SG Issuer
Société anonyme

(Formerly « Société Générale d'Arbitrage et de Participations Luxembourg S.A. »)

Financial statements and Report of the réviseur d'entreprises agréé

For the year ended 31 December 2012

15, boulevard Prince Henri

L-1724 Luxembourg

R.C.S. Luxembourg: B121.363

SG Issuer

Société Anonyme

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SOCIETE GENERALE

SG Issuer
(Formerly « Société Générale d'Arbitrage et de Participations Luxembourg S.A. »)
Directors' Report

The Directors of the Company (each a « Director », collectively the « Executive Board ») present the annual financial statements and the Report of the Executive Board of the Company for the year from 1 January 2012 to 31 December 2012.

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 the Base Prospectus prepared by Société Générale as arranger, in particular the Base Prospectus approved by CSSF on the 26 June 2012. Notes issued by the Company can be sold in either Private Placements or Public Offerings.

The state of business of the Company at the closing of the financial year is adequately presented in the statement of financial position and the statement of comprehensive income, published herewith. The significant increase in total assets and liabilities is due to the fact that the Company stopped its arbitrage activities in 2011 and started in 2012 a new type of activities by issuing financial instruments. This was accompanied by a change in the articles of incorporation and of its name. The course of business of the Company has been as the Executive Board expected. During the year ended 31 December 2012, 46 Notes were issued, including 23 Secured Notes. The profit for the financial year amounts to KEUR 5.233.
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...

SG Issuer
Société Anonyme
au capital de 2.000.000 €
Siège social :
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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 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 related to the Notes' issuance.

3. FUTURE DEVELOPMENTS

The Executive Board does not anticipate any major changes during the financial year 2013 but expects a strong increase of the Notes issued during the year 2013. The Company also intends to issue warrants in the second semester of 2013, 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 financial statements of the Company as at 31 December 2012.

Yves Cacclin

Deloitte.

Deloitte Audit
Société à responsabilité limitée

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To the sole Shareholder of
SG Issuer (formerly "Société Générale d'Arbitrage et de Participations Luxembourg S.A.")
15, boulevard Prince Henri
L-1724 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the financial statements

Following our appointment by the General Assembly of the Shareholders dated April 13, 2012, we have audited the accompanying financial statements of SG Issuer (formerly "Société Générale d'Arbitrage et de Participations Luxembourg S.A."), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Executive Board for the financial statements

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

Responsibility of the réviseur d'entreprises agréé

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

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

Deloitte.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SG Issuer (formerly "Société Générale d'Arbitrage et de Participations Luxembourg S.A.") as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Executive Board report, which is the responsibility of the Executive Board, is consistent with the financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

Stéphane Césari, *Réviseur d'entreprises agréé*
Partner

Olivier Lefèvre, *Réviseur d'entreprises agréé*
Partner

April 24, 2013

Statement of comprehensive income

For the year ended at 31 December 2012
(expressed in thousands of EUR)

	Notes	2012	2011
Interest income	13	5.538	4.269
Commission income		-	86
Net gain from financial instruments through profit and loss	14	1.267	15.480
Total revenue		**6.805**	**19.835**
Interest expenses	13	(1.164)	(11.494)
Commission expenses		(7)	(216)
Personnel expenses	15	(23)	(390)
Other operating charges	16	(378)	(2.175)
Total expenses		**(1.572)**	**(14.275)**
Profit before tax		**5.233**	**5.560**
Income tax benefit	17	-	13
Profit for the financial year		**5.233**	**5.573**
Total comprehensive income for the year		**5.233**	**5.573**

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

SG Issuer
Société Anonyme
(Formerly « Société Générale d'Arbitrage et de Participations Luxembourg S.A. »)

Statement of financial position

As at 31 December 2012
(expressed in thousands of EUR)

	Notes	2012	2011	2010
Cash and cash equivalents	4	2.261	3.153	5.657
Financial assets measured at fair value through profit or loss	5	382.101	1.079	1.372.241
Loans and receivables	6	62.617	59.701	93.672
Current tax assets		-	66	27
Other assets	7	108	5.029	1.055
Total assets		**447.087**	**69.028**	**1.472.652**
Financial liabilities at amortised cost	8	49.113	229	669.757
Financial liabilities measured at fair value through profit and loss	9	382.127	145	673.502
Other liabilities	10	611	2.097	60.775
Total liabilities		**431.851**	**2.471**	**1.404.034**
Share capital	11	2.000	50.000	50.000
Legal reserve	12	200	4.896	4.376
Other reserves	12	7.802	6.087	3.846
Retained earnings		1	1	1
Profit for the financial year		5.233	5.573	10.395
Total equity		**15.236**	**66.557**	**68.618**
Total equity and liabilities		**447.087**	**69.028**	**1.472.652**

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

SG Issuer
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Statement of changes in equity

As at 31 December 2012
(expressed in thousands of EUR)

	Share capital	Legal reserve	Other reserves	Total reserve	Retained earnings	Profit for the financial year	Total equity
Notes	11	12	12	12			
As at 31 December 2010	**50.000**	**4.376**	**3.846**	**8.222**	**1**	**10.395**	**68.618**
Allocation of the result of the previous year before dividend distribution	-	520	2.241	**2.761**	7.634	(10.395)	-
Dividend to the sole shareholder	-	-	-	**-**	(7.634)	-	(7.634)
Profit for the financial year	-	-	-	-	-	5.573	5.573
As at 31 December 2011	**50.000**	**4.896**	**6.087**	**10.983**	**1**	**5.573**	**66.557**
Allocation of the result of the previous year before dividend distribution following decision on 13 April 2012	-	104	1.715	**1.819**	3.754	(5.573)	-
Dividend to the sole shareholder	-		-	**-**	(3.754)	-	(3.754)
Reduction of share capital and legal reserve following decision of the sole shareholder as at 16 April 2012	(48.000)	(4.800)	-	**(4.800)**	-	-	(52.800)
Profit for the financial year	-	-	-	-	-	5.233	5.233
As at 31 December 2012	**2.000**	**200**	**7.802**	**8.002**	**1**	**5.233**	**15.236**

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

SG Issuer
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Statement of cash flow

As at 31 December 2012
(expressed in thousands of EUR)

	Note	2012	2011
Profit for the financial year		**5.233**	**5.573**
Variation of the accrued accounts receivables		1.010	13
Variation of the accrued accounts payables		(504)	(457)
Other non monetary movement		-	(13)
Total non monetary adjustments other than financial instruments at fair value through profit or loss		**506**	**(457)**
Net result on financial instruments at fair value through profit or loss		**(1.267)**	**(15.480)**
Inter bank operations		(312.918)	(635.270)
Operations with other financial assets and liabilities		316.008	650.555
Operations with other non-financial assets and liabilities		(172)	209
Change in taxation paid		66	-
Net variance of the operating assets and liabilities		**2.984**	**15.494**
CASH FLOWS FROM OPERATING ACTIVITIES		**7.456**	**5.130**
Borrowings		48.000	-
Capital decrease	11	(48.000)	-
Decrease of legal reserve		(4.800)	-
Dividend paid		(3.754)	(7.634)
CASH FLOWS USED IN FINANCING ACTIVITIES		**(8.554)**	**(7.634)**
Cash and cash equivalent at the beginning of the year		3.153	5.657
Net decrease in cash and cash equivalent		(1.098)	(2.504)
Cash and cash equivalent at 31 December		**2.055**	**3.153**
Net cash provided / used in operating activities include			
Interest paid		256	12.256
Interest and dividends received		6.548	4.292

The cash and cash equivalents contain EUR 206 thousand representing overdrafts which are part of the normal operational activity of the Company.

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

Notes to the financial statements
As at 31 December 2012

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.

Until 16 April 2012, the Company practiced arbitrage in its own name exclusively on the French (CAC 40), German (DAX 30) and Italian (MIB since May 40, 2009) indices, while benefitting from some structures of the Group Société Générale.
On 12 July 2011, the Executive Board has decided to phase out its activities and to liquidate its positions by the end of 2011. On 16 April 2012 the Extraordinary General Assembly meeting of the Shareholder of the Company decided:

1. To conduct a capital decrease of EUR 48.000.000;
2. To change its name from « Société Générale d'Arbitrage et de Participations Luxembourg S.A. » to « SG Issuer ».

The new 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 year-end 31 December 2012, the Company's financial information is included in the consolidated accounts of Société Générale (hereafter the "ultimate parent company"), whose head-office is located at 29, boulevard Haussmann, 75009, Paris France, which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking.

2. Basis of preparation

Statement of compliance

The financial statements of the Company as at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements were authorised for issue by the Supervisory Board on 24 April 2013.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgements

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

3. Significant accounting policies

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

3.1. Foreign currency transactions

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

3. Significant accounting policies (continued)

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 the financial statements.

3.3. Cash and cash equivalents

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

3.4. Financial assets and liabilities

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

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

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

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

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

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

3. Significant accounting policies (continued)

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

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

These assets and liabilities respectively include:

- Derivative financial instruments (See note 3.4.1.2.);
- 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").

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.

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".

3.4.1.1. 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 balance sheet under "financial assets held for trading". The Debt related to the collateral received is presented under "financial liabilities at fair value through profit or loss".

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).

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

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

3.4.1.2. Derivative financial instruments

The Company uses derivative financial instruments to economically hedge its exposure to market risk arising from its activities.

These derivative financial instruments are funded swaps with Société Générale replicating each issued Notes. The Company provides the funds received from the issued Notes to the swap counterparty. The swap counterparty agrees to exchange the reimbursement amount, including the return, of the issued Notes.

Such instruments are initially recognised at fair value plus directly attributable transaction costs. Subsequent changes in the fair value of derivative financial instruments and any realised gains and losses are recognised immediately in the statement of comprehensive income.

They are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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.

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

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in condition of normal competition. Regarding financial instruments measured at fair value through profit or loss, the fair market value 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.

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.

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.

3. Significant accounting policies (continued)

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. Besides, the parameters used in valuation models, Whether they come from observable markets or not, are deeply 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);
Instruments quoted in an insufficiently liquid market and those traded on the OTC market belong to this level. Prices published by an external source and derived from the valuation of similar instruments are considered as data derived from prices.

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

The observed data must meet the following characteristics: non-owners (Company's independent data), available, publicly broadcast, based on consensus 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.

3. Significant accounting policies (continued)

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 assessed carefully, 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 totally symmetric.

3.6. Impairments

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

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

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

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

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

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

3.7. Interest income and expenses

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

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

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

3.8. Income tax

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

3.9. New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2015 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.

3. <u>Significant accounting policies</u> (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 analyzing the likely impact of the improvements on its financial position or performance.

IFRS 13 Fair value measurement

IFRS 13 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 (i.e. an exit price). IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

The Company has analyzed the impact of the improvements on its financial position or performance which is deemed to be immaterial.

Others

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

4. <u>Cash and cash equivalents</u>

This caption amounts to KEUR 2.261 as at 31 December 2012 and refers to amounts held with Société Générale Bank and Trust S.A. ("SGBT") for an amount of KEUR 750 (2011: KEUR 3.153), and Société Générale for an amount of KEUR 1.356, the remaining balance being with other counterparties. Bank overdrafts which amount to KEUR 206 form an integral part of the Company's cash management and are included in the balance of KEUR 2.055 disclosed in the Statement of cash flows.

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

Financial assets at FV

	2012	**2011**
	EUR' 000	**EUR' 000**
Derivatives at fair value	**296 283**	**699**
Treasury bills and similar securities	17 497	-
Debt instruments	57.477	-
Equity Instruments	10 844	-
Other instruments	-	380
Financial assets held for trading	**85 818**	**380**
Total	**382 101**	**1 079**

As at 31 December 2012, other instruments at fair value include derivative financial instruments, measured at fair value through profit or loss for KEUR 296.283 (2011: KEUR 699). These derivative financial instruments are funded swaps with Société Générale replicating each issued securities (note 9).

The notional principal amount of the outstanding funded swap contracts at 31 December 2012 was corresponding to the notional of issued securities (note 9).

As at 31 December 2012, financial assets held for trading are composed of collateral assets lent by Société Générale backing up the secured Notes issued by the Company (note 9).

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.

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

The financial assets movements were as follows:

	EUR' 000
As at 31 December 2010	**1.372.241**
Transfer	-
Acquisition	-
Maturity/ disposal	(1.355.682)
Change in fair value	(15.480)
Exchange difference	-
As at 31 December 2011	**1.079**
Transfer	(1.079)
Acquisition	394.434
Maturity/ disposal	-
Change in fair value	(12.333)
Exchange difference	-
As at 31 December 2012	**394.434**

The financial assets were reduced to KEUR 1.079 by the decision to stop the arbitrage activity of the Company.

6. Loans and receivables

As at December 31, 2012 and 2011, the amounts owed by affiliated undertakings include receivables from the following entities:

	2012 EUR' 000	2011 EUR' 000
Société Générale Bank and Trust S.A.	62.606	59.611
SG France S.A.	11	90
Total	**62.617**	**59.701**

In 2012, the receivable from SGBT for KEUR 62.606 (2011: KEUR 59.611) represent the placement of the Company's share capital and reserves.

In 2011, as a result of the full liquidation of the open trading positions of the Company, the receivables from Société Générale (KEUR 90) refer exclusively to some amounts linked to repurchase agreements.

7. Other assets

	2012 EUR' 000	2011 EUR' 000
Receivables on financial instruments	10	5.029
Other debtors	98	-
	108	**5.029**

8. Financial liabilities at amortised cost

In 2012, financial liabilities at amortised cost are mainly made up of a convertible loan with SGBT with maturity in 2022 and for an amount of EUR 48.000.000.

Under such loan, the Company pays to SGBT both variable interests calculated on Euribor basis plus a margin of 2,05 % and activity related interest. Activity related interest means an amount equal to 100% of the activity related profit generated by the Company, being exclusively the profit of the relevant financial year relating to the activities of issuing secured and unsecured debt instruments through its Programme and the hedging and refinancing of these secured and unsecured issuance after deduction of any and all expenses and excluding any revenues generated on investments made out of own funds of the Company.

The lender has the option, on each conversion date, to convert an amount of principal of the loan equal to the nominal value of one ordinary share of the Company into one ordinary share of the Company. Activity related interest will, in the event of the exercise of the conversion option, be allocated by the Company to its capital surplus account. Conversion may occur each year upon notice by the lender not later than 5 days after the balance sheet date until the maturity date of the loan.

The loan agreement shall be automatically extended by successive periods of one year, unless either the Company or the lender have exercised their right to terminate the agreement on the scheduled maturity date.

As at 31 December 2012, the value of the equity component is estimated to be nil.

The situation of the loan is as follows:

	2012 **EUR' 000**
Proceeds of the issue	48.000
Activity based interest payable	908
Euribor interest based paid	245

In 2011, financial liabilities at amortised cost of KEUR 229 were related to interest payable on collateral received over lent securities.

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

	2012 EUR' 000	2011 EUR' 000
Issued Notes	296 291	-
Debt on securities lending	85 817	-
Other financial instruments	19	145
Total	**382 127**	**145**

The Company issued secured and unsecured Notes as at 31 December 2012 for KEUR 296.291 (2011: nil). These Notes can be either sold in private placements or public offerings. As at 31 December 2012, 23 secured Notes were issued for an amount of KEUR 132.923 and a nominal of KEUR 142.391. As at 31 December 2012, 23 unsecured Notes were issued for an amount of KEUR 189.417 and a nominal of KEUR 166.225.

Secured Notes are collateralized with collateral assets borrowed by the Company to Société Générale for KEUR 85.818 (note 5).

Liquidity analysis of those Notes is described in note 21.

All Notes were issued during the financial year ended 31 December 2012.
No Notes were repaid or redeemed during the financial year ended 31 December 2012.

10. Other liabilities

	2012 EUR' 000	2011 EUR' 000
Operating charges payables	372	1 584
Other creditors	206	509
Other regulatory accounts	33	4
Total	**611**	**2 097**

11. Share capital

The initial share capital of the Company « Société Générale d'Arbitrage et de Participation 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 EUR 50.000.000 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.

11. Share capital (continued)

As at 31 December 2012, the subscribed and fully paid share capital amounted to EUR 2.000.000 and was divided into 50.000 shares with nominal value of EUR 40 each held 100% by Société Générale Bank & Trust S.A..

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 or 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.

12. Reserves

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. As at December 2012, the legal reserve amounted to KEUR 200 (2011: KEUR 4.896).

Included in reserves at 31 December 2012 is an amount of KEUR 7.802 which relates to the creation of a temporarily non distributable reserve equal to five times net worth tax (2011: KEUR 6.087). 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.

13. Interest income and expense

	2012 EUR' 000	2011 EUR' 000
Interest income on loans and receivables with financial institutions	5.538	4.269
Total interest income	**5.538**	**4.269**
Interest expenses on liabilities at amortised cost	(1.161)	(11.494)
Interest expenses on financial liabilities at fair value	(3)	-
Total interest expense	**(1.164)**	**(11.494)**
Net interest margin	**4.374**	**(7.225)**

Notes to the financial statements (continued)
As at 31 December 2012

14. Net gain from financial instruments through profit and loss

	2012 EUR' 000	2011 EUR' 000
Net loss on financial assets held for trading	-	(319.346)
Net result on financial assets at fair value option	97	(135.435)
Net loss on financial liabilities held for trading	(98)	(884)
Net loss on financial liabilities at fair value option	931	(8.445)
Net result on derivative instruments	(19)	479.583
Net gain on change	356	7
Total	**1.267**	**15.480**

15. Personnel Expenses

	2012 EUR' 000	2011 EUR' 000
Wages and salaries	(9)	(186)
Social charges and associated costs	(33)	(190)
Recharge of personnel expenses to related parties	19	(14)
Total	**(23)**	**(390)**

The Company had 1 employee during the year ended 31 December 2012 (2011: 4 employees). The employee of the Company is 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.

16. Other operating charges

At 31 December 2012 and 2011 the other operating charges are mainly composed by operating costs related to the Company as well as activities outsourced to SG France and SGBT.

17. Taxation

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

Since 2007, the Company is part of a tax integration group led by Société Générale Bank & Trust S.A., as authorised by the article 164 bis LIR. Société Générale Bank & Trust S.A. establishes the accruals for tax liabilities as at 31 December 2012 based on the taxable income of all the fiscal group, including its own. In respect of the net wealth provision, Société Générale Bank & Trust S.A. may also maintain the reserve in the name of the other companies part of the fiscal integration.

In this context, the Company has not paid nor bear any income tax payable as at 31 December 2012 (2011: income tax benefit of KEUR 13).

For the year ended 31 December 2012, the theoretical tax rate is 28,8% while the actual tax rate is 0% due to the fiscal integration as explained above.

18. Related parties

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2012 and 2011 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.

As at 31 December 2012

EUR' 000	Société Générale (Ultimate Parent Company)	SGBT (Parent Company)
Cash and cash equivalents	1.511	750
Financial assets measured at fair value through profit or loss		
* securities borrowing for pledge	85.818	
* derivatives at fair value	296.283	-
Loans and receivables	11	62.606
Current tax assets	-	-
Other assets	20	-
Total assets	**383.643**	**63.356**
Financial liabilities at amortised cost	71	49.042
Financial liabilities measured at fair value through profit and loss		-
* debts on securities borrowing	85.818	
* issued Notes	296.309	
Other liabilities	150	-
Total liabilities	**382.348**	**49.042**
Interest income	-	5.538
Commission income	-	-
Net gain from financial instruments through profit and loss	1.267	-
Total revenue	**1.267**	**5.538**
Interest expenses	-	(1.164)
Commission expenses	-	(7)
Personnel expenses	-	(23)
Other operating charges	(378)	-
Total expenses	**(378)**	**(1.194)**
Financial commitment	**889**	**4.344**

18. Related parties (continued)

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

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

As at 31 December 2011

EUR' 000	**Société Générale (Ultimate Parent Company)**	**SGBT (Parent Company)**
Cash and cash equivalents	-	3.153
Financial assets measured at fair value through profit or loss	699	380
Loans and receivables	90	59.611
Current tax assets	66	-
Other assets	5.029	-
Total assets	**5.884**	**63.144**
Financial liabilities at amortised cost	229	-
Financial liabilities measured at fair value through profit and loss	145	-
Other liabilities	1.409	29
Total liabilities	**1.783**	**29**
Interest income	-	4.269
Commission income	86	-
Net gain from financial instruments through profit and loss	15.480	-
Total revenue	**15.566**	**4.269**
Interest expenses	(11.494)	-
Commission expenses	(216)	-
Personnel expenses	(390)	-
Other operating charges	(2.175)	-
Total expenses	**(14.275)**	**-**

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

As at 31 December 2012 and 2011, no payment, no advance and no loans were given to members of the administrative or supervisory body.

20. Off-Balance Sheet

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

As at 31 December 2012, a financial commitment was granted to Société Générale for KEUR 174.138 (2011: KEUR nil).

As at 31 December 2012, deliverable securities to be issued (engagement taken in 2012 with value date 2013) amounted to KEUR 270.385 (2011: KEUR nil).

Securities are deposited as guaranty for secured issuances in the Bank of New York Mellon (Luxembourg) S.A. for an amount of KEUR 85.818 (2011: nil).

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.

Information on the risks relating to the Group, investors and or Noteholders are disclosed in the "Risk Management" section in March 2013 Registration Document of Société Générale and any subsequent update (http://prospectus.socgen.com/documents/).

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

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

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

Because of its structure, the impact of an immediate change of a market parameter as of 31 December 2012 would have no consequence on the net profit of the Company.

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 the parent companies, SGBT and Société Générale. Therefore the credit risk of the Company is limited to credit risks in front of its parent companies. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred. As at 31 December 2012 and 2011, no financial assets were past due or impaired.

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

As of 31 December 2012, the rating of Société Générale is A+ from Standard & Poors and Ba3 from Moody's.

Interest rate risk

Investment in Fixed Rate Notes or any Note with a fixed rate component involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes. Due to the existence of the funded swaps, this risk has no impact on the Company's profit.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any liquidity risk thanks to the perfect replication between the contractual obligations of i) the debt issued by the Company and ii) financial assets held for hedging by the Company.

21. Risk Management (continued)

As at 31 December 2012, analysis per remaining maturities is as follows:

	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	2 261	-	-	-	-	2 261
Financial assets measured at fair value through profit or loss	41 217	4 555	136 285	177 809	22 235	382 101
Loans and receivables	-	812	9 029	52 776	-	62 617
Other assets	108	-	-	-	-	108
Total assets	**43 586**	**5 367**	**145 314**	**230 585**	**22 235**	**447 087**
Financial liabilities at amortised cost	1 113	-	-	48 000	-	49 113
Financial liabilities measured at fair value through profit and loss	41 217	4 555	136 285	177 835	22 235	382 127
Other liabilities	411	-	-	-	-	611
Total liabilities	**42 741**	**4 555**	**136 285**	**225 835**	**22 235**	**431 851**

Equity items are allocated to the column "without fixed maturity".

As at 31 December 2011, analysis per remaining maturities is as follows:

	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Total
Cash and cash equivalents	3.153	-	-	-	3.153
Financial assets measured at fair value through profit or loss	1.079	-	-	-	1.079
Loans and receivables	5.000	1.479	25.157	28.065	59.701
Current tax assets	-	66	-	-	66
Other assets	-	5.029	-	-	5.029
Total assets	**9.232**	**6.574**	**25.157**	**28.065**	**69.028**
Financial liabilities at amortised cost	-	229	-	-	229
Financial liabilities measured at fair value through profit and loss	-	145	-	-	145
Other liabilities	2.097		-	-	2.097
Total liabilities	**2.097**	**374**	**-**	**-**	**2.471**

21. Risk Management (continued)

Fair value

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

As at 31 December 2012	**Carrying amount**	**Fair value**
Cash and cash equivalents	2.261	2.261
Financial assets measured at fair value through profit or loss	382.101	382.101
Loans and receivables	62.617	72.605
Other assets	108	108
Total assets	**447.087**	**457.075**
Financial liabilities at amortised cost	49.113	56.890
Financial liabilities measured at fair value through profit and loss	382.127	382.127
Other liabilities	611	611
Total liabilities	**431.851**	**439.628**

As at 31 December 2011	**Carrying amount**	**Fair value**
Cash and cash equivalents	3.153	3.153
Financial assets measured at fair value through profit or loss	1.079	1.079
Loans and receivables	59.701	67.008
Other assets	5.095	5.095
Total assets	**69.028**	**76.335**
Financial liabilities at amortised cost	229	229
Financial liabilities measured at fair value through profit and loss	145	145
Other liabilities	2.097	2.097
Total liabilities	**2.471**	**2.471**

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

Securities held as collateral are stated at fair value which is based on market rates. The Notes issued and derivative financial instruments are measured at fair value through profit or loss. The fair value of the derivative financial instruments is partly based on unobservable inputs and is therefore classified as Level 3 in the fair value reliability hierarchy of IFRS 7.

21. Risk Management (continued)

As at 31 December 2012, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

EUR' 000	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	85.793	196.590	99.718	382.101
Financial liabilities measured at fair value through profit or loss	85.819	196.590	99.718	382.127
Total	**(26)**	**-**	**-**	**(26)**

As at 31 December 2011, the fair values of its financial instruments are exclusively on level 1 for an amount of KEUR 1.079.

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

The following table describes the movements related to the accounting value of the financial instruments disclosed in level 3:

EUR' 000	Level 3
Balance as at 31 December 2011	**-**
Acquisition	107.691
Disposal	-
Reimbursements	-
Capital increase/ (decrease)	495
Securities revaluation	(8.468)
Balance as at 31 December 2012	**99.718**

22. IFRS first time adoption

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition.

The last financial statements prepared under Luxembourg legal and regulatory requirements were issued for the year ended 31 December 2011 and the date of transition to IFRS was therefore 1 January 2011.

The adoption of the international financial reporting standards had as a consequence to the comparative figures of the Company changes in the classification. Under the previous GAAP, the Company had adopted the fair value measurement for its financial instruments, therefore there was no impact resulting from valuation considerations.

The reconciliation of equity as of 1 January 2011 is presented below:

	Previous GAAP	Effect of transition to IFRS	IFRS
Cash and cash equivalents	6.084	(427)	5.657
Financial assets measured at fair value through profit or loss	1.333.889	38.352	1.372.241
Loans and receivables	166.296	(72.624)	93.672
Current tax assets	-	27	27
Other assets	1.655	(600)	1.055
Total assets	**1.507.924**	**(35.272)**	**1.472.652**
Financial liabilities at amortised cost	707.697	(37.940)	669.757
Financial liabilities measured at fair value through profit and loss	669.335	4.167	673.502
Other liabilities	62.274	(1.499)	60.775
Total liabilities	**1.439.306**	**(35.272)**	**1.404.034**
Share Capital	50.000	-	50.000
Legal reserve	4.376	-	4.376
Other reserves	3.846	-	3.846
Retained earnings	1	-	1
Profit for the financial year	10.395	-	10.395
Total equity	**68.618**	**-**	**68.618**
Total equity and liabilities	**1.507.924**	**(35.272)**	**1.472.652**

Notes to the financial statements (continued)
As at 31 December 2012

22. IFRS first time adoption (continued)

The reconciliation of equity as of 1 January 2012 is presented below:

	Previous GAAP	Effect of transition to IFRS	IFRS
Cash and cash equivalents	5.371	(2.218)	3.153
Financial assets measured at fair value through profit or loss	1	1.078	1.079
Loans and receivables	58.312	1.389	59.701
Current tax assets	-	66	66
Other assets	7.563	(2.534)	5.029
Total assets	**71.247**	**(2.219)**	**69.028**
Financial liabilities at amortised cost	2.218	(1.989)	229
Financial liabilities measured at fair value through profit and loss	-	145	145
Other liabilities	2.472	(375)	2.097
Total liabilities	**4.690**	**(2.219)**	**2.471**
Share Capital	50.000	-	50.000
Legal reserve	4.896	-	4.896
Other reserves	6.087	-	6.087
Retained earnings	1	-	1
Profit for the financial year	5.573	-	5.573
Total equity	**66.557**	**-**	**66.557**
Total equity and liabilities	**71.247**	**(2.219)**	**69.028**

The reconciliation of profit for the financial year ended 31 December 2011 is presented as follows:

	Previous GAAP	Effect of transition to IFRS	IFRS
Interest income	4.269	-	4.269
Commission income	86	-	86
Net gain from financial instruments through profit and loss	17.273	(1.793)	15.480
Total revenue	**21.628**	**(1.793)**	**19.835**
Interest expenses	(13.422)	1.928	(11.494)
Commission expenses	(216)	-	(216)
Personnel expenses	(307)	(83)	(390)
Other operating charges	(2.123)	(52)	(2.175)
Total expenses	**(16.068)**	**1.793**	**(14.275)**
Profit before tax	**5.560**	-	**5.560**
Income tax income/ (expenses)	13	-	13
Profit for the year	**5.573**	-	**5.573**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**5.573**	**-**	**5.573**

Under previous GAAP, a cash flow statement was not required to be disclosed in the financial statements and therefore a reconciliation of the cash flow statement is not presented in these financial statements, as permitted by IFRS.

23. Subsequent event

There was no subsequent event which could have had significant impact on the financial statements of the Company as at 31 December 2012.