SG Issuer
Société anonyme

Financial statements and reports of the réviseur d’entreprises agréé

For the year ended 31 December 2014

33, boulevard Prince Henri

L-1724 Luxembourg

R.C.S. Luxembourg: B121.363

Index

Executive Board Members:
For the year ended at 31 December 2014

Chairman:

Mr Yves CACCLIN

Employee of Société Générale Bank and Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Directors:

Mrs Sophie ROBATCHE-CLAIVE

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense, France

Mr Amaury de BELER

Employee of Société Générale Bank and Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Mr Alexandre GALLICHE

Employee of Société Générale Bank and Trust

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Mr Marc AUGIER

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Mrs Laetitia JOURNE

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense, France

Report of the Executive Board and Corporate Governance Statement

SG Issuer S.A.

The Directors of the Company (each a « Director », collectively the « Executive Board ») present the annual financial statements and the Report of the Executive Board of the Company for the year from 1 January 2014 to 31 December 2014.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The corporate objects of SG Issuer are to issue debt securities, bonds, certificates (the « Notes ») with all types of underlyings including, without restriction, shares, index, interest rate, dividend, credit risk, foreign exchange, commodities, funds, warrants, etc,... allowing investors to access to the full pricing capabilities of Société Générale which proposes an extensive range of investment strategies linked to these various asset classes.

Payments in respect of the Notes issued by the Company will be unconditionally and irrevocably guaranteed by Société Générale. In addition, on request of investors, the Company can issue collateralised Notes ("Secured Notes") in order to propose an additional layer of protection to investors, in case of default of Société Générale. Notes issuances are governed by the Base Prospectus prepared by Société Générale as arranger, in particular the Base Prospectus approved by CSSF on the 26 June 2012, on the 29 April 2013 and the Base Prospectus approved by CSSF on the 29 April 2014. Notes issued by the Company can be sold in either Private Placements or Public Offerings.

The state of business of the Company at the closing of the financial year is adequately presented in the Balance sheet and the Profit and Loss Account, published herewith. The increase in total assets and liabilities is due to the development of the activity of issuing financial instruments. During the annual period ended 31 December 2014, 10.257 Notes were issued, including 344 Secured Notes. The profit for the annual financial period amounts to KEUR 209.

The Company did not exercise any research and development activity, neither have a branch, nor acquire own shares.

2. RISKS AND UNCERTAINTIES

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

For each Note, the Company systematically hedges its position by dealing a swap in front of Société Générale, with strictly identical characteristics. The legal documentation and the derivatives instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, the Company is not submitted to market risk.

3. FUTURE DEVELOPMENTS

The Executive Board does not anticipate any major changes during the financial year 2015 but expects an increase of the Notes issued during the year 2015. The Company also intends to issue warrants in the second semester of 2015, subject to all the internal and regulatory approvals needed.

4. POST BALANCE SHEET EVENTS

By resolutions adopted on 13 January 2015, the Executive Board decided to increase the capital of the Company from EUR 2.000.040 to EUR 2.000.080 by the issue of a new share with a nominal value of EUR 40 underwritten by the only shareholder. The share capital represents, after this increase, 50.002 shares with an unchanged nominal value.
Such increase also resulted in an allocation by the Company to its capital surplus account of EUR 92.463.032.

There was no other subsequent event which could have had significant impact on the financial statements of the Company as at 31 December 2014.

5. CORPORATE GOVERNANCE STATEMENT

The Executive Board of SG Issuer (the Company hereafter) is committed to maintaining the standards of corporate governance enforced at the level of the European Union and at Société Générale Group. This statement describes the Company's governance principles and practices.
In compliance with its status, the Company is governed by an Executive Board and supervised by a dedicated Supervisory Board.

5.1 Executive Board

The Executive Board supervises and controls the management and operations of the Company and is responsible for the Company system of risk management and internal control.
The Board meetings are held at least once per month and when necessary, more frequently.
The Board has quorum when more than half of its members are present. An opinion supported by more than half of the members present becomes a decision

The key tasks of the Executive Board are:

- To ensure that the supervision of accounting is organized and monitored appropriately,
- To review and approves the Company's financial statements,
- To supervise and controls operative management.

5.2 Supervisory Board

The Supervisory Board insures permanently and by all means suited the control of the management of the Company carried out by the Executive Board. However this supervision has to be translated in no way by an intervention in the management of the Company. The Supervisory board can mandate advisory committees comprised of members of the Supervisory board and/or of other non members to lead different missions. The Supervisory board can confer these advisory committees of the power or mandates permanently or temporary. These advisory committees cannot have the effect of restricting the powers of the Executive Board. In 2014, the Supervisory board didn't create specific committee on SGIS.

5.3 Internal Audit

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

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

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

5.4 Controls of conformity

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

The Chief Financial Officer of the Company ensures the coordination of the periodic accounting closing with all the teams involved while performing a second level control of conformity.

5.5 New Products Committee

All the new activities and business of the Company are analyzed and authorized by a dedicated New Product Committee (NPC). All the involved departments are presented (operations, finance, risk, accounting standards,...) to assess the impact for the Company.

5.6 Service legal agreements

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

Service Level Agreements ("SLA" here below) were signed by the Company with SGBT Luxembourg and with Société Générale Group. The SLAs govern the relations between the entities, as well as their respective obligations. The services supplied by SGBT Luxembourg and SG Group are listed in the appendices of the agreements (among others, internal audit, first level of controls of conformity, back office, risk monitoring, compliance...)

The description of the risk management relative to the financial information is described in Note 21 hereafter.

For the Executive Board

Marc AUGIER

Member of the Executive Board

Alexandre GALLICHE

Member of the Executive Board

Amaury de BELER

Member of the Executive Board

Deloitte.

Deloitte Audit
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To the sole Shareholder of
SG Issuer
33, boulevard Prince Henri
L-1724 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the financial statements

Following our appointment by the General Assembly of the Shareholders dated April 23, 2015, we have audited the accompanying financial statements of SG Issuer, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Executive Board for the financial statements

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

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
VAT LU25101535
Autorisation d'établissement : 10022179

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SG Issuer as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Report of the Executive Board, which is the responsibility of the Executive Board, is consistent with the financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

Stéphane Césari, Réviseur d'entreprises agréé
Partner

April 30, 2015

SG Issuer
Société Anonyme

Statement of Comprehensive Income
For the year ended 31 December 2014
(Expressed in thousands of EUR)

	Notes	2014	2013
Interest income	13	1 551	3 965
Commission income		-	-
Net gain from financial instruments through profit and loss	14	108 476	105 623
Total revenue		**110 027**	**109 588**
Interest expenses	13	(94 463)	(102 186)
Commission expenses		-	(2)
Personnel expenses	15	(211)	(75)
Other operating charges	16	(15 144)	(6 843)
Total expenses		**(109 818)**	**(109 106)**
Profit before tax		**209**	**483**
Income tax benefit	17	-	-
Profit for the financial year		**209**	**483**
Total comprehensive income for the year		**209**	**483**

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

SG Issuer
Société Anonyme

Statement of Financial Position
As at 31 December 2014
(Expressed in thousands of EUR)

	Notes	2014	2013
Cash and cash equivalents	4	94 600	10 143
Financial assets measured at fair value through profit or loss	5	23 409 519	21 182 332
Loans and receivables	6	61 701	148 494
Current tax assets		-	-
Other assets	7	1 436	8 650
Total assets		**23 567 256**	**21 349 619**
Financial liabilities at amortised cost	8	140 719	146 513
Financial liabilities measured at fair value through profit and loss	9	23 408 518	21 182 309
Other liabilities	10	6 093	8 631
Total liabilities		**23 555 330**	**21 337 453**
Share capital	11	2 000	2 000
Legal reserve	12	200	200
Other reserves	12	9 466	9 466
Retained earnings		51	18
Profit for the financial year		209	482
Total equity		**11 926**	**12 166**
Total equity and liabilities		**23 567 256**	**21 349 619**

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

SG Issuer
Société Anonyme

Statement of Changes in Equity
For the year ended 31 December 2014
(Expressed in thousands of EUR)

	Share capital	Legal reserve	Other reserves	Capital surplus account	Retained earnings	Profit for the financial year	Total equity
Notes	11	12	12				
As at 31 December 2012	**2 000**	**200**	**7 802**	**-**	**1**	**5 233**	**15 236**
Allocation of the result of the previous year before dividend distribution	-	-	1 664	-	3 567	(5 233)	(2)
Dividend to the sole shareholder	-	-	-	-	(3 550)	-	(3 550)
Profit for the financial year	-	-	-	-	-	482	482
As at 31 December 2013	**2 000**	**200**	**9 466**	**-**	**18**	**482**	**12 166**
Allocation of the result of the previous year before dividend distribution	-	-	-	-	482	(482)	-
Capital increase resulted in an allocation of share premium	-	-	-	98 513	-	-	98 513
Reimbursement of the Share premium	-	-	-	(98 513)	-	-	(98 513)
Transfer to available reserve	-	-	(1 933)	-	1 934	-	1
Dividend to the sole shareholder	-	-	-	-	(450)	-	(450)
Profit for the financial year	-	-	-	-	-	209	209
As at 31 December 2014	**2 000**	**200**	**7 533**	**-**	**1 984**	**209**	**11 926**

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

SG Issuer

Société Anonyme

Statement of Cash Flows

For the year ended 31 December 2014

(Expressed in thousands of EUR)

	31/12/2014	31/12/2013
Profit for the financial year	**209**	**482**
Variation of the accrued accounts receivables	76	142
Variation of the accrued accounts payables	92 719	97 605
Other non monetary movement	-	-
Total non monetary adjustments other than financial instruments at fair value through profit or loss	92 795	97 747
Net result on financial instruments at fair value through profit or loss	**(107 541)**	**(105 623)**
Inter bank operations	(2 266 864)	(20 958 863)
Operations with other financial assets and liabilities	2 460 491	20 978 108
Operations with other non-financial assets and liabilities	4 333	(224)
Change in taxation paid	-	-
Net variance of the operating assets and liabilities	**197 960**	**19 021**
CASH FLOWS FROM OPERATING ACTIVITIES	**183 423**	**11 627**
Payment of capital surplus account	(98 513)	-
Dividend paid	(450)	(3 550)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(98 963)**	**(3 550)**
Cash and cash equivalent at the beginning of the year	10 132	2 055
Net increase in cash and cash equivalent	84 460	8 077
Cash and cash equivalent at 31 Dec 2014	**94 592**	**10 132**
Net cash provided / used in operating activities include		
Interest paid	100 258	4 581
Interest and dividends received	1 627	4 110

The cash and cash equivalents contain KEUR 8 representing the balance of the overdraft account which is part of the normal operational activity of the Company (31 December 2013: KEUR 11).

1. Corporate information

SG Issuer (hereafter "the Company") is a Luxembourg company incorporated on 16 November 2006 as a public limited-liability company (S.A.) for an unlimited period.

Since April 2012, Company's corporate objects are to issue debt securities, bonds, certificates, warrants (option coupons) and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, warrant or option coupons, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

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

The Company's financial year begins on 1 January and ends on 31 December each year.
The Company's capital is fully owned by Société Générale Bank & Trust S.A. (SGBT), a bank incorporated under Luxembourg law.

At 31 December 2014, the Company's financial information is included in the consolidated accounts of Société Générale (hereafter the "ultimate parent company"), whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France, which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking.

2. Basis of preparation

Statement of compliance

The financial statements of the Company as at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements were authorised for issue by the Supervisory Board on April 20, 2015.

Basis of measurement

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

Functional and presentation currency

These financial statements are presented in Euro ("EUR"), which is the Company's functional currency. Financial information has been presented in thousands of EUR (KEUR) on these financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
The information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 3.

Comparative information

The comparative financial information has been adjusted to ensure comparability with the position as at 31 December 2013 in respect of the following captions :

- Funded swap: decreased by KEUR 700.000 to take into account the impact of CVA/DVA;
- Issued securities: decreased by KEUR 700.000 to take into account the impact of CVA/DVA.

This amount represents the impact of IFRS 13 (refer to note 3.5 below).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the years presented in these financial statements.

3.1. Foreign currency transactions

The transactions in foreign currencies are translated to EUR at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to EUR at the foreign currency exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to EUR at the foreign currency exchange rates ruling at the dates the values were determined.

3.2. Segment information

The financing activities of the Company are managed as one single business. Thus there is no segmental information in the financial statements.

3.3. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.4. Financial assets and liabilities

The Company classifies its financial assets into the following categories, as appropriate:
- Financial assets at fair value through profit and loss;
- Loans and receivables.

The Company classifies its financial liabilities into the following categories, as appropriate:
- Financial liabilities at fair value through profit and loss;
- Financial liabilities at amortised cost.

Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs. However when a financial asset at fair value through profit or loss is recognised, the transaction costs are expensed immediately.

3. Significant accounting policies (continued)

The Company initially recognises receivables at the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

3.4.1. Financial assets and liabilities at fair value through profit or loss

These assets and liabilities respectively include:
- Funded swaps used to hedge Notes issued (Financial assets measured at fair value through profit and loss);
- Notes issued by the Company (Financial liabilities measured at fair value through profit and loss).

The Company issues both secured and unsecured notes. The Notes are subscribed by the investors through Societe Generale Group as a lead manager during the issuance period and as a market maker for a secondary market.

Funded swaps are financial instruments with Société Générale Group used to economically hedge Company’s exposure to market risk arising from its activities and replicating each issued Notes.

The Company provides the funds received from Noteholders to the swap counterparty (Société Générale Group). The swap counterparty agrees to exchange the reimbursement amount, including the return, of the issued Notes.

These financial assets and liabilities are booked at fair value at the balance sheet date and recognised in the balance sheet under financial assets and liabilities at fair value through profit or loss.

The impact of the application of IFRS 13 on the Company’s annual financial statements (Credit Value Adjustement (CVA) / Debt Value Adjustment (DVA) recognition) have been recorded on a net basis in the Balance Sheet, i.e. there is no impact in terms of cash or income / expenses of the Company (except the margin – Bid/Ask – between the sale of the Note and the purchase of the Fully Funded Swap).

3. Significant accounting policies (continued)

Revenues and expenses including changes in fair value are recorded in the profit or loss for the year under "Net gain from financial instruments through profit and loss".

3.4.2. Offsetting a financial asset and a financial liability

The Notes are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The part of the notes which remains unsold are held by Société Générale.

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

In application of IAS 32, *Offsetting a financial asset and a financial liability*, the Company proceeded to the accounting netting of the non sold amount.
The treatment is applied based on the following paragraph of IAS 32: “A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when and only when, an entity:

(a) currently has a legally enforceable right to set off the recognized amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.” (IAS32 §42)

The impact of the offsetting of the non sold notes and the corresponding fully funded swaps is KEUR 11.601.137 (a decrease of the balance sheet, see Note 5 & Note 9).

3.4.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less appropriate impairments.

Impairments represent the Company’s estimate of incurred losses arising from the failure or inability of third parties to make payments when due.

3.4.4. Financial liabilities at amortised cost

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial measurement, financial liabilities are recognised at amortised cost using the effective interest rate method (refer to note 3.8).

3. Significant accounting policies (continued)

The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the profit or loss over the contractual terms using the effective interest rate method.

3.5. Fair Value of the financial instruments

IFRS 13 "Fair value measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The fair market value for the financial instruments measured at fair value through profit or loss is primarily determined based on quoted prices in an active market. These prices may be adjusted if they are not available at the closing date. If the market for a financial instrument is not active, its fair value is determined by valuation techniques (internal models recovery) using valuation parameters based on existing market conditions at the balance sheet date and that are influenced by assumptions used, such as the amount and timing of estimated future cash flows, the discount rate and the volatility of the underlying assets.

IFRS 13 specifies how to measure fair value of financial and non-financial assets and liabilities when required or permitted by IFRS and adds information to be disclosed in the notes to financial statements.

The consequences of this standard mainly concern how the Company incorporates its own credit risk in the fair value measurement of derivative financial liabilities (Debt Value Adjustment – DVA) and how it incorporates the counterparty risk in the fair value measurement of derivative financial assets (Credit Value Adjustment – CVA).
IFRS 13 requirements have been applied prospectively as from 1 January 2013. Accordingly, the impact of these amendments on the Company's annual financial statements has been recorded in the Balance Sheet of the period.
The comparative amount as at 31 December 2013 has been restated in order to ensure comparability (decrease of the financial assets and liabilities measured at fair value through profit and loss by KEUR 700.000).

A financial instrument is considered as quoted on a deep market if prices are easily and regularly available through a stock exchange, through a broker, a trader, a business sector, a department of evaluation of the prices or with a regulatory agency and if these prices represent real transactions occurring regularly on the market in conditions of normal competition.

The assessment of the inactive aspect of a market leans on indicators such as the significant decrease of the volume of transactions and the level of activity on the market, strong dispersal of the available prices within time and among the various market participants mentioned above or the age of the last transactions observed on the market in conditions of normal competition.

However, mainly because of the many features of financial instruments traded on the OTC financial markets, a large number of financial products processed by the Group are not subject to a direct quotation on the markets.

For these products, the fair value is determined using valuation techniques commonly used by market participants to assess financial instruments such as discounted future cash flows for swaps or the Black & Scholes model for some options and using valuation parameters for which the estimate value is based on market conditions existing at the end of the period.

3. Significant accounting policies (continued)

Prior to their use, these valuation models are validated by independent experts of the Market Risk Department among the Group Risk Management who complete this priori validation by a posteriori consistency checks. Also, the parameters used in valuation models, whether they come from observable markets or not, are carefully monitored on a monthly basis by experts from the Market Risk Department among the Group Risk Management and supplemented if needed by the necessary reserves (including liquidity and bid-ask).

For purposes of information, the financial instruments at fair value on the balance sheet are presented regarding a hierarchy of fair value that reflects the importance of data used for valuations. The fair value hierarchy consists in the following levels:

Level 1 (L1): instruments valued by price (unadjusted) quoted in active markets for identical assets or liabilities;

Level 2 (L2): instruments valued using data other than quoted prices listed on the Level 1 and that are observable for the asset or liability in question, either directly (ie prices) or indirectly (ie Data derived from price).
Instruments quoted in an insufficiently liquid market and those traded on the OTC market belong to this level. Prices published by an external source and derived from the valuation of similar instruments are considered as data derived from prices;

Level 3 (L3): instruments for which the data used for the valuation are not based on observable market data (unobservable inputs).

The observed data must meet the following characteristics: non-owners (Company's independent data), available, publicly broadcast, based on consensus of the market participants and supported by close of transaction prices.
For instance, consensus data (eg. Markit,...) provided by external counterparties are considered observable if the underlying market is liquid and prices provided are confirmed by actual transactions. For long maturities, the consensus data are considered non observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

In case of specific market power leading to the absence of reference data for normal value of a financial instrument, the Risk Management may be required to implement a new model based on the available relevant data, such as methods used by other market participants.

These instruments are mainly those for which the sales margin is not immediately recognised in profit or loss (derivatives with higher maturities than the ones usually traded) when their valuation is not based on observable data. Unobservable parameters are carefully assessed, particularly in a depressed economic environment and market. By their very nature, unobservable parameters imply a degree of uncertainty in their valuation. However, given the structure of the Company (perfect match between assets and liabilities in terms of market and credit risk), a variation in the assessment of a financial instrument classified in level 3 would have no impact on the result of the Company.

3. Significant accounting policies (continued)

3.6. Impairments

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not be considered otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a Security. In addition for an investment in an equity security, a significant or prolonged decline in its value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjustment for Executive Board's judgements as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

3.7. Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3. Significant accounting policies (continued)

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commission paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3.8. Income tax

The Company is subject to Luxembourg tax laws and regulations. These taxes are included in current taxes.
Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the financial statements. It also arises on temporary differences stemming from tax losses carried forward.

3.9. Other commitments linked to secured notes

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

The security granted under each Pledge Agreement will be granted either in favour of (i) in the case of English Law Notes, BNY Mellon Corporate Trustee Services Limited or such other security trustee as is specified in the applicable Final Terms as security trustee on behalf of itself and the relevant Noteholders and the other relevant Secured Parties (as defined in the Additional Terms and Conditions for Secured Notes) or (ii) in the case of French Law Notes, directly in favour of the relevant Noteholders and the other relevant Secured Parties as represented by BNY Mellon Corporate Trustee Services Limited or such other security agent as is specified in the applicable Final Terms as security agent.

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

The Company borrows the securities to be pledged from Société Générale Group. According to IAS39 securities borrowed are not recorded in SGIS balance sheet.

3. Significant accounting policies (continued)

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

3.10. New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2018 financial statements and could change the classification of financial assets. The Company does not plan to adopt this standard early. The date of the adoption of this standard by the Company will also be dependent on the timing of the EU endorsement process.

IFRS 9 Financial Instruments

IFRS 9 deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The Company is analyzing the likely impact of the improvements on its financial position or performance.

Others

Various other improvements to IFRS have been dealt with on a standard-by-standard basis. The Company is analyzing the likely impact of the improvements on its financial position or performance. These improvements have not yet been endorsed by the European Union.

4. Cash and cash equivalents

This caption amounts to KEUR 94.600 as at 31 December 2014 and refers to amounts held with Société Générale Bank and Trust S.A. ("SGBT") for an amount of KEUR 1.650 (2013: KEUR 776) and Société Générale for an amount of KEUR 89.304 (2013: KEUR 9.201), the remaining balance being with other counterparties. Bank overdrafts which amount to KEUR 8 (2013: KEUR 11) form an integral part of the Company's cash management and are included in the balance of KEUR 94.600 disclosed in the Statement of cash flows.

5. Financial assets measured at fair value through profit or loss

	2014 EUR' 000	2013 EUR' 000
Funded swaps	**23 409 519**	**21 182 332 ***
Total	**23 409 519**	**21 182 332 ***

As at 31 December 2014, Funded swaps measured at fair value through profit or loss for KEUR 23.409.519 (2013: KEUR 21.182.331) replicate each issued securities (note 9). The impact of CVA is KEUR 316.199 (2013: KEUR 700.000), refer to note 3.5 above.

The notional principal amount of the outstanding funded swap contracts at 31 December 2014 was corresponding to the notional of issued securities (note 9).

*The comparative 2013 amount has been restated (i.e. decreased by KEUR 700.000) in order to ensure comparability; refer to note 2.

The financial assets movements were as follows:

	EUR' 000
As at 31 December 2012	**296 283**
Acquisition	25 955 515
Cancellation	(4 245 186)
Maturity/ disposal	(442 185)
Change in fair value	649 421
exchange difference	(331 517)
Restatement *	(700 000)
As et 31 December 2013*	**21 182 331**
Acquisition	38 045 517
Cancellation	(24 818 093)
Maturity/ disposal	(13 001)
Change in fair value	(415 776)
Exchange difference	1 029 678
Offsetting of assets and liabilities**	(11 601 137)
As et 31 December 2014	**23 409 519**

*The comparative 2013 amount has been restated (i.e. decreased by KEUR 700.000) in order to ensure comparability; refer to note 2.
** As reported in note 3.4.2, the impact of the offsetting of the non sold notes and the corresponding fully funded swaps is KEUR 11.601.137 (a decrease of the balance sheet), out of which secured notes not sold for KEUR 919.036.

6. Loans and receivables

As at December 31, 2014 and 2013 the amounts owed by affiliated undertakings consist only of receivables from Société Générale Bank and Trust S.A.

In 2014, the receivable from SGBT for KEUR 61.701 (2013: KEUR 148.494) represents the placement of the Company's share capital, reserves and other available funds.

7. Other assets

	2014	2013
	EUR' 000	EUR' 000
Receivables on financial instruments	-	283
Transitory accounts	1 436	7 742
Others debtors	-	624
	1 436	**8 649**

8. Financial liabilities at amortised cost

As at 31 December 2014, financial liabilities at amortised cost are mainly made up of a convertible bond with SGBT with maturity in 2022 and for an amount of KEUR 48.000 which has been issued upon the reimbursement of a loan previously existing. Similar conditions have been maintained in the bond issued, to strictly achieve this change of format. Conversion may occur each year (please refer to note 11).

Under such bond, the Company pays to SGBT both variable interests calculated on Euribor basis plus a margin of 2,05 % and activity related interest. Activity Related Interest means an amount equal to 100% of the activity related profit generated by the Company.

The bond maturity shall be automatically extended by successive periods of one year, unless either the issuer or the holder has exercised their right to terminate the bond on the scheduled maturity date. The conversion option belongs to the Holder.

As at 31 December 2014 and 31 December 2013, the value of the equity component is estimated to be nil.

9. Financial liabilities measured at fair value through profit and loss

	2014	2013
	EUR' 000	EUR' 000
Issued securities	23 408 518**	21 182 309 *
Total	**23 408 518****	**21 182 309 ***

*The comparative 2013 amount has been restated (i.e. decreased by KEUR 700.000) in order to ensure comparability; refer to note 2.
** As reported in note 3.4.2, the impact of the offsetting of the non sold notes and the corresponding fully funded swaps is KEUR 11.601.137 (a decrease of the balance sheet), out of which secured notes not sold for KEUR 919.036.

9. Financial liabilities measured at fair value through profit and loss (continued)

The Company issued secured and unsecured Notes as at 31 December 2014 for KEUR 23.408.518 (2013: KEUR 21.182.309). The impact of DVA is KEUR 316.199, refer to Note 3.5 (2013: KEUR 700. 000). These Notes can be sold either in private placements or in public offerings.

As reported in the note 3.4.2, the impact of the offsetting of the non sold notes and the corresponding fully funded swaps is KEUR 11.601.137 (a decrease of the balance sheet).

As at 31 December 2014, 344 secured Notes were issued for an amount of KEUR 3.560.927 and a nominal of KEUR 3.484.567. As at 31 December 2014, 10.257 unsecured Notes were issued for an amount of KEUR 19.847.579 and a nominal of KEUR 20.400.241.

As at 31 December 2013, 109 secured Notes were issued for an amount of KEUR 2.387.770 and a nominal of KEUR 2.375.237. As at 31 December 2013, 4253 unsecured Notes were issued for an amount of KEUR 19.494.539 and a nominal of KEUR 18.911.634.

Liquidity analysis of the Issued securities is described in note 21.

Secured Notes are collateralized with collateral assets borrowed by the Company to Société Générale for KEUR 3.511.975 (2013: KEUR 2.303.337). Refer to note 20.

10. Other liabilities

	2014 EUR' 000	2013 EUR' 000
Operating charges payables	733	317
Other payables	139	755
Other settlement accounts	5 221	7 558
Total	**6 093**	**8 630**

11. Equity

The initial share capital of the Company "Société Générale d'Arbitrage et de Participations S.A." (name upon its set up) amounted to EUR 31.000 represented by 100 shares of a nominal value of EUR 310 each, fully owned by Société Générale Bank & Trust S.A.

As at 31 December 2013, the subscribed and fully paid share capital amounted to EUR 2.000.000 and was divided into 50.000 shares with nominal value of EUR 40 each held by Société Générale Bank and Trust S.A..

By resolution adopted on 13 January 2014, the Executive Board decided to increase the capital from EUR 2.000.000 to EUR 2.000.040 by the issuance of a new share with a nominal value of EUR 40 underwritten by the sole Shareholder. The share capital represents, after this increase, 50.001 shares with an unchanged nominal value. Such increase also resulted in an allocation by the Company to its capital surplus account of EUR 98.513.391.

As at 31 December 2014, the subscribed and fully paid share capital amounted to EUR 2.000.040 and was divided into 50.001 shares with nominal value of EUR 40 each held by Société Générale Bank and Trust S.A..

The Company manages its capital to ensure it will be able to continue as going concern. The capital structure consists of issued capital, reserves and retained earnings.

The capital amount may be increased, subject to the approval or the Sole Shareholder, if the Company activity evolves, incurring specific additional risks, in particular market risk.

12. Reserves

The Company is required to allocate a minimum of 5% of its annual net profit to a legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. As at December 2014, the legal reserve amounted to KEUR 200 (2013: KEUR 200).

Included in the other reserves at 31 December 2014, an amount of KEUR 7.533 represents a temporarily non distributable reserve equal to five times net worth tax (2013 : KEUR 9.466) and an amount of KEUR 1.933 represents distributable reserve. If the amount of the reserve is not maintained (for a reason other than a change in capital) for a five year period, the Company's liability to income tax will be increased by one-fifth of the amount of the reduction for the year in which the reduction took place. The Company decided to keep this reserve in accordance with the above.

13. Interest income and expense

	2014	2013
	EUR' 000	EUR' 000
Interest income on loans and receivables with financial institutions	1 551	1 439
Interest income on financial liabilities at fair value	-	2 526
Total interest income	**1 551**	**3 965**
Interest expenses on liabilities at amortised cost	(93 555)	(99 626)
Interest expenses on financial liabilities at fair value	(908)	(2 560)
Total interest expense	**(94 463)**	**(102 186)**
Net interest margin	**(92 912)**	**(98 221)**

14. Net gain from financial instruments through profit and loss

	2014	2013
	EUR' 000	EUR' 000
Net gain on financial assets held for trading	-	-
Net gain on financial assets at fair value option	801 735	911 924
Net loss on financial liabilities held for trading	-	-
Net loss on financial liabilities at fair value option	(693 289)	(808 438)
Net result on derivative instruments	30	22
Net gain on change	-	2 115
Net gain from financial instruments through profit and loss	**108 476**	**105 623**

15. Personnel Expenses

	2014	2013
	EUR' 000	EUR' 000
Wages and salaries	(131)	(68)
Social charges and associated costs	(80)	(7)
Recharge of personnel expenses to related parties		
Total	**(211)**	**(75)**

The Company had 2 employees during the year ended 31 December 2014 (2013: 2 employees). The employees of the Company are members of a state-managed retirement benefit plan. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme. The only obligation of the Company is to make the required contributions.

15. Personnel Expenses (continued)

Employee benefits

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment.
The Post-Employment Benefits paid by SGIS is the retirement and pension plans detailed hereafter.

Defined benefit plans

These are plans for which the employer commits to a certain level of benefits payable to the employees (generally when they retire) or to the retirees and their dependents.
Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the employer.
In order to fund these plans the employer will pay contributions to a provider and/or will set up internally a provision. SGBT Luxembourg manages the pension plans for its subsidiaries, hence those charges are borne by SGBT Luxembourg, which sets up a provision for the SGIS ‘employees.

For 2014, the amount paid and at the charge of the Company relative to pensions plans (in the statement of comprehensive income) is KEUR 12.

Long-term employee benefits

Long-term employee benefits are those which payment is deferred and not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The payment of this benefit may be deferred to a future date but must start while the employee is still an active employee (otherwise the payment would be classified as a post-employment benefit).
These long term benefits lead to an actuarial valuation method. They are recognized as a provision in the period in which they are incurred.
Those provisions are booked by SGBT Luxembourg and SGIS books an expense in the profit & loss account.
Long-term benefits include seniority award plans, deferred bonuses, time saving accounts.

16. Other operating charges

At 31 December 2014 and 2013 the other operating charges are mainly composed by operating costs related to the Company as well as activities outsourced to SG France and SGBT.

	2014	**2013**
	EUR' 000	**EUR' 000**
Issue fee*	(13 705)	(6 370)
Operating charges	(1 439)	(445)
Other	-	(28)
Total	**(15 144)**	**(6 843)**

*(Listing fee, collateral monitoring agent fee, Maintenance of registers fee, trading fee …)

17. Taxation

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

Since 2007, the Company is part of a tax integration group led by Société Générale Bank & Trust S.A., as authorised by the article 164 bis LIR. Société Générale Bank & Trust S.A. establishes the accruals for tax liabilities as at 31 December 2014 based on the taxable income of all the fiscal group, including its own.

In respect of the net wealth provision, the Company maintains reserves, which allow the tax not to be paid. Société Générale Bank & Trust S.A. may also maintain reserves in the name of the other companies part of the fiscal integration.

For the year ending on 31 December 2014, the theoretical tax rate is 29,22% while the actual tax rate of the Company is the one from the tax integration Group to which it belongs as explained above.

18. Related parties

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2014 and 2013 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions.

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

All Notes are guaranteed by Société Générale.

Financial assets and liabilities in relation with the securities borrowing operations result from operations made with Société Générale. The underlying securities which serve as collateral for Secured Notes are mainly issued by non-related parties.

18. Related parties (continued)

As at 31 December 2014	**Société Générale (Ultimate Parent Company)**	**SGBT (Parent Company)**
EUR' 000		
Cash and cash equivalents	89 304	1 650
Financial assets measured at fair value through profit or loss	23 409 519	-
Loans and receivables	-	61 701
Other assets	1 436	-
Total assets	**23 500 259**	**63 351**
Financial liabilities at amortised cost	-	140 719
Financial liabilities measured at fair value through profit and loss	23 408 518	-
Other liabilities	6 093	-
Total liabilities	**23 414 611**	**140 719**
Interest income	1 551	-
Commission income	-	-
Net gain from financial instruments through profit and loss	108 267	209
Total revenue	**109 818**	**209**
Interest expenses	(908)	(93 555)
Personnel expenses	-	(211)
Other operating charges	(20)	(15 125)
Total expenses	**(928)**	**(108 891)**
Financial commitment	**2 697 503**	**-**
financial commitment-collateral to be returned	**3 411 297**	**-**

18. Related parties (continued)

As at 31 December 2013	Société Générale (Ultimate Parent Company)	SGBT (Parent Company)
EUR' 000		
Cash and cash equivalents	9 201	776
Financial assets measured at fair value through profit or loss*	21 182 332	-
Loans and receivables	-	148 494
Other assets	8 003	646
Total assets	**21 199 536**	**149 916**
Financial liabilities at amortised cost	-	146 513
Financial liabilities measured at fair value through profit and loss*	21 182 309	-
Other liabilities	8 484	147
Total liabilities	**21 190 793**	**146 660**
Interest income	2 785	1 179
Net gain from financial instruments through profit and loss	105 623	-
Total revenue	**108 408**	**1 179**
Interest expenses	2 572	99 614
Commission expenses	2	-
Personnel expenses	-	75
Other operating charges	52	6 789
Total expenses	**2 626**	**106 478**
Financial commitment - bonds to be issued	**2 373 234**	**-**
Financial commitment - collateral to be returned	**2 303 337**	**-**

*The comparative 2013 amount has been restated (i.e. decreased by KEUR 700.000) in order to ensure comparability; refer to note 2.

19. Remuneration, advances and loans granted to members of the administrative or supervisory body

As at 31 December 2014 and 2013, no payment, no advance and no loans were given to members of the administrative or supervisory body.

20. Off-Balance Sheet

Société Générale is the guarantor of the Company in respect of debt securities issued for both the short and long term.

As at 31 December 2014, deliverable securities to be issued (engagement taken in 2014 with value date 2015) amounted to KEUR 2.697.502 (2013: KEUR 2.373.234).

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured securities issued by the Company benefit from additional collateral assets securing the payment due under the Note terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale S.A. in his role of guarantor. Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Group Société Générale and are pledged in favour of the note holders. Securities are deposited as guaranty for secured issuances in Bank of New York for an amount of KEUR 3.511.975 (2013: KEUR 2.303.337).

21. Risk Management

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

For any further information on the risks relating to the Group, investors and / or Noteholders should refer to the “Risk and Capital Adequacy” section in the March 2015 Registration Document AMF of Société Générale and any subsequent updates (http://prospectus.socgen.com/documents-SG Registration part).

Market risk

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

The Company issues Notes (debt instruments and debenture loans) and systematically hedges its position by dealing a swap with Société Générale Group, with strictly identical characteristics. The legal documentation and the derivatives instruments have been put in place in order to make sure that the assets match the liabilities at any time.

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

21. Risk Management (continued)

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

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter as of 31 December 2014 would have no consequence on the net profit of the Company.

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

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

Credit risk

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

The Company only contracts financial instruments with the parent companies, SGBT and Société Générale. Therefore the credit risk of the Company is limited to credit of its parent companies. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred. As af 31 December 2014 and 31 December 2013 no financial assets were past due or impaired.

In addition, all the bonds issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the Notes will be unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As of 31 December 2014, the rating of Société Générale is A from Standard & Poor’s and A2 from Moody’s.

Interest rate risk

Investments in Fixed Rate Notes or any Note with a fixed rate component involve the risk that subsequent changes in market interest rates may adversely affect the value of such Notes. Due to the existence of the funded swaps (perfect match between the assets and the liabilities), this risk has no impact on the Company’s income.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.
The Company does not face any liquidity risk thanks to the perfect replication between the contractual obligations of i) the debt issued by the Company and ii) financial assets held for hedging by the Company.

21. Risk Management (continued)

Sensitivity of the Fair Value measurement to changes in unobservable parameters for Level 3 instruments

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).
For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.
Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

Notes (debt) and the related Fully Funded Swaps measured at fair value are classified as Level 3 where the valuation of the associated embedded derivatives (underlyings of the Notes) is also based on unobservable methods.
The main L3 underlyings of the Notes issued by SGIS are:

- equity derivatives: options with long maturities and/or incorporating bespoke pay offs mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and of an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis),
- interest rate derivatives: exotic options, products sensitive to correlation between different interest rates, different exchange rates, between interest rates and exchange rates or, for quanto products for example (in which the instrument is settled in a currency different from the one of the underlying); they are liable to be classified as L3 because the valuation parameters are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY),
- credit derivatives: L3 credit derivatives mainly include single name or baskets of instruments exposed to time to default correlation.

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

In parallel, marking the levels of each of these parameters is collected and reported in the note. The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensibilities depend on each parameter.

21. Risk Management (continued)

The following table (source: Société Générale Group) provides the valuation of L3 instruments and the most significant unobservable inputs by main types of underlying:

Type of underlyings	Main underlying products	Valuation techniques used	Significant unobservable inputs	Range of unobservable inputs Min & Max
Equity/funds	Simple and complex instruments or derivatives on funds, equities or baskets on stocks	Various option models on funds, equities or baskets on stocks	Equity volatility	3%/59%
			Equity dividend	0%/7%
			Equity correlation	-90%/99.9%
			Hedge funds volatility	8%/19%
			Mutual funds volatility	2%/41%
Rates and Forex	Hybrid forex/interest rate derivatives	Hybrid forex interest rate option pricing models	Unobservable correlation	-75%/90%
	Forex derivatives	Forex option pricing models	Forex volatility	4%/23%
	Rates derivatives with notional amount indexed to prepayment patterns of European underlying assets	Prepayment pricing model	Constant rate of prepayment	0%/50%
	Inflation instruments	Inflation pricing models	Inflation/Inflation correlation	60%/96%
Credit	Collaterised Debt Obligations (CDO) and indexes trenches	Projection of correlation and recovery modelisation	Correlation of default time	0%/100%
			Variance of recovery rate of single issuer underlying	0%/100%
	Other Credit derivatives instruments	Credit default model	Correlation of default time	0%/100%
			Quanto correlation	-40%/40%
			Credit spreads	0-1000 bps
Commodities	Basket commodities	Options Commodities pricing models	Correlations	15%/99%

21. Risk Management (continued)

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments.

However, by its very nature, the Company has no market risk exposure; all market risks are indeed perfectly hedged. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit of the Company.

As at 31 December 2014, analysis per remaining maturities is as follows:

31/12/2014	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	94 600	-	-	-	-	94 600
Financial assets measured at fair value through profit or loss	697 558	1 894 498	10 702 339	10 115 124	-	23 409 519
Loans and receivables	207	4 673	6 068	50 753	-	61 701
Other assets	1 436	-	-	-	-	1 436
Total assets	**793 801**	**1 899 171**	**10 708 407**	**10 165 877**	**-**	**23 567 256**
Financial liabilities at amortised cost	-	92 719	-	48 000	-	140 719
Financial liabilities measured at fair value through profit and loss	697 558	1 894 498	10 702 339	10 114 123	-	23 408 518
Other liabilities	6 093	-	-	-	-	6 093
Total liabilities	**703 651**	**1 987 217**	**10 702 339**	**10 162 123**	**-**	**23 555 330**

As at 31 December 2013, analysis per remaining maturities is as follows:

31/12/2013	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	10 143	-	-	-	-	10 143
Financial assets measured at fair value through profit or loss *	6 171	1 718 001	4 032 797	15 425 363	-	21 182 332
Loans and receivables	87 000	2 761	2 312	56 421	-	148 494
Other assets	8 650	-	-	-	-	8 650
Total assets	**111 964**	**1 720 762**	**4 035 109**	**15 481 784**	**-**	**21 349 619**
Financial liabilities at amortized cost	98 513	-	-	48 000	-	146 513
Financial liabilities measured at fair value through profit and loss*	6 171	1 718 001	4 032 797	15 425 340	-	21 182 309
Other liabilities	8 631	-	-	-	-	8 631
Total liabilities	**113 315**	**1 718 001**	**4 032 797**	**15 473 340**	**-**	**21 337 453**

* The comparative 2013 has been restated i.e. decreased by KEUR 700 000 in order to ensure comparability; refer to Note 2.

21. Risk Management (continued)

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

As at 31 December 2014	**Carrying amount**	**Fair value**
Cash and cash equivalents	94 600	94 600
Financial assets measured at fair value through profit or loss	23 409 519	23 409 519
Loans and receivables	61 701	67 570
Other assets	1 436	1 436
Total assets	**23 567 256**	**23 573 125**
Financial liabilities at amortised cost *	140 719	145 662
Financial liabilities measured at fair value through profit and loss	23 408 518	23 408 518
Other liabilities	6 093	6 093
Total liabilities	**23 555 330**	**23 560 273**

As at 31 December 2013	**Carrying amount**	**Fair value**
Cash and cash equivalents	10 143	10 143
Financial assets measured at fair value through profit or loss **	21 182 332	21 182 332
Loans and receivables	148 494	151 941
Other assets	-	-
Total assets	8 649	8 649
	21 349 618	**21 353 065**
Financial liabilities at amortised cost *	146 513	149 239
Financial liabilities measured at fair value through profit and loss**	21 182 309	21 182 309
Other liabilities	8 631	8 631
Total liabilities	**22 337 453**	**22 340 179**

* The loans and receivables and Financial liabilities at amortized cost are classified in level 2 of the Fair Value hierarchy as defined by IFRS 13.

** The comparative 2013 has been restated i.e. decreased by KEUR 700.000 in order to ensure comparability; refer to Note 2.

Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

21. Risk Management (continued)

The Notes issued and derivative financial instruments are measured at fair value through profit or loss. The fair value of the derivative financial instruments is partly based on unobservable inputs and is therefore classified as Level 3 in the fair value hierarchy of IFRS 13.

As at 31 December 2014, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31/12/2014

EUR' 000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	-	12 110 069	11 299 450	23 409 519
Financial liabilities measured at fair value through profit or loss	-	12 109 068	11 299 450	23 408 518
Total (net)	-	1 001	-	1 001

31/12/2013

EUR' 000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss*	-	12 989 062	8 193 270	21 182 332
Financial liabilities measured at fair value through profit or loss*	-	12 989 039	8 193 270	21 182 309
Total (net)	-	23	-	23

* The comparative 2013 has been restated i.e. decreased by KEUR 700.000 in order to ensure comparability; refer to Note 2.

Determining fair value depends on many factors and can only be an estimate of what value may be obtained in the open market at any point in time.

The following table describes the transfers between Level 2 and Level 3 of the fair value hierarchy.

EUR' 000	Level 3 2014	Level 3 2013 *
Balance as at 1 January	**8 193 270**	**99 718**
Acquisition	11 277 534	9 128 422
Change in fair value*	(491 073)	(100 279)
Reimbursements	(3 935 875)	(934 591)
Transfer from L2 to L3	469 093	-
Transfer from L3 to L2	(527 756)	-
Offsetting of the assets and liabilities	(3 685 742)	-
Balance as at 31 December	**11 299 450**	**8 193 270**

* The comparative 2013 has been restated i.e. decreased by KEUR 700.000 in order to ensure comparability; part was allocated to the L3 financial instruments; refer to Note 2.

21. Risk Management (continued)

Transfer from Level 3 to Level 2:
As described in Note 3.5 “Fair Value of financial instruments”, the consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

Operational risk

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.
The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Societé Générale group. This effort is guided by the Operational Risk Department, which reports to the Societé Générale group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collecting internal data on losses due to operational risk with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.
These procedures are supplemented by a crisis management unit and a business continuity plan.

22. Subsequent events

By resolutions adopted on 13 January 2015, the Executive Board decided to increase the capital of the Company from EUR 2.000.040 to EUR 2.000.080 by the issue of a new share with a nominal value of EUR 40 underwritten by the only shareholder. The share capital represents, after this increase, 50.002 shares with an unchanged nominal value.
Such increase also resulted in an allocation by the Company to its capital surplus account of EUR 92.463.032.

There was no other subsequent event which could have had significant impact on the financial statements of the Company as at 31 December 2014.