SG Issuer
Société Anonyme

Financial statements, Report of the Executive Board and Corporate Governance Statement, and report of the réviseur d'entreprises agréé

As at and for the year ended 31 December 2017

33, boulevard Prince Henri
L-1724 Luxembourg
R.C.S. Luxembourg: B121.363

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Functional and presentation currency

Except otherwise indicated, the amounts presented in the financial statements are expressed in thousands of euros (KEUR). The value "0" indicates the presence of a number, which is rounded to zero, while "-" represents the value nil.

Executive Board Members

For the year ended 31 December 2017

Chairman:

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

Mr Alexandre GALLICHE
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Marc AUGIER (until 06/02/2017)
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Thierry BODSON (since 06/02/2017)
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Arnaud SERRES
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mrs Laetitia JOURNE (until 06/02/2017)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Youssef TALI (between 06/02/2017 and 21/12/2017)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris- La Défense 7, France

Mr Noël ALISON (since 21/12/2017)
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris- La Défense 7, France

Supervisory Board Members

For the year ended 31 December 2017

Chairman:

Mrs Véronique DE LA BACHELERIE
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Jérôme AUDRAN (until 26/10/2017)
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Olivier FREITAS (since 26/10/2017)
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Vincent ROBILLARD
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Alban ROMANET
Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Management and administration

For the year ended 31 December 2017

Issuer
SG Issuer
33, Bd 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, France

Security Trustee and Security Agent Trustee
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 and Réviseur d'entreprises agréé

For the year ended 31 December 2017

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, Luxembourg

Réviseur d'entreprises agréé (Independent Auditor)
Ernst & Young S.A.
35E, Avenue John F. Kennedy, L-1855 Luxembourg

Report of the Executive Board and Corporate Governance Statement

For the year ended 31 December 2017

The Directors of the Company (each a "Director", collectively the "Executive Board") present the financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the year ended 31 December 2017.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The corporate objects of SG Issuer are to issue Notes and Warrants with all types of underlyings including, without restriction, shares, index, interest rate, dividend, credit risk, foreign exchange, commodities, funds, Warrants, 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.
Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings.

Notes are mainly debt securities, bonds, certificates. Issuing proceeds raised by the sale of the Notes will be transferred to SG Paris through a fully funded swap which will perfectly hedge SG Issuer for the full Issue Size.

Warrants are financial products like turbos, inline warrants, daily leverage certificates, etc, which aim to replicate the same financial exposure as buying (call) or selling (put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.
Warrants are sold by SG Issuer mainly to clients in France, Belgium, Luxembourg, UK, Sweden, Finland, Norway, Spain, Hong-Kong, Netherlands, Italy and Singapore.
Payments in respect of the Notes and Warrants issued by the Company will be unconditionally and irrevocably guaranteed by Société Générale.

On request of investors, the Company can issue collateralised Notes or Warrants ("Secured Notes" or "Secured Warrants'') in order to propose an additional layer of protection to investors, in case of default of Société Générale.

Notes and Warrants issuances are governed by the Base Prospectus prepared by Société Générale as arranger. Notes can be issued under one of the two Debt Instruments Issuance Programmes approved by the CSSF on 27 June 2017 or under the "Programme d'Emission de Titres de Créance" approved by the CSSF on 3 July 2017. For Warrants issuances, there are 2 Base Prospectus, namely the Warrants Issuance Programme approved by the CSSF on 7 July 2017 and the Warrants and Turbo Warrants Issuance Programme approved by the CSSF on 19 July 2017. The new Leveraged Products Issuance Programme approved on 27 October 2017 allows the issuance of Leveraged Products under Notes, Warrants or Certificates wrapper.

The state of business of the Company at the closing of the financial year is adequately presented in the financial statements, published herewith. The apparent decrease in the total assets and liabilities is explained by the off-setting of the warrants subscribed by SG Paris as at 31 December 2017 while there was no netting as at 31 December 2016. The increase in total assets and liabilities (before impact of the off-setting) is due to the development of the activity of issuing financial instruments.

During the year ended 31 December 2017, 14 678 Notes were issued (among which 302 Secured Notes) and 9 708 Warrants were issued[1]. The profit for the annual financial period amounts to KEUR 78.

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

2. RISKS AND UNCERTAINTIES

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

3. FUTURE DEVELOPMENTS

With the set-up of the new issuance program (the “DLCIP”) dedicated to the issuance of leveraged products in Europe, the distribution business should continue its development along 2018.

On another hand, the Board anticipates the volume of secured and repack transactions to continue to decrease in 2018.

4. POST BALANCE SHEET EVENTS

Refer to Note 22.

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’s system of risk management and internal control.
The Executive Board meetings are held several times during the year when necessary.

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1 The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial year-end.

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 2017, the Supervisory Board did not create specific committee on SG Issuer.

5.3 Internal Audit

The Internal Audit of both SGBT (Luxembourg) and 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 objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.
The central task of Internal Audit is to audit the functioning of SG Issuer on a regular basis and evaluate 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 at the request 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 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 the 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 (mainly General services, legal services, business continuity management services and financial services from SGBT and operational services – Middle Office and Back Office – from Société Générale)
The description of the risk management relative to the financial information is described in Note 21 hereafter.

Luxembourg, 26 April 2018

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Alexandre GALLICHE
Member of the Executive Board

Amaury de BELER
Member of the Executive Board

Global Statement for the financial statements

For the year ended 31 December 2017

To the best of our knowledge, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the Report of the Executive Board (management report) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the main risks and uncertainties that it faces.

Luxembourg, 26 April 2018

Executive Board Member

For the Executive Board

A. de Bélis

A. GALLICHE

Y. CACCLIN

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Société anonyme

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Report of the réviseur d'entreprises agréé

To the sole Shareholder of
SG Issuer S.A.
33, boulevard Prince Henri
L-1724 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SG Issuer S.A. (the "Company"), which comprise the Statement of Financial Position as at 31 December 2017, and the Statement of Comprehensive Income, the Statement of changes in equity and the Statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

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context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence, Completeness and Valuation of the financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL")

Description

As at 31 December 2017, financial assets measured at FVTPL as well as the related financial liabilities measured at FVTPL represent the vast majority of the total assets, respectively the total liabilities of the Company.

We have considered the existence, completeness and valuation of these financial assets and financial liabilities to be a key audit matter based on the activity of the Company consisting in issuing Notes and Warrants, which are subscribed by investors and for which the market risks are covered by mirror transactions concluded with Société Générale Paris replicating the financial instruments issued by the Company, and considering the significant balances as at 31 December 2017 and the methodologies used to fair value these financial instruments which are rather complex financial instruments.

How the matter was addressed in our audit

All the financial instruments issued by the Company are covered by mirror transactions concluded with Société Générale Paris.

We have tested the controls implemented by the Company in relation with the issuance of financial instruments and the conclusion of mirror transactions with Société Générale to hedge the market risks, the controls on the stock of financial instruments, as well as the controls implemented in relation with the valuation of the financial instruments.

We have verified the intercompany reconciliation process between the Company and Société Générale, and the intercompany reconciliations performed as at 31 December 2017.

For a sample of financial instruments issued by the Company as at 31 December 2017, we ensured that the Company has contracted the corresponding financial instruments with Société Générale to hedge the market risks.

Also, we have performed an independent valuation of a sample of financial instruments as at 31 December 2017, which was composed of key items and other items selected randomly.

Other information

The Executive Board is responsible for the other information. The other information comprises the information included in the report of the Executive Board and Corporate Governance Statement but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Executive Board and of those charged with governance for the financial statements

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

In preparing the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 27 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The report of the Executive Board is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the report of the Executive Board, is the responsibility of the Executive Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

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Other matters

The corporate governance statement includes the information required by article 68ter paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

The financial statements of SG Issuer S.A. as at 31 December 2016 have been audited by another "réviseur d'entreprises agréé", who issued an unqualified opinion on these financial statements as at 31 December 2016 on 27 April 2017.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Charles Dequaire

Luxembourg, 26 April 2018

Statement of Comprehensive Income
For the year ended 31 December 2017
(Expressed in thousands of EUR)

	Note	2017	2016
Interest income	13	1 059	1 143
Net gains on financial instruments at fair value through profit or loss	14	91 294	89 848
Total revenue		92 353	90 991
Interest expenses	13	(64 279)	(68 837)
Personnel expenses	15	(344)	(236)
Other operating charges	16	(27 625)	(21 393)
Total expenses		(92 248)	(90 466)
Profit before tax		105	525
Income tax	17	(27)	(152)
Profit for the financial year		78	373
Total comprehensive income for the financial year		78	373

Statement of Financial Position
As at 31 December 2017
(Expressed in thousands of EUR)

	Note	31.12.2017	31.12.2016
Cash and cash equivalents	4	114 889	89 144
Financial assets at fair value through profit or loss			
- *Designated at fair value through profit or loss*	5	44 051 537	44 030 973
- *Held for Trading*	5	3 806 822	9 133 362
Loans and receivables	6	53 661	53 345
Other assets	7	-	3 151
Total assets		48 026 909	53 309 975
Financial liabilities at amortised cost	8	110 734	115 533
Financial liabilities at fair value through profit or loss			
- *Designated at fair value through profit or loss*	9	44 048 143	44 023 013
- *Held for Trading*	9	3 818 679	9 147 992
Other liabilities	10	43 668	15 055
Tax liabilities	17	27	152
Total liabilities		48 021 251	53 301 745
Share capital	11	2 000	2 000
Legal reserve	12	200	200
Other reserves	12	3 380	5 622
Retained earnings		0	35
Profit for the financial year		78	373
Total equity		5 658	8 230
Total equity and liabilities		48 026 909	53 309 975

Statement of Changes in Equity
For the year ended 31 December 2017
(Expressed in thousands of EUR)

	Share capital	*Legal reserve*	*Other reserves unavailable*	*Other reserves available*	Total reserves	Capital surplus	Retained earnings	Profit for the financial year	Total equity
As at 31 December 2015	2 000	*200*	*5 622*	*1 911*	7 733	-	44	380	10 157
Transfer to available reserves	-	-	*(2 240)*	*2 240*	-	-	-	-	-
Allocation of the result of the previous year before dividend distribution	-	-	-	*(1 911)*	(1 911)	-	2 291	(380)	-
Dividend to the sole shareholder	-	-	-	-	-	-	(2 300)	-	(2 300)
Capital increase / Allocation to the capital surplus account	-	-	-	-	-	85 296	-	-	85 296
Reimbursement of the capital surplus account	-	-	-	-	-	(85 296)	-	-	(85 296)
Profit for the financial year	-	-	-	-	-	-	-	373	373
As at 31 December 2016	2 000	*200*	*3 382*	*2 240*	5 822	-	35	373	8 230
Transfer from reserves to retained earnings	-	-	*(1 718)*	*(524)*	(2 242)	-	2 242	-	-
Allocation of the result of the previous year before dividend distribution	-	-	-	-	-	-	373	(373)	-
Dividend to the sole shareholder	-	-	-	-	-	-	(2 649)	-	(2 649)
Capital increase / Allocation to the capital surplus account	-	-	-	-	-	67 533	-	-	67 533
Reimbursement of the capital surplus account	-	-	-	-	-	(67 533)	-	-	(67 533)
Profit for the financial year	-	-	-	-	-	-	-	78	78
As at 31 December 2017	2 000	*200*	*1 664*	*1 716*	3 580	-	0*	78	5 658*

** Difference due to roundings.*

Statement of Cash Flows
For the year ended 31 December 2017
(Expressed in thousands of EUR)

	Note	2017	2016
OPERATING ACTIVITIES			
Profit for the financial year		78	373
Adjustments for:			
Net (Increase) / decrease in financial assets		5 305 660	(16 195 737)
Net Increase / (decrease) in financial liabilities		(5 241 449)	16 278 227
(Increase)/decrease in other assets		3 151	(1 172)
Increase/(decrease) in other liabilities		28 487	11 603
NET CASH FLOWS FROM OPERATING ACTIVITIES		95 927	93 294
FINANCING ACTIVITIES			
Payment of capital surplus*		(67 533)	(85 296)
Dividend paid		(2 649)	(2 300)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(70 182)	(87 596)
Cash and cash equivalents at the beginning of the year	4	89 144	83 446
Net increase/(decrease) in cash and cash equivalents		25 745	5 698
Cash and cash equivalents at the end of the year		114 889	89 144
Cash flows from interest and dividends			
Interest paid		69 078	91 066
Interest received		1 279	1 172
Dividend received		-	-

** KEUR 67 533 represent the 2016 activity related interest paid by the Company to SGBT (see Note 8).*

The presentation of the Statement of cash flows for the year ended 31 December 2017, as well as comparative figures for the year ended 31 December 2016, have been amended compared to the presentation in the financial statements for the year ended 31 December 2016.

1. Corporate information

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

Since April 2013, the Company’s corporate objects are to issue debt securities, bonds, certificates, Warrants and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, Company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment Company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, Warrants, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

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

The Company’s financial year begins on 1 January and ends on 31 December each year.

The Company’s capital is fully owned by Société Générale Bank & Trust S.A. (hereafter “SGBT”), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated accounts of SGBT, which is the smallest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 11, avenue Emile Reuter, L-2420 Luxembourg.
The accounts of the Company are included in the consolidated accounts of Société Générale (hereafter ”SG” or the “ultimate parent Company”), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

2. Basis of preparation

2.1. Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2017 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 presentation of the Statement of cash flows for the year ended 31 December 2017, as well as comparative figures for the year ended 31 December 2016, have been amended compared to the presentation in the financial statements for the year ended 31 December 2016.
Certain comparative figures in the notes as at 31 December 2016 have been modified to allow a better comparison.

2. Basis of preparation (continued)

2.1. Statement of compliance (continued)

The financial statements were authorised for issue by the Supervisory Board on 26 April 2018.

2.2. Basis of measurement of financial assets and financial liabilities

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

2.3. Functional and presentation currency

These financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital. Unless stated otherwise, the amounts in the financial statements are expressed in thousands of EUR (KEUR).

2.4. 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.

2.5. Segmental information

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

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

Transactions in foreign currencies are initially recorded in EUR at the exchange rate ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the statement of comprehensive income.

3. Significant accounting policies (continued)

3.2 Financial assets and liabilities

The Company classifies its financial assets into the following categories, as appropriate:

- Financial assets at fair value through profit or loss
  - Designated at fair value through profit or loss
  - 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 or loss
  - Designated at fair value through profit or loss
  - 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 measured 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 (see Note 3.2.3).

3.2.1 Financial assets and liabilities designated at fair value through profit or loss

These assets and liabilities respectively include:

- Fully Funded Swaps (“FFS”) used to hedge Notes issued (Financial assets measured at fair value through profit or loss);
- Notes issued by the Company (Financial liabilities measured at fair value through profit or loss).

3. Significant accounting policies (continued)

3.2. Financial assets and liabilities (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.

Fully Funded Swaps are financial instruments contracted with Société Générale Group to hedge the Company's exposure to market risk arising from its activities, by replicating each of the Notes issued.

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 measured at fair value through profit or loss and are recognised in the statement of financial position under "Financial assets/ Financial liabilities at fair value through profit or loss".

The impact of the application of IFRS 13 on the Company's financial statements (Credit Value adjustment (CVA) / Debt Value Adjustment (DVA) recognition) have been recorded on a net basis in the statement of financial position, 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).

Revenues and expenses including changes in fair value are recorded in the statement of comprehensive income for the year under "Net gains on financial instruments at fair value through profit or loss".

3.2.2 Financial assets and liabilities Held for Trading

These assets and liabilities respectively include:
- Options purchased in order to hedge the issued warrants;
- Warrants issued by the Company.

The notional amounts of the Warrants together with the hedging options are reported Off Balance-Sheet.
The Company reports the premium paid on the derivatives bought and the premium received on the derivatives sold in the statement of financial position under"Financial assets or liabilities at fair value through profit or loss - Held for Trading".
Subsequent to initial measurement, the Options and the Warrants are measured at fair value through profit or loss.
Revenues and expenses including changes in fair values are recorded in the statement of comprehensive income under"Net gains on financial instruments at fair value through profit or loss".

3.2.3 Offsetting a financial asset and a financial liability

The financial instruments issued by the Company are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The instruments which are unsold are held by Société Générale.

3. Significant accounting policies (continued)

3.2. Financial assets and liabilities (continued)

3.2.3. Offsetting a financial asset and a financial liability (continued)

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 offset the recognized amount with the same counterparty (Société Générale). The assets (the Fully Funded Swaps) and the liabilities (the Notes) are settled (and intended to be settled) simultaneously.

In application of *IAS 32 - Offsetting a financial asset and a financial liability*, the Company proceeds to the accounting netting of the non-sold amounts.

The treatment is applied based on IAS 32 paragraph 42: "*A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:*

(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."

As at 31 December 2017, the impact of the offsetting (decrease in the balance sheet) is KEUR 23 631 494 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2016: KEUR 21 401 512) and KEUR 6 945 467 for the non-sold Warrants and the corresponding Options (31 December 2016: KEUR nil) (see Note 5 and Note 9).

3.2.4 Loans and receivables

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

Subsequent to initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, less appropriate impairments.
Impairments represent the Company's estimate of losses arising from the failure or inability of third parties to make payments when due.

3.2.5 Financial liabilities at amortised cost

These financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial measurement, these financial liabilities are measured at amortised cost using the effective interest rate method.

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

3. Significant accounting policies (continued)

3.3 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 financial statements.

For the years ended 2017 and 2016, the impact of IFRS 13 is fully embedded in the valuation models.

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 Note holders.
Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the "Reference Bond") issued by a third-party issuer (the "Reference Bond Issuer").
The collateral assets are composed of eligible securities.
Should 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.

3. Significant accounting policies (continued)

3.3 Fair Value of the financial instruments (continued)

- For Warrants

For financial instruments recognised at fair value in the statement of financial position, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the 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 apriori 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 (i.e. prices) or indirectly (i.e. Data derived from price);

3. Significant accounting policies (continued)

3.3 Fair Value of the financial instruments (continued)

- 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.

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 day 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.

3.4 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.

3. Significant accounting policies (continued)

3.4 Impairments (continued)

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.

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.

3.5 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income 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 commissions 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.

3.6 Income tax

The Company is subject to Luxembourg tax laws and regulations. These taxes are included in current taxes.
Deferred taxation, if any, 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. Significant accounting policies (continued)

3.7 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 IAS 39, securities borrowed are not recorded in the Company's statement of financial position. The commitment to pledge the securities is accounted in the Company's 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.

3.8 New Standards and Interpretations

IFRS 9 - Financial Instruments

Among the new standards, amendments of standards or interpretations published by the International Accounting Standards Board (IASB) during the years 2013 to 2016, IFRS 9 "Financial Instruments", as endorsed by the European Union on 22 November 2016 will be applicable from 1 January 2018, with early adoption permitted. SGIS did not adopt the standard earlier than its effective date.

3. Significant accounting policies (continued)

3.8 New Standards and Interpretations (continued)

IFRS 9 is a recast of IAS 39. Its implementation as of 1 January 2018 will introduce new requirements for the classification and measurement of financial assets. Financial assets will be classified into three categories (amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI)) according to the characteristics of their contractual flows and the way in which the entity manages its financial instruments ("Business model"). Its implementation may result in a change in accounting, and therefore generate an impact on the statement of comprehensive income.

In early 2015, the Company's Risk and Finance functions set up a special structure to organise the works to be performed in order to implement the new standard and to be ready to apply it on 1 January 2018.

Ø *Classification and Measurement*

The Classification and Measurement is based on both the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset. A debt instrument shall be measured:

- at amortized cost if all the following conditions are met:
  - The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows,
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

- at FVOCI if all the following conditions are met:
  - The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets,
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that does not meet the conditions to be measured at amortized cost or at FVOCI must be measured at FVTPL.

The portfolios of financial assets were reviewed to determine, based on the characteristics of their contractual cash flows and on how they are managed (business models), their future accounting treatment under IFRS 9. Another objective of this review was to identify the most significant impacts on the information systems.

SGIS has defined its business model as "held to collect": assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past two years.

Financial assets that contain embedded derivatives that modify the cash flows of the host contract will not pass the SPPI test, so that such instruments will mandatorily fall into the category of financial assets measured at FVTPL.
IFRS 9 also precludes the separation of embedded derivatives that are embedded in financial assets (separation remains possible for non-financial assets). Bifurcation remains applicable for financial liabilities.

The application of the fair value option will therefore remain applicable only when it will contribute to eliminate or significantly reduce an accounting mismatch.

3. Significant accounting policies (continued)

3.8 New Standards and Interpretations (continued)

SGIS is financial assets are mainly composed of Fully Funded Swaps, which are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). This type of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As the financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the SPPI test and the assets will be required to be measured at FVTPL.
Had the SPPI test been validated, the liabilities being still designated as measured at FVTPL because of the embedded derivative feature, the assets would have been designated as measured at FVTPL to eliminate or significantly reduce the accounting that would have arisen otherwise.

Ø *Impairment of financial assets*

IFRS 9 Phase 2 (Impairment) requires that expected credit losses be calculated and accounted for all financial assets which are not measured at FVPL. Expected credit losses should be calculated according to the following methodology:

- On performing assets, expected credit losses is calculated according to the expected losses over one year;
- On downgraded assets, expected credit losses is calculated according to the expected losses over the lifetime of the contract, interests are calculated on the gross accounting value before depreciation;
- On defaulting assets, expected credit losses is calculated according to the expected losses over the lifetime of the contact, interests are calculated on the gross accounting value after depreciation.

SGIS decided to capitalize on SG Group tools to define a calculation methodology regarding impairment.

The Group has set up a framework methodology defining the rules for assessing the deterioration of credit risk and for determining 12-month and lifetime expected credit losses, factoring in macroeconomic projections reflecting the credit cycle.

Based on the results of Phase 1 analysis (Classification and Measurement), the financial assets are considered to be out of scope for Phase 2, except for *Cash and cash equivalents* and *Loans and receivables* that are SPPI and will continue to be measured at amortized cost. The impact on shareholders' equity as at 1 January 2018, which is due to the expected credit losses on the financial assets measured at amortized cost, is estimated to be KEUR 5.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 from 1 January 2018 regarding the principles of revenue accounting. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards.

The accounting treatments currently applied for the recognition of the revenues generated by the contracts have been analyzed. SGIS estimates that the first application of IFRS 15 will not have a significant impact on its net position at the beginning of the 2018 financial year.

4. Cash and cash equivalents

This caption amounts to KEUR 114 889 as at 31 December 2017 (2016: KEUR 89 144) and refers to amounts held with Société Générale Bank & Trust S.A. ("SGBT") for an amount of KEUR 4 366 (2016: KEUR 7 294) and Société Générale for an amount of KEUR 99 505 (2016: KEUR 75 191), the remaining balance being with other counterparties for an amount of KEUR 11 018 (2016: KEUR 6 659). Bank overdrafts which form an integral part of the Company's cash management are deducted from Cash and cash equivalents.

5. Financial assets at fair value through profit or loss

	31.12.2017 EUR' 000	31.12.2016 EUR' 000
Financial assets at fair value through profit or loss		
- Designated at fair value through profit or loss (Fully Funded Swaps)	44 051 537	44 030 973
- Held for Trading (Options)	3 806 822	9 133 362
Total	47 858 359	53 164 335

As at 31 December 2017, financial assets designated at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 44 051 537 (31 December 2016: KEUR 44 030 973) and replicate all the Notes issued by the Company (see Note 3.2 and Note 9).

As at 31 December 2017, financial assets Held for Trading (Options) amount to KEUR 3 806 822 (31 December 2016: KEUR 9 133 362) and replicate all the Warrants issued by the Company (see Note 3.2 and Note 9).

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

As indicated in Note 3.2.3, as at 31 December 2017, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 23 631 494 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2016: KEUR 21 401 512) and KEUR 6 945 467 for the non-sold Warrants and the corresponding Options (31 December 2016: KEUR nil), which explains the decrease in Warrants despite the new issues during the year ended 31 December 2017.

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

	Designated at fair value through profit or loss	Held for Trading	Total
As at 31 December 2015	34 193 066	2 767 202	36 960 268
Acquisition	56 777 436	48 873 095	105 650 531
Cancelled	(43 465 758)	(29 143 080)	(72 608 838)
Liquidation	(167 612)	-	(167 612)
Maturity/Disposal	(2 909 038)	(12 900 839)	(15 809 877)
Change in fair value	2 520 170	(612 551)	1 907 619
Exchange difference	529 676	149 535	679 211
Offsetting of Assets and Liabilities (Change)	(3 446 967)	-	(3 446 967)
As at 31 December 2016	44 030 973	9 133 362	53 164 335
Acquisition	67 965 225	61 583 229	129 548 454
Cancelled	(64 352 527)	(41 041 449)	(105 393 976)
Liquidation	2 521 195	-	2 521 195
Maturity/Disposal	(969 538)	(20 424 802)	(21 394 340)
Change in fair value	567 557	2 001 705	2 569 262
Exchange difference	(3 481 366)	(499 756)	(3 981 122)
Offsetting of Assets and Liabilities (Change)	(2 229 982)	(6 945 467)	(9 175 449)
As at 31 December 2017	44 051 537	3 806 822	47 858 359

6. Loans and receivables

As at 31 December 2017 and 2016, loans and receivables only consist in deposits with SGBT, which represent the replacement of the Company's share capital, reserves and other available funds.

7. Other assets

	31.12.2017 EUR' 000	31.12.2016 EUR' 000
Other settlement accounts	-	3 151
	-	3 151

8. Financial liabilities at amortised cost

As at 31 December 2017 and 2016, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by SGBT, with maturity in 2022. The convertible bond has been issued following the reimbursement of a previously existing loan. Similar conditions have been maintained in the bond issued, to strictly achieve this change of format. Conversion may occur each year.

On this convertible bond, the Company pays to SGBT both variable interests calculated on Euribor 3M plus a margin (1.721% as at 31 December 2017) and activity related interests. Activity related interests mean an amount equal to 100% of the activity related profit generated by the Company.

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

As at 31 December 2017 and 2016, the value of the equity component is estimated to be nil.

9. Financial liabilities at fair value through profit or loss

	31.12.2017 EUR' 000	31.12.2016 EUR' 000
Financial assets at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	44 048 143	44 023 013
- Held for Trading (Warrants)	3 818 679	9 147 992
Total	47 866 822	53 171 005

As at 31 December 2017, the Company issued secured and unsecured Notes for a total amount of KEUR 44 048 143 (31 December 2016: KEUR 44 023 013):

- 23 135 unsecured Notes were issued (stock) for a total amount of KEUR 37 973 579 (31 December 2016: 21 749 unsecured Notes were issued (stock) for a total amount of KEUR 37 859 410);
- 861 secured Notes were issued (stock) for a total amount of KEUR 6 074 564 (31 December 2016: 527 secured Notes were issued (stock) for a total amount of KEUR 6 163 603).

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

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.
Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.
As at 31 December 2017, securities deposited at Bank of New York MELLON as collateral for secured issuances amount to KEUR 5 369 022 (31 December 2016: KEUR 5 586 872).

As at 31 December 2017, the Company also issued Warrants for a total amount of KEUR 3 818 679 (31 December 2016: KEUR 9 147 992). Refer to Note 20 for further details on Off-balance sheet items related to the Warrants activity.

As indicated in Note 3.2.3, as at 31 December 2017, the impact of the offsetting (decrease in the balance sheet) is KEUR 23 631 494 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2016: KEUR 21 401 512) and KEUR 6 945 467 for the non-sold Warrants and the corresponding Options (31 December 2016: KEUR nil) (see Note 5).

Liquidity analysis is included in Note 21.

10. Other liabilities

	31.12.2017 EUR' 000	31.12.2016 EUR' 000
Operating charges payable	2 058	457
Other settlement accounts	41 610	14 598
Total	43 668	15 055

11. Equity

As at 31 December 2016, the subscribed and fully paid share capital, 100% held by Société Générale Bank & Trust S.A., was EUR 2 000 120, divided into 50 003 shares with nominal value of EUR 40 each.

By resolution adopted on 12 January 2017, the Executive Board decided to increase the capital of the Company from EUR 2 000 120 to EUR 2 000 160 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder.

As at 31 December 2017, the subscribed and fully paid share capital, 100% held by Société Générale Bank & Trust S.A., is EUR 2 000 160, divided into 50 004 shares with a nominal value of EUR 40 each.

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

The capital amount may be increased, subject to the approval or the Sole Shareholder, if the Company's activity evolves, incurring specific additional risks.

12. Reserves

Legal reserve

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.
As at 31 December 2017, the legal reserve amounts to KEUR 200 (31 December 2016: KEUR 200).

Other reserves

As at 31 December 2017, other reserves include temporarily unavailable reserves amounting to KEUR 1 664 (Net Wealth Tax reserve), which correspond to five times the reduction in the Net Wealth Tax for the respective years for which the Net Wealth Tax has been reduced (31 December 2016: KEUR 3 382).
If the amount of the NWT reserve is not maintained for a five year period (for a reason other than a change in capital), the Company's NWT liability will be increased by the amount of the NWT reduction for the years concerned.
The Company decided to keep this reserve in accordance with the above.

13. Interest income and expense

	2017 EUR' 000	2016 EUR' 000
Interest income on loans and receivables with financial institutions	1 059	1 143
Total interest income	1 059	1 143
Interest expenses on liabilities at amortised cost	(63 561)	(68 405)
Interest expenses on financial liabilities at fair value	(718)	(432)
Total interest expense	(64 279)	(68 837)
Net interest margin	(63 220)	(67 694)

14. Net gains on financial instruments at fair value through profit or loss

	2017 EUR' 000	2016 EUR' 000
Remuneration (soultes) in relation with the Notes issued	86 439	85 537
Remuneration (soultes) in relation with the Warrants issued	5 044	4 269
Net change in fair value	(189)	42
Total	91 294	89 848

15. Personnel Expenses

	2017 EUR' 000	2016 EUR' 000
Wages and salaries	(292)	(177)
Social charges and associated costs	(52)	(38)
Recharge of personnel expenses from related parties	-	(21)
Total	(344)	(236)

The Company had 3 employees during the year ended 31 December 2017 (2016: 2.5 employees). The employees of the Company are member 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.

The annual cost of pension is now calculated and invoiced by SGBT, the parent company, based on SGBT's group total cost of pensions and according to the number of the Company's full time equivalent employees.

16. Other operating charges

	2017 EUR' 000	2016 EUR' 000
Issues fees	(25 169)	(18 464)
Other operating charges	(2 456)	(2 929)
Total	(27 625)	(21 393)

Issues fees consist of Listing fee, Collateral monitoring agent fee, Maintenance of registers fee, trading fee, etc…

Other operating charges are mainly composed of operating costs related to the Company (including audit fees) as well as activities outsourced to SG and SGBT.

Remuneration of the Réviseur d'entreprises agréé

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

	2017 EUR' 000	2016 EUR' 000
Statutory audit of the annual accounts	253	253

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 SGBT, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the "Agreement") with SGBT. Under the Agreement, the Company pays to SGBT, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

For the year ended 31 December 2017, the theoretical tax rate is 27.08% (2016: 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.

Refer to Note 12 for further information on Net Wealth Tax.

18. Related parties

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2017 and 2016 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions. The Company has a related party relationship with its direct parent company (SGBT), its ultimate parent company (SG) and with its Executive Board Members, Supervisory Board Members and Executive Officers.

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

Also, the Company borrows securities from Société Générale, which serve as collateral for the secured Notes issued by the Company.

18. Related parties (continued)

As at 31 December 2017 EUR' 000	Société Générale (Ultimate Parent Company)	SGBT (Parent Company)
Cash and cash equivalents	99 505	4 366
Financial assets at fair value through profit or loss		
- Designated at fair value through profit or loss	44 051 537	-
- Held for Trading	3 806 822	-
Loans and receivables	-	53 661
Total assets	47 957 864	58 027
Financial liabilities at amortised cost	-	110 734
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss	-*	-
- Held for Trading	-*	-
Other liabilities	43 668	-
Tax liabilities	-	27
Total liabilities	43 668	110 761
Interest income	1 042	17
Net gains on financial instruments at fair value through profit or loss	91 483	-
Total revenue	92 525	17
Interest expenses	(718)	(63 561)
Personnel expenses	-	(344)
Other operating charges	(1 029)	(25 575)
Total expenses	(1 747)	(89 480)
Total comprehensive income for the year	90 778	(89 463)
Financial commitments	1 967 092	-
Financial commitments-collateral to be returned	5 369 022	-

*The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

18. Related parties (continued)

As at 31 December 2016 EUR' 000	Société Générale (Ultimate Parent Company)	SGBT (Parent Company)
Cash and cash equivalents	75 191	7 294
Financial assets at fair value through profit or loss		
- Designated at fair value through profit or loss	44 030 973	-
- Held for Trading	9 133 362	-
Loans and receivables	-	53 345
Other assets	3 151	-
Total assets	53 242 677	60 639
Financial liabilities at amortised cost	-	115 533
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss	-*	-
- Held for Trading	-*	-
Other liabilities	15 055	-
Tax liabilities	-	152
Total liabilities	15 055	115 685
Interest income	770	373
Net gains on financial instruments at fair value through profit or loss	89 848	-
Total revenue	90 618	373
Interest expenses	(432)	(68 405)
Personnel expenses	-	(236)
Other operating charges	-	(21 393)
Total expenses	(432)	(90 034)
Total comprehensive income for the year	90 186	(89 661)
Financial commitments	3 559 596	-
financial commitments-collateral to be returned	5 586 872	-

*The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

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

As at 31 December 2017 and 2016, no payment, no advance and no loans were given to members of the administrative or supervisory body.

20. Off-Balance Sheet

As at 31 December 2017, financial instruments to be issued (commitment taken before 31 December 2017 with value date after 31 December 2017) amounted to KEUR 1 967 092 (31 December 2016: KEUR 3 559 596).

All the financial instruments issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the financial instruments are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.
Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.
As at 31 December 2017, securities deposited at Bank of New York MELLON as collateral for secured issuances amount to KEUR 5 369 022 (31 December 2016: KEUR 5 586 872).

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

20. Off-Balance Sheet (continued)

The warrants issued as at 31 December 2017 and 2016 break down as follows:

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31/12/2017 Quantity	31/12/2017 Volume (000 EUR)	31/12/2016 Quantity	31/12/2016 Volume (000 EUR)
Commodity Future Warrant	Future	Commodity Future	Call	124	3 929 490	47	1 279 117
			Put	49	116 224	37	52 839
Commodity Warrant	Commodity	Mutual Fund	Call	68	152 538	61	214 789
			Put	57	116 801	50	124 540
Currency Warrant	Currency		Call	176	5 749 702	125	44 569
			Put	125	2 326 562	122	11 396
Equity Warrant	Equity	American Depositary Receipt	Call	7	14 641	30	124 926
			Put	5	8 547	21	58 502
		Ordinary Share	Call	5 348	35 182 893	4 995	24 668 459
			Put	3 055	10 967 356	3 150	10 829 952
		Other Receipt	Call	13	31 697	3	24 370
			Put	8	9 082	4	186 344
		Own Share	Call	75	168 342	109	219 936
			Put	68	139 146	74	151 675
		Preference	Call	18	65 500	28	97 750
			Put	18	60 975	29	83 625
		REIT	Call	67	180 994	-	-
			Put	41	87 367	-	-
Index Warrant	Index	Index	Call	1 616	38 031 494	1 481	35 952 812
			Put	774	16 914 221	990	16 256 885
Fund Warrant	Fund	Mutual Fund	Call	179	1 282 982	48	1 638 478
			Put	4	35 083	17	319 864
Total Call				7 691	84 790 273	6 927	64 265 206
Total Put				4 204	30 781 364	4 494	28 075 622

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 of the Registration Document (http://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 will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with Fully Funded Swaps concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors 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 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.

21. 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 its parent companies, SGBT and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SGBT and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.
As at 31 December 2017 and 2016, no financial assets were past due or impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As at 31 December 2017, the rating of Société Générale is AA from Standard & Poor’s and A1 from Moody’s.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

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 financial instruments issued by the Company and ii) the 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 statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group’s Risk Division.
Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related Fully Funded Swaps are classified as Level 3 when the valuation of the associated embedded derivatives (underlyings of the Notes) is also based on unobservable market data.

21. Risk Management (continued)

The main L3 underlyings of the Notes issued by the Company 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.

21. Risk Management (continued)

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:

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 volatilities	[6.7% ; 75.1%]
			Equity dividends	[0.0% ; 20.7%]
			Unobservable correlations	[-99.0% ; 97.8%]
			Hedge funds volatilities	[8.3% ; 20%]
			Mutual funds volatilities	[1.5% ; 53.3%]
Rates and Forex	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-10.89% ; 90%]
	Forex derivatives	Forex option pricing models	Forex volatilities	[1.0% ; 27.42%]
	Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayement modeling	Constant prepayment rates	[0.0% ; 45%]
	Inflation instruments and derivatives	Inflation pricing models	Inflation / inflation correlations	[64.40% ; 91%]
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 (N to default, etc)	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	[6.82% ; 97.45%]

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

However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company.

21. Risk Management (continued)

b. Analysis per remaining maturities

As at 31 December 2017, analysis per remaining maturities is as follows:

31.12.2017 - 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	114 889	-	-	-	-	114 889
Financial assets at fair value through profit or loss						
- *Designated at fair value through profit or loss*	1 608 901	5 921 371	19 240 396	17 280 869	-	44 051 537
- *Held for Trading*	561 449	1 137 999	856 423	1 250 951	-	3 806 822
Loans and receivables	-	884	51 182	1 595	-	53 661
Total assets	2 285 239	7 060 254	20 148 001	18 533 415	-	48 026 909
Financial liabilities at amortised cost	-	62 734	-	48 000	-	110 734
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	1 608 901	5 921 377	19 240 396	17 277 469	-	44 048 143
- *Held for Trading*	561 449	1 137 999	856 423	1 262 808	-	3 818 679
Other liabilities	43 668	-	-	-	-	43 668
Tax liabilities	27	-	-	-	-	27
Total liabilities	2 214 045	7 122 110	20 096 819	18 588 277	-	48 021 251

As at 31 December 2016 analysis per remaining maturities is as follows:

31.12.2016 - 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	89 144	-	-	-	-	89 144
Financial assets at fair value through profit or loss						
- *Designated at fair value through profit or loss*	1 273 668	5 546 579	18 174 506	19 036 220	-	44 030 973
- *Held for Trading*	1 797 992	2 710 398	2 129 998	2 494 974	-	9 133 362
Loans and receivables	-	1 915	3 865	47 565	-	53 345
Other assets	3 151	-	-	-	-	3 151
Total assets	3 163 955	8 258 892	20 308 369	21 578 759	-	53 309 975
Financial liabilities at amortised cost	-	67 533	-	48 000	-	115 533
Financial liabilities at fair value through profit or loss						
- *Designated at fair value through profit or loss*	1 273 668	5 546 579	18 174 506	19 028 260	-	44 023 013
- *Held for Trading*	1 797 992	2 710 398	2 129 998	2 509 604	-	9 147 992
Other liabilities	15 055	-	-	-	-	15 055
Tax liabilities	152	-	-	-	-	152
Total liabilities	3 086 867	8 324 510	20 304 504	21 585 864	-	53 301 745

21. Risk Management (continued)

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

31.12.2017 - EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	114 889	114 889
Financial assets at fair value through profit or loss		
- *Designated at fair value through profit or loss*	44 051 537	44 051 537
- *Held for Trading*	3 806 822	3 806 822
Loans and receivables *	53 661	57 087
Total assets	48 026 909	48 030 335
Financial liabilities at amortised cost *	110 734	114 318
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	44 048 143	44 048 143
- *Held for Trading*	3 818 679	3 818 679
Other liabilities	43 668	43 668
Tax liabilities	27	27
Total liabilities	48 021 251	48 024 835

31.12.2016 - EUR' 000	Carrying amount	Fair value
Cash and cash equivalents	89 144	89 144
Financial assets at fair value through profit or loss		
- *Designated at fair value through profit or loss*	44 030 973	44 030 973
- *Held for Trading*	9 133 362	9 133 362
Loans and receivables *	53 345	59 363
Other assets	3 151	3 151
Total assets	53 309 975	53 315 993
Financial liabilities at amortised cost *	115 533	126 896
Financial liabilities at fair value through profit or loss		
- *Designated at fair value through profit or loss*	44 023 013	44 023 013
- *Held for Trading*	9 147 992	9 147 992
Other liabilities	15 055	15 055
Tax liabilities	152	152
Total liabilities	53 301 745	53 313 108

* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with 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.

21. Risk Management (continued)

d. The fair value hierarchy of IFRS 13

As at 31 December 2017, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2017 - 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*	-	19 358 047	24 693 490	44 051 537
- *Held for Trading*	-	3 739 487	67 335	3 806 822
Financial liabilities at fair value through profit or loss				
- *Designated at fair value through profit or loss*	-	19 354 653	24 693 490	44 048 143
- *Held for Trading*	-	3 751 344	67 335	3 818 679
31.12.2016 - 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*	-	21 499 373	22 531 600	44 030 973
- *Classified as Held for Trading*	-	9 040 237	93 125	9 133 362
Financial liabilities at fair value through profit or loss				
- *Designated at fair value through profit or loss*	-	21 491 413	22 531 600	44 023 013
- *Classified as Held for Trading*	-	9 054 867	93 125	9 147 992

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

	Level 3 (2017)		Level 3 (2016)	
	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 P&L*	*Held for Trading*	*Designated at fair value through P&L*	*Held for Trading*
Balance as at 1 January	22 531 600	93 125	13 234 287	2 156
Acquisition *	19 985 859	41 973	9 427 828	178 064
Change in fair value	(946 823)	12 275	1 367 683	(87 095)
Reimbursements	(9 770 252)	(76 204)	(1 498 538)	-
Transfer from L2 to L3	129 107	2 314	-	-
Transfer from L3 to L2	(537 441)	-	4 692 844	-
Offsetting of the assets and liabilities	(6 698 560)	(6 148)	(4 692 504)	-
Balance as at 31 December	24 693 490	67 335	22 531 600	93 125

* This amount includes new tranches of existing notes issued.

21. Risk Management (continued)

The following table describes the variation in Level 3 by financial instruments:

Financial liabilities at fair value through profit or loss	Balance at 01.01.2017	Acquisitions	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	Balance 31.12.2017
Designated at fair value through P&L	22 531 600	19 985 859	(946 823)	(9 770 252)	129 107	(537 441)	(6 698 560)	24 693 490
Equity and index instrument	16 135 481	158 144	(565 978)	1 511 072	1 938	(823)	(170 586)	17 069 248
Commodity instruments	190 969	1 377 604	(80 979)	(638 802)	29 655	3 730	(734 720)	147 457
Credit derivatives	3 446 076	15 949 899	6 911	(11 286 063)	94 846	(499 662)	(3 964 646)	3 747 361
Foreign exchange instruments	564 059	751 558	(191 663)	24 731	2 668	(2 153)	(172 287)	976 913
Interest rate instruments	1 618 573	794 291	(69 428)	(328 751)	-	(1 063)	(516 150)	1 497 472
Others financial instruments	576 442	954 363	(45 686)	947 561	-	(37 470)	(1 140 171)	1 255 039
Held for Trading	93 125	41 973	12 275	(76 204)	2 314	-	(6 148)	67 335
Equity and index instruments	73 101	25 672	17 559	(56 208)	2 314	-	(6 148)	56 290
Other financial instruments	20 024	16 301	(5 284)	(19 996)	-	-	-	11 045

Transfers from Level 3 to Level 2

As described in Note 3.3 "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.

Transfers from Level 2 to Level 3

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc…).

21. Risk Management (continued)

Operational risk

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

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

22. Subsequent events

By resolutions adopted on 15 January 2018, the Executive Board decided to increase the capital of the Company from EUR 2 000 160 to EUR 2 000 200 by the issue of one new share with a nominal value of EUR 40, subscribed by the only shareholder.
After this increase, the subscribed and fully paid share capital is EUR 2 000 200, divided into 50 005 shares with a nominal value of EUR 40 each.
Such increase also resulted in an allocation of EUR 62 724 538 to the capital surplus account.

There were no other subsequent events, which would require an adjustment to or additional disclosure in the financial statements as at and for the year ended 31 December 2017.