SG Issuer
Société anonyme

Condensed interim financial information and Report of the Réviseur d’entreprises agréé of interim financial information

Period from 1 January 2016 to 30 June 2016

33, boulevard Prince Henri

L-1724 Luxembourg

R.C.S. Luxembourg: B121.363

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Executive Board Members:
For the interim period ended at 30 June 2016

__**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 7, 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

11, avenue Emile Reuter, L-2420 Luxembourg

Mr Marc AUGIER

Employee of Société Générale Bank and Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Valérie DUMORTIER (until 26 February 2016)

Employee of Société Générale

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

Mr Arnaud SERRES (since 26 February 2016)

Employee of Société Générale

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

Mrs Laetitia JOURNE

Employee of Société Générale

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

Supervisory Board Members:
For the interim period ended at 30 June 2016

Chairman:

Mrs Véronique DE LA BACHELERIE

Employee of Société Générale Bank and Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Jérôme AUDRAN

Employee of Société Générale Bank and Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND

Employee of Société Générale

17, cours Valmy, F-92800 Puteaux, France

Mr Vincent ROBILLARD

Employee of Société Générale

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

Mr Alban ROMANET

Employee of Société Générale Bank and Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Management and administration

For the interim period ended at 30 June 2016

Issuer
SG Issuer
33, boulevard Prince Henri, L-1724 Luxembourg

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

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

Security Trustee and Security AgentTrustee
Bank of New York MELLON Corporate Trustee Services Limited
One Canada Square, London E14 5AL

Collateral Custodian
The Bank of New York MELLON (Luxembourg) S.A.
2-4, rue Eugène Ruppert, L-2453 Luxembourg

Collateral Monitoring Agent
The Bank of New York MELLON London Branch
One Canada Square London E14 5AL

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

Paying Agents
Société Générale
29, boulevard Haussmann, F-75009 Paris, France

Société Générale, New York Branch
1221, avenue of the Americas, New York NY 10020, United States of America

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

Legal advisers
To the Arranger as to English, French and U.S. law
Allen & Overy LLP
Edouard VII
26, boulevard des Capucines, F-75009 Paris, France

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

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

Independent Auditor
Deloitte S.à r.l.
560, rue de Neudorf, L-2220 Luxembourg

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 condensed interim financial information and the Report of the Executive Board of the Company for the period from 1 January 2016 to 30 June 2016.

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.

During the second semester of 2015, the Company also received all the internal and regulatory approvals needed and started issuing Warrants.

Warrants are now issued by SG Issuer in France, Belgium, the UK, Sweden, Finland and Spain. During the course of 2016, 3 other countries will be added to the scope: Hong-Kong, the Netherlands and Italy.
Warrants are financial products, listed on a market, which aim to replicate the same financial exposure as buying (call) or selling (put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry). SG issuer can issue warrants on different underlying types such as shares, indices, commodities or exchange rates. There are also several types of warrants: turbos, inline warrants, reverse convertibles, daily leverage certificates, bonus certificates, discount certificates, etc, all of them offering a different pay-off or exposure to the retail investors.

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 issued by the Company can be sold in either Private Placements or Public Offerings. Notes issuances are governed by the Base Prospectuses prepared by Société Générale as arranger, in particular the Base Prospectuses approved by CSSF on 8 July 2016 and by 3 Issuance Programmes hereunder:

- The Debt Instruments Issuance Programme (between SGIS, SG and SGOE) approved by the CSSF on 6 July 2016;
- The Debt Instruments Issuance Programme (between SGIS, SG and SGE) approved by the CSSF on 15 September 2016;
- The "Programme d'Emission de Titres de Créance" approved by the CSSF on 8 July 2016.

Payments in respect of the Warrants issued by the Company will be unconditionally and irrevocably guaranteed by Société Générale. Warrants issuances are governed by the Warrants Issuance Programmes and the Warrants and Turbo Warrants Issuance Programmes approved both by CSSF on 20 July 2016.

The state of business of the Company at the closing of the financial period 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 interim period ended 30 June 2016, 7 019 Notes were issued, including 179 Secured Notes. The profit for the interim financial period amounts to KEUR 71.

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 with Société Générale, with strictly identical characteristics. Also, for each Warrant, the Company systematically hedges its position by dealing an Option with 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, no market risk is supported by the Company. The risk management relative to the Notes and Warrants is also described in Note 9 hereafter.

3. FUTURE DEVELOPMENTS

The Executive Board does not anticipate any major changes during the financial year 2016 but expects an increase of the Notes and Warrants issued during the year 2016.

4. POST BALANCE SHEET EVENTS

There was no subsequent event which could have had significant impact on the condensed interim financial information of the Company as at 30 June 2016.

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 several times during the year when necessary.

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

Key tasks of the Executive Board:

- Ensures that the supervision of accounting is organized and monitored appropriately
- Reviews and approves the Company's financial statements
- Supervises 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 2015, 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/compliance

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 within Société Générale are presented (operations, finance, risk, accounting standards,...) to assess the impact for the Company.

5.6 Service level 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 Personne Morale. 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 (mainly, General services, legal services, business continuity management services and financial services from SGBT Luxembourg and operational services – Middle Office and Back Office – from Société Générale...)

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

Global Statement

for the condensed interim financial information report

as of 30 June 2016

To the best of our knowledge, the condensed interim financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union gives a true and fair view of the SG Issuer financial position and performance. The condensed interim financial information comprises the statement of financial position as at 30 June 2016 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

To the best of our knowledge, the management report includes a fair review of the development and performance of the business and the position of the Company and a description of the principal risks and uncertainties that the Company faces.

Luxembourg, 30th September 2016

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
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
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To the sole Shareholder of
SG Issuer Société Anonyme
33, boulevard Prince Henri
L-1724 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE
ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim financial information of SG Issuer, which comprise the statement of financial position as at 30 June 2016 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information. Executive Board is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

Stéphane Césari, *Réviseur d'entreprises agréé*
Partner

Luxembourg, 30 September 2016

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

SG Issuer
Société Anonyme

Statement of Comprehensive Income

For the six-month period ended 30 June 2016
(Expressed in thousands of EUR)

	Note	30.06.2016	31.12.2015	30.06.2015
Interest income		700	1 643	985
Commission income		0	0	0
Net gain from financial instruments through profit and loss		47 698	101 325	46 328
Net gain on instrument for trading		0	0	0
Other Income		0	0	0
Total revenue		**48 398**	**102 968**	**47 313**
Interest expenses		(39 950)	(86 882)	(39 331)
Commission expenses		0	0	0
Net loss on financial instruments at FV option Total		0	0	0
Net loss on instrument for trading Total		0	0	0
Personnel expenses		(81)	(146)	(89)
Other operating charges		(8 249)	(15 560)	(7 698)
Total expenses		**(48 280)**	**(102 588)**	**(47 118)**
Profit before tax		**118**	**380**	**195**
Income tax	13	(47)	**0**	**0**
Profit for the financial period/year		**71**	**380**	**195**
Total comprehensive income for the period/year		**71**	**380**	**195**

The accompanying notes are an integral part of this condensed interim financial information.

SG Issuer

Société Anonyme

Statement of Financial Position

For the six-month period ended 30 June 2016

(Expressed in thousands of EUR)

	Note	30.06.2016	31.12.2015
Cash and cash equivalents	4	63 410	83 446
Financial assets at fair value through profit or loss			
- *Designated at fair value through profit or loss*	5	39 010 107	34 193 066
- *Classified as Held for Trading*	5	5 840 323	2 767 202
Loans and receivables	6	57 115	61 675
Current tax assets		0	0
Other assets		13 853	1 979
Total assets		**44 984 808**	**37 107 368**
Financial liabilities at amortised cost	7	87 306	133 296
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss*	8	39 009 044	34 193 106
- *Classified as Held for Trading*	8	5 840 562	2 767 205
Other liabilities		39 921	3 604
Tax liabilities	13	47	0
Total liabilities		**44 976 880**	**37 097 211**
Share capital	11	2 000	2 000
Legal reserve	12	200	200
Other reserves	12	5 622	7 533
Retained earnings		35	44
Profit for the financial period/year		71	380
Total equity		**7 928**	**10 157**
Total equity and liabilities		**44 984 808**	**37 107 368**

The accompanying notes are an integral part of this condensed interim financial information.

SG Issuer

Société Anonyme

Statement of Changes in Equity

For the six-month period ended 30 June 2016

(Expressed in thousands of EUR)

	Share capital	Legal reserve	Other reserves unavailable	Other reserves available	Total reserve	Capital Surplus	Retained earnings	Profit for the financial year/period	Total equity
As at 31 December 2014	**2 000**	**200**	**7 533**	**1 934**	**9 667**	**0**	**50**	**209**	**11 926**
Allocation of the result of the previous year before dividend distribution	0	0	0	-1 934	-1 934	0	2 143	-209	0
Dividend to the sole shareholder	0	0	0	0	0	0	-2 150	0	-2 150
Capital increase resulted in an allocation of the capital surplus account	0	0	0	0	0	92 463	0	0	92 463
Reimbursement of the capital surplus account	0	0	0	0	0	-92 463	0	0	-92 463
Profit for the period	0	0	0	0	0	0	0	195	195
As at 30 June 2015	**2 000**	**200**	**7 533**	**0**	**7 733**	**0**	**43**	**195**	**9 971**
Allocation of the result of the previous year before dividend distribution	0	0	0	0	0	0	1	0	1
Transfer to available reserve	0	0	-1 911	1 911	0	0	0	0	0
Dividend to the sole shareholder	0	0	0	0	0	0	0	0	0
Capital increase resulted in an allocation of the capital surplus account	0	0	0	0	0	0	0	0	0
Reimbursement of the capital surplus account	0	0	0	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	0	0	185	185
As at 31 December 2015	**2 000**	**200**	**5 622**	**1 911**	**7 733**	**0**	**44**	**380**	**10 157**
Transfer to available reserve	0	0	-2 240	2 240	0	0	0	0	0
Allocation of the result of the previous year before dividend distribution	0	0	0	-1 911	-1 911	0	2 291	-380	0
Dividend to the sole shareholder	0	0	0	0	0	0	-2 300	0	-2 300
capital increase resulted in an allocation of the capital surplus account	0	0	0	0	0	85 296	0	0	85 296
Reimbursement of the capital surplus account	0	0	0	0	0	-85 296	0	0	-85 296
Profit for the period from 1 January to 30 June 2016	0	0	0	0	0	0	0	71	71
As at 30 June 2016	**2 000**	**200**	**3 382**	**2 240**	**5 822**	**0**	**35**	**71**	**7 928**

The accompanying notes are an integral part of this condensed interim financial information.

Statement of Cash Flows

For the six-month period ended 30 June 2016
(Expressed in thousands of EUR)

	Note	30.06.2016	31.12.2015	30.06.2015
Profit for the financial period/year		**71**	**380**	**195**
Variation of the accrued accounts receivables		86	(2 366)	111
Variation of the accrued accounts payables		39 306	85 040	38 226
Total non monetary adjustments other than financial instruments at fair value through profit or loss		**39 393**	**82 674**	**38 337**
Net result on financial instruments at fair value through profit or loss		**(47 698)**	**(101 325)**	**(46 277)**
Inter bank operations		(11 387 760)	(15 324 948)	(6 113 711)
Operations with other financial assets and liabilities		11 438 794	15 429 117	6 157 870
Operations with other non-financial assets and liabilities		24 773	(2 443)	(587)
Net variance of the operating assets and liabilities		**75 807**	**101 726**	**43 572**
CASH FLOWS FROM OPERATING ACTIVITIES		**67 572**	**83 455**	**35 827**
Payment of capital surplus	*	(85 296)	(92 463)	(92 463)
Dividend paid		(2 300)	(2 150)	(2 150)
CASH FLOWS USED IN FINANCING ACTIVITIES		**(87 596)**	**(94 613)**	**(94 613)**
Cash and cash equivalent at the beginning of the period/year	**	83 434	94 592	94 592
Net (decrease) increase in cash and cash equivalent		(20 024)	(11 158)	(58 785)
Cash and cash equivalent at the end of the period/year		**63 410**	**83 434**	**35 807**
Net cash provided / used in operating activities include				
Interest paid		85 939	94 305	93 568
Interest and dividends received		787	1 669	1 096

* *KEUR 85 296 represents the 2015 activity related interest of the company (see Note 7) and has been allocated to a capital surplus account within the Company which has no impact in terms of cash flows. This process enabling to allocate the activity related result of the Company to its share premium account has been designed to easily and swiftly reinforce the Company's equity in cases where inter alia the business context, rating agencies requirements or regulatory constraints would require it. In such a case most or all the allocated amount would remain at the Company level rather than being paid to the shareholder (this decision would be taken by the sole shareholder).*

** *The cash and cash equivalents contain KEUR 2 704 representing the balance of the overdraft account which is part of the normal operational activity of the company (31 December 2015: KEUR 247).*

Notes to the condensed interim financial information
For the six-month period ended 30 June 2016

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 30 June 2016, the Company’s condensed interim 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

2.1. Statement of compliance

The financial statements of the Company as at 31 December 2015 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 condensed interim financial information of the Company as at and for the six-month period 30 June 2016 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

The condensed interim financial information was approved by the Executive Board on 26 September 2016.

2. Basis of preparation (continued)

2.2. 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.

2.3. Functional and presentation currency

This condensed interim financial information is prepared in Euro ("EUR"), which is the Company's functional currency. Financial information has been presented in thousands of EUR (KEUR) on this financial information.

2.4. Use of estimates and judgements

The preparation of condensed interim financial information 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 condensed interim financial information is included in Note 3.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the years presented in this condensed interim financial information.

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 condensed interim financial information.

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. Significant accounting policies (continued)

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
    - Designated at fair value through profit or loss
    - Classified as Held for Trading
- Loans and receivables

The Company classifies its financial liabilities into the following categories, as appropriate:
- Financial liabilities at fair value through profit and loss
    - Designated at fair value through profit or loss
    - Classified as Held for Trading
- 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.

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.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

3. Significant accounting policies (continued)

The Company issues both secured and unsecured Notes. The Notes are subscribed by the investors through Société Générale 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 Note holders 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 condensed interim financial information (Credit Value Adjustment (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 of the Company (except the margin – Bid/Ask – between the sale of the Note and the purchase of the Fully Funded Swap).

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

3.4.2. Financial assets and liabilities at fair value through profit or loss – Classified as Held for Trading

These assets and liabilities respectively include:
Options purchased in order to hedge the issued warrants.
Warrants issued by the Company (Financial liabilities measured at fair value through profit and loss held for trading).

The warrant activity will be booked under the trading portfolio according to IAS 39 (derivative financial instruments held for trading).

The notional amount on the Warrant issuance together with the hedge option is reported Off Balance Sheet. SGIS reports the premium paid on the derivatives bought and the premium received on the derivative sold on the Balance Sheet under "Financial Assets or Liabilities at fair value through the profit or loss - Classified as Held for Trading" according IAS 39. Revenues and expenses including changes in fair value are recorded in the income statement for the period under Net income on financial instruments at fair value through profit or loss.

3. Significant accounting policies (continued)

3.4.3. 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 (IAS32 §42):

(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."

The impact of the offsetting of the non sold Notes (a decrease of the balance sheet) and the corresponding fully funded swaps is KEUR 29.492.625 (see Note 5 & Note 8) (2015: KEUR 17 954 546).

3.4.4. 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.

3.4.5. 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 3.7).

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. Significant accounting policies (continued)

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 does not change when the fair value is required to be used but 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 condensed interim financial information.

Different calculation methods can exist regarding the CVA-DVA / OCA (Own Credit Adjustment) impact calculation: derived from the yield discounting methodology, other from the Monte-Carlo EPE/ENE (Expected Positive / Negative Exposure).
The methodology applied to SGIS (the same as the SG Group) is the yield discounting methodology.

- For unsecured Notes

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

- For secured and Repack Notes

Secured Notes are Notes which are collateralized with assets deposited on segregated or pooled accounts with external custodian (BoNY) and pledged in favor of the Noteholders.
Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the "Reference Bond") issued by a third-party issuer (the "Reference Bond Issuer").
The collateral assets are composed of eligible securities.
Should SG defaults, the pledge on the assets is to be enforced; the Notes holders are exposed to credit risk of the collateral (external securities). Therefore, as SG and SGIS are mere risk pass-through, the credit risk premium (external bonds issuers) shall not be adjusted with SG credit spread. Thus, no additional credit adjustment is needed for the Secured Notes.
The fair value of the Secured Notes and the Repack Notes and the associated FFS is computed, for each accounting period by discounting the expected future cash flows by a composite Repo rate curve.

<u>3. Significant accounting policies (continued)</u>

- For Warrants

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the balance sheet date or if the clearing value does not reflect transaction prices.
However, due especially to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Group does not have quoted prices in the markets.

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

3. Significant accounting policies (continued)

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 entity (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.

3.6. 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.

3. Significant accounting policies (continued)

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.

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 condensed interim financial information. 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).

3. Significant accounting policies (continued)

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 IAS 39 securities borrowed are not recorded in SGIS balance sheet.

The commitment to pledge the securities is accounted in the Company condensed interim financial information 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 2016, and have not been applied in preparing this condensed interim financial information. None of these is expected to have a significant effect on the condensed interim financial information of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2018 condensed interim financial information 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.

3. Significant accounting policies (continued)

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 63 410 as at 30 June 2016 and is mainly composed of amounts held with Société Générale Bank and Trust S.A. ("SGBT") for an amount of KEUR 8 362 (2015: KEUR 2 256) and Société Générale for an amount of KEUR 55 051 (2015: KEUR 78 815). Bank overdrafts which amount to KEUR 2 704 (2015: KEUR 247) form an integral part of the Company's cash management and are included in the balance of KEUR 63 410 disclosed in the Statement of cash flows.

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

	30.06. 2016	**31.12.2015**
	EUR' 000	EUR' 000
Financial assets at fair value through profit or loss		
- Designated at fair value through profit or loss (Fully funded Swap)	39 010 107	34 193 066
- Classified as Held for Trading (Options)	5 840 323	2 767 202
Total	**44 850 430**	**36 960 268**

As at 30 June 2016, Funded swaps measured at fair value through profit or loss for KEUR 39 010 107 (2015: KEUR 34 193 066) replicates each issued securities (Note 9).

As at 30 June 2016, Options at fair value through profit or loss for KEUR 5 840 323 (2015: KEUR 2 767 202) replicates each issued Warrants (Note 9).

The notional principal amount of the outstanding funded swap contracts at 30 June 2016 was corresponding to the notional of issued securities. And also, the notional principal amount of the outstanding options contracts at 30 June 2016 was corresponding to the notional of issued warrants (Note 8).

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

Financial assets (measured at fair value through profit or loss) movements were as follows:

	Designated at fair value through profit or loss	Classified as Held for Trading	Total
As at 31 December 2014	**23 409 519**	**0**	**23 409 519**
Acquisition	25 058 009	0	25 058 009
Cancelled	-16 837 485	0	-16 837 485
Maturity/Disposal/Liquidation	-1 786 451	0	-1 786 451
Change in fair value	-511 479	0	-511 479
Exchange difference	1 303 269	0	1 303 269
Offsetting of Assets and Liabilities (Change)	-1 609 041	0	-1 609 041
As at 30 June 2015	**29 026 341**	0	**29 026 341**
Acquisition	27 036 604	6 902 582	33 939 186
Cancelled	-9 519 117	-3 026 386	-12 545 503
Liquidation	150 974	0	150 974
Maturity/Disposal	-4 822 965	-1 733 180	-6 556 145
Change in fair value	-3 301 769	614 788	-2 686 981
Exchange difference	367 366	9 397	376 763
Offsetting of Assets and Liabilities (Change)	-4 744 368	0	-4 744 368
As at 31 December 2015	**34 193 066**	**2 767 202**	**36 960 268**
Acquisition	29 631 371	13 981 945	43 613 316
Cancelled	-7 991 264	-5 384 349	-13 375 613
Liquidation	-115 218	0	-115 218
Maturity/Disposal	-2 785 812	-5 540 623	-8 326 435
Change in fair value	-2 668 234	16 496	-2 651 738
Exchange difference	284 277	-348	283 929
Offsetting of Assets and Liabilities (Change)	-11 538 079	0	-11 538 079
As at 30 June 2016	**39 010 107**	**5 840 323**	**44 850 430**

6. Loans and receivables

As at 30 June 2016 and 31 December 2015 the amounts owed by affiliated undertakings consist only of receivables from Société Générale Bank and Trust S.A.

As at 30 June 2016, the receivable from SGBT for KEUR 57 115 (31.12.2015: KEUR 61 675) represents the placement of the Company’s share capital, reserves and other available funds.

7. Financial liabilities at amortised cost

As at 30 June 2016, 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 30 June 2016, the value of the equity component is estimated to be nil.

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

	30.06.2016 EUR' 000	**31.12.2015 EUR' 000**
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	39 009 044	34 193 106
- Classified as Held for Trading (Warrants)	5 840 562	2 767 205
Total	**44 849 606**	**39 960 311**

As reported in note 3.4.3, the impact of the offsetting of the non-sold notes and the corresponding fully funded swaps is KEUR 29 492 625 (2015: KEUR 17 954 546) (a decrease of the balance sheet).

The Company issued secured and unsecured Notes as at 30 June 2016 for KEUR 39 009 044 (2015: KEUR 34 193 066).

As at 30 June 2016, 563 secured Notes were issued for an amount of KEUR 6 576 772 and a nominal of KEUR 7 150 670. As at 30 June 2016, 19 543 unsecured Notes were issued for an amount of KEUR 32 324 433 and a nominal of KEUR 36 325 767.

As at 31 December 2015, 511 secured Notes were issued for an amount of KEUR 6 769 105 and a nominal of KEUR 6 852 833. As at 31 December 2015, 15 462 unsecured Notes were issued (stock) for an amount of KEUR 27 424 001 and a nominal of KEUR 30 331 375.

Secured Notes are collateralized with collateral assets borrowed by the Company to Société Générale for KEUR 6 017 536 (2015: KEUR 5 156 862).

As at June 30, 2016 the Company also issued Warrants for KEUR 5 840 562 (2015: KEUR 2 767 205). Refer to note 10 for further details on Off-balance sheet elements related to the Warrants activity.
Liquidity analysis of the Issued securities is described in note 9.

9. 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” in the second update to the 2016 registration document filed on 4 august 2016 and any subsequent updates (https://www.societegenerale.com).

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 Warrants. The Notes are systematically hedges with a swap with Société Générale Group, with strictly identical characteristics. In the same way, the Warrants are hedged with options 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 & Warrants depend on several factors. Such factors will vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the secured / unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc.

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

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter as of 30 June 2016 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.

9. Risk Management (continued)

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 at 30 June 2016 and 31 December 2015 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 30 June 2016, 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.

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.

9. Risk Management (continued)

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 (eg. 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.

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

Cash instrument and derivatives	Main products	Valuation techniques used	Significant unobservable inputs	Range of 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 volatilities	[9.8% ; 153.6%]
			Equity dividends	[0.0% ; 12.6%]
			Unobservable correlations	[-100% ; 100%]
			Hedge funds volatilities	[7.5% ; 10.0%]
			Mutual funds volatilities	[2.1% ; 47.7%]
Rates and Forex	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[34.4% ; 85%]
	Forex derivatives	Forex option pricing models	Forex volatilities	[14.8% ; 30.8%]
	Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayment modelling	Constant prepayment rates	[0% ; 0%]
	Inflation instruments and derivatives	Inflation pricing models	Inflation / inflation correlations	[64.4% ; 90%]
Credit	Collateralized Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	[0% ; 100%]
			Recovery rate variance for single name underlyings	[0% ; 100%]
	Other credit derivatives	Credit default models	Time to default correlations	[0% ; 100%]
			Quanto correlations	[-50% ; 40%]
			Unobservable credit spreads	[0 bps; 1 000 bps]
Commodity	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	[8.5% ; 96.3%]

9. 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.

b. Analysis per remaining maturities

As at 30 June 2016, analysis per remaining maturities is as follows:

30.06.2016 - EUR' 000	**< 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**> 5 years**	**Without fixed maturity**	**Total**
Cash and cash equivalents	63 410	0	0	0	0	63 410
Financial assets at fair value through profit or loss						
- *Designated at fair value through profit or loss*	1 003 184	4 326 996	15 877 087	17 802 840	0	39 010 107
- *Classified as Held for Trading*	887 370	1 518 203	2 213 637	1 221 113	0	5 840 323
Loans and receivables	0	4 156	3 865	49 094	0	57 115
Current tax assets	0	0	0	0	0	0
Other assets	13 853	0	0	0	0	13 853
Total assets	**1 967 817**	**5 849 355**	**18 094 589**	**19 073 047**	**0**	**44 984 808**
Financial liabilities at amortised cost	0	39 306	0	48 000	0	87 306
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	1 003 184	4 326 996	15 877 087	17 801 777	0	39 009 044
- *Classified as Held for Trading*	887 370	1 518 203	2 213 637	1 221 352	0	5 840 562
Other liabilities	39 921	0	0	0	0	39 921
others tax	47	**0**	**0**	**0**	**0**	47
Total liabilities	**1 930 522**	**5 884 505**	**18 090 724**	**19 071 129**	**0**	**44 976 880**

9. Risk Management (continued)

As at 31 December 2015, analysis per remaining maturities is as follows:

31.12.2015 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	83 446	0	0	0	0	83 446
Financial assets at fair value through profit or loss						
- *Designated at fair value through profit or loss*	203 755	3 874 218	14 423 201	15 691 892	0	34 193 066
- *Classified as Held for Trading*	618 267	580 172	217 759	1 351 004	0	2 767 202
Loans and receivables	0	6 955	3 714	51 006	0	61 675
Current tax assets	0	0	0	0	0	0
Other assets	1 979	0	0	0	0	1 979
Total assets	**907 447**	**4 461 345**	**14 644 674**	**17 093 902**	**0**	**37 107 368**
Financial liabilities at amortised cost	0	85 296	0	48 000	0	133 296
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	203 755	3 874 218	14 423 201	15 691 932	0	34 193 106
- *Classified as Held for Trading*	618 267	580 172	217 759	1 351 007	0	2 767 205
Other liabilities	3 604	0	0	0	0	3 604
Total liabilities	**825 626**	**4 539 686**	**14 640 960**	**17 090 939**	**0**	**37 097 211**

9. Risk Management (continued)

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

30.06.2016 - EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	63 410	63 410
Financial assets at fair value through profit or loss		
- *Designated at fair value through profit or loss*	39 010 107	39 010 107
- *Classified as Held for Trading*	5 840 323	5 840 323
Loans and receivables *	57 115	61 667
Other assets	13 853	13 853
Total assets	**44 984 808**	**44 989 360**
Financial liabilities at amortised cost	87 306	91 138
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	39 009 044	39 009 044
- *Classified as Held for Trading*	5 840 562	5 840 562
Other liabilities	39 921	39 923
Other Tax	47	47
Total liabilities	**44 976 880**	**44 980 714**

31.12.2015 - EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	83 446	83 446
Financial assets at fair value through profit or loss		
- *Designated at fair value through profit or loss*	34 193 066	34 092 066
- *Classified as Held for Trading*	2 767 202	2 767 202
Loans and receivables *	61 675	66 691
Other assets	1 979	1 979
Total assets	**37 107 368**	**37 011 384**
Financial liabilities at amortised cost	133 296	137 706
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	34 193 106	34 092 106
- *Classified as Held for Trading*	2 767 205	2 767 205
Other liabilities	3 604	3 604
Total liabilities	**37 097 211**	**37 000 621**

* 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 fair value of deposits and loans is calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with SG Group credit spread curve (EUR swap curve from Bloomberg and SG credit spread curve provided by Risk department Paris).

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

9. Risk Management (continued)

d. The fair value hierarchy of IFRS 13

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 30 June 2016, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

30.06.2016 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- *Designated at fair value through profit or loss*	0	22 357 565	16 652 542	39 010 107
- *Classified as Held for Trading*	0	5 809 043	31 280	5 840 323
Financial liabilities at fair value through profit or loss				
- *Designated at fair value through profit or loss*	0	22 356 502	16 652 542	39 009 044
- *Classified as Held for Trading*	0	5 809 282	31 280	5 840 562
Total	**0**	**824**	**0**	**824**

31.12.2015 - EUR' 000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
- *Designated at fair value through profit or loss*	0	20 958 779*	13 234 287*	34 193 066
- *Classified as Held for Trading*	0	2 765 046	2 156	2 767 202
Financial liabilities at fair value through profit or loss				
- *Designated at fair value through profit or loss*	0	20 958 819*	13 234 287*	34 193 106
- *Classified as Held for Trading*	0	2 765 049	2 156	2 767 205
Total	**0**	**-43**	**0**	**-43**

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.

* An amount of KEUR 780 133 has been reclassified from Level 2 to Level 3 because a manual error occurred in the file used to prepare the financial statements on 31.12.2015.

9. Risk Management (continued)

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

	Level 3 (30.06.2016)		Level 3 (30.06.2015)	
	Financial liabilities at fair value through profit or loss		Financial liabilities at fair value through profit or loss	
EUR' 000	***Designated at fair value through PnL***	***Classified as Held for Trading***	***Designated at fair value through PnL***	***Classified as Held for Trading***
Balance as at 1 January*	**13 234 287**	**2 156**	**11 299 450**	**0**
Acquisition**	13 345 892	31 253	8 805 147	0
Change in fair value	-610 359	0	-732 462	0
Reimbursements	-2 932 682	-1 927	-3 234 428	0
Transfer from L2 to L3	1 714 790	398	974 652	0
Transfer from L3 to L2	-1 697 220	-600	-682 626	0
Offsetting of the assets and liabilities	-6 402 166	0	-2 549 293	0
Balance as at 30 June	**16 652 542**	**31 280**	**13 880 440**	**0**

* An amount of KEUR 780 133 has been reclassified from Level 2 to Level 3 because a manual error occurred in the file used to prepare the financial statements on 31.12.2015.

** This amount includes new tranches of existing notes issued.

Transfer from Level 3 to Level 2:

As described in Note 3.5 “Fair Value of the 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 Société Générale group. This effort is guided by the Operational Risk Department, which reports to the Société Générale group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale group and monitoring and controlling operational risks.

9. Risk Management (continued)

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.

10. 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 30 June 2016, deliverable securities to be issued (engagement taken before 30 June 2016 with value after 30 June 2016) amounted to KEUR 3 676 777 (31 December 2015: KEUR 3 714 548).

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 its role of guarantor. Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the 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 6 017 536 (31 December 2015: KEUR 5 156 862).

For financial instruments recognised at fair value held for trading on the balance sheet (Warrants), all issues are fully hedged by concluding identically equipped OTC options by investigating issue proceeds with Société Générale S.A. The total 8 882 warrants issued during financial year 2016 breaks as follows:

10. Off-balance sheet (continued)

Warrant Type	Category of Underlying	Type of Underlying	Option Type	30.06.2016 Quantity	30.06.2016 Volume (000 EUR)	31.12.2015 Quantity	31.12.2015 Volume (000 EUR)
Commodity Future Warrant	Future	Commodity Future	Call	19	60 859	5	10 977
			Put	17	35 972	9	16 697
Commodity Warrant	Commodity	Mutual Fund	Call	40	197 373	6	7 920
			Put	22	83 825	5	10 820
Currency Warrant	Currency		Call	398	66 204	62	12 943
			Put	386	7 222	50	10 045
Equity Warrant	Equity	American Depositary Receipt	Call	45	67 641	18	27 750
			Put	42	61 313	20	29 227
		Ordinary Share	Call	3 255	11 958 625	1 458	4 735 019
			Put	2 628	7 225 103	1 436	4 235 478
		Other Receipt	Call	0	0	9	436 902
			Put	4	218 887	3	200 167
		Own Share	Call	52	132 130	23	40 632
			Put	48	93 478	29	41 053
		Preference	Call	14	50 205	6	36 000
			Put	10	30 665	6	26 880
Index Warrant	Index	Index	Call	928	13 609 438	599	11 042 035
			Put	945	15 975 435	499	8 912 173
Fund Warrant	Fund	Mutual Fund	Call	21	498 204	0	0
			Put	8	133 298	0	0
Total Call				4 772	26 640 679	2 186	16 350 178
Total Put				4 110	23 865 198	2 057	13 482 540

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 2015, the subscribed and fully paid share capital amounted to EUR 2 000 080 and was divided into 50 002 shares with nominal value of EUR 40 each held by Société Générale Bank and Trust S.A.

11. Equity (continued)

By resolutions adopted on 15 January 2016, the Executive Board decided to increase the capital of the Company from EUR 2 000 080 to EUR 2 000 120 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, 50 003 shares with an unchanged nominal value.
Such increase also resulted in an allocation by the Company to its capital surplus account of EUR 85 295 604.

As at 30 June 2016, the subscribed and fully paid share capital is EUR 2 000 120 and is divided into 50 003 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 30 June 2016, the legal reserve amounted to KEUR 200 (2015: KEUR 200).

Included in the other reserves at 30 June 2016, an amount of KEUR 3 381 represents a temporarily non distributable reserve equal to five times net worth tax (2015: KEUR 5 622) and an amount of KEUR 2 241 represents distributable reserve after the 2016 annual general meeting. 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.

Notes to the condensed interim financial information
For the six-month period ended 30 June 2016
- continued -

13. 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. Since this year, SGIS is accruing for its own current tax liabilities. On 30 June 2016, the amount is KEUR 47 (2015: nil).

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. maintains reserves in the name of the other companies part of the fiscal integration for the current financial year. From financial year 2017, SGIS will maintain its own reserves.

For the period ending on 30 June 2016, 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.

14. Subsequent events

There was no subsequent event which could have had significant impact on the condensed interim financial information of the Company as at 30 June 2016.