

**SG Issuer**  
**Société anonyme**

**Condensed Interim Financial Information and Report of the  
Réviseur d'entreprises agréé on review of condensed interim  
financial information**

**Period from 1 January 2014 to 30 June 2014**

**33, boulevard Prince Henri**

**L-1724 Luxembourg**

**R.C.S. Luxembourg: B121363**

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## Report of the Executive Board

The Directors of the Company (each a "Director", collectively the "Executive Board") present the condensed interim financial information and the Report of the Executive Board of the Company for period from 1 January 2014 to 30 June 2014.

### 1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

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

Payments in respect of the Notes issued by the Company will be unconditionally and irrevocably guaranteed by Société Générale. In addition, on request of investors, the Company can issue collateralised Notes ("Secured Notes") in order to propose an additional layer of protection to investors, in case of default of Société Générale. Notes issuances are governed by Base Prospectus prepared by Société Générale as arranger: and the Base Prospectus approved by CSSF on the 29/04/2014. Notes issued by the Company can be sold in either Private Placements or Public Offerings

The state of business of the Company at the interim closing is adequately presented in the statement of financial position and the statement of comprehensive income, published herewith. The significant increase in total assets and liabilities is due to the development of the activity of issuing financial instruments. During the interim-period ended 30 June 2014, 4 405 Notes were issued, including 107 Secured Notes. The profit for the Interim financial period amounts to KEUR 193.

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

### 2. RISKS AND UNCERTAINTIES

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

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For each Note, the Company systematically hedges its position by dealing a swap in front of Société Générale, with strictly identical characteristics. The legal documentation has 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 related to the Notes' issuance.

3. FUTURE DEVELOPMENTS

The Company intends to issue warrants in the second semester of 2014, subject to all the internal and regulatory approvals needed.

4. POST BALANCE SHEET EVENTS

There was no subsequent event which could have had significant impact on the condensed interim financial information of the Company as at 30 June 2014.

Luxembourg, 26 August 2014

Marc AUGIER

Member of the Executive Board



**Executive Board Members:  
For the interim period ended at 30 June 2014**

**Chairman:**

**Mr Yves Cacclin**

Employee of Société Générale Bank and Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

**Directors:**

**Mrs Sophie ROBATCHE-CLAIVE**

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

**Mr Amaury DE BELER**

Employee of Société Générale Bank and Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Alexandre GALLICHE**

Employee of Société Générale Bank and Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Marc AUGIER**

Employee of Société Générale Bank and Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

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**Mrs Valerie DUMORTIER**

Employee of Société Générale

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

**Mrs Laetitia JOURNE**

Employee of Société Générale

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

## Global Statement

To the best of our knowledge, the condensed interim financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union gives a true and fair view of the SG Issuer. The condensed interim financial information comprises the statement of financial position as at 30 June 2014 and statement of comprehensive income, statement of changes in equity and statement of cash-flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Luxembourg, 26 August 2014



Marc AUGIER  
Member of the Executive Board

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

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

### *Introduction*

We have reviewed the accompanying condensed interim financial information of SG Issuer, which comprise the statement of financial position as at 30 June 2014 and statement of comprehensive income, statement of changes in equity and statement of cash-flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information. Executive Board is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

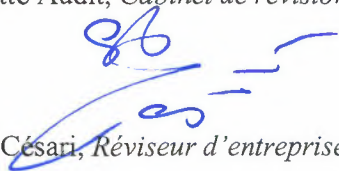
### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2014, and of its financial performance and its cash flow for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

For Deloitte Audit, *Cabinet de révision agréé*



Stéphane Césari, *Reviseur d'entreprises agréé*  
Partner

Luxembourg, 27 August 2014



SG Issuer  
Société Anonyme

**Statement of comprehensive income**  
For the six-month period ended 30 June 2014  
(expressed in thousands of EUR)

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.06.2013</b>
Interest income	818	3 965	677
Net gain from financial instruments through profit and loss	59 977	105 623	30 806
<b>Total revenue</b>	<b>60 795</b>	<b>109 588</b>	<b>31 483</b>
Interest expenses	(53 691)	(102 186)	(29 118)
Commission expenses	(1)	(2)	(2)
Personnel expenses	(68)	(75)	(34)
Other operating charges	(6 843)	(6 843)	(2 117)
<b>Total expenses</b>	<b>(60 603)</b>	<b>(109 106)</b>	<b>(31 271)</b>
<b>Profit before tax</b>	<b>193</b>	<b>482</b>	<b>212</b>
Income tax benefit	-	-	-
<b>Profit for the financial period/year</b>	<b>193</b>	<b>482</b>	<b>212</b>
<b>Total comprehensive income for the period/year</b>	<b>193</b>	<b>482</b>	<b>212</b>

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

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**Statement of financial position**  
As at 30 June 2014 (expressed in thousands of EUR)

	Notes	30.06.2014	31.12.2013
Cash and cash equivalents	4	34 896	10 143
Financial assets measured at fair value through profit or loss	5	33 608 393	21 182 332
Loans and receivables		61 494	148 494
Current tax assets		-	-
Other assets		42 685	8 650
<b>Total assets</b>		<b>33 747 468</b>	<b>21 349 619</b>
Financial liabilities at amortised cost	7	100 659	146 513
Financial liabilities measured at fair value through profit and loss	8	33 611 739	21 182 309
Other liabilities		23 159	8 631
<b>Total liabilities</b>		<b>33 735 557</b>	<b>21 337 453</b>
Share capital	9	2 000	2 000
Legal reserve		200	200
Other reserves		9 466	9 466
Retained earnings		52	18
Profit for the financial period/year		193	482
<b>Total equity</b>		<b>11 911</b>	<b>12 166</b>
<b>Total equity and liabilities</b>		<b>33 747 468</b>	<b>21 349 619</b>

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

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**Statement of changes in equity**

As at and for the six-month period ended 30 June 2014 (expressed in thousands of EUR)

	Share capital	Legal reserve	Other reserves	Total reserve	Capital surplus account	Retained earnings	Profit for the financial period/year	Total equity
<b>Notes</b>	9	10	10	10	9			
<b>As at 31 December 2012</b>	<b>2 000</b>	<b>200</b>	<b>7 802</b>	<b>8 002</b>	-	-	<b>5 233</b>	<b>15 236</b>
Appropriation of prior year profit	-	-	-	-	-	5 233	(5 233)	-
Profit for the period from 1 January to 30 June 2013	-	-	-	-	-	-	211	211
<b>As at 30 June 2013</b>	<b>2 000</b>	<b>200</b>	<b>7 802</b>	<b>8 002</b>	-	<b>5 233</b>	<b>211</b>	<b>15 447</b>
Allocation of the result of the previous year before dividend distribution	-	-	1 664	1 664	-	(1 665)	-	(1)
Dividend to the sole shareholder	-	-	-	-	-	(3 550)	-	(3 550)
Profit for the period from 1 July to 31 December 2013	-	-	-	-	-	-	271	271
<b>As at 31 December 2013</b>	<b>2 000</b>	<b>200</b>	<b>9 466</b>	<b>9 666</b>	-	<b>18</b>	<b>482</b>	<b>12 166</b>
Allocation of the result of the previous year before dividend distribution	-	-	-	-	-	483	(482)	1
Dividend to the sole shareholder	-	-	-	-	-	(450)	-	(450)
Capital increase resulted in an allocation of the capital surplus account	-	-	-	-	98 513	-	-	98 513
Reimbursement of the capital surplus account	-	-	-	-	(98 513)	-	-	(98 513)
Profit for the financial period/year	-	-	-	-	-	-	193	193
<b>As at 30 June 2014</b>	<b>2 000</b>	<b>200</b>	<b>9 466</b>	<b>9 666</b>	-	<b>52</b>	<b>193</b>	<b>11 911</b>

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

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**Statement of cash-flows**  
For the six-month period ended 30 June 2014

(expressed in thousands of EUR)

	30.06.2014	31.12.2013	30.06.2013
<b>Profit for the financial period/year</b>	<b>193</b>	<b>482</b>	<b>212</b>
Variation of the accrued accounts receivables	484	142	259
Variation of the accrued accounts payables	52 335	97 605	27 607
Other non monetary movement	-	-	(8 879)
<b>Total non monetary adjustments other than financial instruments at fair value through profit or loss</b>	<b>52 819</b>	<b>97 747</b>	<b>18 987</b>
<b>Net result on financial instruments at fair value through profit or loss</b>	<b>(59 977)</b>	<b>(105 623)</b>	<b>(29 296)</b>
Inter bank operations	(11 912 555)	(20 958 863)	(9 433 117)
Operations with other financial assets and liabilities	12 062 024	20 978 108	9 461 656
Operations with other non-financial assets and liabilities	(18 784)	(224)	139
Change in taxation paid	-	-	-
<b>Net variance of the operating assets and liabilities</b>	<b>130 685</b>	<b>19 021</b>	<b>28 678</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>123 720</b>	<b>11 627</b>	<b>18 581</b>
Borrowings	-	-	-
Interest paid on borrowings	-	-	(1 187)
Capital decrease	-	-	-
Decrease of legal reserve	-	-	-
Payment of capital surplus account	(98 513)	-	-
Dividend paid	(450)	(3 550)	-
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(98 963)</b>	<b>(3 550)</b>	<b>(1 187)</b>
Cash and cash equivalent at the beginning of the period/year	10 132	2 055	2 055
Net increase in cash and cash equivalent	24 756	8 077	17 394
<b>Cash and cash equivalent at 31 December</b>	<b>34 888</b>	<b>10 132</b>	<b>19 449</b>
<b>Net cash provided / used in operating activities include</b>			
Interest paid	565	4 581	1 187
Interest and dividends received	1 004	4 110	936

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

**Notes to the condensed interim financial information**

As at and for the six-month period ended 30 June 2014

**1. Corporate information**

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

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

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

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

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

At 30 June 2014, the Company's financial information is included in the consolidated accounts of Société Générale (hereafter the "ultimate parent company"), whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France, which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking.

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**2. Basis of preparation**

***Statement of compliance***

The annual financial statements of the Company as at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB").

The condensed interim financial information of the Company as at and for the six-month period 30 June 2014 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The condensed interim financial information was approved by the Executive Board on 26 August 2014.

***Basis of measurement***

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

***Functional and presentation currency***

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

***Use of estimates and judgements***

The preparation of condensed interim financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the condensed interim financial information is included in Note 3.

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

***Comparative information :***

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

- Funded swap : decreased by KEUR 700 000 regarding the impact of CVA/DVA;
- Issued securities : decreased by KEUR 700 000 regarding the impact of CVA/DVA.

This amount represents the assets received by the Company and set as collateral for the secured notes issued - these assets do not satisfy the conditions to be recognised in the balance sheet of the Company - refer to note 3.5. below.

**3. Significant accounting policies**

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

***3.1. Foreign currency transactions***

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

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

***3.2. Segment information***

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

***3.3. Cash and cash equivalents***

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

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

**3.4. *Financial assets and liabilities***

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

- Financial assets at fair value through profit and loss;
- Loans and receivables.

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

- Financial liabilities at fair value through profit and loss;
- Financial liabilities at amortised cost.

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

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.



**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

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

These assets and liabilities respectively include:

Funded swaps used to hedge Notes issued (financial assets measured at fair-value through profit and loss);

Collateral financial assets lent by Société Générale backing up the secured Notes issued by the Company ("Financial assets held for trading");

Debt on financial assets lent by Société Générale ("Financial liabilities measured at fair value through profit and loss");

Notes issued by the Company ("Financial liabilities measured at fair value through profit and loss").

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

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

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

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

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

**3.4.2. Loans and receivables**

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

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

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

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

**3.4.3. Financial liabilities at amortised cost**

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial measurement, financial liabilities are recognised at amortised cost using the effective interest rate method (refer to Note 3.7.).

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

**3.5. Fair Value of the financial instruments**

IFRS 13 “Fair value measurement” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair market value for the financial instruments measured at fair value through profit or loss is primarily determined based on quoted prices in an active market. These prices may be adjusted if they are not available at the closing date. If the market for a financial instrument is not active, its fair value is determined by valuation techniques (internal models recovery) using valuation parameters based on existing market conditions at the balance sheet date and that are influenced by assumptions used, such as the amount and timing of estimated future cash flows, the discount rate and the volatility of the underlying assets.

IFRS 13 does not change when the fair value is required to be used but specifies how to measure fair value of financial and non-financial assets and liabilities when required or permitted by IFRS and adds information to be disclosed in the notes to this interim financial information.

The consequences of this standard mainly concern how the Company incorporates its own credit risk in the fair value measurement of derivative financial liabilities (Debt Value Adjustment – DVA) and how it incorporates the counterparty risk in the fair value measurement of derivative financial assets (Credit Value Adjustment – CVA).

IFRS 13 have been applied prospectively as from 1 January 2013. Accordingly, the impact of these amendments on the Company’s annual financial statements and condensed interim financial information has been recorded in the Balance Sheet of the period.

The comparative amount as at 31 December 2013 has been restated in order to ensure comparability (decrease of the financial assets and liabilities measured at fair value through profit and loss by KEUR 700).

A financial instrument is considered as rated 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.

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

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

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

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

Level 2 (L2): instruments valued using data other than quoted prices listed on the Level 1 and that are observable for the asset or liability in question, either directly (ie prices) or indirectly (ie Data derived from price).

Instruments quoted in an insufficiently liquid market and those traded on the OTC market belong to this level. Prices published by an external source and derived from the valuation of similar instruments are considered as data derived from prices;

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

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

The observed data must meet the following characteristics: non-owners (Company's independent data), available, publicly broadcast, based on consensus and supported by close of transaction prices.

For instance, consensus data provided by external counterparties are considered observable if the underlying market is liquid and prices provided are confirmed by actual transactions. Regarding high maturities, these consensus data are not considered observable especially for implied volatilities used to value stock option instruments with horizons longer than 7 years. In contrast, when the residual maturity of the instrument is less than 7 years, it becomes sensitive to observable parameters.

In case of specific market power leading to the absence of reference data for normal value 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 the ongoing depressed current 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, a variation in the assessment of a financial instrument classified in level 3 would have no impact on the result of the entity, effects between the assets and the liabilities being symmetric.

**3.6. Impairment**

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

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

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

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

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

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

**3.7. Collateral financial assets from securities lending**

Financial assets related to collateral received in securities lending are directly related to Notes Issuance Programme. Securities borrowed are presented in the off balance sheet. The Debt related to the collateral received is presented under off balance financial liabilities.

Income and expenses related to these operations are presented in the profit or loss under "Net result from financial instruments through profit and loss".

These collateral financial assets are used for the issue of Secured Notes.

In relation to each Series of Secured Notes, in order to secure its obligations in respect of such Notes, the Company will enter 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 Collateral Conditions) 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 Collateral Conditions), 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.

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

**3.8. *Interest income and expenses***

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

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

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and 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.

**3.9. *Income tax***

The Company is subject to Luxembourg tax laws and regulations. These taxes are included in current taxes.

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the condensed interim financial information. It also arises on temporary differences stemming from tax losses carried forward.

**3.10. *New Standards and Interpretations***

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

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**3. Significant accounting policies (continued)**

***IFRS 9 Financial Instruments***

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

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

***Others***

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

**4. Cash and cash equivalents**

This caption amounts to KEUR 34 888 as at 30 June 2014 and refers to amounts held with Société Générale Bank and Trust S.A. ("SGBT") for an amount of KEUR (1 462), and Société Générale for an amount of KEUR 30 832), the remaining balance being with other counterparties.

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

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

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>EUR' 000</b>	<b>EUR' 000</b>
Funded swaps	33 607 936	21 182 331*
<b>Total</b>	<b>33 607 936</b>	<b>21 182 331 *</b>

\* The comparative 2013 amount has been restated (KEUR 700 000) in order to ensure comparability; refer Note 2

This caption consists of funded swaps with Société Générale, measured at fair value through profit or loss, and replicating each issued Notes.

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

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

The financial assets movements were as follows:

<b>As at 1 January 2013</b>	<b>KEUR</b>	<b>296 283</b>
Transfer		
Acquisition		25 955 515
Cancelled		(4 245 186)
Maturity/ disposal		(442 185)
Change in fair value		649 421
Exchange difference		(331 517)
Change in fair value - CVA*		(700 000)
<b>As at 31 December 2013</b>		<b>21 182 331</b>
Transfer		-
Acquisition		15 402 997
Cancelled		(3 057 309)
Reimbursement		(9 715)
Liquidation		146 333
Maturity/ disposal		(668 342)
Change in fair value		508 748
Exchange difference		212 102
Change in fair value - CVA		(108 752)
<b>As at 30 June 2014</b>		<b>33 608 393</b>

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

**6. Loans and receivables**

As at 30 June 2014, 31 December 2013 and 30 June 2013, the amounts owed by affiliated undertakings include receivables from Société Générale Bank and Trust S.A..

These amounts represent the placement of the Company's share capital and reserves.



**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**7. Financial liabilities at amortised cost**

Financial liabilities at amortised cost are made up of a convertible bond with SGBT with maturity in 2022 and for an amount of KEUR 48 000 which has been issued upon the reimbursement of a loan previously existing. Similar conditions have been maintained in the bond issued, to strictly achieve this change of format.

Under such bond, the Company pays to SGBT both variable interests calculated on Euribor basis plus a margin of 2,259% and activity related interest. Activity Related Interest means an amount equal to 100% of the activity related profit generated by the Company.

Following the decision of the Holder to partially convert the bond into a new share, the Executive Board decided by resolutions adopted on 13 January 2014 to increase the capital of the Company by the issue of a new share at nominal value, underwritten by the only shareholder. Such increase also resulted in an allocation by the Company to its capital surplus account of EUR 98 513 391 (fully paid on 11 June 2014).

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

As at 30 June 2014, the value of the equity component is estimated to be nil.

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

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>EUR' 000</b>	<b>EUR' 000</b>
Issued securities	33 611 739	21 182 309*
<b>Total</b>	<b>33 11 739</b>	<b>21 182 309</b>

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

The Company issued secured and unsecured Notes as at 30 June 2014 for KEUR 33 611 251 (31 December 2013: KEUR 21 182 309). These Notes can be either sold in private placements or public offerings.

The Company issued secured and unsecured Notes as at 30 June 2014 for KEUR 33 611 739 (31 December 2013: KEUR 21 182 309). These Notes can be either sold in private placements or public offerings.

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

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

As at 30 June 2014, 216 secured Notes were issued for an amount of KEUR 4 028 469 and a nominal of KEUR 3 933 544.

As at 30 June 2014, 7 373 unsecured Notes were issued for an amount of KEUR 29 583 270 and a nominal of KEUR 29 496 816.

As at 31 December 2013, 109 secured Notes were issued for an amount of KEUR 2 387 770 and a nominal of KEUR 2 375 237. As at 31 December 2013, 4 253 unsecured Notes were issued for an amount of KEUR 18 794 539 and a nominal of KEUR 18 911 634.

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured securities issued by the Company benefit from additional collateral assets securing the payment due under the Note terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale S.A. in his role of guarantor. Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Group Société Générale and are pledged in favour of the Noteholders.

**9. Equity**

The initial share capital of the Company "Société Générale d'Arbitrage et de Participations S.A." (name upon its set up) amounted to EUR 31 000 represented by 100 shares of a nominal value of EUR 310 each, fully owned by Société Générale Bank & Trust S.A..

As at 31 December 2011, the subscribed and fully paid in share capital of KEUR 50 000 and was divided into 50 000 shares with nominal value of EUR 1 000 each held 95% by Société Générale Bank & Trust S.A. (47 500 shares) and 5% by GENEFINANCE (part of the Group Société Générale).

As at 16 April 2012, following the sole shareholder resolution, a reduction of the subscribed capital from EUR 50 000 000 to EUR 2 000 000 was decided by reduction of the nominal value of the shares from EUR 1 000 to EUR 40 each, as the Company is not expected to support any market risk.

By resolution adopted on 13 January 2014, the Executive Board decided to increase the capital from EUR 2 000 000 to EUR 2 000 040 by the issuance of a new share with a nominal value of EUR 40 underwritten by the sole shareholder. The share capital represents, after this increase, 50 001 shares with an unchanged nominal value. Such increase also resulted in an allocation by the Company to its capital surplus account of EUR 98 513 391.

As at 30 June 2014, the subscribed and fully paid share capital amounted to EUR 2 000 040 and was divided into 50 001 shares with nominal value of EUR 40 each held 100% by Société Générale Bank & Trust S.A..

**Notes to the condensed interim financial information (continued)**

As at and for the six-month period ended 30 June 2014

**9. Equity (continued)**

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

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

The Company is not subject to externally imposed capital requirements.

**10. Reserves**

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

Included in the other reserves at 30 June 2014 is an amount of KEUR 9 466 which relates to the creation of a temporarily non distributable reserve equal to five times net worth tax (2013: KEUR 9 466) respectively. If the amount of the reserve is not maintained (for a reason other than a change in capital) for a five year period, the Company's liability to income tax will be increased by one-fifth of the amount of the reduction for the year in which the reduction took place.

During the annual general meeting dated 3 June 2014, one non distributable reserve dated 2007 for an amount of EUR 775, was taken to the annual profit of the year.

**11. Taxation**

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

Since 2007, the Company is part of a tax integration group led by Société Générale Bank & Trust S.A., as authorised by the article 164 bis LIR. Société Générale Bank & Trust S.A. establishes the accruals for tax liabilities as at 30 June 2014 based on the taxable income of all the fiscal group, including its own.

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

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

**12. Subsequent events**

There was no subsequent event which could have had significant impact on the condensed interim financial information of the Company as at 30 June 2014.