department.

The supervision of market risk primarily covers:

- The daily calculation of market risks, based on a formal and secured procedure;
- The daily monitoring of compliance with the limits notified for each activity;
- The preparation of a daily report on the use of the limits, sent to the general management of the involved entities, to the front office and to SG Group's market risk department.

## 6.2 INDEPENDENT PRICING VERIFICATION

Market products are marked to market, when such market prices exist. Otherwise, they are valued using parameter-based models.

The prices provided by the counterparties are verified daily by the Risk Division comparing them to prices produced by internal models. Each internal model is independently validated by the Market Risk Department of SG Group, including the validity of the market data sources used.

## 6.3 METHODS FOR MEASURING MARKET RISK AND DEFINING LIMITS

The SGL Group policy is to strictly limit market risk taking, in particular through the implementation of very low limits with regard to the SGL Group's capital, and restrictions on the nature of instruments held.

For some entities, including SGPB Monaco, the ability to be exposed to market risk is excluded from the business model

(systematic and "line to line" hedging of client operation through a symmetrical transaction concluded with SGL). For others (SGL and SGPB Switzerland), very low limits are set up and are strictly monitored (see below).

SGL and subsidiaries exposed to market risk are using SG Group's methodology and applications to properly monitor market risk

exposures. The market risk assessment is mainly based on three daily indicators, which are monitored through limits.

- 99% Value at Risk (VaR) and Stressed Value-at-Risk (SVaR) in accordance with the internal regulatory model used to calculate capital: synthetic indicator for day-to-day monitoring of market risks incurred by SGL as part of its trading activities. The “historical simulation” method takes into account shocks and correlations between various markets using a one-day horizon calculated on a rolling one-year basis (for the VaR) and on a stresses annual window chosen a long-term period (for the SVaR).
- The stress testing is based on ten-year risk indicators. Stress testing makes it possible to limit exposure to systemic risks and to cases of exceptional market shock. A stress test estimates the loss resulting from an extreme shift in market prices over a period corresponding to the time required to unwind or hedge the positions affected (5 to 20 days for most trading positions). This estimate uses historical scenarios as well as theoretical scenarios that are regularly reviewed and updated by the SGL Group Risk Division. At the end of the most recent review the stress test used 12 scenarios (3 historical and 9 theoretical);
- Additional indicators (in sensitivity nominal holding or modify duration etc.) enable to ensure consistency between the overall risk limits and the operational thresholds used by

the Front Office. These limits also allow mitigating the risks which would only partially be caught by the “VaR” or stress testing.

These scenarios are supplemented by a set of adverse stress tests calculated by activity or risk factor to take extreme risks on a specific market into account (dislocation, liquidity, concentration, etc.).

An “Emerging Countries” stress test combining shocks calibrated to the history of fluctuations observed in the past. The calibration is created from the 99% quantile of the shock distribution by risk factor for each country. An aggregation by country region and worldwide is used to quantify the risk by geographical area. The Stress Test limit relates to the most sensitive area.

“Sensitivity” and “nominal” indicators control position size: sensibilities are calculated using the major valuation risk factors (e.g. sensitivity of an option to changes in underlying asset prices); nominal values are used for risk significant.

These indicators are bounded by a set of limits, defined and calibrated by the Risk Division in coordination with the Front Offices.

## 6.4 RISK-MITIGATION AND HEDGING

The hedging strategy depends on the type of activity. Only foreign exchange activity is generating market risk exposure for SGL Group and classified in the trading book. The residual FX positions are held in case of impossibility, for Front Office, to hedge the position under convenient market conditions. These exposures are bound by very low limits so that, in case of loss occurrence, this will not have significant impact on the P&L of SGL Group.

## 6.5 MARKET RISK CAPITAL REQUIREMENTS

SGL Group applies the standardized approach to measure its minimum capital requirements. The breakdown of the RWAs and capital requirements are provided in the next table:

**TABLE 26: OVERVIEW OF RWAS ON MARKET RISK UNDER THE STANDARDISED APPROACH**

<i>(in EUR 1000)</i>	<b>Risk weighted exposure amount</b>
Interest rate risk (general and specific)	199
Equity risk (general and specific)	0
Foreign exchange risk <sup>3</sup>	0
Commodity risk	39 058
<b>Total</b>	<b>39 257</b>

<sup>3</sup> SGL Group does not have minimal capital requirements for foreign exchange rate risk because it does not meet the de minimis threshold as set by the Capital Requirements Regulation 575/2013.

# 7. OPERATIONAL RISKS

Operational risks correspond to the risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.

## 7.1 OPERATIONAL RISK MANAGEMENT: ORGANISATION AND GOVERNANCE<sup>6</sup>

SGL Group strives to strictly limit its operational risks and participates in the approach of strengthening the management and oversight of operational risks that the SG Group has had in place for several years. This approach is overseen by the operational risk department, which belongs to the Risk Division of the SG Group.

These include, among others, the monitoring of losses and incidents, managerial supervision, Risk and Control Self-Assessment, KRI collection, fraud monitoring, business continuity plans, supervision of new Product Committees, Outsourced Services and specific complementary schemes dedicated to the management of compliance risks and information system security risks.

### The Operational Risk Department

The Operational Risk Department within the SGL Group Risk Division (LoD2) works in close cooperation with operational risk staff in the core businesses and Corporate Divisions (LoD1).

As part of their role of second line of defense, the Operational Risk Department is notably responsible for:

- organizing & defining the Operational Risk function (policies and standards);
- managing schemes for first-level permanent control of SGL Group and organizing the managers coordinating first-level permanent control;
- designing and implementing SGL Group's operational risk management system, in particular: tracking and collecting system for operational incidents, challenging Risk and control Self-Assessment, monitoring of controls of first line of defense (managerial supervision);
- promoting high vigilance of operational risks within SGL Group;

- addressing and monitoring fraud by sharing best practices & awareness campaigns;
- supervising of new product committees (NPC) and outsourced externalized supervision (OES).

### The Control Department

The permanent Level 2 control is one of the missions of the second line of defenses (Risk, Compliance and Finance), which consists of continuously verifying that the security, assessment and risk management of operations are ensured, under the responsibility of operational management, by the effective implementation of the standards enacted, the procedures defined, the methods and controls requested.

The permanent Level 2 control ensures that Level 1 control works properly: the objective of the permanent Level 2 control is to assess the effectiveness of Level 1 controls and to give,

- (i) an opinion on the quality of Level 1 controls (design, definition of their modus operandi, quality of implementation),
- (ii) their effectiveness,
- (iii) their suitability in terms of covering the operational risks of the bank's and the group's activities, and thus contribute to the evaluation of the operational effectiveness of the Business/Service Units risk management system including Level 1 controls.

The 2nd level permanent controls department is under the supervision of General Secretary of SGL.

**The Business Continuity function** (preparing the overall SGL Group business continuity and crisis management policy, managing the policy and coordinating its implementation) and **the department in charge of Information System CyberSecurity** (information cybersecurity policy definition and

<sup>6</sup> Non-compliance and reputational risk are presented in detail in Chapter 10.



governance, access management, prevention of information leaks, anonymization rules, application security definition and governance, prevention and awareness-building, particularly with respect to cybercrime) are both conduct their activities under **SGL COO**.

## The Operational Risk functions

In addition to the Operational Risk Department, the Operational Risk function includes Operational Risk Managers (ORMs) in the business lines and Supports functions, who are generally under the authority of the different Chiefs Operational Officers. They constitute the first line of defense and are the primary stakeholders responsible for managing and monitoring their own risks. They must in particular:

- identify their own risk and ensure the implementation of the ongoing control system by assigning the necessary and

sufficient resources and ensuring that employees are made aware of it;

- adapt the risk appetite within their scope of activity and incorporate it into the risk management culture;
- ensure compliance with the limits and policies set and alert the function in question and the higher-ups if those limits and policies are exceeded or ignored.

The governance is completed by:

- New Product Committees for approving the risk (including operational risk) of new activities or new products.
- a process for validating the subcontracting and outsourcing of activities and services.

In addition, the setup is completed with a dedicated monitoring of the discretionary portfolio management and patrimonial engineering activities risk.

## 7.2 OPERATIONAL RISK MEASUREMENT

SGL Group uses the internal models developed by SG Group. Since 2007, SGL Group has used the Advanced Measurement Approach (hereafter 'AMA'), as proposed by the Capital Requirements Directive, to measure operational risk and calculated capital needed except for SG CMF, SGFD and SIA which used a basic indicator approach (15% of 3 last year average NBI).

In 2023, the AMA covers more than 91% of the SGL Group's total risk weighted exposure.

**TABLE 27: OVERVIEW OF RWAS ON OPERATIONAL RISK**

<i>(in EUR 1000)</i>	<b>Risk weighted exposure amount</b>
Basic indicator approach (BIA)	117 507
Advanced Measurement Approach (AMA)	977 557
<b>Total</b>	<b>1 095 064</b>

**TABLE 28: EU ORI - OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS**

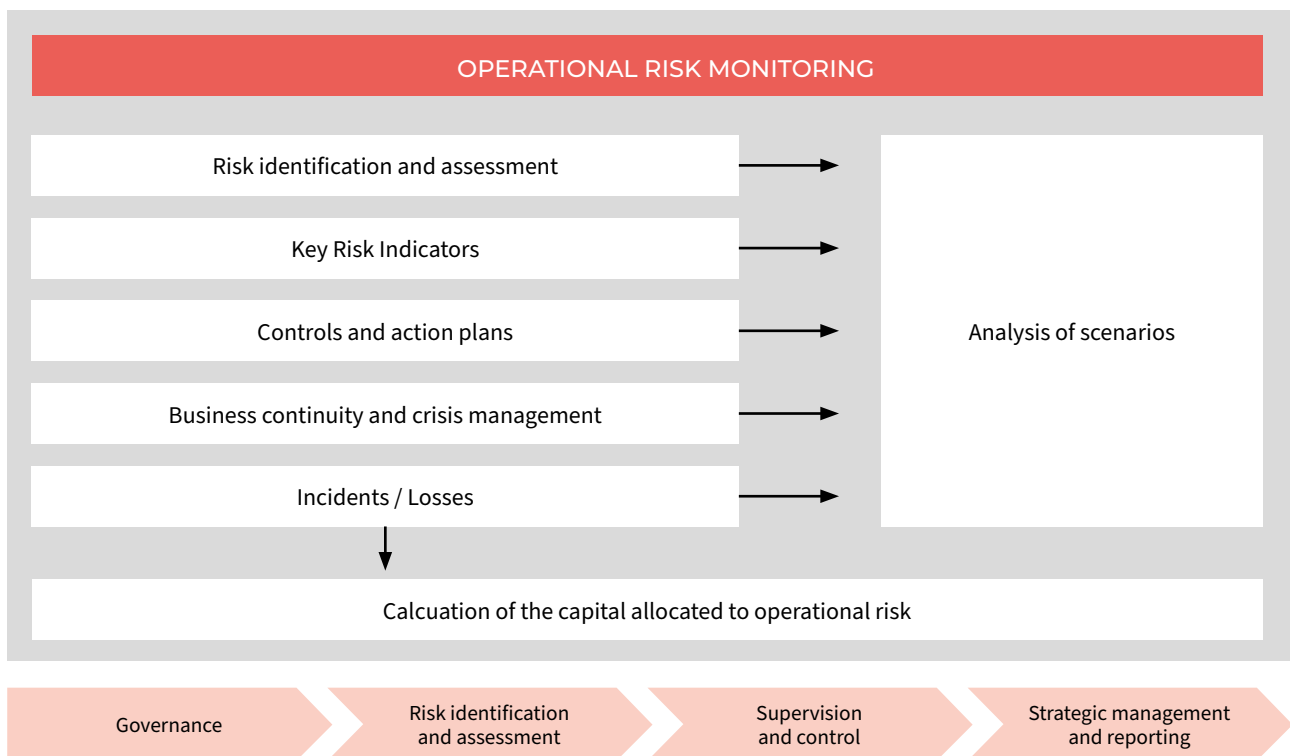
	<b>Banking activities</b>	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>
		<b>Relevant indicator</b>			<b>Own funds requirements</b>	<b>Risk exposure amount</b>
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	48 300	67 934	71 777	9 401	117 507
5	Banking activities subject to advanced measurement approaches AMA	668 150	697 230	705 549	78 205	977 557

# 7.3 OPERATIONAL RISK MONITORING PROCESS

The frameworks specifically established by regulations have been implemented on the basis of existing procedures wherever possible.

They notably include:

- the gathering of internal data on operational risk losses;
- the analysis of external loss data (SG Group responsibility);
- the analysis of scenarios (SG Group responsibility);
- Risk and Control Self-Assessment (RCSA) processes;
- Key Risk Indicators (KRI);
- permanent second-level control;
- crisis management and business continuity planning;
- combating fraud;
- the supervision of new Product Committees and external service providers



Although primary responsibility for risk management falls on the business lines and support staff, which must promote operational risk culture within their teams on a daily basis, the tracking mechanism relies mainly on four processes overseen by the operational risk departments within SGL Group:

- **The annual Risk and Control Self-Assessment (RCSA)** which aims to:
  - identify and assess the intrinsic operational risks to which each activity of SGL Group is exposed (disregarding prevention and mitigation measures);
  - assess the quality of the prevention and mitigation measures in place for reducing those risks;
  - measure the risk exposure of each SGL Group business that remains once the risk prevention and mitigation measures are taken into account (the “residual exposure”), while disregarding insurance coverage;
  - implement, if warranted, corrective action plans.
- **Internal collection of operational risk incidents** with an exhaustive, timely declaration of any gains or losses from the very first euro, providing all the information needed to

analyze them while issuing corrective actions that include the degree of criticality, a deadline, and the designation of a person responsible.

- **Analyses of scenarios** are initiated and overseen within the Risk Division of the SG Group, targeting functions and processes that are particularly sensitive within the Bank. These analyses are particularly aimed at assessing potential low-frequency but high-severity losses and contribute to the calculation of capital requirements on SGL Group level.
- **The permanent control system** with leadership and coordination, over the entire scope of a set of first-and second-level controls.

First-level permanent control is defined as all of the measures taken on a permanent basis to ensure the compliance, security and validity of transactions performed at the operational level. Operational managers must exercise managerial oversight over all of their respective processes, focusing as a priority on the most significant risks and sensitive procedures, with reference to the library of SG Group standard controls. The measures of controls are formalized in a unique tool.

Second-level control (Control department) aims to verify that the first level of control was properly carried out and that risks are being appropriately covered.

This system is accompanied by producing and tracking key risk indicators, some of which will have goals to achieve or tolerance thresholds set for them.

Furthermore, SGL Group has defined **an information security policy and ensures its enforcement**. This policy covers the management of computer access and rights, the prevention of information leaks, rules of anonymity, the conducting of intrusion tests, and the monitoring of the bank's websites. Prevention and employee awareness-raising campaigns are

conducted regularly in conjunction with the implementation of a Clean Desk policy.

These processes are supplemented by a **crisis management mechanism and a business continuity plan**, the purpose of which is to develop the inherent capacity of the Bank's activities to withstand crises. This is done by combining the organizations' own capacities (robust systems) and special resources (business continuity plans).

On another note, SGL Group's constant innovations in terms of the products and services proposed to its clients must be approved by a New Products Committee, which determines the necessary conditions, in terms of both operations and acceptable risks, including an analysis of compliance risks.

## 7.4 OPERATIONAL RISK MODELLING, INSURANCE AND CAPITAL REQUIREMENTS

For SGL Group, the AMA methodology is used for all entities excepted for SGCMF, SGFD and SIA which used a basic indicator approach (15% of 3 last year average NBI).

Amount of capital allocated: the SG Group was authorized by the French Regulator in 2007 to use the Advanced Measurement Approach (AMA). A Loss Distribution Approach was built up to assess the amount of required capital for all businesses and risk categories combined.

The loss distribution that implies the largest capital charge is retained for the calculation of the Operational Risk Capital requirement. These data are aggregated at SG Group level and are then allocated to business units / entities.

In terms of allocation: The first allocation is carried out at the business level based on their Stand-Alone Capital Charge adjusted for their contribution to risk diversification (Shapley Method).

The second allocation is performed at the entity level based on a 50/50 internal losses and budgeted NBI contribution key.

**Criterion No. 1:** The internal losses are retained for their net amount after recovery of insurances on a five years' time period. The most significant losses are capped to avoid over-representation of the entities having recorded large losses and a shortage of capital allocated for those without losses history.

**Criterion No. 2: revenue.**

This is measured through the budgeted NBI.

**TABLE 29: VENTILATION ON AMA MODEL FOR SGL GROUP**

Business Line	Capital Allocation (KEUR)		
	Method	Q4 2022	Q4 2023
Private banking	AMA	37 367	32 824
Corporate Center	AMA	9 914	16 155
	STD	8 180	9 400
Financing Solution	AMA	9 057	14 923
Global Markets Investor Services	AMA	28 741	14 661
Retail Banking	AMA	8	21
<b>Total</b>		<b>93 267</b>	<b>87 984</b>

At SGL Group level, the allocated amount decreased to EUR 87 million (against EUR 93 million in 2022) for both methodologies mainly explained by an updating of the allocation key for both criteria (Internal Losses and revenues).

# 8. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

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Structural interest rate (also referred to as Interest Rate Risk in the Banking Book – IRRBB) and foreign exchange rate risks result from commercial activities and their hedging transactions, as well as from own account transactions performed by SGL Group consolidated entities. SGL Group measures and strictly controls structural risks. Interest rate and foreign exchange risks related to the trading portfolio do not fall within the scope of structural risk measurement. They fall under market risks.

The general principle is to reduce structural interest rate and foreign exchange risks to the greatest extent possible within the consolidated entities. Wherever possible, commercial transactions and corporate centre operations within entities are hedged against interest rate and exchange rate risks, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within a treasury department).

## 8.1 ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the SG Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within SGL Group's Finance Division supplements the control framework.

### **The SG Group Rates and Foreign exchange Committee, a General Management body**

The SG Group Finance Committee:

- validates and oversees the structural risk monitoring, management and supervision system;
- reviews changes in the SG Group's structural risks through consolidated reporting;
- examines and validates the measures proposed by the SG Group's Finance Division.

### **The ALM Department within the Finance Division**

The ALM Department is responsible for:

- defining structural risk policies for SG Group and formalising risk appetite for structural risks;

- defining steering indicators and overall stress test scenarios for the different types of structural risk and setting the main limits for the business divisions and the entities;
- analysing SG Group's structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment pertaining to structural risk;
- defining ALM principles for SG Group;
- defining the normative environment of structural risk metrics, modelling methods and framework;
- designing the models used by SG Group with regard to structural risks, in co-ordination with the Risk Division and the business lines;
- inventorying, consolidating and reporting on SG Group structural risks;
- monitoring compliance with structural risk limits.

### **The ALM Risk Control Department within the Risk Division**

The second-level supervision covering both (1) ALM models used within SG Group and (2) associated frameworks is provided by a dedicated service within the Risk Department. Accordingly, this department provides an opinion on the methodological

principles, parameters and back tests of ALM models. It analyses proposals from the ALM Department regarding the risk indicators, stress test scenarios and structural risk frameworks. It also conducts second-level controls on the compliance with the risk limits comprising such frameworks. The Risk Department organises and chairs the Model Validation Committee.

The second-level supervision at SGL level is in charge of the overall follow-up of the activity, including the second level monitoring of liquidity metrics, participation on all asset and liabilities management committees, participation in the model and limit definition process. The local risk department is organising regularly dedicated meetings in order to share information and status on the main risks and problematics.

## The entities are responsible for structural risk management

In this respect, entities apply the standards defined at SG Group level, develop their own models, propose their limits (for approval by local management and SG Group committees), measure their risk exposure and implement the required hedges.

Each entity has its own structural risk manager, who reports to the entity's Finance Division and is responsible for conducting first-level controls and for reporting to SG Group Finance Division via a shared IT system. For SGL, this role is played by the head of ALM/Treasury department. The ALM committee is then responsible for monitoring the indicators and implementing the hedging programme.

## 8.2 STRUCTURAL INTEREST RATE RISK (INTEREST RATE RISK IN THE BANKING BOOK – IRRBB)

The Banking Book covers the banking activities (lending and borrowing money, holding and issuing securities and gathering deposits) aimed primarily at generating profits through excess earning from assets over the cost of liabilities. Within SGL Group, the Banking Book covers on-balance sheet operations resulting from client activities (e.g. loans and deposits), operations (on and off-balance sheet) originated by SGL treasury department in order to hedge the risks resulting from these clients' activities as well as proprietary transactions to manage regulatory requirements (e.g. sovereign bond portfolio).

### Objective of the Framework

When steering structural interest rate risk, the main aim is to ensure the risk is managed by reducing SGL Group exposure to structural interest rate risk as much as possible.

IRRBB steering framework is defined at SG Group level and then transposed to each entity. The risks are monitored at each entity level within dedicated thresholds and limits. On an annual basis, the SG Group Rates and Foreign exchange Committee updates the limits applicable to each entity.

### Measurement and monitoring of structural interest rate risk

In 2023, SGL Group structural interest rate risk management relied on a set of metrics of which are framed by limits and thresholds (80% of the limit for each scenario). All the metrics are monitored monthly for the entities integrated in SGL Group global ALM tool (SGL and the private banking entities in Monaco and Switzerland), and quarterly for the other entities.

#### Value sensitivity

- NPV sensitivity – Net Present Value sensitivity of fixed rate residual positions to interest rate changes according

to several interest rate scenarios. – covered by internal limits.

- EVE sensitivity – Economic Value of Equity sensitivity represent the NPV after exclusion of own funds, investments in subsidiaries and intangible assets as well as some deposits as defined in EBA guidelines dated October, 20th 2022 – covered by regulatory limits.

#### Revenue sensitivity

- NIM sensitivity –Based on a dynamic budget related to business units' assumptions, the NIM includes forward interest rates, a split of the Net Interest Income into different components and a revamp of the client rate considering optionality on the client remuneration. Since June 2023, to comply with the latest EBA guidelines on IRRBB dated October, 20th 2022, a SOT NII is computed.

Assets and liabilities are analysed independently, without any a priori matching. The amortization profiles of assets and liabilities are determined on the basis of the contractual terms of transactions, models based on historical behaviour patterns (e.g. regulated savings accounts and early loan repayments), and to a lesser extent conventional assumptions related to certain balance sheet items (shareholders' equity and equity holdings in consolidated entities).

All the limits and thresholds described in this section are presented at each ALM Committee against the current risk levels and variations of the risk levels are detailed such that management can monitor the evolution of the risk profile.

The NPV sensitivity is computed based on a parallel shift of the whole yield curve of +/-10bps and on a parallel shift of the whole yield curve of +/-100bps.

## 8. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

**TABLE 30: SG LUXEMBOURG NPV POSITION AS OF 12/31/2023**

		<b>+10 bps</b>	<b>-10 bps</b>	<b>+100 bps</b>	<b>-100 bps</b>
SG Luxembourg	<b>Limit</b>	(20.26)	(20.26)	(202.59)	(202.59)
	<b>Threshold</b>	(16.21)	(16.21)	(162.07)	(162.07)
	<b>12/31/2023</b>	(0.24)	(4.28)	(2.48)	(43.64)

The “Supervisory Outlier Test” (“SOT”) as defined in EBA Regulatory Technical Standards on supervisory outlier tests, EBA/RTS/2022/10, is calculated on a quarterly basis and presented to SGL ALM committee. This test is based on Economic Value of Equity (“EVE”) sensitivity (the EVE being the NPV after exclusion of own funds, investments in subsidiaries and intangible assets). According to article 98(5) of Directive 2013/36/EU, the sensitivity under the 6 regulatory scenarios has to remain below 15% of Tier 1 capital.

NIM sensitivity is computed based on a parallel shift of the whole yield curve of +/-10bp, a parallel shift of the whole yield curve of +/-200bp as well as based on the 6 EBA scenarios. The limit framework has been enhanced with the introduction of a set of limits for the NIM sensitivity over 1 and 2 years (+/-10 bps and +/- 200bps scenarios) for SGL solo with a monthly monitoring. Additionally, EBA Regulatory Technical Standards EBA/RTS/2022/10 introduced a SOT NII under 2 regulatory scenarios that should remain below 5% of Tier 1 capital.

**TABLE 31: SG LUXEMBOURG NIM POSITION AS OF 12/31/2023**

	<b>Year 1</b>				<b>Year 2</b>				
	<b>+10 bps</b>	<b>-10 bps</b>	<b>+200 bps</b>	<b>-200 bps</b>	<b>+10 bps</b>	<b>-10 bps</b>	<b>+200 bps</b>	<b>-200 bps</b>	
SG Luxembourg	<b>Limit</b>	0.25	(7.75)	5	(155)	3	(9)	60	(180)
	<b>Threshold</b>	1	(7)	20	(140)	3.6	(8.4)	72	(168)
	<b>12/31/2023</b>	3.55	(3.55)	71.62	(71.78)	5.14	(5.14)	102.92	(91.33)

## 8.3 STRUCTURAL FOREIGN EXCHANGE RATE RISK

Fluctuations in inter-currency exchange rates may result in a change in the value of some assets, liabilities, and off-balance sheet items and may lead to volatility in the income statement or other gains and losses recognized in equity. Structural foreign exchange risk is primarily attributable to residual positions on and off the balance sheet (difference per currency in assets and liabilities).

### Objective of the Framework

SGL Group policy consists of hedging its exposure to currency fluctuations by endorsing all on and off-balance sheet positions and controlling residual exposure by setting low limits.

### Measurement and monitoring of structural foreign exchange rate risks

SGL Group quantifies its exposure to structural foreign exchange rate risks by analysing all assets and liabilities denominated in foreign currencies arising from commercial transactions and the corporate center and manage it with tight limits.

**TABLE 32: SGL GROUP FOREIGN EXCHANGE POSITION AS OF 12/31/2023**

<b>Indicators</b>	<b>Threshold</b>	<b>12/31/2023 in MEUR</b>
Structural exchange rate risk	≤ 20.62 MEUR	7.36

The structural exchange rate position was below the SGL Group RAS threshold as of December 31, 2023.

# 9. LIQUIDITY RISK

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

## 9.1 GOVERNANCE AND ORGANISATION

Liquidity indicators have been defined and specific limits approved by the Board of Directors. These indicators are presented to the Board of Directors on a monthly basis.

The department in charge of managing and steering the liquidity position of SGL Group is the ALM/Treasury team,

within the local Finance division, and which has functional links to both SG Group ALM and SG Group Treasury departments.

Additional liquidity indicators are monitored during the SGL ALM Committees which gather local management (CEO, CRO, CFO), Business Units Heads and SG Group representatives.

## 9.2 THE APPROACH TO LIQUIDITY RISK MANAGEMENT

SGL Group's primary objective is to ensure the funding of its activities in the most secure and cost-effective way by managing liquidity risk and complying with regulatory constraints. The liquidity steering system provides a balance sheet framework based on assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- The assets' structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure. This development must comply with the liquidity gaps defined at SGL Group level (under static and stress scenarios) as well as regulatory requirements.
- The liabilities' structure is based on the ability of the businesses to collect financial resources from customers.

This steering system is based on measurement and supervision of the businesses liquidity gaps under reference and stress scenarios, their funding needs, the eligible assets and the businesses contribution to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

1. The businesses maintain low to nil static liquidity gaps of their activities, by using SGL Group's Treasury, which can, if needed, run a transformation position and manage it within the framework of the established risk limits.
2. Internal liquidity stress tests, established on the basis of combined (systemic and idiosyncratic) scenarios, are controlled at SGL Group level. They are used to ensure compliance with the survival horizon to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that sets out measures to be taken in the event of a liquidity crisis.

3. The businesses' funding needs (short-term and long-term) are determined on the basis of the development objectives and in line with SGL Group's fund-raising targets and capabilities.
4. A plan for long-term funding, which complements the resources raised by the businesses, is designed to cover upcoming repayments and finance the growth of the businesses.
5. SGL Group's short-term resources are adapted to the financing of the businesses' short-term. As outlined above, they are adjusted in light of the liquidity reserve on the assets side, based on the established stress survival horizon as well as the SGL Group's LCR target (Liquidity Coverage Ratio, see Regulatory Ratios section).
6. SGL Group's liquidity steering takes into account compliance with the target regulatory ratios (LCR, NSFR) and internal ratios (Liquidity Gap in a business-as-usual situation and in a stress situation).

Finally, liquidity is governed in terms of cost via the SGL Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to the latter on the basis of scales that must reflect the liquidity cost for SGL Group. This system is designed to optimise the use of external financing sources by businesses and is used to monitor the equilibrium of balance sheet funding. The liquidity gap is managed on an overall basis (across all currencies), by main currency (which currently are EUR, USD, GBP and CHF) as well as a framework for each currency (every currency not framed otherwise).

## 9.3 REFINANCING STRATEGY

To manage its liquidity position and refinancing needs, SGL Group mainly relies on:

- its private banking business (Luxembourg, Monaco, Switzerland), structurally providing long term liquidity, with more deposits than loans originated, and
- its cash management business for international and large corporate, and
- SG Group central Treasury.

## 9.4 ASSET ENCUMBRANCE

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn.

Encumbrance at SGL Group level mainly arises from regular liquidity buffer monetization (through repo operations) and SG CMF assets securitization.

A few points are noteworthy:

- Apart from SG CMF whose encumbrance is structural to its core activity of securitization, the other sources of encumbrance at SGL Group level are required by the regulation (buffer monetization, Central Bank reserves, EMIR) or absolutely marginal to the total balance-sheet of the entity (margining).
- As such, there is no appetite at SGL Group level for asset encumbrance at larger scale above on what is being used today.



## 9.5 REGULATORY LIQUIDITY RATIOS

The Basel Committee recommends the international implementation of two standard ratios with harmonized parameters, to regulate bank liquidity risk profiles:

- the Liquidity Coverage Ratio (LCR) aims to ensure that banks hold sufficient liquid assets or cash to survive a significant stress scenario combining a market crisis and a specific crisis for one month.

- the Net Stable Funding Ratio (NSFR) is a transformation ratio and compares funding needs with stable resources over a one-year period.

During all the year, both regulatory Liquidity ratios remained above the targets and limits defined in the Risk Appetite of SGL Group.

**TABLE 33: SGL GROUP LCR AND NSFR**

Indicators	12/31/2023
Liquidity Coverage Ratio - LCR	163.13%
Net Stable Funding Ratio - NSFR	115.71%

For the LCR, the main drivers are operational deposits coming from GTPS and SGSS business unit.

As of 31st December 2023, the liquidity buffer is composed of 12.1 BEUR cash held at the BCL and a bonds portfolio of around 1.1 BEUR.

**TABLE 34: SGL GROUP LCR AND NSFR EVOLUTION**

	RAS Limit	RAS Threshold	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
LCR	≥105%	≥110%	159.39%	127.55%	137.59%	130.83%	163.13%
NSFR	≥102%	≥104%	115.71%	110.88%	112.73%	111.36%	115.71%

TABLE 35: EU LIQ1 - QUANTITATIVE INFORMATION OF LCR

		a	b
		Total unweighted	
EU 1a	Quarter ending on (DD Month YYYY)	T	T-1
EU 1b	Number of data points used in the calculation of averages*	1	1
<b>HIGH-QUALITY LIQUID ASSETS</b>			
<b>1</b>	<b>Total high-quality liquid assets (HQLA)</b>		
<b>CASH - OUTFLOWS</b>			
2	Retail deposits and deposits from small business customers, of which:	5 238 723	5 319 381
3	<i>Stable deposits</i>	36 968	40 151
4	<i>Less stable deposits</i>	5 188 308	5 260 703
5	Unsecured wholesale funding	23 149 625	23 729 262
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	6 995 273	5 033 361
7	<i>Non-operational deposits (all counterparties)</i>	16 154 352	18 695 901
8	<i>Unsecured debt</i>	0	0
9	<i>Secured wholesale funding</i>		
10	Additional requirements	5 122 259	4 748 821
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	1 071 131	479 488
12	<i>Outflows related to loss of funding on debt products</i>	0	0
13	<i>Credit and liquidity facilities</i>	4 051 128	4 269 333
14	Other contractual funding obligations	453 412	248 144
15	Other contingent funding obligations	1 150 936	1 105 771
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>		
<b>CASH - INFLOWS</b>			
17	Secured lending (e.g. reverse repos)	0	0
18	Inflows from fully performing exposures	11 951 526	11 980 933
19	Other cash inflows	768 495	176 385
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		
EU-19b	(Excess inflows from a related specialised credit institution)		
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>12 720 021</b>	<b>12 157 319</b>
EU-20a	<i>Fully exempt inflows</i>	0	0
EU-20b	<i>Inflows subject to 90% cap</i>	0	0
EU-20c	<i>Inflows subject to 75% cap</i>	12 720 021	12 157 319
<b>TOTAL ADJUSTED VALUE</b>			
<b>EU-21</b>	<b>LIQUIDITY BUFFER</b>		
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>		
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO</b>		

\*End of each quarter have been disclosed for this year.

c		d		e		f		g		h	
value (average)		Total weighted value (average)									
T-2		T-3		T		T-1		T-2		T-3	
1		1		1		1		1		1	
				<b>13 834 165</b>		<b>14 044 685</b>		<b>14 375 866</b>		<b>12 363 072</b>	
5 195 155		4 756 173		944 906		974 839		962 766		878 184	
0		0		1 848		2 008		0		0	
5 195 155		4 756 173		943 058		972 832		962 766		878 184	
24 862 942		25 272 458		15 531 082		18 037 955		18 224 874		18 751 076	
6 114 114		6 015 635		1 744 472		1 256 303		1 528 529		1 503 909	
18 693 677		19 199 834		13 786 610		16 781 653		16 641 195		17 190 178	
55 151		56 989		0		0		55 151		56 989	
				9 106		310		0		0	
8 370 418		8 599 817		2 599 422		2 179 832		5 925 675		6 087 378	
4 182 708		4 523 039		1 071 131		479 488		4 182 708		4 523 039	
0		0		0		0		0		0	
4 187 710		4 076 778		1 528 291		1 700 344		1 742 967		1 564 339	
240 937		260 110		413 412		208 144		200 937		220 110	
1 185 568		1 085 702		110 245		110 253		199 780		246	
				<b>19 608 174</b>		<b>21 511 335</b>		<b>25 514 031</b>		<b>25 936 994</b>	
0		0		0		0		0		0	
12 665 437		11 661 848		10 671 400		10 931 368		11 624 183		10 672 220	
3 868 333		4 216 651		768 495		176 385		3 868 333		4 216 651	
				0		0		0		0	
				0		0		0		0	
<b>16 533 770</b>		<b>15 878 499</b>		<b>11 439 895</b>		<b>11 107 753</b>		<b>15 492 515</b>		<b>14 888 872</b>	
613		0		0		0		0		0	
0		0		0		0		0		0	
16 533 157		15 878 499		11 439 895		11 107 753		15 492 515		14 888 872	
				<b>13 324 875</b>		<b>13 610 548</b>		<b>13 789 002</b>		<b>14 091 649</b>	
				<b>8 168 278</b>		<b>10 403 581</b>		<b>10 021 516</b>		<b>11 048 123</b>	
				<b>163.13%</b>		<b>130.83%</b>		<b>137.59%</b>		<b>127.55%</b>	

9. LIQUIDITY RISK

TABLE 36: EU LIQ2 - NET STABLE FUNDING RATIO

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
(in EUR 1000)		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>						
1	Capital items and instruments	3 208 932	400 638	0	0	3 208 932
2	Own funds	3 208 932	0	0	0	3 208 932
3	Other capital instruments		400 638	0	0	0
4	Retail deposits		5 158 355	0	0	4 644 368
5	Stable deposits		36 968	0	0	35 119
6	Less stable deposits		5 121 388	0	0	4 609 249
7	Wholesale funding:		27 873 115	11 142 965	16 665 525	27 883 924
8	Operational deposits		6 995 273	0	0	3 497 637
9	Other wholesale funding		20 877 842	11 142 965	16 665 525	24 386 287
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	863 295	0	800 611	800 611
12	NSFR derivative liabilities	0				
13	All other liabilities and capital instruments not included in the above categories		863 295	0	800 611	800 611
<b>14</b>	<b>Total available stable funding (ASF)</b>					<b>36 537 835</b>
<b>Required stable funding (RSF) Items</b>						
15	Total high-quality liquid assets (HQLA)					0
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		23 628 440	4 884 750	22 092 473	30 000 424
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		10 747 076	2 344 766	12 337 782	14 584 872
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		11 603 972	2 300 031	7 578 030	13 237 055

21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		7 117 525	428 856	781 363	4 281 076
22	<i>Performing residential mortgages, of which:</i>		175 587	216 130	2 013 992	1 907 751
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		0	0	0	0
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		1 101 805	23 824	162 670	270 746
25	Interdependent assets		0	0	0	0
26	<b>Other assets:</b>		<b>679 764</b>	<b>0</b>	<b>1 220 691</b>	<b>1 390 798</b>
27	<i>Physical traded commodities</i>				0	0
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		0	0	0	0
29	<i>NSFR derivative assets</i>		151 753			151 753
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		117 057			5 853
31	<i>All other assets not included in the above categories</i>		410 954	0	1 220 691	1 233 192
32	Off-balance sheet items		3 697 629	0	1 040 691	184 881
33	<b>Total RSF</b>					<b>31 576 103</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>115.71%</b>

# 10. COMPLIANCE, REPUTATIONAL AND LEGAL RISKS

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## 10.1 COMPLIANCE

Acting in compliance means understanding and observing the external and internal rules that govern our banking and financial activities. These rules aim to ensure a transparent and balanced relationship between the Bank and all of its stakeholders. Compliance is the cornerstone of trust between the Bank, its customers, its supervisors and its staff.

Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity on a daily basis. The rules must be clearly expressed, and staff have been informed and/or trained to understand them properly.

The compliance risk prevention system is based on shared responsibility between the operational business and support units and the Compliance Department:

- the Business and Supports Units (BU/SUs) must incorporate into their daily activities' compliance with laws and regulations, the rules of professional best practice and the Bank's internal rules;
- the Compliance Department manages the Bank's compliance risk prevention system. It ensures the system's consistency and efficiency, while also developing appropriate relationships – alongside the Authorized Directors – with bank supervisors and regulators. This independent department reports directly to the Authorized Director in charge of Risks, Compliance and General Secretary.

The Compliance Department is organised into two main compliance risk categories:

- **Financial security:** know your client (KYC) processes; the observance of international sanctions and embargo rules, and anti-money laundering and counterterrorism financing rules, including issuing declarations of suspicion to the relevant authorities;
- **Regulatory risks,** which cover in particular: customer protection, anti-bribery and corruption, ethics and conduct, compliance with tax transparency regulations (based on knowledge of the customers' tax profile), compliance with corporate social responsibility regulations and SG Group commitments, market integrity, joint coordination with HR Department of the Group's Culture & Conduct issues (Conduct in particular); data protection, including personal data, in particular those of customers.

Compliance has set up an extensive compulsory training programme for each of these risk categories, designed to raise awareness of compliance risks among all or some employees.

### Financial security

#### ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CFT)

SGL Group has transposed all measures linked to November 12th, 2004, Law as modified on May 20th, 2021 as well as all CSSF Circulars related to anti-money laundering and counter-terrorism financing. The procedural framework is kept up-to-date and in line with the

regulatory evolutions as well as in line with the SG Code, which is the guidance document in terms of AML/FT requirements within the Group.

The SG Group set-up a Quality Assurance (Q&A) framework with the aim to control and ensure that the customer's files comply with regulatory and SG Group requirement. In 2023 this framework has been deployed for the PRIV Business within SGL.

The Bank launched projects that aims to migrate the SGSS and GTPS client's repositories to SG Group Wholesale repositories and to align the KYC process within these Business Units with the SG Group Wholesale Banking process. It also aims to SG Group teams the screening of these repositories against Sanctions & Embargoes, Politically Exposed Peoples and Negative News lists.

## FINANCIAL EMBARGOES AND SANCTIONS

The environment of Sanction & Embargo is still strongly shaped by the context of the Russo-Ukrainian war. The Russian invasion started in February 2022 was internationally condemned, and many countries, including European Union and United States of America, imposed (and will continue to impose sanctions) against Russia, which increased existing sanctions, and mainly in terms of diversity and complexity.

SG Group, and SGL, defined a no-risk appetite on Russia Exposure, and decided for a de-risking / exiting of relationships linked to Russia.

As expected by the Council Regulation (EU) N° 833/2014, the Bank set a control framework to identify and follow the Restricted customers concerned by the limit of 100K€ on deposit. All accounts linked to Restricted clients are fully blocked by Compliance, and any transaction requires Compliance's prior approval.

The bank also set-up a control framework to provide to the national competent authority information regarding deposits as specified in Article 5g of Council Regulation (EU) No 833/2014 (Russia Economic Sanction Regulation – 'RSR') and under reporting requirements under Article 1z of Council Regulation (EC) 756/2006 (Belarus Sanction Regulation - BSR). As expected, the annual update of the reporting has been communicated to the Ministry of Finance on June 2, 2023 (the first reporting was performed on May 25, 2022).

On December 18th, 2023, the EU issued its 12th sanctions package under the Council Regulation 2023/2878 which set-up new reporting, as of 1 July 2024, and for of each semester, information on all transfers of funds out of the Union of a cumulative amount, over that semester, exceeding 100 000 EUR that they initiated, directly or indirectly, for the legal persons, entities and bodies whose proprietary rights are directly or indirectly owned for more than 40 % by entities established in Russia, by Russian nationals or by natural persons residing in Russia.

## Regulatory compliance risk

### CUSTOMER PROTECTION

SGL Group is committed to respecting and protecting the interests of its customers.

The action plan initiated to upgrade processes and IT tools was executed to the planned roadmap and significant deliveries were completed to improve our capacity to comply with regulatory obligations ((i.e. Customer and Product classification, suitability and appropriateness tests, information and reporting, obligation of best execution, processing orders, inducements, transparency, sustainable investment, records keeping and product governance). CSSF carried out a MIFID II on-site inspection and identified two mains observations to which the Bank communicated a remediation action.

#### ■ Customer Claims

Processing a claim is a commercial act that impacts customer satisfaction. The Bank has a governance, an organization, formalized procedures and qualitative and quantitative indicators for claim processing and monitoring.

#### ■ Conflicts of interest

The Bank has a clear normative framework to prevent and manage conflicts of interest. This framework covers three categories of potential conflicts of interest: those that may arise between the Bank and its customers or between the Bank's customers; those occurring between the Bank and its employees (particularly in relation to activities involving an employee's personal interest and/or their professional obligations); and lastly, those arising between the Bank and its suppliers. The framework has been supplemented by the annual reporting of conflicts of interest (Déclaration des Conflicts d'Intérêts – DACI) regarding people most exposed to the risks of corruption.

### MARKET INTEGRITY

The rules of conduct, the organizational principles, the oversight, and control measures are in place and regularly assessed to covers market integrity laws and regulations.

Moreover, extensive training and awareness-raising programmes are provided to employees.

The Emir control plan decided in 2022 to prevent reporting incident was fully implemented. In 2023, the Emir global framework proved to be consistent and robust with very good results of the performed controls and the absence of any major incidents.

### TAX TRANSPARENCY

SG Group's principles on combating tax evasion are governed by the Tax Code of Conduct. The Code is updated periodically.

The five main principles of the Tax Code of Conduct are as follows :

- SG Group ensures compliance with the tax rules applicable to its business in accordance with international conventions and national laws;
- In its customer relationships, SG Group ensures that customers are informed of their tax obligations relating to transactions carried out with the SG Group, and the SG Group complies with the reporting obligations that apply to it as bookkeeper or in any other way;
- In its relations with the tax authorities, SG Group is committed to strictly respecting tax procedures and ensures that it maintains open and transparent relations to uphold its reputation;
- SG Group does not encourage or promote tax evasion for itself or its customers;
- SG Group has a tax policy in line with its strategy of sustainable profitability and refrains from any operation, whether for its own account or for its customers, whose main purpose or effect is tax motivated, unless this is consistent with the intention of the legislation

SGL Group strictly applies those Tax Code of Conduct's principles.

SGL Group complies with client tax transparency standards. The Common Reporting Standard (CRS) enables tax authorities to be systematically informed of income received abroad by their tax residents. SGL Group also complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act) which aims to combat tax evasion involving foreign accounts or entities held by US taxpayers. SGL Group has implemented the European Directive DAC6, which requires the reporting of cross-border tax arrangements.

In accordance with regulatory requirements, the Bank also includes tax fraud in its anti-money laundering procedures.

### ANTI-CORRUPTION MEASURES

SGL Group is fully committed to fighting corruption. Its anti-corruption program is built around the following themes : Code of Conduct, Risk Mapping, Appropriate training at all levels (senior management, exposed persons, all employees), Control systems, Accounting procedures, Evaluation of third parties, Disciplinary system, Right to whistleblowing

The framework is monitored by a dedicated set of controls and key risk indicators. The Bank also has several tools such as tools for declaring gifts and invitations (GEMS), the tools for whistleblowing management (WhistleB), the annual conflict of interest declaration tool (DACI).

In 2022, this framework has been strengthened by isolating Corruption and Bribery Risk within Know Your Customer (KYC) processes. When required, Corruption and Bribery Risk is assessed by dedicated and trained staff.

### SUSTAINABILITY RISK

European financial regulations have seen significant changes from a social and environmental perspective. Over and above the regulations, the SG Group is making voluntary, public commitments in this area.

The Group's Compliance Department is developing the normative framework relative the European Union regulations on sustainable investment, and implementing the environmental and social risk management system to ensure the Group's commitments are upheld. SGL Group is implementing this framework locally.

### PERSONAL DATA PROTECTION

SGL Group is especially sensitive to personal data protection.

The Bank has a set of internal instructions and procedures to guarantee the protection and security of data subjects (customers, staff and third parties) data. In particular, measures to inform data subject and process their demands are in place so that such persons can exercise their rights. A personal data security policy has been implemented, which fits in with the Group's overall security strategy. Moreover, specific effort has been done to increase staff awareness.

The Bank has appointed a Data Protection Officer (DPO) in accordance with the applicable regulation. Reporting to the Compliance Officer, the DPO is the main contact person for the Commission Nationale pour la Protection des Données (CNPD) and is also responsible for ensuring sound compliance for personal data protection.

With regard of Schrems II, SGL reviewed the full list of data flow and cross borders transfers and performed an Impact Analysis for all transfers outside the GDPR zone leading to identify and implement additional organizational and technical measures which have been added in the Data Transfer Agreement between SGL and Providers.

## 10.2 RISKS AND LITIGATION

The information pertaining to risks and litigation is included in Note 8.3.2 from the consolidated financial statements.



# 11. RISKS RELATING TO INSURANCE ACTIVITIES

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SGL Group owns 100% of three insurance entities: Société Générale Ré (SG Ré) which will be liquidated in 2024 and SGL Ré, whose business is the reinsurance of certain insurance risks of the SG Group and SG LuCI whose business is the credit insurance. These companies have implemented a system of governance and risk management aimed at protecting the shareholder's interests, which relies on:

- A governance framework, aligned with the strategic goals assigned to SG Ré, SGL Ré and SG LuCI.
- A risk management system that adapts the policies for, among other things, solvency, subscription/provisioning, investment, ALM, liquidity/concentration, operational, and on-lending risks, whose indicators are tracked in a risk appetite grid.
- An internal control system based on architecture of processes and a full set of associated controls.
- A log of the risks to which SG Ré, SGL Ré and SG LuCI are exposed, detailing the risks that might prevent the achievement of the defined strategic objectives, as well as

the risk-mitigating actions that particularly result from the risk management system and from the effectiveness of the internal control.

This governance system is detailed in a governance manual approved by the SG Ré Board of Directors and respectively by the SGL Ré Board of Directors, SG LuCI Board of Directors and updated annually.

SGL Group is also the 100% owner of an insurance broker, SGLIB (Société Générale Life Insurance Broker).

Given the nature of its activities, the company is primarily exposed to operational risk, which is defined and monitored under the supervision of the SGL teams.

SGL Group also has a participation in Sogelife Luxembourg, a life insurance company. Sogelife's primary shareholder is Sogécap (an insurance subsidiary of SG Group) and as such primarily follows the risk management processes of Sogécap.

# 12. REMUNERATION

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## 12.1 SGL GROUP'S REMUNERATION POLICY

The remuneration policy of SGL Group is in line with the remuneration policy of the SG Group. It is reviewed, on a proposal from the Human Resources Direction, by the Authorised Management and then validated by the Board of Directors, on prior notice of the Compensation Committee.

This policy is established in compliance with applicable regulations; it aims to ensure appropriate risk management, based on common values and principles within SG Group while considering the context of the local markets in which SGL employees operate; it is based on the principle of gender neutrality, in line with SGL's diversity policy.

SGL Group's remuneration policy, particularly for categories of staff whose activities have a significant impact on the risk profile, applies to Société Générale Luxembourg SA as well as to its subsidiaries it controls, subject to possible adaptations to the extent required by local regulations.

SGL Group's remuneration policy is available here: <https://www.societegenerale.lu/fr/societe-generale-luxembourg/informations-publications/informations-financieres-reglementaires-conformite/>

## 12.2 ADDITIONAL INFORMATION ABOUT REGULATED STAFF

The quantitative information detailed below refers to the remuneration of regulated staff for 2023 (the reference date is December 31, 2023).

TABLE 37: EU REM1 - REMUNERATION AWARDED FOR THE FINANCIAL YEAR

			a	b	d
			MB Supervisory function	MB Management function	Other identified staff
<i>(in EUR 1000)</i>					
1	Fixed remuneration	Number of identified staff	12	17	35
2		Total fixed remuneration	277	3 487	6 562
3		<i>Of which: cash-based</i>	277	3 487	6 562
9	Variable remuneration	Number of identified staff	12	17	35
10		Total variable remuneration	0	2 315	3 261
11		<i>Of which: cash-based</i>	0	1 147	1 900
12		<i>Of which: deferred</i>	0	451	552
EU-13a		<i>Of which: shares or equivalent ownership interests</i>	0	0	0
EU-13b	<i>Of which: share-linked instruments or equivalent non-cash instruments</i>	0	1 168	1 361	
EU-14b	<i>Of which: deferred</i>	0	517	552	
<b>17</b>	<b>Total remuneration (2 + 10)</b>		<b>277</b>	<b>5 802</b>	<b>9 823</b>

Regulated staff in 2023 did not benefit from a guaranteed variable remuneration or severance payments.

TABLE 38: EU REM3 - DEFERRED REMUNERATION

		a	b	c	f	EU – g
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year
<b>7</b>	<b>MB Management function</b>	<b>2 930</b>	<b>659</b>	<b>2 270</b>	<b>58</b>	<b>718</b>
8	Cash-based	1 195	481	714	0	481
10	Share-linked instruments or equivalent non-cash instruments	1 735	179	1 557	58	237
<b>19</b>	<b>Other identified staff</b>	<b>2 485</b>	<b>406</b>	<b>2 079</b>	<b>10</b>	<b>417</b>
20	Cash-based	1 183	376	808	0	376
22	Share-linked instruments or equivalent non-cash instruments	1 302	31	1 271	10	41
<b>25</b>	<b>Total amount</b>	<b>5 415</b>	<b>1 066</b>	<b>4 349</b>	<b>69</b>	<b>1 134</b>

\*Fidelity plans awarded for 2023, 2022, 2021 and 2020 performance years. Deferred variable remuneration is subject to possible explicit reductions (non-achievement of performance conditions and/or conditions related to risk management and respect to compliance) and/or implicit adjustments (indexation on the value of the share). Remuneration expressed in thousands of euros.

No remuneration for regulated staff exceeds more than 1 million euros in 2023.

## 12. REMUNERATION

**TABLE 39: EU REM5 - INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)**

(in EUR 1000)

	a	b	c	d	g	h	i
	Management body remuneration			Business areas			
Deferred and retained remuneration*	MB Supervisory function	MB Management function	Total MB	Investment banking	Corporate functions	Independent internal control functions	All other
<b>1 Total number of identified staff</b>							
2 <i>Of which: members of the MB</i>	12	17	29				
4 <i>Of which: other identified staff</i>				10	5	14	6
<b>5 Total remuneration of identified staff</b>	<b>277</b>	<b>5 802</b>	<b>6 079</b>	<b>4 095</b>	<b>1 185</b>	<b>2 721</b>	<b>1 823</b>
6 <i>Of which: variable remuneration</i>	0	2 315	2 315	1 788	358	595	521
7 <i>Of which: fixed remuneration</i>	277	3 487	3 764	2 307	827	2 126	1 302

# 13. APPENDIX

## 13.1 PILLAR 3 CROSS REFERENCE TABLE

CRR Article	Theme	Pillar 3 report reference
435	Risk management objectives and policies	Chapter 2 and 3
436	Scope of application	Chapter 3.2
437	Own funds	Chapter 3.3
437a	Own funds and eligible liabilities	Chapter 3.3 and 3.8
438	Capital requirements	Chapter 3.4
439	Exposure to counterparty credit risk	Chapter 4
440	Countercyclical capital buffers	Chapter 3.3 and 3.8
441	Indicators of global systemic importance	Not applicable as SG Luxembourg is not a G-SII
442	Exposures to credit risk and dilution adjustments	Chapter 4
443	Encumbered and unencumbered assets	Chapter 9.4
444	The use of the Standardised Approach	Not disclosed as not required by the CRR
445	Exposure to market risk	Chapter 6
446	operational risk management	Chapter 7
447	Key metrics	Chapter 3.5
448	Exposures to interest rate risk on positions not held in the trading book	Chapter 8
449	Exposure to securitisation positions	Chapter 5
449a	Environmental, social and governance risks (ESG risks)	Chapter 1.1
450	Remuneration policy	Chapter 12
451	Leverage ratio	Chapter 3.6
451a	Liquidity requirements	Chapter 9
452	Use of the IRB Approach to credit risk	Chapter 4
453	Use of credit risk mitigation techniques	Chapter 4.6
454	Use of the Advanced Measurement Approaches to operational risk	Chapter 7
455	Use of Internal Market Risk Models	Not applicable as SG Luxembourg does not use Internal Market Risk models

## 13.2 INDEX OF THE TEMPLATES DISCLOSED IN THE PILLAR 3

Legal reference	Title	CRR articles	Applicable to SG Luxembourg	Chapter in Pillar 3
EU OV1	Overview of risk weighted exposure amounts	Point (d) of Article 438	Yes	3.4
EU KM1	Key metrics template	Points (a) to (g) of Article 447 and point (b) of Article 438	Yes	3.5
EU INS1	Insurance participations	Point (f) of Article 438	Not applicable - SG Luxembourg uses article 48 and is not subject to article 49 (1) from CRR	
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	Points (g) of Article 438	Not applicable - SG Luxembourg is not a financial conglomerate	
EU OVC	ICAAP information	Points (a) and (c) of Article 438	Yes	2.4 and 3.5
EU OVA	Institution risk management approach	Article 435 (1)	Not applicable	
EU OVB	Disclosure on governance arrangements	Article 435 (2)	Not applicable	
EU LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Point (c) of Article 436	Not applicable	
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Point (d) of Article 436	Not applicable	
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Point (b) of Article 436	Yes on a voluntary basis	3.3
EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Point (b) of Article 436	Not applicable	
EU LIB	Other qualitative information on the scope of application	Points (f), (g) and (h) of Article 436	Not applicable	
EU PV1	Prudent valuation adjustments (PVA)	Point (e) of Article 436	Not applicable	
EU CC1	Composition of regulatory own funds	Points (a), (d), (e) and (f) of Article 437	Yes	3.8
EU CC2	reconciliation of regulatory own funds to balance sheet in the audited financial statements	Point (a) of Article 437	Yes	3.8
EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Points (b) and (c) of Article 437	Yes	3.8
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Point (a) of Article 440	Yes	3.8
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Point (b) of Article 440	Yes	3.8
EU LR1	Summary reconciliation of accounting assets and leverage ratio exposures	Point (b) of Article 451(1)	Yes	3.6
EU LR2	Leverage ratio common disclosure	Article 451(3) - Rows 28 to 31a Points (a), (b) and (c) of Article 451(1) and Article 451(2) - Rows up to row 28	Yes	3.6
EU LR3	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Point (b) of Article 451(1)	Yes	3.6
EU LRA	Free format text boxes for disclosure on qualitative items	Points (d) and (e) of Article 451(1)	Yes	3.6
EU LIQA	Liquidity risk management	Articles 435(1) and 451a(4)	Yes	9.1-9.3
EU LIQ1	Quantitative information of LCR	Article 451a(2)	Yes	9.5
EU LIQB	on qualitative information on LCR, which complements template EU LIQ1	Article 451a(2)	Yes	9.5
EU LIQ2	Net Stable Funding Ratio	Article 451a(3)	Yes	9.5
EU CRA	General qualitative information about credit risk	Points (a), (b), (d) and (f) of Article 435(1)	Not applicable	

EU CRB	Additional disclosure related to the credit quality of assets	Points (a) and (b) of Article 442	Yes	4.8
EU CR1	Performing and non-performing exposures and related provisions	Points (c) and (f) of Article 442	Yes	4.8
EU CR1-A	Maturity of exposures	Point (g) of Article 442	Yes	4.8
EU CR2	Changes in the stock of non-performing loans and advances	Point (f) of Article 442	Yes	4.8
EU CR2a	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Points (c) and (f) of Article 442	Not applicable - the gross NPL ratio is less than 5%	
EU CQ1	Credit quality of forborne exposures	Point (c) of Article 442	Yes	4.8
EU CQ2	Quality of forbearance	Point (c) of Article 442	Not applicable - the gross NPL ratio is less than 5%	
EU CQ3	Credit quality of performing and non-performing exposures by past due days	Points (c) and (d) of Article 442	Yes	4.8
EU CQ4	Quality of non-performing exposures by geography	Points (c) and (e) of Article 442	Yes - only columns a, c, e, f, g (rest of columns is N/A as the gross NPL ratio is less than 5%	4.8
EU CQ5	Credit quality of loans and advances by industry	Points (c) and (e) of Article 442	Yes - only columns a, c, e, f, g (rest of columns is N/A as the gross NPL ratio is less than 5%	4.8
EU CQ6	Collateral valuation - loans and advances	Point (c) of Article 442	Not applicable - the gross NPL ratio is less than 5%	
EU CQ7	Collateral obtained by taking possession and execution processes	Point (c) of Article 442	Yes	4.8
EU CQ8	Collateral obtained by taking possession and execution processes - vintage breakdown	Point (c) of Article 442	Not applicable - the gross NPL ratio is less than 5%	
EU CRC	Qualitative disclosure requirements related to CRM techniques	Points (a) to (e) of Article 453	Yes	4.6
EU CR3	CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Point (f) of Article 453	Yes	4.6
EU CRD	Qualitative disclosure requirements related to standardised model	Points (a) to (d) of Article 444	Not applicable	
EU CR4	Standardised approach -Credit risk exposure and CRM effects	Points (g), (h) and (i) of Article 453 CRR and point (e) of Article 444	Yes	4.6
EU CR5	Standardised approach	Point (e) of Article 444	Not applicable	
EU CRE	Qualitative disclosure requirements related to IRB approach	Points (a) to (f) of Article 452	Not applicable	
EU CR6	IRB approach - Credit risk exposures by exposure class and PD range	Point (g) of Article 452	Not applicable	
EU CR6-A	Scope of the use of IRB and SA approaches	Point (b) of Article 452	Not applicable	
EU CR7	IRB approach - Effect on the RWEAs of credit derivatives used as CRM techniques	Point (j) of Article 453	Not applicable - SG Luxembourg does not have any credit derivatives	
EU CR7-A	IRB approach - Disclosure of the extent of the use of CRM techniques	Point (g) of Article 453	Yes	4.6
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Point (h) of Article 438	Yes	4.8
EU CR9	IRB approach - Back-testing of PD per exposure class (fixed PD scale)	Point (h) of Article 452	Not applicable	
EU CR9.1	Back-testing of PD per exposure class (only for PD estimates according to Article 180(1)(f))	Point (h) of Article 452 and point (f) of Article 180(1)	Not applicable	
EU CR10	Specialised lending and equity exposures under the simple riskweighted approach	Point (e) of Article 438	Yes - only equity as we do not have Specialised lending exposures under slotting approach	4.8
EU CCRA	Qualitative disclosure related to CCR	Points (a) to (d) and last paragraph of Article 439	Not applicable	
EU CCR1	Analysis of CCR exposure by approach	Points (f), (g), (k) and (m) of Article 439	Not applicable	

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EU CCR2	Transactions subject to own funds requirements for CVA risk	Point (h) of Article 439	Not applicable	
EU CCR3	Standardised approach - CCR exposures by regulatory exposure class and risk weights	Point (l) of Article 439 referring to point (e) of Article 444	Not applicable	
EU CCR4	IRB approach - CCR exposures by exposure class and PD scale	Point (l) of Article 439 referring to point (g) of Article 452	Not applicable	
EU CCR5	Composition of collateral for CCR exposures	Point (e) of Article 439	Not applicable	
EU CCR6	Credit derivatives exposures	Point (j) of Article 439	Not applicable	
EU CCR7	RWEA flow statements of CCR exposures under the IMM	Point (h) of Article 438	Not applicable - SG Luxembourg does not use the IMM approach	
EU CCR8	Exposures to CCPs	Point (i) of Article 439	Not applicable	
EU SECA	Qualitative disclosure requirements related to securitisation exposures	Points (a) to (i) of Article 449	Not applicable	
EU SEC1	Securitisation exposures in the non-trading book	Point (j) of Article 449	Not applicable	
EU SEC2	Securitisation exposures in the trading book	Point (j) of Article 449	Not applicable	
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Point (k)(i) of Article 449	Not applicable	
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Point (k)(ii) of Article 449	Not applicable	
EU SEC5	Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Point (l) of Article 449	Not applicable	
EU MRA	Qualitative disclosure requirements related to market risk	Points (a) to (d) of Article 435 (1)	Not applicable	
EU MR1	Market risk under the standardised approach	Article 445	Not applicable	
EU MRB	Qualitative disclosure requirements for institutions using the internal Market Risk Models	Points (a), (b), (c), (f) of Article 455	Not applicable	
EU MR2-A	Market risk under the internal Model Approach (IMA)	Point (e) of Article 455	Not applicable	
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Point (h) of Article 438	Not applicable - SG Luxembourg does not use IMA for Market Risk	
EU MR3	IMA values for trading portfolios	Point (d) of Article 455	Not applicable	
EU MR4	Comparison of VaR estimates with gains/losses	Point (g) of Article 455	Not applicable	
EU ORA	Qualitative information on operational risk	Articles 435(1), 438, 446 and 454	Yes	7.1-7.4
EU OR1	Operational risk own funds requirements and risk-weighted exposure amounts	Articles 438, 446 and 454	Yes	7.2
EU REMA	Remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	Yes	12
EU REM1	Remuneration awarded for the financial year	Point (h)(i)-(ii) of Article 450(1)	Yes	12.2
EU REM2	Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Point (h)(v) to (vii) of Article 450(1)	Not applicable - SG Luxembourg does not have special payments	
EU REM3	Deferred remuneration	Point (h)(iii) and (iv) of Article 450(1)	Yes	12.2
EU REM4	Remuneration of 1 million EUR or more per year	Point (i) of Article 450(1)	Not applicable - SG Luxembourg does not have remuneration higher than 1 million EUR	
EU REM5	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Point (g) of Article 450(1)	Yes	12.2
EU AE1	Encumbered and unencumbered assets	Article 443	Not applicable	
EU AE2	Collateral received and own debt securities issued	Article 443	Not applicable	
EU AE3	Sources of encumbrance	Article 443	Not applicable	
EU AE4	Accompanying narrative information	Article 443	Not applicable	



## 13.3 GLOSSARY

<b>Acronym</b>	<b>Definition</b>
<b>CCF</b>	Credit Conversion Factor
<b>CRD</b>	Capital Requirement Direction
<b>CRM</b>	Credit Risk Mitigation
<b>CRR</b>	Capital Requirement Regulation
<b>CVaR</b>	Credit Value-at-Risk
<b>EAD</b>	Exposure at Default
<b>EL</b>	Expected Loss
<b>IMM</b>	Internal Model Method
<b>IRBA</b>	Internal ratings-based approach- Advanced
<b>LCR</b>	Liquidity Coverage Ratio
<b>LGD</b>	Loss Given Default
<b>NSFR</b>	Net Stable Funding Ratio
<b>PD</b>	Probability of Default
<b>RW</b>	Risk Weighted
<b>RWA</b>	Risk Weighted Assets
<b>SFT</b>	Securities Financing Transactions
<b>SG</b>	Société Générale Head Office
<b>SG Group</b>	Société Générale Head Office and all its subsidiaries
<b>SG Luxembourg or SGL</b>	Société Générale Luxembourg without its subsidiaries
<b>SGL Group</b>	Société Générale Luxembourg with its subsidiaries
<b>VaR</b>	Value-at-Risk
<b>SGCMF</b>	SG Capital Market Finance S.A.
<b>SGFD</b>	SG Financing and Distribution S.A.
<b>SG LuCI</b>	Société Générale Luxembourg Credit Insurance

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