
GLOSSARY

CORPORATE SOCIAL RESPONSIBILITY GLOSSARY

AA1000: the AccountAbility 1000 (AA1000) framework standard was published in November 1999 by the predominantly Anglo-Saxon Institute of Social and Ethical Accountability (ISEA). Based on systematic stakeholder engagement in a company's day-to-day business, it contains a series of indicators, targets and reporting systems designed to assure the credibility of a company's performance in such respect. Various major corporations, non-governmental organisations and public institutions are among those to have adopted the standard.

ADEME: the Environment and Energy Management Agency (ADEME or Ademe) is a French public industrial and commercial institution (EPIC) created in 1991. It is under the joint authority of the French ministries responsible for research and innovation, the ecological and solidarity transition, and higher education. ADEME drives, manages, coordinates, facilitates and carries out environmental protection and energy control operations.

Aggregation vehicle: a consolidating entity that pools individual investments so as to reach the critical mass needed to gain access to the markets.

ALD Automotive: a subsidiary of Societe Generale, ALD Automotive is the European leader in enterprise automotive mobility solutions. Operating in 43 countries, ALD Automotive provides companies with operational vehicle leasing and fleet management solutions.

Belt and Road: the new silk road comprises a "belt" of overland rail links and a "road" of shipping routes linking China to Europe through Kazakhstan, Russia, Belarus, Poland, Germany, France and the United Kingdom.

Blended finance: the strategic use of development finance and philanthropic funds to encourage additional inflows of private capital for emerging markets, generating positive results for both investors and local communities.

BRD: Societe Generale's subsidiary in Romania, the Romanian Development Bank is a universal bank offering a comprehensive range of services to all types of clients.

CIU (Collective Investment Undertaking): a type of financial instrument set up by an accredited entity to manage savings in accordance with a predefined strategy. It is effectively a professionally managed share portfolio. All sums invested in a CIU are pooled and converted into units or shares in the undertaking. These units or shares reflect the portfolio's value at any given time. This value is expressed as a "net asset value", calculated by dividing the total value of the CIU's net assets by the total number of its units or shares. The net asset value represents both the subscription price for a unit or share (with fees being payable in addition) and its redemption price.

Convention d'Occupation Temporaire: a contract between a public entity and, typically, a private one, under which the latter is authorised to temporarily occupy part of the public domain. A pavement café would need such a contract, for example, for its outdoor seating.

CSA: French polling institute specialising in market research and opinion polls.

Eco-PTZ+: an interest-free loan for energy renovation work in residential properties. Subject to certain conditions, owners, occupiers and co-ownership associations can apply for loans ranging from EUR 7,000 to EUR 50,000, depending on the work they want to finance. The scheme is set to run until 31 December 2023.

EMEA: an abbreviation sometimes used by companies or organisations to refer to the business region encompassing Europe, the Middle East and Africa.

Equipment finance: financing of sales and capital goods.

ETF: Exchange Traded Funds (ETFs) are financial instruments that faithfully track the upward or downward movements in an underlying index.

FTE: refers to work performed on a full-time equivalent basis, in line with the legal working hours for the country in question.

Finansol: first introduced in 1997, the Finansol label marks out solidarity-based savings products from other savings vehicles for the general public.

Fing: the *Fondation Internet Nouvelle Génération* (New Generation Internet Foundation) is a French non-profit association set up in 2000. Its work falls into four main categories: bringing people together around new technologies; taking part in emerging ethical and societal debates; fostering innovative ideas and projects; and encouraging partnerships and the appropriation of innovation.

Framework: a document setting out the terms and conditions defined by the issuing entity for sustainable bond issues.

Fronting bank: a fronting bank is the bank directly liable to the beneficiary of a letter of credit, bond or guarantee for the full amount thereof. It is counter-indemnified by the syndicate lenders *pro rata* to their participation in the relevant facility. The beneficiary does not have any direct payment rights against the syndicate lenders.

Green, social and sustainable loans, bonds and securitisations: green, social and sustainable loans or bonds finance projects offering clearly identified environmental and/or social benefits.

Green, sustainable export finance: trade finance instruments that support, guarantee and/or finance an underlying project that has a clear positive impact on the environment.

Greenfin: an initiative launched by the French Ministry for the Ecological and Solidarity Transition, Greenfin certification is a guarantee of an investment fund's green credentials. The label can be awarded to funds that invest in the common good and whose practices are transparent and sustainable. Funds that invest in companies in the nuclear and fossil fuel industries are not eligible for the Greenfin label.

GRI: the Global Reporting Initiative, or GRI, is an NGO founded in 1997 by the CERES (Coalition for Environmentally Responsible Economies) and the UNEP (United Nations Environment Programme) that has attracted stakeholders (companies, organisations, non-profit associations, etc.) from around the world. It was set up to develop a reporting framework allowing companies to measure how they are doing in terms of sustainable development. It has published a series of standards designed to help companies report on their economic, social and environmental performance.

IIRC: the International Integrated Reporting Council (IIRC) is a global coalition of companies, investors, regulators, standard setters, members of the accounting profession and NGOs. Its members are united by the conviction that corporate reporting needs to be made more about value creation. To help make this happen, the International IR Framework provides a common set of guidelines, key concepts and components for Integrated Reporting.

International Capital Market Association (ICMA): a global professional body and *de facto* regulator whose members include investment banks and securities dealers active on the international debt capital market.

Ipsos: French polling company founded in 1975 that also conducts opinion marketing research worldwide.

Issuing bank: a financial organisation or bank that grants credit or credit cards through card associations, opening a letter of credit in favour of a seller or exporter (the beneficiary), which is then forwarded onto an advising bank, the issuing bank undertaking to honour all demand drafts. The issuing bank thus promises to make good on charges made by the credit card holder.

KB: Societe Generale's subsidiary in the Czech Republic, Komerční banka is a universal bank offering a comprehensive range of services to all types of clients.

LDDS: the *Livret de développement durable et solidaire* (sustainable development and solidarity savings account) is an instant-access interest-bearing savings account designed to finance small- and medium-sized enterprises, as well as the social and solidarity economy. Since 1 October 2020, LDDS accountholders have also had the option of making donations to one or more social and solidarity companies or non-profit associations.

Le Chaînon Manquant: French non-profit association that combats food waste by recovering good-quality unsold foodstuffs from catering establishments for redistribution to those in need.

LGBTI: an acronym for people who are lesbian, gay, bisexual, transgender or intersex. It encompasses all those who engage in anything other than solely heterosexual relations.

Livret A: an interest-bearing, instant-access savings passbook that is regulated, meaning that its terms – especially the cap and interest rate – are set by the public authorities. Part of the deposits in such accounts can be used to help finance social housing projects. The *Caisse des Dépôts et Consignations* pools 60% of all funds on *Livret A* accounts, using them to invest in projects in the public interest, such as building social housing and granting long-term loans to providers of social housing or to local authorities for infrastructure development, including building hospitals and transport infrastructure. The remaining 40% is managed by the banks and generates interest for savers.

LuxFLAG: the Luxembourg Finance Labelling Agency (LuxFLAG) is an independent and international non-profit association founded in July 2006. It aims to promote sustainable investments by awarding a transparent label to investment vehicles that are active in the fields of microfinance, the environment, ESG (environment, social, governance), climate finance and green bonds. LuxFLAG labels are designed to reassure investors that the investment vehicle in question genuinely pursues responsible investment of the assets it manages. There are no restrictions on eligibility for international investment vehicles based on issuing countries or where the vehicle is domiciled. LuxFLAG is guided by four core values: sustainability, transparency, independence and responsibility.

Lyxor: Lyxor Asset Management Group is a Societe Generale subsidiary. With its offer of investment solutions, the Lyxor Group is a European asset management specialist and one of the leaders in ETFs. At the end of 2021, Amundi and Societe Generale announced the completion of Amundi's acquisition of Lyxor from Societe Generale.

Mutual fund: a fund that pools securities for a number of investors, each of which holds a number of units in the fund proportionate to their investment. The investors are not shareholders in the fund and have no influence over how it is managed. Called FCPs (*fonds commun de placement*) in France, these funds are a type of CIU (collective investment undertaking) offering the opportunity to invest collectively in a portfolio of French or foreign securities.

OMDF (Off-Grid Market Development Fund): a fund that aims to step up the rollout of sustainable electricity in Madagascar through the use of off-grid solar solutions.

PEA PME/ETI: a French share savings plan designed to finance SMEs/mid-caps. The PEA PME/ETI was created to encourage French-resident savers to invest in French SMEs and mid-caps, in return for certain tax benefits. Savers benefit from tax reductions on the capital gains they derive from these plans, subject to certain conditions (such as a minimum holding period).

Phenix: a French start-up founded in 2014 to offer companies a way to cut down on waste. Phenix collects their unsold goods (foodstuffs, toiletries, cleaning products, school supplies, etc.) and then either donates them to food banks and charities or sells them at cut-price rates through its mobile app.

Physical risk: refers to the financial impact of climate change, as a result of more frequent extreme weather events as well as progressive climate change. Physical risks can be either “acute” (impact of extreme weather events, such as storms and flooding) or chronic (impact of more progressive shifts, such as higher temperatures, rising sea levels and water stress). These physical risks may have financial implications for organisations, such as direct damage, supply shocks (affecting their own assets or else their supply chains, resulting in an indirect impact) or demand shocks (affecting downstream destination markets). An organisation’s financial performance may also be affected by changes in water availability, sourcing and quality, food security, or extreme temperature variations affecting its premises, operations, supply chains, transport needs and employee safety.

Positive Impact note: Societe Generale has put together a range of positive impact notes (PI Notes) that offer investors the opportunity to invest in a structured note with the additional benefit of promoting Positive Impact Finance. When a client invests in PI Notes, Societe Generale commits to holding in its books an amount of Positive Impact Finance assets equivalent to 100% of the outstanding nominal amount of the note.

Positive-impact project: a project whose environmental or social impacts have been measured and evaluated prior to its launch to identify how it will contribute to positive change for society or the planet. Positive-impact projects can cover a range of fields: the environment, education, social issues, health, food, biodiversity, gender equality, etc.

RE2020: new French environmental regulations introduced with a view to taking energy efficiency and user comfort a step further in buildings whilst reducing their carbon footprint.

Rosbank: Societe Generale’s subsidiary in Russia, Rosbank is a universal bank offering a comprehensive range of services to all types of clients.

Social impact bond: financial bonds issued by the public sector to private operators on a pay-for-success basis to finance social projects.

Societe Generale Equipment Finance (SGEF): a subsidiary of the Societe Generale Group, SGEF specialises in financing sales and professional capital goods. Operating in 40 countries, SGEF offers its clients solid knowledge of the transport, industrial equipment and high-tech sectors.

Speak-up culture: in human resources, this refers to a working environment where people feel welcome, included and free to express their views and opinions, confident in the knowledge that they will be heard and acknowledged.

SPI: Sustainable and Positive Investment for wealth and asset management activities, including the structuring of products aimed at institutional and individual investors.

SPIF: Sustainable and Positive Impact Finance involves financing clients’ credit institution, leasing and/or support activities with a view to boosting their positive impact.

SRI: the SRI (Socially Responsible Investment) label is a tool for choosing sustainable and responsible investments. Created and supported by the French Ministry of Finance, the label aims to raise the profile of SRI products for savers in France and Europe.

Sustainability-linked bond: any type of bond instrument for which the characteristics (especially the financial characteristics) can vary depending on whether the issuer achieves certain predefined environmental, social and/or governance objectives.

Sustainability-Linked Bond Principles (SLBP): a set of guidelines intended for use by market participants and designed to drive the provision of the information needed to increase capital allocation to sustainability-linked bonds. The SLBP are applicable to all types of issuers and financial capital market instruments.

Sustainability-linked derivative: a derivative which creates an ESG-linked cash-flow in the context of a traditional derivative instrument (such as an increase in spread linked to a failure to meet an ESG target).

Sustainability-linked loan: a credit facility granted with an interest rate that varies according to the borrower's ESG performance. Also referred to as positive-impact loans.

Sustainable bond: a form of debt securities, sustainable bonds are issued to finance one or more existing, progressing or new projects that are identified and classified as "sustainable". Such bonds are intended for all investor classes. A project's "sustainability" is defined by its positive contribution to a sustainable development goal (social or environmental).

Sustainable bond issue: with a sustainable bond issue, the entirety of the net proceeds from the issue go towards financing or refinancing environmental and social projects.

Transition risk: refers to the risk of financial losses for an institution as a direct or indirect result of adjusting to a more environmentally sustainable low-carbon economy. Transitioning to a low-carbon economy to meet the challenges of mitigating and adapting to climate change can involve major political, legal, technological and market changes. The exact nature and direction of these changes, as well as how fast they occur, will affect the extent of the financial and reputational risk elements making up transition risks. Although the TCFD's recommendations do not specifically mention it, the Group also includes within transition risk the liability risk arising from possible compensation claims from parties having sustained losses as a result of physical or transition risks.

Visits per month: a website visit is counted when an internet user views one or more pages over a one-month period.

WWF: the World Wildlife Fund is an international non-governmental organisation (INGO) established in 1961, dedicated to environmental protection and sustainable development. It is one of the world's largest environmental INGOs with more than six million supporters worldwide, working in more than 100 countries and supporting some 1,300 environmental projects.

GLOSSARY OF MAIN TECHNICAL TERMS

ACRONYM TABLE

Acronym	Definition	Glossary
ABS	Asset-Backed Securities	See: Securitisation
CDS	Credit Default Swap	See: Securitisation
CDO	Collateralised Debt Obligation	See: Securitisation
CLO	Collateralised Loan Obligation	See: Securitisation
CMBS	Commercial Mortgage Backed Securities	See: Securitisation
CRD	Capital Requirement Directive	
CVaR	Credit Value at Risk	
EAD	Exposure at default	
EL	Expected Loss	
ESG	Environment, Social and Governance	
G-SIB	Global Systemically Important Banks	See: SIFI
LCR	Liquidity Coverage Ratio	
LGD	Loss Given Default	
NSFR	Net Stable Funding Ratio	
PD	Probability of Default	
RMBS	Residential Mortgage Backed Securities	See: Securitisation
RWA	Risk Weighted Assets	
SVaR	Stressed Value at Risk	
VaR	Value at Risk	

Asset Backed Securities (ABS): see securitisation.

Basel 1 (Accords): prudential framework established in 1988 by the Basel Committee to ensure solvency and stability in the international banking system by setting an international minimum and standardised limit on banks' capital bases. It notably establishes a minimum capital ratio – as a proportion of the total risks taken on by banks – of 8% (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 2 (Accords): prudential framework used to better assess and limit banks' risks. It is focused on banks' credit, market and operational risks (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Basel 3 (Accords): changes to prudential banking standards that supplement the Basel 2 accords by improving the quality and quantity of banks' required capital. They also implement minimum requirements in terms of liquidity risk management (quantitative ratios), define measures to limit the financial system's procyclicality (capital buffers that vary according to the economic cycle) and strengthen requirements related to systemically significant banks (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012). The Basel 3 Accords are implemented in Europe under Directive 2013/36/EU ("CRD4") and Regulation 575/2013 ("CRR"), which have been in force since 1 January 2014.

Bond: a bond is a fraction of a loan, issued in the form of a security, which is tradable and – in a given issue – grants a receivable over the issuer according to the issue's nominal value (the issuer being a company, public sector entity or government).

Cash Generating Unit (CGU): the smallest identifiable set of assets which generates incoming cash flow that is generally independent from the incoming cash flow generated by other assets or sets of assets in accordance with the IAS 36 accounting standard. "In accordance with IFRS standards, a company must determine the largest number of cash generating units (CGU) which make it up; these CGU should be generally independent in terms of operations and the company must allocate assets to each of these CGU. Impairment testing must be conducted at the CGU level periodically (if there are reasons to believe that their value has dropped) or annually (if they include goodwill)." (Source: *Les Echos.fr*, quoting Vernimmen).

Collateral: transferable asset or guarantee used as a pledge for the repayment of a loan in the event that the borrower cannot meet its payment obligations (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Collateralised Debt Obligation (CDO): see securitisation.

Collateralised Loan Obligation (CLO): see securitisation.

Commercial Mortgage Backed Securities (CMBS): see securitisation.

Common Equity Tier 1 capital: includes principally share capital, associated share premiums and reserves, less prudential deductions.

Common Equity Tier 1 ratio: ratio between **Common Equity Tier 1** capital and risk-weighted assets, according to CRD4/CRR rules. Common Equity Tier 1 capital has a more restrictive definition than in the earlier CRD3 Directive (Basel 2).

Comprehensive Risk Measurement (CRM): capital charge in addition to Incremental Risk Charge (IRC) for the credit activities correlation portfolio which accounts for specific price risks (spread, correlation, collection, etc.). The CRM is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Core Tier 1 ratio: ratio between Core Tier 1 capital and risk-weighted assets, according to Basel 2 rules and their changes known as Basel 2.5.

Cost-to-income ratio: ratio indicating the share of net banking income (NBI) used to cover the company's operating costs. It is determined by dividing management fees by the NBI.

Cost of risk in basis points: the cost of risk in basis points is calculated using the ratio of the net cost of commercial risk to loan outstandings at the start of the period.

Net cost of risk corresponds to the cost of risk calculated for on- and off-balance sheet exposures, *i.e.* Depreciation and reversals (used or not used) + Losses on unrecoverable receivables - Recovery of impaired debts. Provisions and reversals of provisions for litigation issues are excluded from this calculation.

CRD3: European Directive on capital requirements, incorporating the provisions known as Basel 2 and 2.5, notably in respect of market risk: improvement in the incorporation of the risk of default or rating migration for assets in the trading book (tranchés and untranchés assets), and reduction in the procyclicality of Value at Risk (see definition).

CRD4/CRR (Capital Requirement Regulation): Directive 2013/36/EU ("CRD4") and Regulation (EU) No. 575/2013 ("CRR") constitute the corpus of the texts transposing Basel 3 in Europe. They therefore define the European regulations relating to the solvency ratio, large exposures, leverage and liquidity ratios, and are supplemented by the European Banking Authority's ("EBA") technical standards.

Credit and counterparty risk: risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk also includes the counterparty risk linked to market transactions, as well as that stemming from securitisation activities.

Credit Default Swaps (CDS): insurance mechanism against credit risk in the form of a bilateral financial contract, in which the protection buyer periodically pays the seller in return for a guarantee to compensate the buyer for losses on reference assets (government, bank or corporate bonds) if a credit event occurs (bankruptcy, payment default, moratorium, restructuring) (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Credit Value at Risk (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.

Derivative: a financial asset or financial contract, the value of which changes based on the value of an underlying asset, which may be financial (equities, bonds, currencies, etc.) or non-financial (agricultural or other commodities, etc.). Depending on the circumstances, this change may be accompanied by a leverage effect. Derivatives can take the form of securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Listed derivative contracts are called Futures.

Doubtful loan coverage rate: ratio between portfolio provision and depreciation and doubtful outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Expected Loss (EL): losses that may occur given the quality of a transaction's structuring and all measures taken to reduce risk, such as collateral.

Exposure at default (EAD): Exposure in case of default, exposure incurred by the financial institution in the event of default of a counterparty. The EAD includes both balance sheet and off-balance sheet exposures. Off-balance sheet exposures are converted to their balance sheet equivalent using internal or regulatory conversion factors (drawdown assumption).

Fair value: the amount for which an asset could be exchanged or a liability settled, between informed and consenting parties under normal market conditions.

Government-backed loans (PGE): In light of the Covid-19 pandemic, the French State set up an emergency financing scheme to help debtors manage their cash requirements for an amount capped at 25% of their revenue and with an initial bullet redemption phase over 12 months. At the end of this initial phase, the client may opt for a redemption period of up to five years.

Ninety percent of the loan amount for professional and VSB clients is backed by the French government. The only cost to these clients is a 0.25% commission to the French Public Investment Bank (BPI).

For corporate clients, 70% to 90% of the loan amount is backed by the French government. The only cost to these clients is a commission of between 0.25% and 0.50% paid to the French government and collected by the French Public Investment Bank (BPI) depending on the revenue bracket.

Gross rate of doubtful outstandings: the ratio between doubtful outstandings and gross book loan outstandings (customer loans and receivables, loans and receivables with credit institutions, finance leases and basic leases).

Haircut: percentage by which the market value of securities is reduced to reflect their value in the context of stress (counterparty or market stress risk). The extent of the reduction reflects the perceived risk.

Impairment: recording of probable loss on an asset (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Incremental Risk Charge (IRC): capital cost incurred due to rating migration risk and risk of issuers' default within a one-year horizon for trading book debt instruments (bonds and CDS). The IRC is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Insurance risk: beyond asset/liability risk management (interest-rate, valuation, counterparty and currency risk), insurance risk includes underwriting risk, mortality risk and structural risk of life and non-life insurance activities, including pandemics, accidents and catastrophic events (such as earthquakes, hurricanes, industrial disasters, or acts of terrorism or war).

Internal Capital Adequacy Assessment Process (ICAAP): process outlined in Pillar 2 of the Basel Accord, by which the Group verifies its capital adequacy with regard to all risks incurred. Investment grade: long-term rating provided by an external ratings agency, ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or underlying issue. A rating of BB+/Ba1 or lower indicates a Non-Investment Grade instrument.

Leverage ratio: the leverage ratio is intended to be a simple ratio developed with a view to limiting the size of banks' balance sheets. The leverage ratio compares the Tier 1 capital with the accounting balance sheet/off-balance sheet, after restatements of certain items. A new definition of leverage ratio has been implemented in accordance with the application of the CRR.

Liquidity: for a bank, the capacity to cover its short-term maturities. For an asset, this term indicates the potential to purchase or sell it quickly on the market, with a limited discount (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Liquidity Coverage Ratio (LCR): this ratio is intended to promote the short-term resilience of a bank's liquidity risk profile. The LCR requires banks to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without central bank support (Source: December 2010 Basel document).

Loss Given Default (LGD): ratio between the loss incurred from exposure to default by a counterparty and the amount of the exposure at the time of default.

Market risk: risk of decline in the value of 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, including real estate.

Market stress tests: to assess market risks, alongside the internal VaR and SVaR model, the Group monitors its exposure using market stress test simulations to take into account exceptional market occurrences, based on 26 historical scenarios and eight hypothetical scenarios.

Mezzanine: form of financing between equity and debt. In terms of ranking, mezzanine debt is subordinate to senior debt, but it is still above equity.

Minimum requirement of own funds and eligible liabilities (MREL): the EU Bank Recovery and Resolution Directive (BRRD) requires compliance with a minimum ratio of “bail-inable” debt (*i.e.* debt that can be used in the event of the bank’s resolution). The MREL requirement is determined on a case-by-case basis for each bank.

Monoline insurer: insurance company participating in a credit enhancement transaction and which guarantees bond issues (for example, a securitisation transaction), in order to improve the issue’s credit rating.

Net earnings per share: net earnings of the company (adjusted for hybrid securities recorded under equity instruments) divided by the weighted average number of shares outstanding.

Net Stable Funding Ratio (NSFR): this ratio aims to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding. This structural ratio has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities (Source: December 2010 Basel document).

Netting agreement: a contract in which two parties to a forward financial instrument, securities lending or resale contract agree to offset reciprocal claims arising from these contracts, with the settlement of these claims based only on the net balance, especially in the event of default or termination. A master netting agreement enables this mechanism to be extended to different kinds of transactions, subject to various framework agreements under a master agreement.

Operational risk (including accounting and environmental risk): risk of losses or sanctions, notably due to failures in procedures and internal systems, human error or external events, etc.

Own shares: shares held by the company, especially as part of the Share Buyback programme. Own shares are excluded from voting rights and are not included in the calculation of earnings per share, with the exception of shares held as part of a liquidity contract.

Personal commitment: represented by a deposit, autonomous guarantee or letter of intent. Whoever makes themselves guarantor for an obligation binds themselves to the creditor to honour that obligation, if the debtor does not honour it themselves. An independent guarantee is an undertaking by which the guarantor binds himself, in consideration of a debt subscribed by a third party, to pay a sum either on first demand or subject to terms agreed upon. A letter of intent is an undertaking to do or not to do, the purpose of which is the support provided to a debtor in honouring their obligation.

Physical collateral: guarantees consisting of assets including tangible and intangible property and securities, including commodities, precious metals, cash, financial instruments and insurance contracts.

Prime Brokerage: a bundled package of services dedicated to hedge funds to facilitate and improve their activities. In addition to performing standard brokerage transactions on financial markets (buying and selling on the customer’s behalf), the prime broker offers securities lending and borrowing services and financing services specifically suited to hedge funds.

Probability of Default (PD): likelihood that a counterparty of the bank will default within one year.

Rating: assessment by a ratings agency (Moody’s, Fitch Ratings, Standard & Poor’s) of the financial solvency risk of an issuer (company, government or other public institution) or of a given transaction (bond loan, securitisation, covered bond). The rating has a direct impact on the cost of raising capital (Source: Bank of France Glossary - Documents et Débats - No. 4 - May 2012).

Resecuritisation: securitisation of an already securitised exposure where the risk associated with underlyings is divided into tranches and, therefore, at least one of the underlying exposures is a securitised exposure.

Residential Mortgage Backed Securities (RMBS): see securitisation.

Return On Equity (ROE): ratio between the net income restated for interest on hybrid securities recorded under equity instruments and restated book equity (especially hybrid securities), which enables return on capital to be measured.

Risk appetite: level of risk, by type and by business line, that the Group is prepared to take on with regard to its strategic objectives. Risk appetite is derived using both quantitative and qualitative criteria. The Risk Appetite exercise is one of the strategic steering tools available to the Group’s decision-making bodies.

Risk weight: percentage of weighting of exposures which is applied to a particular exposure in order to determine the related risk-weighted asset.

Risk-Weighted Assets (RWA): value of a bank’s assets or exposures, weighted according to risk.

Securitisation: transaction that transfers a credit risk (loan outstandings) to an organisation that issues, for this purpose, tradable securities to which investors subscribe. This transaction may involve a transfer of outstandings (physical securitisation) or a transfer of risk only (credit derivatives). Securitisation transactions may, if applicable, enable securities subordination (tranches).

The following products are considered securitisations:

ABS: Asset Backed Securities.

CDO: Collateralised Debt Obligation, a debt security backed by an asset portfolio (bank loans (residential) or corporate bonds). Interest and principal payments may be subordinated (tranche creation).

CLO: Collateralised Loan Obligation, a CDO backed by an asset portfolio of bank loans.

CMBS: Commercial Mortgage Backed Securities, a debt security backed by an asset portfolio of corporate real estate loans leading to a mortgage.

RMBS: Residential Mortgage Backed Securities, a debt security backed by an asset portfolio of residential mortgage loans.

Share: equity stake issued by a company in the form of shares, representing a share of ownership and granting its holder (shareholder) the right to a proportional share in any distribution of profits or net assets as well as a right to vote in a General Meeting of Shareholders.

Stressed Value at Risk (SVaR): identical to the VaR approach, the calculation method consists of a “historical simulation” with “one-day” shocks and a 99% confidence interval. Unlike the VaR, which uses 260 scenarios of daily variation year-on-year, the stressed VaR uses a fixed one-year window that corresponds to a historical period of significant financial tensions.

Structural interest rate and currency risk: risk of loss or of write-downs in the Group’s assets arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks are incurred in commercial activities and proprietary transactions.

Structured issue or structured product: a financial instrument combining a bond product and an instrument (an option for example) providing exposure to all types of asset (equities, currencies, interest rates, commodities). Instruments can include a total or partial guarantee in respect of the invested capital. The term “structured product” or “structured issue” also refers to securities resulting from securitisation transactions, where holders are subject to a ranking hierarchy.

Systemically Important Financial Institution (SIFI): the Financial Stability Board (FSB) coordinates all of the measures to reduce moral hazard and risks to the global financial system posed by Globally Systemically Important Financial Institutions (G-SIFI). These banks meet criteria defined in the Basel Committee rules included in the document titled “Global Systemically Important Banks: Assessment methodology and the additional loss absorbency requirement” and published as a list in November 2011. This list is updated by the FSB each November. Banks classified as G-SIBs are subject to increasingly strict capital requirements.

Tier 1 capital: comprises Common Equity Tier 1 capital and Additional Tier 1 capital. The latter corresponds to perpetual debt instruments, with no incentive to redeem, less prudential deductions.

Tier 2 capital: supplementary capital consisting mainly of subordinated notes less prudential deductions.

Tier 1 ratio: ratio between Tier 1 capital and risk-weighted assets.

Total capital ratio or Solvency ratio: ratio between total (Tier 1 and Tier 2) capital and risk-weighted assets.

Total Loss Absorbing Capacity (TLAC): on 10 November 2014, the Financial Stability Board (FSB) published for public consultation a term sheet proposing a “Pillar 1” type requirement regarding loss-absorbing capacity in the event of resolution. This new requirement only applies to G-SIBs (Global Systemically Important Banks). It is a ratio of liabilities considered to be “bail-inable” in the event of resolution and calculated with respect to weighted risks or the leverage ratio denominator (Source: *Revue de l’ACPR*, No. 25).

Transformation risk: appears as soon as assets are financed through resources with a different maturity. Due to their traditional activity of transforming resources with a short maturity into longer-term maturities, banks are naturally faced with transformation risk which itself leads to liquidity and interest-rate risk. Transformation occurs when assets have a longer maturity than liabilities; anti-transformation occurs when assets are financed through longer-maturity resources.

Treasury shares: shares held by a company in its own equity through one or several intermediary companies in which it holds a controlling share either directly or indirectly. Treasury shares are excluded from voting rights and are not included in the calculation of earnings per share.

Value at Risk (VaR): composite indicator used to monitor the Group’s daily market risk exposure, notably for its trading activities (99% VaR in accordance with the internal regulatory model). It corresponds to the greatest risk calculated after eliminating the top 1% of most unfavourable occurrences observed over a one-year period. Within the framework described above, it corresponds to the average of the second and third largest losses computed.

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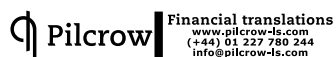
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A French limited company founded in 1864

Share capital: EUR 1,046,405,540

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