31.12.2017

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In EUR m)		31.12.2017	31.12.2016
Cash, due from central banks		114,404	96,186
Financial assets at fair value through profit or loss*	Notes 3.1, 3.2 and 3.4	419,680	500,215
Hedging derivatives	Note 3.2	13,641	18,100
Available-for-sale financial assets	Notes 3.3 and 3.4	139,998	139,404
Due from banks	Notes 3.5 and 3.9	60,866	59,502
Customer loans	Notes 3.5 and 3.9	425,231	426,501
Revaluation differences on portfolios hedged against interest rate risk		663	1,078
Held-to-maturity financial assets	Note 3.9	3,563	3,912
Tax assets	Note 6	6,001	6,421
Other assets*	Note 4.4	60,562	71,437
Non-current assets held for sale		13	4,252
Investments accounted for using the equity method		700	1,096
Tangible and intangible fixed assets	Note 8.4	24,818	21,783
Goodwill	Note 2.2	4,988	4,535
Total		**1,275,128**	**1,354,422**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)		31.12.2017	31.12.2016
Due to central banks		5,604	5,238
Financial liabilities at fair value through profit or loss*	Notes 3.1, 3.2 and 3.4	368,705	440,120
Hedging derivatives	Note 3.2	6,750	9,594
Due to banks	Notes 3.6 and 3.9	88,621	82,584
Customer deposits	Notes 3.6 and 3.9	410,633	421,002
Debt securities issued	Notes 3.6 and 3.9	103,235	102,202
Revaluation differences on portfolios hedged against interest rate risk		6,020	8,460
Tax liabilities	Note 6	1,662	1,444
Other liabilities*	Note 4.4	69,139	81,893
Non-current liabilities held for sale		-	3,612
Underwriting reserves of insurance companies	Note 4.3	130,958	112,777
Provisions	Note 8.3	6,117	5,687
Subordinated debt		13,647	14,103
Total liabilities		**1,211,091**	**1,288,716**
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Issued common stocks, equity instruments and capital reserves		29,427	30,596
Retained earnings		27,791	25,813
Net income		2,806	3,874
Sub-total		**60,024**	**60,283**
Unrealised or deferred capital gains and losses		(651)	1,670
Sub-total equity, Group share		**59,373**	**61,953**
Non-controlling interests	Note 2.3	4,664	3,753
Total equity		**64,037**	**65,706**
Total		**1,275,128**	**1,354,422**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

CONSOLIDATED INCOME STATEMENT

(In EUR m)		**2017**	**2016**
Interest and similar income	Note 3.7	23,679	24,660
Interest and similar expense	Note 3.7	(13,263)	(15,193)
Fee income	Note 4.1	10,504	10,116
Fee expense	Note 4.1	(3,681)	(3,417)
Net gains and losses on financial transactions		5,826	7,143
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 3.1	*5,113*	*5,759*
o/w net gains and losses on available-for-sale financial assets	Note 3.3	*713*	*1,384*
Income from other activities	Note 4.2	22,045	20,780
Expenses from other activities	Note 4.2	(21,156)	(18,791)
Net banking income		**23,954**	**25,298**
Personnel expenses	Note 5	(9,749)	(9,455)
Other operating expenses	Note 8.2	(7,083)	(6,423)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(1,006)	(939)
Gross operating income		**6,116**	**8,481**
Cost of risk	Note 3.8	(1,349)	(2,091)
Operating income		**4,767**	**6,390**
Net income from investments accounted for using the equity method		92	129
Net income/expense from other assets		278	(212)
Value adjustements on goodwill	Note 2.2	1	-
Earnings before tax		**5,138**	**6,307**
Income tax	Note 6	(1,708)	(1,969)
Consolidated net income		**3,430**	**4,338**
Non-controlling interests	Note 2.3	624	464
Net income, Group share		**2,806**	**3,874**
Earnings per ordinary share	Note 7.2	**2.92**	**4.26**
Diluted earnings per ordinary share	Note 7.2	**2.92**	**4.26**

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	2017	2016
Net income	**3,430**	**4,338**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**(2,371)**	**50**
Translation differences[(1)]	(2,088)	389
Available-for-sale financial assets	(218)	(321)
Revaluation differences	*69*	*661*
Reclassified into income	*(287)*	*(982)*
Hedging derivatives	(100)	(6)
Revaluation differences	*(94)*	*1*
Reclassified into income	*(6)*	*(7)*
Unrealised gains and losses of entities accounted for using the equity method and that will be reclassified subsequently into income	(20)	-
Tax on items that will be reclassified subsequently into income	55	(12)
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**19**	**(64)**
Actuarial gains and losses on post-employment defined benefits plans	42	(54)
Tax on items that will not be reclassified subsequently into income	(23)	(10)
Total unrealised or deferred gains and losses	**(2,352)**	**(14)**
Net income and unrealised or deferred gains and losses	**1,078**	**4,324**
o/w Group share	*504*	*3,891*
o/w non-controlling interests	*574*	*433*

(1) The variation in translation differences amounted to EUR -2,088 million and consisted of a:

- EUR -2,079 million variation in Group translation differences, mainly due to the appreciation of euro against the US dollar (EUR -1,722 million) and against the Russian ruble (EUR -73 million);

- EUR -9 million variation in translation differences attributable to non-controlling interests.

CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves						
(In EUR m)	Issued common stocks	Issuing premium and capital reserves	Elimination of treasury stock	Other equity instruments	Total	Retained earnings	Net income, Group Share
Shareholders' equity at 1 January 2016	**1,008**	**20,206**	**(449)**	**8,772**	**29,537**	**27,906**	**-**
Increase in common stock	2	6	-	-	8	(2)	-
Elimination of treasury stock	-	-	78	-	78	(20)	-
Issuance / Redemption of equity instruments	-	-	-	908	908	251	-
Equity component of share-based payment plans	-	65	-	-	65	-	-
2016 Dividends paid	-	-	-	-	-	(2,289)	-
Effect of acquisitions and disposals on non-controlling interests	-	-	-	-	-	23	-
Sub-total of changes linked to relations with shareholders	***2***	***71***	***78***	***908***	***1,059***	***(2,037)***	***-***
Unrealised or deferred gains and losses	-	-	-	-	-	(59)	-
Other changes	-	-	-	-	-	3	-
2016 Net income for the period	-	-	-	-	-	-	3,874
Sub-total	***-***	***-***	***-***	***-***	***-***	***(56)***	***3,874***
Change in equity of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-
Shareholders' equity at 31 December 2016	**1,010**	**20,277**	**(371)**	**9,680**	**30,596**	**25,813**	**3,874**
Appropriation of net income						3,874	(3,874)
Shareholders' equity at 1 January 2017	**1,010**	**20,277**	**(371)**	**9,680**	**30,596**	**29,687**	**-**
Increase in common stock	-	8			8	-	
Elimination of treasury stock (see Note 7.1)			(122)		(122)	(29)	
Issuance / Redemption of equity instruments (see Note 7.1)				(1,114)	(1,114)	198	
Equity component of share-based payment plans		59			59		
2017 Dividends paid (see Note 7.2)					-	(2,500)	
Effect of acquisitions and disposals on non-controlling interests					-	419	
Sub-total of changes linked to relations with shareholders	***-***	***67***	***(122)***	***(1,114)***	***(1,169)***	***(1,912)***	
Unrealised or deferred gains and losses					-	19	
Other changes					-	(3)	
2017 Net income for the period					-		2,806
Sub-total	***-***	***-***	***-***	***-***	***-***	***16***	***2,806***
Change in equity of associates and joint ventures accounted for using the equity method					-	-	
Shareholders' equity at 31 December 2017	**1,010**	**20,344**	**(493)**	**8,566**	**29,427**	**27,791**	**2,806**

Unrealised or deferred gains and losses (net of tax) that will be reclassified subsequently into income					Non-controlling interests				
Translation reserves	**Change in fair value of available -for-sale assets**	**Change in fair value of hedging derivatives**	**Total**	**Shareholders' equity, Group share**	**Capital and Reserves**	**Other Equity instruments issued by subsidiaries**	**Unrealised or deferred gains and losses**	**Total**	**Total consolidated shareholders' equity**
12	**1,495**	**87**	**1,594**	**59,037**	**2,779**	**800**	**59**	**3,638**	**62,675**
-	-	-	-	6	-	-	-	-	6
-	-	-	-	58	-	-	-	-	58
-	-	-	-	1,159	-	-	-	-	1,159
-	-	-	-	65	-	-	-	-	65
-	-	-	-	(2,289)	(291)	-	-	(291)	(2,580)
-	-	-	-	23	(31)	-	-	(31)	(8)
-	***-***	***-***	***-***	***(978)***	***(322)***	***-***	***-***	***(322)***	***(1,300)***
385	(297)	(12)	76	17	(5)	-	(26)	(31)	(14)
-	-	-	-	3	4	-	-	4	7
-	-	-	-	3,874	464	-	-	464	4,338
385	***(297)***	***(12)***	***76***	***3,894***	***463***	***-***	***(26)***	***437***	***4,331***
-	1	(1)	-	-	-	-	-	-	-
397	**1,199**	**74**	**1,670**	**61,953**	**2,920**	**800**	**33**	**3,753**	**65,706**
				-				**-**	**-**
397	**1,199**	**74**	**1,670**	**61,953**	**2,920**	**800**	**33**	**3,753**	**65,706**
			-	8				-	8
			-	(151)				-	(151)
			-	(916)				-	(916)
			-	59				-	59
			-	(2,500)	(276)			(276)	(2,776)
			-	419	614			614	1,033
-	***-***	***-***	***-***	***(3,081)***	***338***	***-***	***-***	***338***	***(2,743)***
(2,079)	(158)	(70)	(2,307)	(2,288)	(1)		(49)	(50)	(2,338)
			-	(3)	(1)			(1)	(4)
			-	2,806	624			624	3,430
(2,079)	***(158)***	***(70)***	***(2,307)***	***515***	***622***	***-***	***(49)***	***573***	***1,088***
	(14)		(14)	(14)				-	**(14)**
(1,682)	**1,027**	**4**	**(651)**	**59,373**	**3,880**	**800**	**(16)**	**4,664**	**64,037**

CASH FLOW STATEMENT

(In EUR m)	2017	2016
Net income (I)	**3,430**	**4,338**
Amortisation expense on tangible fixed assets and intangible assets (including operational leasing)	4,283	3,876
Depreciation and net allocation to provisions	108	4,238
Net income/loss from investments accounted for using the equity method	(92)	(129)
Change in deferred taxes	673	655
Net income from the sale of long-term available-for-sale assets and subsidiaries	(110)	(716)
Other changes	4,367	3,201
Non-cash items included in net income and others adjustments excluding net income on financial instruments at fair value through profit or loss (II)	**9,229**	**11,125**
Income on financial instruments at fair value through profit or loss	(5,113)	(5,760)
Interbank transactions	5,200	(1,020)
Customers transactions	(4,996)	20,672
Transactions related to other financial assets and liabilities*	22,876	(5,248)
Transactions related to other non financial assets and liabilities*	(2,228)	(1,377)
Net increase/decrease in cash related to operating assets and liabilities (III)	**15,739**	**7,267**
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III)	**28,398**	**22,730**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	(280)	1,294
Net cash inflow (outflow) related to tangible and intangible fixed assets	(5,928)	(5,531)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)	**(6,208)**	**(4,237)**
Cash flow from/to shareholders	(3,836)	(1,357)
Other net cash flows arising from financing activities	(331)	1,306
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)	**(4,167)**	**(51)**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	**18,023**	**18,442**
Cash, due from central banks (assets)	96,186	78,565
Due to central banks (liabilities)	(5,238)	(6,951)
Current accounts with banks (see Note 3.5)	24,639	26,113
Demand deposits and current accounts with banks (see Note 3.6)	(14,337)	(14,920)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	**101,250**	**82,808**
Cash, due from central banks (assets)	114,404	96,186
Due to central banks (liabilities)	(5,604)	(5,238)
Current accounts with banks (see Note 3.5)	22,159	24,639
Demand deposits and current accounts with banks (see Note 3.6)	(11,686)	(14,337)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**119,273**	**101,250**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS	**18,023**	**18,442**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 7 February 2018.

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of 19 July 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended 31 December 2017 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date. These standards are available on the European Commission website at:

http://ec.europa.eu/finance/company-reporting/standards-interpretations/index_fr.htm

The Group also continued to make use of the provisions of IAS 39, as adopted by the European Union, for applying macro-fair value hedge accounting (IAS 39 "carve-out").

FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format used for the financial statements is consistent with the format proposed by the French Accounting Standards Setter, the ANC, under Recommendation 2013-04 of 7 November 2013.

Disclosure provided in the notes to the consolidated financial statements focus on information that is both relevant and material to the financial statements of the Societe Generale Group, its activities and the circumstances in which it conducted its operations over the period.

PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euros at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros at the average month-end exchange rates.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS OF 1 JANUARY 2017

Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

Amendments to IAS 7 "Disclosure Initiative"

The application of these amendments has no significant impact on the Group's net income and equity.

AMENDMENTS TO IAS 12 "RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES"

These amendments clarify how to account for deferred tax assets related to unrealised losses on debt instruments measured at fair value.

AMENDMENTS TO IAS 7 "DISCLOSURE INITIATIVE"

These amendments aim to enhance the information on changes in liabilities arising from financing activities, including both cash and non-cash changes.

3. ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS TO BE APPLIED BY THE GROUP IN THE FUTURE

Not all the accounting standards, amendments or interpretations published by the IASB had been adopted by the European Union at 31 December 2017. They are required to be applied from annual periods beginning on 1 January 2018 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as of 31 December 2017.

These standards are expected to be applied according to the following schedule:

2018

- IFRS 9 "Financial Instruments" [Adopted by EU] (see paragraph 4)
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (see paragraph 4)
- IFRS 15 "Revenue from Contracts with Customers" and subsequent clarifications [Adopted by EU]
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" [Adopted by EU] (see paragraph 4)
- Annual improvements (2014-2016)
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IAS 40 "Transfers of Investment Property"
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

2019

- IFRS 16 "Leases" [Adopted by EU] (see paragraph 5)
- IFRIC 23 "Uncertainty over Income Tax Treatments"
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Annual improvments (2015-2017)

2021

- IFRS 17 "Insurance Contracts"

ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

IFRS 9 “Financial Instruments” and IFRS 16 “Leases” are presented in paragraphs 4 and 5.

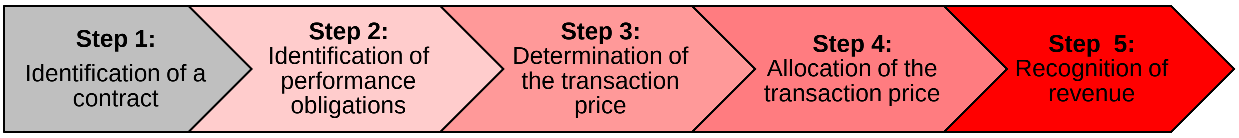
IFRS 15 “REVENUE FROM CONTRACTS WITH CUSTOMERS” AND SUBSEQUENT CLARIFICATIONS

Adopted on 22 September 2016 and 31 October 2017

This standard sets out the requirements for recognising revenue that apply to all contracts with customers, except for lease contracts, insurance contracts, financial instruments and guarantees.

The recognition of revenues in the income statement shall depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To apply this core principle, IFRS 15 provides a five-step model from the identification of the contract with the customer until the recognition of the related revenue when the performance obligation is fulfilled:



In the Group, the contracts that are the most concerned by the new standard are:

- banking services contracts that lead to the recognition of fee income (packages of banking services, fees related to asset management or to loan syndication…),
- services providing linked to leasing activities (such as maintenance services for operational vehicle leasing and fleet management),
- real estate development transactions.

The review of the accounting treatments currently applied to recognise revenues from these contracts is being finalised. As the 2017 consolidated financial statements are approved, the Group expects that the first application of IFRS 15 will have no significant impact on its 2018 opening balance of equity.

ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION AT 31 DECEMBER 2017

ANNUAL IMPROVEMENTS (2014-2016)

Issued by IASB on 8 December 2016

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IAS 28 “Investments in Associates and Joint Ventures” and IFRS 12 “Disclosure of Interests in Other Entities”.

The amendment to IAS 28 clarifies the measurement of investments in associates or joint ventures held by a venture capital organisation or other qualifying entity.

The amendment to IFRS 12 clarifies the disclosure requirements related to an entity’s interests that are classified as held for sale or as discontinued operations in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

AMENDMENTS TO IFRS 2 “CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS”

Issued by IASB on 20 June 2016

These amendments clarify how to account for certain types of share-based payment transactions: modelling vesting conditions regardless of settlement method, impacts of tax withholdings on share-based payment transactions, accounting treatment of modifications that change the classification of the share-based payment transactions.

AMENDMENTS TO IAS 40 “TRANSFERS OF INVESTMENT PROPERTY”

Issued by IASB on 8 December 2016

These amendments reinforce the principle according to which the entity shall transfer property into or out of the investment property category. Such a transfer shall occur if and only if property meets, or ceases to meet, the definition of investment property and if there is evidence of a change in management’s intentions regarding the use of the property.

IFRIC 22 “FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION”

Issued by IASB on 8 December 2016

This interpretation clarifies the accounting for foreign currency transactions (payments or prepayments). The transaction shall provide a consideration that is denominated or priced in a foreign currency. Before this transaction, a prepayment asset or a deferred income liability shall be recognised and considered as a non-monetary item. The date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary asset or liability, except when there are multiple payments or receipts in advance, in which case the date of transaction will be established for each payment or receipt.

IFRIC 23 "Uncertainty over Income Tax Treatments"

Issued by IASB on 7 June 2017

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. The approach to be used should be the one that provides the best predictions of the resolution of the uncertainty.

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

Issued by IASB on 12 October 2017

The amendments clarify that IFRS 9 "Financial Instruments" shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

Annual improvements (2015-2017)

Issued by IASB on 12 December 2017

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

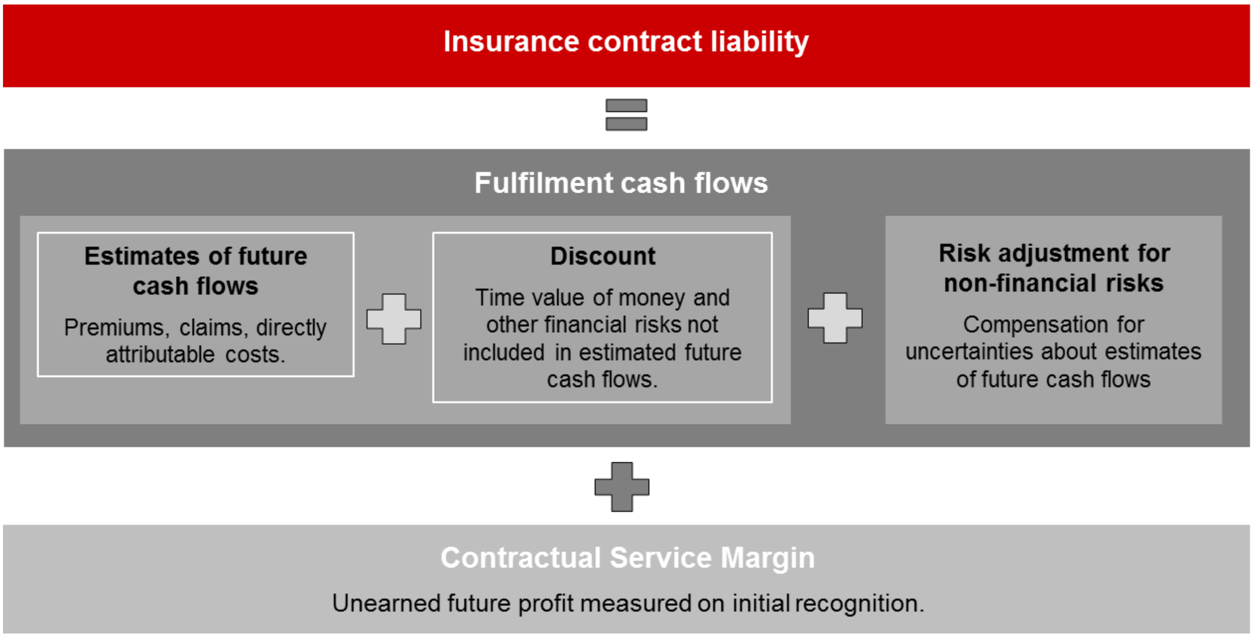
IFRS 17 "Insurance contracts"

Issued by IASB on 18 May 2017

This new standard will replace IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the balance sheet will be replaced by a current value measurement of insurance contracts.

The general model provided for the measurement of insurance contracts in the balance sheet will be based on a building-blocks approach: a current estimate of future cash flows, a risk adjustment, and a contractual service margin.



Positive contractual service margins will be recognised as income over the duration of the insurance service. But negative margins will be immediately recognised as expense, as soon as the insurance contract is identified as onerous.

The general model will be the default measurement model for all insurance contracts.

But IFRS 17 also provides a mandatory alternative model for insurance contracts with direct participation features. Under this model, called "variable fee approach", the measurement of the insurance contract liability shall take into account the obligation to pay to policyholders a substantial share of the fair value returns on the underlying items, less a fee for future services provided by the insurance contract (changes in the fair value of underlying items due to policyholders are then recognised as an adjustment of the contractual service margin).

A simplified measurement for short-term contracts (less than 12 months) is also allowed by the standard under conditions (premium allocation approach).

These measurement models will have to be applied to homogeneous portfolios of insurance contracts. The level of aggregation of these portfolios will be assessed considering:

- contracts that are subject to similar risks and managed together,
- without including contracts issued more than one year apart in the same portfolio, and
- dividing each portfolio to distinguish a group of contracts that are onerous at initial recognition, a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, and a group of the remaining contracts.

4. PREPARATION FOR THE FIRST APPLICATION OF IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 aims to replace IAS 39 "Financial Instruments – Recognition and Measurement".

The following treatments will be applicable to accounting periods beginning on 1 January 2018, replacing the accounting principles currently applied for financial instruments and that are described in Note 3.

Classification and measurement

A single approach for financial assets, based on the characteristics of the contractual cash flows and the business model within which they are held.

Credit risk

A more timely depreciation model, based on expected credit losses.

Hedge accounting (general model)

An improved model more closely aligned with risk management; but also, a policy choice, selected by the Group, to continue to apply the hedge accounting requirements of IAS 39.

Macro-hedging

Excluded from the scope of IFRS 9 (specific research project).

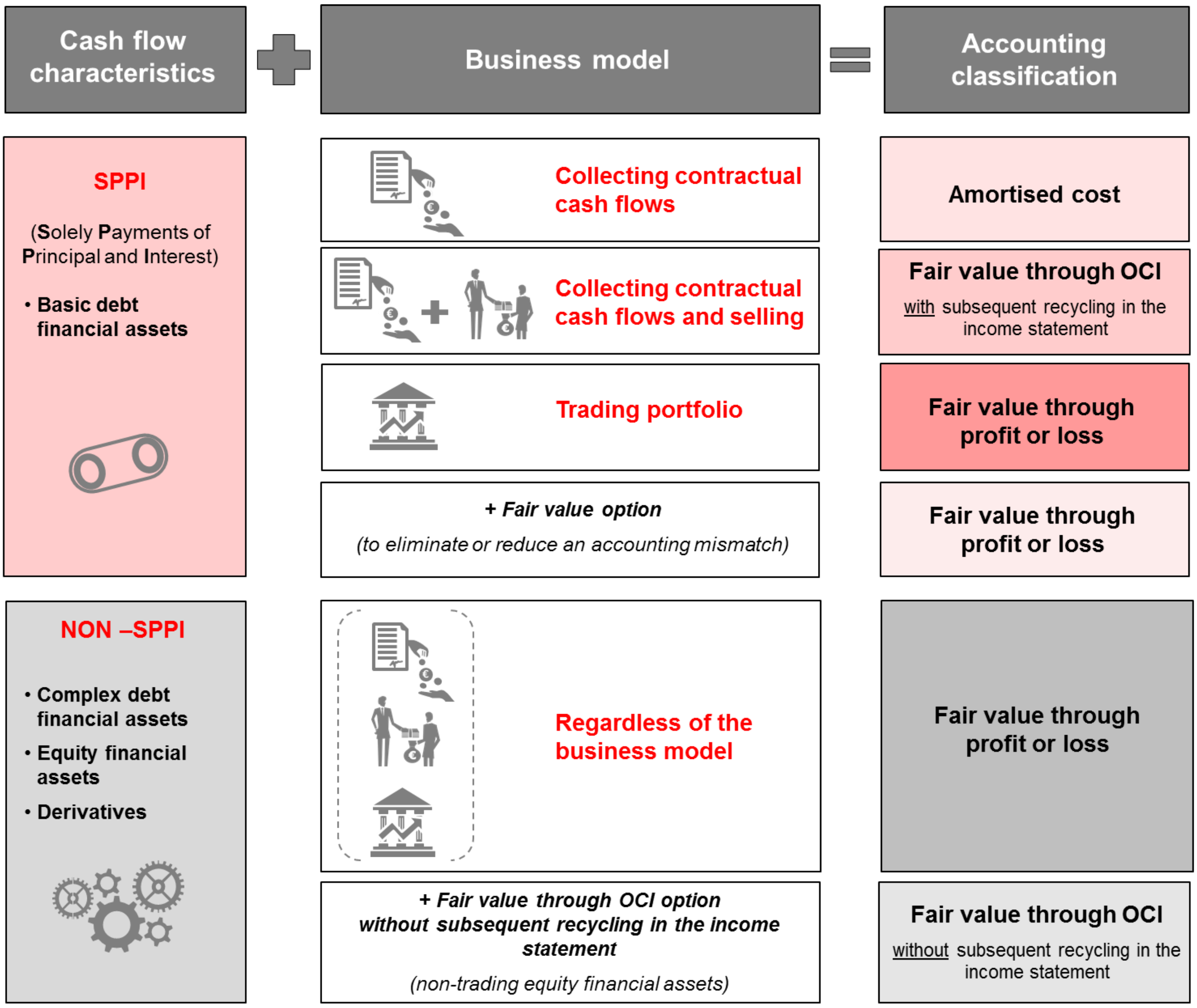
ACCOUNTING TREATMENTS PROVIDED BY IFRS 9

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are required to be classified into three categories according to applicable measurement methods (amortised cost, fair value through profit or loss and fair value through other comprehensive income). Classification will depend on the contractual cash flow characteristics of the instruments and the entity's business model for managing its financial instruments.

The aim of this approach is to limit the possibility of recognising revenues from financial assets using the effective interest rate method to the only instruments whose characteristics are consistent with a basic lending arrangement, which implicitly requires a high predictability of the related cash flows. All other financial assets that do not have such characteristics will be measured at fair value through profit or loss, whatever the business model may be.

The following diagram broadly describes the classification criteria to be used for financial assets according to IFRS 9:



Characteristics of cash flows

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement (SPPI cash flows: Solely Payment of Principal and Interest).

In a basic lending arrangement, interest is mainly consideration for the time value of money and credit risk. Interest can also include consideration for liquidity risk and for administrative costs associated with holding the financial asset, and a commercial profit margin. Negative interest is not inconsistent with this definition of a basic lending arrangement.

All contractual terms shall be analysed, particularly those that could change the timing or amount of contractual cash flows. A contractual term that permits the borrower or the lender to prepay or to put the debt instrument back to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount substantially represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. The amendment to IFRS 9 issued on 12 October 2017 has indicated that such compensation can be either positive or negative; the process for endorsement of this amendment by the European union is currently in progress.

The prepayment compensation will especially be considered as reasonable when:

- the amount is calculated on the remaining outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is capped by the law at an amount equal to six months of interest or 3% of the principal outstanding), or is limited by competitive market practices;

- the amount is equal to the difference between contractual interest that should have been received until the maturity of the loan and interest that would be obtained by the reinvestment of the prepaid amount in a rate that reflects the relevant benchmark interest rate.

Some loans are prepayable at their current fair value, while others can be prepayable at an amount that includes the fair value cost to terminate an associated hedging swap. It will be possible to consider such prepayment amounts as SPPI provided that they reflect the effect of changes in the relevant benchmark interest rate.

Basic financial assets (SPPI) are debt instruments which mainly include:

- fixed-rate loans,
- variable-rate loans that can include caps or floors,
- fixed or variable-rate debt securities (public or private bonds, other negotiable debt securities),
- securities purchased under resale agreements (reverse repos),
- guarantee deposits paid,
- trade receivables.

Contractual terms that would introduce exposure to risks or volatility in the contractual cash flows that would be unrelated to a basic lending arrangement (such as exposure to changes in equity prices or stock indexes for instance, or leverage features) could not be considered as being SPPI, except if their effect on the contractual cash flow remains de minimis.

Embedded derivatives will not be separated anymore from their host contracts when these contracts are financial assets, thereby the entire hybrid instrument will be considered as non-basic and measured at fair value through profit or loss, if its contractual cash flow do not pass the SPPI test.

Non-basic financial assets (non-SPPI) mainly include:

- derivative instruments,
- shares and other equity instruments held by the entity,
- equity instruments issued by mutual funds,
- debt financial assets that can be converted or redeemed into a fixed number of shares (convertible bonds, equity-linked securities…).

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between undiscounted contractual cash flows and undiscounted benchmark cash flows is significant or can become significant, then the instrument is not considered basic.

Depending on the contractual terms, comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test will be required. The difference between contractual and benchmark cash flows will have to be considered in each reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity shall consider factors that could affect future undiscounted contractual cash flows: using the interest rate curve at the date of the initial assessment is not enough, and the entity will also have to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interests are revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to the holders using multiple contractually linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a "look-through approach" to identify the underlying instruments that are creating the cash flows.

All financial assets that are not basic will be mandatorily measured at fair value through profit or loss, whatever may be the business model for managing them.

The Group can make the irrevocable election to classify and measure an investment in an equity financial instrument that is not held for trading purpose at fair value through other comprehensive income. Subsequently, the profit or loss accumulated in other comprehensive income will never be reclassified into profit or loss (only dividends from those investments will be recognised as income). The Group expects to use this optional classification for very limited cases only.

Business models

The business model refers to how financial instruments are managed to generate cash flows and revenues.

When carrying on its different business activities, the Group makes use of various business models. Business models are assessed on how groups of financial instruments are managed together to achieve a particular business objective. The business model is not assessed on an instrument-by-instrument basis, but at a portfolio level, considering relevant evidence such as:

- how the performance of the portfolio is evaluated and reported to the Group's management,
- how risks related to financial instruments within that business model are managed,
- how managers of the business are compensated,
- and also, sales of assets realised or expected (size, frequency, purpose).

To determine the classification and measurement of financial assets, three different business models shall be distinguished:

- a business model whose objective is to collect contractual cash flows,
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- and a separate business model for other financial assets, and especially those that are held for trading purpose, where collecting contractual cash flows is only incidental.

<u>Collecting contractual cash flows</u>:

Under this model, financial assets are managed to realise cash flows by collecting contractual payments over the life of the instrument.

To achieve the objective of this business model, the entity need not hold all of those instruments until maturity. Selling assets remains consistent with a business model whose objective is to collect contractual cash flows in the following cases:

- the financial asset is sold following an increase in the asset's credit risk,
- the sale of the financial asset occurs close to its maturity and the proceeds from the sale approximates the collection of the remaining contractual cash flows.

Other sales can be consistent with the objective collecting contractual cash flows, as well, provided they are infrequent (even if significant in value) or insignificant in value, both individually and in aggregate (even if frequent). Such other sales include sales made to manage credit concentration risk (without an increase in the asset's credit risk). The Group has set up procedures for reporting and analysing all significant projected sales of financial assets held for collecting contractual cash flows, as well as a periodic review of sales that have occurred.

Financing activities

Within the Group, the « hold to collect » business model is mainly applied by financing activities managed by French Retail Banking, International Retail Banking and Financial Services and by Global Banking and Investor Solutions, except for syndicated loans that are expected to be sold.

<u>Collecting contractual cash flows and sales</u>:

The objective of this business model is to realise cash flows by both collecting contractual payments and selling financial assets. In this type of business model, the sales of financial assets are not incidental or exceptional, but they are integral to achieving the business' objectives.

Cash management

Within the Group, the « hold to collect and sale » business model is mainly applied by cash management activities for managing HQLA securities (*High Quality Liquid Assets*) included in the liquidity reserve. Only a few subsidiaries apply a "hold to collect" business model for managing their HQLA securities.

<u>Trading activities</u>:

Financial assets held for trading are:
- acquired with the intention of selling them in the short term, or
- held for market-making purposes, or
- acquired for the purposes of the specialised management of a trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Global market activities

The trading business model is applied by Global Banking and Investor Solutions to manage its global market activities.

It is also applied for managing syndicated financing commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold shortly (within 6 to 12 months) on the secondary market.

Run-off portfolios of financial assets are also measured at fair value through profit or loss.

Such financial assets mainly include the remaining investments of the Group in CDO (Collateralised Debt Obligations) and ABS (Asset Backed Securities) that were reclassified into *Loans and receivables* in 2008 and that are currently expected to be sold through an organised and pre-determined disposal programme.

Assessing the business model is not required for classifying non-SPPI financial assets. Nevertheless, when such non-SPPI financial assets are held for trading purpose, they will be displayed in the notes to financial statements together with SPPI financial assets held for trading. In the notes to financial statements, the other non-SPPI financial assets, that are also measured at fair value through profit or loss but that are held for other purposes, will be displayed separately from trading assets.

Fair value option:

A non-SPPI financial asset that is not held for trading purposes can be designated, upon initial recognition, to be measured at fair value through profit or loss if such designation eliminates or significantly reduces discrepancies in the accounting treatment of certain financial assets and liabilities (accounting mismatch).

Nearly all debt securities and equity securities, that are currently classified as *Financial instruments measured using the fair value option through profit or loss*, are held by life-insurance subsidiaries and are designated as such to reduce or eliminate an accounting mismatch with the related insurance liabilities. This classification will be maintained as far as the Group has decided that all its insurance subsidiaries will defer the application of IFRS 9.

Loans and receivables currently classified as *Financial instruments measured using the fair value option through profit or loss* are mainly hybrid instruments containing one or more embedded derivatives, and whose contractual cash flows are not SPPI.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without any modification, except for financial liabilities designated at fair value through profit or loss (using the fair value option). For these financial liabilities, the amount of change in their fair value attributable to changes in credit risk will be recognised in other comprehensive income, without subsequent reclassification into income (changes in the fair value attributable to other factors will continue to be recognised in profit or loss). The scope of financial liabilities designated by the Group to be measured at fair value through profit or loss will not be modified by IFRS 9.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derecognition rules for financial assets and financial liabilities have been carried forward unchanged from IAS 39 to IFRS 9.

CREDIT RISK

All debt instruments classified as financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and issued financial guarantee contracts, will be systematically subject to depreciation or provision for expected credit losses. This depreciation or provision will be recognised as soon as loans are granted, a soon as commitments are issued or as soon as debt securities are acquired, without waiting for objective evidence of impairment to occur.

The purpose of this approach is to recognise credit losses in profit or loss on a timely basis, symmetrically to the recognition in profit or loss of the credit spread embedded in the interest income.

Thus, these financial assets will be allocated among three categories according to the gradual deterioration of their credit risk since their initial recognition, and an impairment loss will be recognised for each of these categories as follows:

Observed deterioration of credit risk since initial recognition of the financial asset

Credit risk category	**Stage 1** Performing assets	**Stage 2** Under-performing or downgraded assets	**Stage 3** Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ⇨ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument is become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

The significant increase of the credit risk will be assessed on an instrument-by-instrument basis, but it will also be possible to assess it on the basis of consistent portfolios of similar assets, where individual assessment does not appear to be relevant. A counterparty-based approach (applying the default contagion principle to all the counterparty's outstanding loans) will also be possible if it gives similar outputs.

The Group will have to consider all available information, as well as potential consequences of a change in macro-economic factors, so that any significant increase in the credit risk on a financial asset may be assessed as early as possible.

There will be a rebuttable presumption that the credit risk on a financial asset has increased significantly when the contractual payments on this asset are more than 30 days past due. However, this 30-day late period is an ultimate indicator. The entity should use all available information (behaviour scores, "loan to value" type indicators, etc.) and apply a forward-looking view to assess whether there is significant increase in credit risk before contractual payments are over 30 days past due.

The application of IFRS 9 will not alter the definition of default currently used to determine whether there is objective evidence of impairment of a financial asset. As asset will notably be presumed in default if one or more contractual payments are more than 90 days past due.

Impairments on groups of homogeneous assets will be replaced by loss allowances measured at an amount equal to 12-month or to lifetime expected credit losses:

- financial assets on counterparties which have encountered financial difficulties since they were initially recognised, without any objective evidence of impairment having yet been identified at the individual level (sensitive assets), will be partly included in the stage 2, with loss allowance measured at an amount equal to lifetime expected credit losses;
- financial assets on counterparties linked to economic sectors considered as being in crisis further to the occurrence of loss events, or on geographical sectors or countries in which a deterioration of credit risk has been assessed, will be spread between stage 1 (loss allowances measured at an amount equal to 12-month expected credit losses) and stage 2 (loss allowances measured at an amount equal to lifetime expected credit losses) depending on their individual credit risk, taking into account the deterioration in the sector or country between the origination of the loan and the balance sheet date.

12-month expected credit losses will be measured considering past events, but also the current situation, as well as reasonable forecasts of future economic conditions. Thus, such losses will not be calculated according to average data observed through an economic cycle.

Lifetime expected credit losses will be measured considering past events and the current situation, as well as reasonable forecasts of future economic conditions based on several scenarios, and also relevant macro-economic factors until the contract term.

HEDGE ACCOUNTING:

The Group has analysed the various options offered by IFRS 9 in its transition guidance for hedge accounting and has decided, as allowed by IFRS 9, not to modify the hedge accounting methods currently applied in accordance with IAS 39 as adopted in the European Union. Nevertheless, the Group will update the information disclosed in the notes to financial statements according to IFRS 7, giving more detailed description of its risk management strategies and the related hedging transactions, as well as the effect of hedge accounting in its financial statements.

The Group will also continue to keep abreast of IASB research on macro-hedge accounting.

IMPLEMENTATION OF IFRS 9

In 2013, the Group began preliminary assessments aimed at determining the potential consequences of the future IFRS 9 standard. To this end, a project structure was established by the Finance Division and a joint programme has been launched between the Risk Division and the Finance Division to review the parts of the standard that concern credit risk.

As soon as IFRS 9 was published in July 2014, the Group Risk and Finance functions set up a special structure to organise the works to be performed to implement the new standard and to be ready to apply it on 1 January 2018.

Under the aegis of the governance bodies established for this purpose, the Group conducted analyses of the standard (banking implications) and performed a planning study concerning the adaptation of its information systems and processes.

The specifications necessary to adapt the Group's and the entities' information systems for Risk and Finance functions, on the one hand, and to update the consolidation processes and reporting schedules, on the other hand, and the related developments were delivered in 2016 and 2017. During the second and third quarters of 2017, the Group carried out a dry run exercise and a general rehearsal to test the entire new system built for the application of IFRS 9.

CLASSIFICATION AND MEASUREMENT

The Group's portfolios of financial assets were reviewed to determine their future accounting treatment under IFRS 9, considering the characteristics of their contractual cash flows and the Group's business models for managing them. The Group then assessed the scope of financial assets, whose classification and measurement will be modified when applying IFRS 9.

Methodologies have been developed for analysing the contractual flows of financial assets, particularly to be able to compare them with a benchmark instrument when the time value component included in the interest is subject to modification according to the instrument's contractual terms.

During the fourth quarter of 2017, the Group took into account the modifications brought by the amendment to IFRS 9 issued by IASB on 12 October 2017 regarding prepayment features with negative compensation.

CREDIT RISK

Since 2015, the Group has set up a framework methodology defining the rules for assessing the deterioration of credit risk and for determining 12-month and lifetime expected credit losses, factoring in macroeconomic projections reflecting the credit cycle. Simultaneously, the Group has built a governance for the approval and the control of parameters used for measuring expected credit losses as well as for Management's.exercise of judgement.

Methodologies for measuring depreciations and provisions

The measurement of expected credit losses is primarily calculated as the product of the instruments' probability of default (PD), loss given default (LGD) and exposure at default. Estimates of 12-month expected credit losses use a maximum of 12-month probability of default, while estimates of lifetime expected credit losses use a probability of default assessed over the remaining life of the instrument.

Parameters necessary for these evaluations will be assessed on the basis of financial asset portfolios. For that purpose, portfolios of Group's financial assets and commitments were segmented to ensure their homogeneity in terms of credit risk characteristics and their correlation with the international and local macroeconomic variables that can affect them. This segmentation addresses all specificities encountered in the Group's entities.

This new segmentation of portfolios was determined consistently with that used for the needs of the Basel prudential calculations to guarantee the uniqueness of the historical data of default and losses that are used.

Assessment of the increase in credit risk

Increases in a financial asset's credit risk since its initial recognition, entailing transfer from stage 1 (performing assets) to stage 2 (deteriorated assets), and from stage 2 to stage 3 (non-performing or doubtful loans), are firstly assessed on the basis of the internal credit risk rating currently used by the Group. Significant degradation of the rating is assessed on a portfolio basis according to default probability curves used to measure provisions and depreciations for credit risk under IFRS 9.

A more than 30 day past due payment automatically trigger the transfer of the related financial asset into stage 2.

In addition, if at the closing date a significant increase in credit risk has been identified on a given counterparty, all the outstandings on this counterparty at this date will then be transferred to stage 2 and depreciated for lifetime expected losses. After this transfer to stage 2, any new instrument concluded with the same counterparty will then be initially recognised in stage 1 and will then follow the process of assessment of the subsequent degradation of the credit risk.

The identification of a default situation leading to a transfer to stage 3 is assessed according to the same criterion as those previously used under IAS 39 for the assessment of an incurred credit risk on an individual outstanding (see Note 3.8). In the same way, as currently done under IAS 39, the assessment of a default situation on an individual outstanding implies by contagion that all the outstandings on the defaulting counterparty are transferred to stage 3.

Forward looking approach

Using a forward-looking approach to determine the amount of expected credit losses (12-month or lifetime) depends above all on the integration of the economic perspectives in the evaluation of the probabilities of default. The main macroeconomic variables used in that calculation are the economic growth rate of the various geographical zones (France, the United States, emerging countries, developed countries). For the entities in the international network, it is generally the economic growth rate of the country of the entity that is used.

Concerning the calculation of expected losses in case of default (Loss Given Default - LGD), the forward-looking approach is currently limited to finance lease portfolios.

Expected credit losses are calculated on the basis of probabilised average of three macroeconomic scenarios established by the Group's economists for all the consolidated entities (a base scenario and a stress scenario, plus an optimistic scenario).

For some portfolios, the calculation method is completed by a sectorial adjustment increasing or reducing the amount of the expected credit losses, to better anticipate the crisis and recovery phases of certain cyclical branches of industry.

In addition, a marginal adjustment can be applied, following expert appraisal, to increase or decrease the total expected credit losses calculated, in order to take into account future risks that cannot be modelled (mostly related to legislative or regulatory changes).

Operational implementation

The operational implementation of the new processes for measuring depreciations and provisions for credit risk has been carried out as follows:

- centralisation of the provisioning models for IFRS 9 although their implementation takes local specificities into account,
- use of a common calculator for the major part of the assets,
- central collection of the assets and their provisions to meet the needs related to communication, explanation and regulatory reporting on the provisions calculation.

After being launched in 2016, calibration and validation streams as well as IT developments have continued through 2017. These streams also included simulations of different management rules and calibration methodologies for measuring parameters (as consistent as possible with the ones developed for Basel requirements) in order to determine the best conjunctions between normative and business criteria. The Group has also carried out other streams to define backtests. Furthermore, a governance has been defined for updating the models and the weighted macro-economic scenarios in compliance with the accounting closing period.

The joint programme between the Risk Division and the Finance Division, dedicated to credit risks, will be maintained during the first half of 2018 until the final implementation of the new governance, and will also supervise the last developments in the IT systems (especially for reporting the additional information to be disclosed in the notes to financial statements).

TRANSITION

The new requirements of IFRS 9 for classification and measurement of financial instruments as well as for credit risk shall be applied retrospectively as at 1 January 2018. But, as allowed by the transition guidance of IFRS 9, the Group will not restate the comparative figures for prior periods.

Consequently, as far as financial instruments are concerned, comparative figures for 2017 that will be provided with figures related to 2018 will remain as determined according to IAS 39 as adopted by the European Union.

As at 1 January, valuation adjustments of financial assets and liabilities, of provisions and depreciations for credit risk, and of unrealised or deferred gains and losses due to the retrospective application of IFRS 9 at that date will be recognised directly in equity (*Retained earnings* or *Unrealised or deferred capital gains and losses*, and *Non-controlling interests*).

Transition guidance of IFRS 9 also allowed for the early application of direct recording in equity of any change in value attributable to credit risk variations on financial liabilities that are designated to be measured at fair value through profit or loss (using the fair value option). As of 31 December 2017, the Group did not anticipate the application of this treatment.

Moreover, on 12 October 2017, IASB issued an amendment to IFRS 9 related to prepayment features with negative compensation. Subject to its adoption by the European Union, this amendment shall be applied for annual periods beginning on or after 1 January 2019, but can be applied earlier. On 9 November 2017, EFRAG (European Financial Reporting Advisory Group) issued a positive advice for the adoption of this amendment by the European Union. The Group closely keeps abreast of the adoption process and considers as highly probable that it will be effective before preparation of the 2018 half-yearly financial statements. Then, consistently with recommendations issued by market authorities (ESMA and AMF), the Group has decided to apply this amendment early as from 1 January 2018, to ensure continuity in the accounting standards applied in accordance with IFRS 9 from that date. All things being equal, precisions that have been provided by this amendment to IFRS 9 should not modify the Group's current assessment of the SPPI qualification of loans with prepayment features that are classified in *Loans and receivables* and measured at amortised cost as at 31 December 2017.

DEFERRAL OF THE APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

Applying IFRS 9 to financial assets held by insurance entities from 1 January 2018, before the first application of IFRS 17 "Insurance Contracts" that will become effective in 2021, replacing the current IFRS 4 for the recognition and measurement of their insurance contract liabilities, raises significant issues (operational complexity due to the successive transitions to these two major standards, potential occurrence of accounting mismatches and as well as resulting volatility of profit or loss).

On 12 September, IASB published amendments to IFRS 4 (Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts") providing temporary solutions to address these issues. The amendments permit entities that predominantly undertake insurance activities to defer the effective date of IFRS 9 until 1 January 2021, keeping the current IAS 39 until that date.

The European Union adopted these amendments on 3 November 2017. Through this adoption, the European Commission also extended the deferral option to allow financial conglomerates falling within the scope of Directive 2002/87/EC to elect that all their entities operating in the insurance sector within the meaning of that Directive will defer the effective date of IFRS 9 until 1 January 2021.

The Group decided that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. Financial assets held by the insurance subsidiaries are disclosed in Note 4.3. As required by the adoption regulation of 3 November 2017, the Group has made the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments that will be measured at fair value through profit or loss by both sectors involved in such transfers.

From 2018, and as proposed by the French Accounting Standard Setter, the ANC, in its Recommendation 2017-02 of 2 June 2017 related to the presentation of IFRS consolidated financial statements prepared by banking entities, specific line items dedicated to insurance activities will be introduced in the primary consolidated financial statements to enhance their legibility: *Investments of insurance companies* in the asset side of the balance sheet, *Insurance contracts related liabilities* in the liability side of the balance sheet, and *Net income form insurance activities* within the *Net banking income* in the income statement.

FIRST APPLICATION OF IFRS 9

Classification of financial assets as well as parameters used for measuring depreciations and provisions for credit risk were validated by the Group before 31 December 2017. For adjusting the opening balance of 2018, the measurement of financial assets that will have been reclassified as well as the amounts of depreciations and provisions for credit risk will be finalised in late February 2018 based on financial assets reclassified on 1 January 2018.

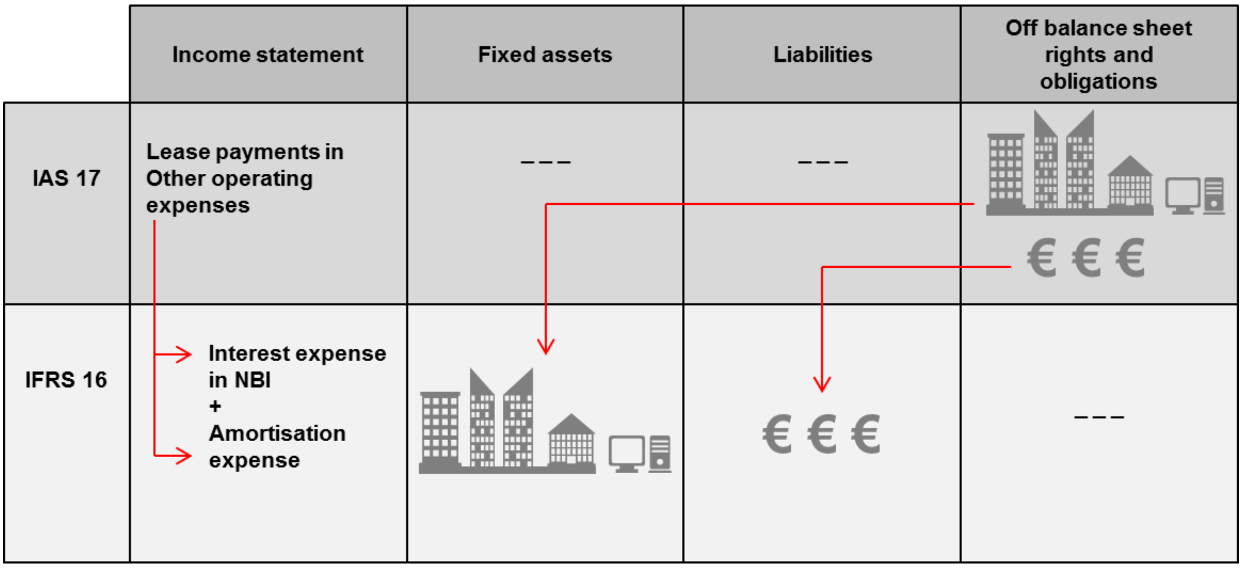
At the date of approval of these consolidated financial statements by the Board of Directors, the Group estimates the first application of IFRS 9 to lead to an overall reduction in the consolidated shareholders' equity of approximatively EUR 1 billion after income tax, mostly due to an increase of the total amount of depreciations and provisions for credit risk.

5. PREPARATION FOR THE FIRST APPLICATION OF IFRS 16 "LEASES"

This new standard will supersede the existing standard, IAS 17 and modify accounting requirements for leases, and more specifically in relation to the lessees' financial statements, with very few impacts for the lessors.

ACCOUNTING TREATMENTS PROVIDED BY IFRS 16

For all lease agreements, lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its income statement, the lessee will separately recognise the depreciation of the right-of-use assets and the interest expense on lease liabilities. This treatment is currently applied by lessees to finance-lease transactions and it will then be extended to operating leases as well:



SCOPE

IFRS 16 concerns any contract meeting the definition of a lease except for:

- leases to explore for or use non-regenerative resources and leases of biological assets,
- service concession arrangements,
- licences of intellectual property,
- rights held by a lessee under licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Lessees are not required to apply this standard to intangible assets leases (software for example). In preparing the application of the standard, the Group will use this optional exemption.

Furthermore, lessees may elect not to apply the new requirements to short-term leases (including options to extend the leases) and leases for which the underlying asset is of low value. This latter exemption applies to leases of small devices (such as tablets and personal computers, little office furniture and telephones). In its basis for conclusions, the IASB suggested a value, when new, in the order of magnitude of USD 5,000 or less.

The Group, as lessee, currently records its leases as operating leases and lease payments are recognised as income according to the straight line method over the term of the lease, in compliance with IAS 17 (see Note 8.2).

Most lease payments (nearly 80%) concern property leases concluded for the rental of retail spaces (branch offices in the retail banking networks in France or abroad) and office buildings (used by some departements belonging to Group headquarter in France and local headquarters of the main overseas subsidiaries, and in some locations on the main international financial markets: London, New York, Hong Kong).

The other lease payments concern mostly leasing of IT equipment and, very incidentally, vehicle leasing.

DISTINGUISHING BETWEEN LEASE CONTRACTS AND SERVICE CONTRACTS

IFRS 16 includes new requirements to distinguish a lease contract from a service contract.

In the financial statements of lessees, the standard will no longer separate operating leases from finance-leases.

However, contracts must be analysed in order to determine whether they meet the definition of a lease contract and to separate, if applicable, each lease component from non-lease components (or services).

A contract is a lease or contains a lease component if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If the lessee is not able to separate lease components within the same contract from non-lease components, the contract will be accounted for as a single lease component.

ACCOUNTING TREATMENT OF LEASE CONTRACTS FOR THE LESSEES

€ € €	**Accounting of a lease liability for the lessees**
At the time that the asset is made available for use, the lessee shall recognise a lease liability corresponding to the present value of the lease payments that will be paid during the lease period. Subsequently, this lease liability is measured at amortised cost using the effective interest rate method: each lease payment will be recognised, for one part, in *Interest and similar expense* and for the other part as an amortisation of the lease liability in the balance sheet. The amount of the lease liability shall be adjusted subsequently in case of change in the lease contract, change in the lease term or change in future lease payments resulting from a change in an index or a rate. And, if any, the lessee shall recognise a provision for costs in dismantling or restoring the underlying asset to the conditions required by the terms of the lease.	

Lease term

In determining the lease term used for the present value of the lease payments, the lease period is the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the lessee shall consider all relevant facts and circumstances that create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Discount rate of leases

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate is available or can be readily determined; if not, the lessee's incremental borrowing rate will be used. The lessee's incremental borrowing rate is determined at the legal entity of the lessee and not at a Group level, taking into account borrowing conditions and own credit risk.

Lease amounts

The lease payments included in the measurement of the lease liability comprise fixed lease payments, variable lease payments that depend on an index (consumer price index or index of construction costs…) or a rate (Euribor…), amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option and payments of penalties for terminating the lease.

However, variable lease payments are not included in the measurement of the lease liability, such as those based on a use model (index based on turnover or kilometerd covered). This variable leases are recognised in the income statement over time according to fluctuations of the contractual index.

Accounting of a right of use for the lessees

At the time that the asset is made available for use, the lessee shall recognise the right-of-use asset for an initial amount equal to the initial measurement of the lease liability, plus any lease payments made at or before the commencement date, and any initial direct costs.

This asset is subsequently amortised linearly over the same term of the lease as the one defined to evaluate the lease liability.

The accounting value of the asset can be adjusted subsequently if the lease is modified in case of change in the lease contract, change in the lease term or change in future lease payments resulting from a change in an index or a rate.

Rights of use are presented in the lessee's balance sheet under the same heading as other properties of the same nature held in full ownership. In the income statement, depreciation and amortisation of rights of use are presented with the amortisation, depreciation and impairment of assets held in full ownership.

ORGANISATION OF THE IFRS 16 STANDARD IMPLEMENTATION PROGRAMME

Starting in the 4th quarter of 2016, after a preliminary effects analysis of this new standard, the Group began a framework project for the implementation transition of its information systems and processes, and to define the lease contracts to be included in the scope of this new standard.

To that end, a project structure was established by the Finance Division and the Group Resources Division.

In 2017, the Group undertook an initial collection of lease agreements that concern property assets, and began a collection of leases that concern IT equipment, both to be used to fill a contract data base that is under construction.

At the same time, the Group undertook the development of a tool to be used for calculations and exploitation of the contract data base and which will generate the data necessary for the recognition of leases under IFRS 16.

At this stage of the IFRS 16 implementation project, the consequences of its application to the Group financial statement cannot reasonably be estimated.

6. USE OF ESTIMATES AND JUDGMENT

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Management uses information available at the date of preparation of the consolidated financial statements and can exercise its judgment. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the financial statements.

The use of estimates mainly concerns the following valuations:

- fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss, Hedging derivatives* or *Available-for-sale financial assets* (described in Notes 3.1, 3.2, 3.3 and 3.4) and fair value of instruments measured at amortised cost for which this information must be disclosed in the notes to the financial statements (see Note 3.9);

- the amount of impairment of financial assets (*Loans and receivables*, *Available-for-sale financial assets*, *Held-to-maturity financial assets*), tangible and intangible fixed assets and goodwill (see Notes 2.2, 3.8 and 8.4);
- provisions recognised under liabilities (in particular, provisions for disputes in a complex legal environment and provisions for employee benefits), including *Underwriting reserves of insurance companies* (see Notes 3.8, 4.3 and 5.2);
- the amount of deferred tax assets recognised in the balance sheet (see Note 6);
- the assessment of control of the Group over an entity when updating the consolidation scope, mainly when structured entities are concerned (see Note 2);
- the initial value of goodwill determined for each business combination (see Notes 2.1 and 2.2);
- in the event of the loss of control of a consolidated subsidiary, the fair value that is used to remeasure the portion retained by the Group in this entity, where applicable (see Note 2).

The United Kingdom has organised on 23 June 2016 a referendum following which a majority of British citizens have voted to leave the European Union (Brexit). After this decision, a long period of negotiations has begun to redefine the economic relationships between the United Kingdom and the European Union. The Group closely follows the progress of the discussions and their consequences in the short, medium and long term. If needed, the Group takes these consequences into account when making assumptions and estimates for preparing its consolidated financial statements.

NOTE 2 - CONSOLIDATION

MAKING IT SIMPLE

The various activities of the Societe Generale group in France and abroad are carried out by Societe Generale – Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardized accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

To do so, the individual accounts of the entities that make up the Group are restated so that they are in accordance with IFRS, as adopted by the European Union, in order to present consistent information in the consolidated financial statements.

In addition, the accounting balances (assets, liabilities, income and expense) generated by transactions between Group entities are eliminated through the consolidation process so that the consolidated financial statements present only the operations and results made with third parties outside of the Group.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, joint control or significant influence.

CONSOLIDATED ENTITIES

- **Subsidiaries**

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, i.e. the activities that significantly affect the entity’s returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group’s returns.

Power

When determining voting rights for the purpose of establishing the Group’s degree of control over an entity and the appropriate consolidation methods, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

When voting rights are not relevant to determine whether or not the Group controls an entity, the assessment of this control shall consider all the facts and circumstances, including the existence of one or more contractual arrangements. Power over an investee exists only if the investor has substantive rights that give it the current ability to direct relevant activities without barriers.

Some rights are designed to protect the interests of their holder (protective rights) without giving that party power over the investee to which those rights relate.

If several investors each have substantive rights that give them the unilateral ability to direct different relevant activities, the investor that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and returns

Power over the relevant activities does not give control to the Group if this power does not allow it to affect its returns from its involvement with the entity. If the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making authority. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing.

Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

- **Joint arrangements**

Through a joint arrangement (either a joint operation or a joint venture) the Group exercises joint control over an entity if decisions about the direction of its relevant activities require the unanimous consent of the parties that collectively control the entity. Assessing joint control requires an analysis of the rights and obligations of all the parties.

In the case of a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities.

In the case of a joint venture, the parties have rights to the net assets of the entity.

- **Associates**

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method in the Group's consolidated financial statements. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control. In particular, significant influence can result from Societe Generale being represented on the Board of Directors or Supervisory Board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of an entity when it directly or indirectly holds at least 20% of the voting rights in this entity.

CONSOLIDATION RULES AND METHODS

The consolidated financial statements are built up from the financial statements of the entities that are included in the consolidation scope. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro-forma statements for a twelve-month period ended 31 December. All significant balances, profits and transactions between Group companies are eliminated.

The results of newly acquired subsidiaries are included in the consolidated financial statements from the date the acquisition became effective and results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

- **Consolidation methods**

The subsidiaries, which may include structured entities over which the Group has exclusive control, are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see Note 2.2).

In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The share of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidating structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

In the case of a joint operation, the Group distinctly recognises in its consolidated financial statements its share in the assets and liabilities as well as its share in the related revenue and expense.

Associates and joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Under the equity method, on initial recognition the investment in an associate is recognised under *Investments accounted for using the equity method* at the cost of the Group's investment in the joint venture or associate, including goodwill and after the date of acquisition the carrying amount is increased or decreased to recognise the changes in the investor's share in the net asset value of the investee.

These investments are tested for impairment if there is objective evidence of impairment. If the recoverable amount of the investment (value in use or market value net of selling costs, whichever is higher) is lower than its carrying amount, an impairment loss is recorded on the balance sheet at the carrying amount of the investment. Impairment allowances and reversals are recorded under *Net income from investments accounted for using the equity method*.

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share un the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses.

Capital gains and losses generated on disposal of companies accounted for using the equity method are recorded under *Net income/expense from other assets*.

- **Translation of foreign entity financial statements**

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euro at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros, at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under *Unrealised or deferred gains and losses – Translation differences*. Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders'equity under the same heading.

In accordance with the option allowed under IFRS 1, the Group allocated all differences arising on translation of foreign entity financial statements at 1 January 2004 to consolidated reserves. As a result, if any of these entities are sold, the proceeds from the sale will only include write-backs of those translation differences arising since 1 January 2004

- **Changes in Group's ownership interest in a consolidated entity**

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control: the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidation reserves, Group share*.

The cost relative to these transactions is recognised directly in equity.

At this date when the Group losses control of a consolidated subsidiary, any investment retained in the former subsidiary is then remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from assets* in the consolidated income statement. The gain or loss on disposal includes a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share is determined using a relative approach based on the normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

COMMITMENTS TO BUY OUT MINORITY SHAREHOLDERS IN FULLY CONSOLIDATED SUBSIDIARIES

The Group has awarded minority shareholders in some fully consolidated Group subsidiaries commitments to buy out their stakes. For the Group, these buyout commitments are put option sales. The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under *Other Liabilities*;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as that applied to transactions in *Non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from *Retained earnings, Group share;*

- subsequent variations in this liability linked to changes in the estimated exercise price of the options and the carrying value of *Non-controlling interests* are recorded in full in *Retained earnings, Group share;*
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary in question. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against *Non-controlling interests* and *Retained earnings, Group share* for their respective portions;
- as long as the options have not been exercised, the results linked to *Non-controlling interests* with a put option are recorded under *Non-controlling interests* on the Group's consolidated income statement.

NOTE 2.1 - CONSOLIDATION SCOPE

The scope of consolidation is presented by location in Note 8.6.

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope at 31 December 2017, compared with the scope applicable at the closing date of 31 December 2016, are as follows:

ANTARIUS

On 8 February 2017, Aviva France and Sogecap signed an agreement substantiating the acquisition by Sogecap of the 50% interest in Antarius previously held by Aviva France. The transfer of the shares has been effective since 1 April 2017. Antarius is now 100% owned by the Group, jointly by Sogecap and Crédit du Nord. It is fully consolidated since that date.

This operation generated a profit in the income statement under *Net income/expense from other assets* totalling EUR 203 million, resulting from the fair value adjustment of the share held by Crédit du Nord before the acquisition. Goodwill for an amount of EUR 325 million has been recognised and allocated to CGU Insurance (see Note 2.2).

The Group's balance sheet increased by EUR 16 billion, mainly through EUR 9 billion under *Available-for-sale financial assets* and EUR 5 billion under *Financial assets at fair value through profit or loss* in the assets, and EUR 15 billion under *Underwriting reserves of insurance companies* in the liabilities.

SPLITSKA BANKA

On 2 May 2017, the Group sold all its participation in Splitska Banka (100%), its Croatian subsidiary, to OTP Bank.

The sale reduced the Group's balance sheet by EUR 3.6 billion, mainly through reductions of EUR 2 billion in *Customer loans* and of EUR 2.7 billion in *Customer deposits*, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2016.

ALD

Initial public offering

On 16 June 2017, the Group sold 80,820,728 shares of ALD SA (The ALD Group) representing 20% of its capital, when it was introduced on the regulated market of Euronext Paris at a price of EUR 14.30 per share.

An over-allotment option of up to an additional 3% of the share capital of ALD SA was exercised on 12 July 2017 for 0.18%.

This introduction resulted in the sale of existing ordinary shares by Societe Generale Group, for a total of EUR 1,166 million, representing an increase in *Shareholders' equity, Group share* of EUR 457 million and EUR 641 million in *Non-controlling interests*.

Acquisition of Merrion Fleet

On 18 July 2017, ALD acquired Merrion Fleet. This acquisition enabled ALD to enter the Irish market.

The Group's balance sheet increased by EUR 61 million, specifically with EUR 44 million in assets under *Tangible and Intangible Fixed Assets* and EUR 42 million in liabilities under *Due to Banks*.

Acquisition of BBVA Autorenting

On 26 September 2017, ALD Automotive SAU acquired BBVA Autorenting, a leasing subsidiary of the second largest Spanish bank, BBVA. This operation enabled ALD to consolidate its competitive position on a high-potential Spanish market.

The Group's balance sheet increased by EUR 0.6 billion, specifically with EUR 0.4 billion in assets under *Tangible and Intangible Fixed Assets* and EUR 0.4 billion in liabilities under *Due to Banks*.

FORTUNE SG FUND MANAGEMENT CO LTD

On 11 September 2017, the Group sold its shares in Fortune SG Fund Management Co Ltd, an asset management company in China. This represented 49% of the company's capital and was sold to Warburg Pincus Asset Management LP. This participation was included in the Group's balance sheet using the equity method.

The sale generated a gain of EUR 73 million, recorded in the profit and loss account under *Net income/expense from other assets*.

NOTE 2.2 - GOODWILL

MAKING IT SIMPLE

When the Group acquires a company, it integrates in its consolidated balance sheet all of the new subsidiary's assets and liabilities at fair value, as if they had been individually acquired.

But the acquisition price of a company is generally higher than the net revalued amount of its assets and liabilities. The excess value, called goodwill, can represent part of the company's intangible capital (reputation, quality of its personnel, market shares, etc.) which contributes to its overall value, or the value of the future synergies that the Group hopes to develop by integrating the new subsidiary in its existing activities.

In the consolidated balance sheet, the goodwill is recognised as an intangible asset, the useful life of which is presumed to be unlimited; it is not amortised and therefore does not generate any recurring expense in the Group's future results.

However, every year, the Group assesses whether the value of its goodwill has not depreciated. If it has, an irreversible expense is immediately recognised in the Group results, which indicates that the profitability of the intangible capital of the acquired entity is inferior to initial expectations, or that the anticipated synergies have not been fulfilled.

ACCOUNTING PRINCIPLES

The Group uses the acquisition method to recognise its business combinations.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are measured individually at their fair value regardless of their purpose. The analyses and professional appraisals required for this initial valuation must be carried out within 12 months as from the acquisition date, as must any corrections to the value based on new information related to facts and circumstances existing at the acquisition date. At the same time, *Non-controlling interests* are valued according to their share of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *Non-controlling interests* initially at their fair value, in which case a fraction of goodwill is allocated.

The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period except those related to the issuance of equity instruments.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives; if recognised as debt, any subsequent adjustments are recorded under income for financial liabilities in accordance with IAS 39 and within the scope of the appropriate standards for other debts. For equity instruments, these subsequent adjustments are not recognised. Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is recorded on the asset side of the consolidated balance sheet under *Goodwill*. Any deficit is immediately recognised in the income statement. On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

At the acquisition date, each item of goodwill is allocated to one or more cash-generating units expected to derive benefits from the acquisition. When the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units, goodwill previously allocated to modified units is reallocated to the units affected (new or existing). This reallocation is generally performed using a relative approach based on the normative capital requirements of each cash-generating unit affected.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating unit(s).

If the recoverable amount of the cash-generating unit(s) is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Value adjustments on goodwill*.

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in 2017:

(In EUR m)	**Net book value at 31.12.2016**	**Acquisitions and other increases**	**Disposals**	**Impairment losses**	**Net book value at 31.12.2017**
French Retail Banking	**815**	**-**	**-**	**-**	**815**
Societe Generale Network	304				304
Crédit du Nord	511				511
International Retail Banking & Financial Services	**2,756**	**453**	**-**	**-**	**3,209**
Europe	1,787				1 787
Russia	-				-
Africa, Asia, Mediterranean Basin and Overseas	231				231
Insurance	10	325			335
Equipment and Vendor Finance	335				335
Auto Leasing Financial Services	393	128			521
Global Banking and Investor Solutions	**964**	**-**	**-**	**-**	**964**
Global Markets and Investor Services	501				501
Financing and Advisory	39				39
Asset and Wealth Management	424				424
TOTAL	**4,535**	**453**	**-**	**-**	**4,988**

The scope of certain CGUs changed over 2017 (see Note 2.1), including in particular:

- Insurance, following the acquisition of Antarius;
- Auto Leasing Financial Services, following:
  - the acquisition of Merrion Fleet in Ireland and BBVA Autorenting in Spain;
  - the change in consolidation method of ALD automotive Magyarorszag KFT in Hungary which generates the recording of the goodwill of the acquisition of Mkb-Euroleasing.

At 31 December 2017, goodwill recorded by the 11 CGUs can be broken down as follows:

Pillars	Activities
French Retail Banking	
Societe Generale Network	Societe Generale's retail banking network, Boursorama online banking activities, consumer and equipment financing in France and transaction and payment management services
Crédit du Nord	Retail banking network of Crédit du Nord and its 7 regional banks
International Retail Banking and Financial Services	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), Czech Republic (KB, Essox), Romania (BRD) and Poland (Eurobank)
Russia	Integrated banking group including Rosbank and its subsidiaries DeltaCredit and Rusfinance
Africa, Asia, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, Asia, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogecap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
Global Banking and Investor Solutions	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions and the public sector
Asset and Wealth Management	Asset and Wealth Management Solutions in France and abroad

The Group performed an annual impairment test at 31 December 2017 for each CGU to which goodwill had been allocated. A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked to the impairment of goodwill.

The recoverable amount of a cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit. The cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit, taking into account the Group targeted equity allocated to each CGU.

The cash flows were determined this year on a six-year period, with the prospective five-year budgets (from 2018 to 2022) extrapolated over the year 2023, this one corresponding to a "normative" year used to calculate the terminal value:

- allocated equity at 31 December 2017 amounted to 11% of risk-weighted assets, excepted for Crédit du Nord, whose allocated equity amounted to 10.5%, in accordance with the entity's management guidelines;
- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two mains sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide 2021-2022 forecasts.

No goodwill impairment was recognised as at 31 December 2017 as a result of the annual CGU impairment test.

The table below presents discount rates and long-term growth rates specific for the CGUs of the Group's three core businesses:

Assumptions at 31 December 2017	**Discount rate**	**Long-term growth rate**
French Retail Banking		
Societe Generale Network and Crédit du Nord	8.2%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.2% to 15.4%	3%
Insurance	9.1%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.6%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	11.5%	2%
Financing and Advisory	9.9%	2%
Asset and Wealth Management	9.7%	2%

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking	
Societe Generale Network and Crédit du Nord	▪ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Crédit du Nord towards a digital model ▪ Confirmation of Boursorama's customer acquisition plan
International Retail Banking & Financial Services	
Europe	▪ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations ▪ Strict discipline applied to operating expenses and normalisation of cost of risk
Russia	▪ Achievement of recovery of activities in Russia in stabilising economic conditions ▪ Strict discipline applied to operating expenses and cost of risk
Africa, Asia, Mediterranean Basin and Overseas	▪ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ▪ Continued focus on operating efficiency
Insurance	▪ Reinforcement of integrated bank insurance model with the acquisition of Antarius and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	▪ Consolidation of leadership in these corporate financing businesses ▪ Consolidation of profitability by continuing to focus on activities with the best risk/reward
Auto Leasing Financial Services	▪ Reinforcement of leadership of ALD relative to solutions of mobility and continued growth for the long-time leasing to retail customers
Global Banking and Investor Solutions	
Global Markets and Investor Services	▪ Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments. ▪ Consolidation of market-leading franchises (equities) and development of prime brokerage activities ▪ Continued of optimization measures and investments in information systems
Financing and Advisory	▪ Continuation of origination momentum of financing activities ▪ Consolidation of market-leading franchises (commodity and structured financing) ▪ Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	▪ Continued development of synergies with retail bank networks, both in France or abroad, development of synergies between private banking and asset and wealth management, improvement of commercial and operational efficiency

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions.

At 31 December 2017, in light of the risks associated with business activity in the current environment (market volatility, regulatory uncertainties), sensitivities to variations in the discount rate, long-term growth were measured.

According to the results of these tests:

- an increase of 50 basis points applied to all discount rates for the CGUs disclosed in the table above would lead to a decrease of 18.1% in recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 6.5% in recoverable value and would not generate any additional impairment.

NOTE 2.3 - ADDITIONAL DISCLOSURES FOR CONSOLIDATED ENTITIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercices exclusive control, joint control or significant influence, provided these entities have significant impact on the Group's consolidated financial statements. The significance of the impact is considered in particular regarding Group consolidated total assets and gross operating income.

1. CONSOLIDATED STRUCTURED ENTITIES

Consolidated structured entities include:

- collective investment vehicles such as SICAVs (open-ended investment funds) and mutual funds managed by the Group's asset management subsidiaries;
- securitisation funds and conduits issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches; and
- asset financing vehicles (aircraft, rail, shipping or real estate finance facilities).

The Group has not provided any financial support to these entities outside of any contractual framework for the closing period and as of 31 December 2017 does not intend to support them financially.

The Group has entered into contractual agreements with certain consolidated structured entities that may lead to financial support for these entities due to their exposure to credit, market or liquidity risks.

Securities issued by structured debt vehicles carry an irrevocable and unconditional guarantee from Societe Generale for payment of amounts due by issuer. These issuers also enter into hedging transactions with Societe Generale to enable them to meet their payment obligations. As of 31 December 2017, the amount of outstanding loans thus guaranteed is EUR 51 billion.

As part of its securitization activities on behalf of its clients or investors, Societe Generale grants two liquidity lines to ABCP (Asset Back Commercial Paper) conduis for a total amount for EUR 18.3 billion as of 31 December 2017.

2. NON-CONTROLLING INTERESTS

Non-controlling interests refer to equity holdings in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group, as well as the share of income and accumulated reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

Non-controlling interest amounted to EUR 4,664 million at 31 December 2017 (vs. EUR 3,753 million at 31 December 2016) and accounted for 7% of Group shareholders' equity at 31 December 2017 (vs. 6% at 31 December 2016).

The *Non-controlling interests,* of significant amount in terms of contribution to the total shareholders' equity in the Group's consolidated balance sheet, relate to:

- listed subsidiaries Komercni Banka A.S, BRD - Groupe Societe Generale SA and SG Marocaine de Banques;
- Sogecap, fully owned, with the subordinated notes issued in December 2014.

(In EUR m)	31.12.2017 Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	214	1,390	(104)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	122	634	(43)
SG MAROCAINE DE BANQUES	57.53%	57.53%	37	409	(7)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	218	1,402	(89)
Total	**-**	**-**	**624**	**4,664**	**(276)**

(In EUR m)	31.12.2016 Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	190	1,228	(162)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	77	589	(19)
SG MAROCAINE DE BANQUES	57.46%	57.46%	21	400	(4)
SOGECAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	143	707	(73)
Total	**-**	**-**	**464**	**3,753**	**(291)**

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities (excluding Sogecap) taken at 100% and before the elimination of intragroup operations.

(In EUR m)	31.12.2017 Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,140	567	925	38,655
BRD - GROUPE SOCIETE GENERALE SA	585	310	184	11,701
SG MAROCAINE DE BANQUES	384	89	90	7,890

(In EUR m)	31.12.2016 Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,131	505	797	33,655
BRD - GROUPE SOCIETE GENERALE SA	596	196	139	11,349
SG MAROCAINE DE BANQUES	339	53	81	7,968

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

(In EUR m)	Joint ventures		Associates		Total investments accounted for using the equity method	
Group share:	2017	2016	2017	2016	2017	2016
Net income	19	72	73	57	**92**	**129**
Unrealised or deferred gains and losses (net of tax)	-	-	(14)		**(14)**	
Net income and unrealised or deferred gains and losses	**19**	**72**	**59**	**57**	**78**	**129**

In 2017, the activities of joint ventures mainly include real estate development.

COMMITMENTS TO RELATED PARTIES

(In EUR m)	31.12.2017	31.12.2016
Loan commitments granted	-	-
Guarantee commitments granted	75	17
Forward financial instrument commitments	6	90

4. RESTRICTIONS

SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 - UNCONSOLIDATED STRUCTURED ENTITIES

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicules).

Asset financing includes lease finance partnerships and similar vehicles that provide aircraft, rail, shipping or real estate finance facilities.

Asset management includes mutual funds managed by the Group's asset management subsidiaries.

Securitisation includes securitisation funds or similar vehicles issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated balance sheet according to their nature (*Financial assets at fair value through profit or loss* or *Liabilities at fair value through profit or loss*, *Available-for-sale financial assets*, *Loans* and *Deposits*, *Debts*, etc.).

1. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group's interests in an unconsolidated structured entity refer to contractual and non-contractual involvements that expose the Group to the variability of returns from the performance of this structured entity.

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities…);
- credit enhancement (guarantees, subordinated instruments, credit derivatives…);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

(In EUR m)	Asset financing 31.12.2017	Asset financing 31.12.2016	Asset management 31.12.2017	Asset management 31.12.2016	Others 31.12.2017	Others 31.12.2016
Total balance sheet of the entity[1]	**8,777**	**8,730**	**102,355**	**90,537**	**41,067**	**19,204**
Net carrying amount of Group interests in unconsolidated structured entities:						
Assets:	**3,629**	**3,915**	**10,452**	**10,274**	**13,054**	**6,654**
Financial assets at fair value through profit or loss	411	522	9,906	9,836	7,819	2,633
Available for sale financial assets	85	67	14	17	556	613
Bank and customer loans and receivables	3,127	3,318	458	419	4,677	3,403
Others	6	8	74	2	2	5
Liabilities:	**1,641**	**1,803**	**11,180**	**10,893**	**7,580**	**5,048**
Financial liabilities at fair value through profit or loss	225	255	9, 549	9,235	6,699	3,414
Due to banks and customer deposits	1,389	1,513	1,580	1,631	876	1,587
Others	27	35	51	27	5	47

The Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2017, it did not have any intention to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

- the amortised cost or fair value[1] for non-derivative financial assets entered into with the structured entity depending on how they are measured on the balance sheet;
- the fair value[1] of derivative financial assets recognised in the balance sheet;
- the notional amount of written Credit Default Swaps (maximum amount to pay);
- the notional amount of loan commitments or guarantee commitments granted.

(In EUR m)	Asset financing 31.12.2017	Asset financing 31.12.2016	Asset management 31.12.2017	Asset management 31.12.2016	Others 31.12.2017	Others 31.12.2016
Amortised cost or fair value[1] (according to the measurement of the financial instrument) of non derivative financial assets entered into with the structured entity	3,190	3,714	5,993	6,798	3,229	1,718
Fair value[1] of derivative financial assets recognised in the balance sheet	283	357	5,990	4,926	6,295	2,436
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	2	-	-
Notional amount of loan or guarantee commitments granted	535	562	1,536	1,468	788	1,049
Maximum exposure to loss	**4,008**	**4,633**	**13,519**	**13,194**	**10,312**	**5,203**

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value[1] of collateral received;
- the carrying amount of surety deposits received.

(1) For Asset management, NAV (Net Asset Value) of funds.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 1,727 million and mainly concern Asset financing.

2. INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a structurer;
- an originator for potential investors;
- an asset manager;
- an implicit or explicit guarantor of the entity's performance (in particular *via* capital or return guarantees granted to mutual fund unit holders).

A structured entity is also considered to be sponsored by the Group if its name includes the name of the Group or the name of one of its subsidiaries.

Conversely, entities that are structured by the Group according to specific needs expressed by one or more customers or investors are considered to be sponsored by said customers or investors.

At 31 December 2017, the total amount of the balance sheet of these unconsolidated structured entities, sponsored by the Group, and in which the Group does not have any interest, was EUR 7,602 million (including EUR 3,977 million for Other structures).

In 2017, the amount of income from these structured entities (mainly Asset financing) was EUR 3.6 million from gains on derecognition of interests in structured entities.

NOTE 3 - FINANCIAL INSTRUMENTS

MAKING IT SIMPLE

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets.The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.).

In the financial statements, classification and valuation of financial assets and liabilities depend on the nature of those assets and liabilities and the reasons for which they are held.

However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

CLASSIFICATION OF FINANCIAL INSTRUMENTS

When initially recognised, financial instruments are presented in the balance sheet under categories that determine their accounting treatment and their subsequent valuation method. This classification depends on the type of financial instrument and the purpose of the transaction.

Financial assets are classified into one of the following four categories:

- *Financial assets at fair value through profit or loss*: these are financial assets held for trading purposes, which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Loans and receivables*: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired, and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost, and impairment, determined on an individual or a collective basis, may be recorded if appropriate;
- *Held-to-maturity financial assets*: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate. Amortised cost includes premiums and discounts as well as transaction costs;
- *Available-for-sale financial assets*: these are non-derivative financial assets held for an indeterminate period, which the Group may sell at any time. By default, they are any assets that do not fall into one of the above three categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interest accrued or paid on debt securities is recognised in the income statement using the effective interest rate method while dividend income earned on equity securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

Financial liabilities are classified into one of the following two categories:

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option;
- *Debts*: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are carried on separate lines of the balance sheet (see Note 3.2).

RECLASSIFICATION OF FINANCIAL ASSETS

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss*.

A non-derivative financial asset, initially recognised as an asset held for trading purposes under *Financial assets at fair value through profit or loss*, may be reclassified out of this category when it meets the following conditions:

- if a financial asset with fixed or determinable payments initially held for trading purposes can no longer, after acquisition, be quoted in an active market and the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified as *Loans and receivables*, provided that the eligibility criteria for this category are met at the date of transfer;
- if rare circumstances generate a change in the holding purpose of non-derivative financial assets initially held for trading, then these assets may be reclassified as *Available-for-sale financial assets* or as *Held-to-maturity financial assets*, provided that the eligibility criteria for the category in question are met at the date of transfer.

In any case, financial derivatives and financial assets measured using the fair value option may not be reclassified out of *Financial assets at fair value through profit or loss*. A financial asset initially recognised under *Available-for-sale financial assets* may be reclassified to *Held-to-maturity financial assets*, provided that the eligibility criteria for this category are met. Furthermore, if a financial asset with fixed or determinable payments initially recognised under *Available-for-sale financial assets* can subsequently no longer be quoted in an active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified to *Loans and receivables* provided that the eligibility criteria for this category are met at the date of transfer.

These reclassified financial assets are transferred to their new category at their fair value at the date of reclassification and are subsequently measured according to the rules that apply to the new category. The amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* or *Available-for-sale financial assets* to *Loans and receivables* and the amortised cost of financial assets reclassified out of *Financial assets at fair value through profit or loss* to *Available-for-sale financial assets* are determined on the basis of estimated future cash flows measured at the date of reclassification. The estimated future cash flows must be reviewed at each closing date. In the event of an increase in estimated future cash flows resulting from an increase in their recoverability, the effective interest rate is adjusted prospectively. However, if there is objective evidence that the financial asset has been impaired as a result of an event occurring after reclassification, and the loss event in question has a negative impact on the estimated future cash flows of the financial asset, the impairment of this financial asset is recognised under *Cost of risk* in the income statement.

FAIR VALUE

Fair value is 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 valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

INITIAL RECOGNITION

Purchases and sales of financial assets recorded under *Financial assets at fair value through profit or loss*, *Held-to-maturity financial assets* and *Available-for-sale financial assets* are recognised in the balance sheet at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders' equity depending on the accounting category of the relevant financial assets. *Loans and receivables* are recorded in the balance sheet on the date they are paid or at the maturity date for invoiced services.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or their issuance, except for financial instruments recognised at fair value through profit or loss, for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, i.e. the sales margin, is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market, the initial fair value of the financial instrument is deemed to be the transaction price and the sales margin is then generally recognised in the income statement over the life of the instrument. For some instruments, due to their complexity, this margin is recognised at their maturity or in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party ("pass-through agreement") and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group only derecognises all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

►► **IFRS 9**	***As from 1 January 2018****, the accounting classification of financial assets will depend on the contractual cash flow characteristics of the instrument and on the Group's business model for managing them. By default, financial assets will be classified in Financial assets at fair value through profit or loss (see Note1).*

CHANGE IN THE PRESENTATION OF PREMIUMS RELATED TO OPTIONS

Conditional financial derivatives (options and assimilated instruments) purchased or sold by the Group include in some cases forward settled premiums. The amounts of premiums to be received and premiums to be paid were previously recognised in the balance sheet under *Other assets* and *Other liabilities*, separately from the items of the balance sheet in which fair value of purchased and sold conditional instruments were presented.

As those premiums are inseparable from the related derivative instruments, their presentation in the balance sheet has been modified to improve the understandability of the consolidated financial statements. The amount of premiums to be paid and premiums to be received are included in the book value of the related conditional derivatives instruments purchased or sold (under *Financial assets and Financial liabilities at fair value through profit or loss*). This change of presentation has no impact on the consolidated income statement.

CHANGE IN THE PRESENTATION OF SOME STRUCTURED BONDS ISSUED

Since 2013, structured debt instruments are no longer issued within the trading portfolio. Nevertheless, they remain measured at fair value through profit or loss because such designation allows the Group to either ensure consistency between their accounting treatment and that of the derivatives hedging the associated market risks, or measure at fair value hybrid instruments that contain one or more embedded derivatives that would otherwise be separated. Structured bonds issued that remained marginally accounted for among trading liabilities since that date are now presented with *Financial liabilities measured using the fair value option through profit or loss*, according to their business model.

The impacts of those changes on comparative 2016 figures are as follow:

(In EUR m)	**31.12.2016 Before**	**31.12.2016 After**	**Impacts related to premium to be received / to be paid on options**	**Impacts related to structured bonds issued**
CONSOLIDATED BALANCE SHEET - ASSETS	**1,382,241**	**1,354,422**	**(27,819)**	**-**
Financial assets at fair value through profit or loss	**514,715**	**500,215**	**(14,500)**	**-**
Trading portoflio	*450,593*	*436,093*	*(14,500)*	*-*
Trading derivatives	*182,504*	*168,004*	*(14,500)*	*-*
Other assets	**84,756**	**71,437**	**(13,319)**	**-**
CONSOLIDATED BALANCE SHEET - LIABILITIES	**1,382,241**	**1,354,422**	**(27,819)**	**-**
Financial liabilities at fair value through profit or loss	**455,620**	**440,120**	**(15,500)**	**-**
Trading portoflio	*389,508*	*357,694*	*(15,500)*	*(16,314)*
Debt securities issued	*16,314*	*-*	*-*	*(16,314)*
Trading derivatives	*188,638*	*173,138*	*(15,500)*	*-*
Financial instruments measured using the fair value option through profit or loss	*66,112*	*82,426*	*-*	*16,314*
Other liabilities	**94,212**	**81,893**	**(12,319)**	**-**
CONSOLIDATED INCOME STATEMENT				
Net gains and losses on financial transactions	**7,143**	**7,143**	**-**	**-**
Net gain/loss on trading portfolio	*(2,276)*	*(1,161)*	*-*	*1,115*
Net gain/loss on financial instruments measured using fair value option	*16*	*(1,099)*	*-*	*(1,115)*

NOTE 3.1 - FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2017		31.12.2016	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio*	342,616	288,689	436,093	357,694
Financial instruments measured using the fair value option through profit or loss*	77,064	80,016	64,122	82,426
Total	**419,680**	**368,705**	**500,215**	**440,120**
o/w securities purchased/sold under resale/repurchase agreements	*101,414*	*105,737*	*152,803*	*126,436*

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options and structured bonds issued (see Note 3).*

1. TRADING PORTFOLIO AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

The trading portfolio contains financial assets and liabilities which, upon initial recognition, are:

- acquired or incurred with the intention of selling or repurchasing them in the short term; or
- held for market making purposes; or
- acquired or incurred for the purposes of the specialised management of a trading portfolio including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

This portfolio also includes, among *Other trading assets*, physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

By default, derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss.*

ASSETS

(In EUR m)	31.12.2017	31.12.2016
Bonds and other debt securities	26,933	41,430
Shares and other equity securities	80,097	69,549
Trading derivatives*	134,450	168,004
Other trading assets	101,136	157,110
Total	**342,616**	**436,093**
o/w securities lent	*15,807*	*13,332*

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

LIABILITIES

(In EUR m)	31.12.2017	31.12.2016
Debt securities issued*	-	-
Amounts payable on borrowed securities	34,844	44,655
Bonds and other debt instruments sold short	5,416	11,592
Shares and other equity instruments sold short	1,002	1,958
Trading derivatives*	142,524	173,138
Other trading liabilities	104,903	126,351
Total	**288,689**	**357,694**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options and structured bonds issued (see Note 3).*

2. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION

ACCOUNTING PRINCIPLES

Financial assets and liabilities at fair value through profit or loss also include non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option. Changes in the fair value of these items are recognised through profit or loss under *Net gains and losses on financial instruments at fair value through profit or loss*.

This option is only applied in the following cases:

- when it eliminates or significantly reduces discrepancies in the accounting treatment of certain financial assets and liabilities;
- when it applies to a hybrid instrument containing one or more embedded derivatives that would otherwise be subject to a separate recognition;
- when a group of financial assets and/or liabilities is managed and its performance is measured on a fair value basis.

The Group thus recognises some structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issues are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

The Group also recognises the financial assets held to guarantee the unit-linked policies of its life insurance subsidiaries at fair value through profit or loss to ensure that their accounting treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities must be recognised according to local accounting principles. Revaluations of underwriting reserves on unit-linked policies, which are directly linked to revaluations of the financial assets underlying their policies, are therefore recognised in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through profit or loss so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies.

Furthermore, in order to simplify their accounting treatment by avoiding the separate recognition of embedded derivatives, the Group applies the fair value option to convertible bonds that are not held for trading purposes.

IFRS 9	***As from 1 January 2018**, changes in value attributable to the Group's own credit risk will cease to be recognised in profit or loss. They will be directly recorded in unrealised or deferred gains and losses (OCI) without subsequent reclassification into income (see Note 1).*

ASSETS

(In EUR m)	31.12.2017	31.12.2016
Bonds and other debt securities	26,707	23,238
Shares and other equity securities	28,019	18,921
Customer loans	20,419	19,604
Other financial assets	1,377	1,803
Separate assets for employee benefit plans	542	556
Total	**77,064**	**64,122**

LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale Group. The change in fair value attributable to the Group's own credit risk generated an expense of EUR 53 million at 31 December 2017. The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale Group's actual financing terms and conditions on the markets and the residual maturity of the related liabilities.

At 31 December 2017, the difference between fair value of financial liabilities measured using the fair value option through profit or loss (EUR 80,016 million versus EUR 82,426* million at 31 December 2016) and the amount repayable at maturity (EUR 79,597 million versus EUR 82,046* million at 31 December 2016) was EUR 419 million (EUR 380* million at 31 December 2016).

**Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of structured bonds issued (see Note 3).*

3. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EUR m)	2017	2016
Net gain/loss on trading portfolio*	10,440	(1,161)
Net gain/loss on financial instruments measured using fair value option*	(5,131)	(1,099)
Net gain/loss on derivative instruments**	(1,272)	8,119
Net gain/loss on hedging transactions	0	(175)
*Net gain/loss on fair value hedging derivatives***	*(2,746)*	*736*
Revaluation of hedged items attributable to hedged risks	*2,746*	*(911)*
Net gain/loss on foreign exchange transactions	1,076	75
Total(1)	**5,113**	**5,759**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of structured bonds issued (see Note 3).*

*** Amounts restated relative to the financial statements published at 31 December 2016.*

(1) Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 - FINANCIAL DERIVATIVES

MAKING IT SIMPLE

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating…), as are their forms (forward contracts, swaps, calls and puts…).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks. In which case, they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the revaluation of hedging derivatives, as long as the hedge is effective.

ACCOUNTING PRINCIPLES

Derivatives are financial instruments meeting the following three criteria:

- their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, index of prices, commodity price, credit rating, etc.;
- they require little to no initial investment;
- they are settled at a future date.

All financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives by default, unless they are designated as hedging instruments for accounting purposes.

SPECIAL CASE - FINANCIAL DERIVATIVES HAVING SOCIETE GENERALE SHARES AS THEIR UNDERLYING INSTRUMENT

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares, a debt is recognised for the present value of the strike price as a contra entry of the equity.

Other financial derivatives having Societe Generale shares as their underlying instrument are recorded in the balance sheet at fair value in the same manner as derivatives with other underlying instruments.

EMBEDDED DERIVATIVES

An embedded derivative is a component of a hybrid instrument. If this hybrid instrument is not measured at fair value through profit or loss, the Group separates the embedded derivative from its host contract if, at the inception of the transaction, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated, the derivative is recognised at its fair value in the balance sheet under *Financial assets or liabilities at fair value through profit or loss* and accounted for as above. The host contract is classified and measured according to its accounting category.

TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

Trading derivatives are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognised at fair value in the balance sheet. Any further impairment of these receivables is recognised under *Cost of risk* in the income statement.

BREAKDOWN OF TRADING DERIVATIVES

	31.12.2017		31.12.2016	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments*	89,652	92,250	116,636	115,973
Foreign exchange instruments*	16,568	17,810	22,117	22,951
Equity and index instruments*	19,959	22,781	18,801	22,854
Commodity instruments*	5,948	6,070	6,359	6,267
Credit derivatives	2,245	2,588	3,902	4,179
Other forward financial instruments	78	1,025	189	914
Total	**134,450**	**142,524**	**168,004**	**173,138**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

2. HEDGING DERIVATIVES

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives*.

FAIR VALUE HEDGES

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed via a sensitivity analysis based on probable market trends or via a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument.

Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or redeemed early.

CASH FLOW HEDGES

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed rates, future prices, etc.). The purpose of these hedges is to protect the Group against adverse fluctuations in the future cash-flows of an instrument or transaction that could affect profit or loss.

The effective portion of changes in the fair value of hedging derivatives is booked to *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative bearing exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.), but which moves in the opposite direction and whose fair value is nil when the hedge is set up, then ii) comparing the expected changes in the fair value of the hypothetical derivative with those of the hedging instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge. Here, only any “over-hedging” is deemed ineffective.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest income and expense* in the income statement at the same time as the cash flows being hedged.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* in the income statement over the periods during which interest income is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the hedged forecast transaction ceases to be highly probable, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

HEDGING OF A NET INVESTMENT IN A FOREIGN OPERATION

The purpose of a hedge of a net investment in a foreign company is to protect against exchange rate risk.

The hedged item is an investment in a country whose currency differs from the Group’s functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary or branch against an exchange rate risk linked to the entity’s functional currency.

The effective portion of the changes in the fair value of a hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Unrealised or deferred gains and losses,* while the ineffective portion is recognised in the income statement.

MACRO-FAIR VALUE HEDGES

In this type of hedge, interest rate derivatives are used to globally hedge against structural interest rate risks usually arising from Retail Banking activities. When accounting for these transactions, the Group applies the IAS 39 “carve-out” standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of financial derivatives designated as macro-fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

BREAKDOWN OF HEDGING DERIVATIVES

(In EUR m)	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Fair value hedge				
Interest rate instruments	12,906	6,578	17,365	9,289
Foreign exchange instruments	53	4	45	4
Equity and index instruments	-	-	1	-
Cash flow hedge				
Interest rate instruments	469	103	584	121
Foreign exchange instruments	204	61	72	179
Other financial instruments	9	4	33	1
Total	**13,641**	**6,750**	**18,100**	**9,594**

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

Through some of its Corporate and Investment Banking operations, the Group is exposed to future cash flow changes in its short and medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstandings. These data may be increased or decreased with changes in management methods.

The following tables specify the amount of cash flow that is subject to a cash flow hedge relationship (broken down by expected due date) and the amount of highly probable hedged forecast transactions.

(In EUR m)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2017
Floating cash flows hedged (rates…)	131	341	573	4,358	5,403
Highly probable forecast transaction	-	5	3	-	8
Other (Forex…)	3	1	-	-	4
Total	**134**	**347**	**576**	**4,358**	**5,415**

(In EUR m)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2016
Floating cash flows hedged (rates…)	174	505	862	5,270	6,811
Highly probable forecast transaction	44	95	115	109	363
Other (Forex…)	13	-	3	-	16
Total	**231**	**600**	**980**	**5,379**	**7,190**

3. FORWARD FINANCIAL INSTRUMENT COMMITMENTS (NOTIONAL AMOUNTS)

	31.12.2017		31.12.2016	
(In EUR m)	Trading	Hedging	Trading	Hedging
Interest rate instruments				
Firm instruments				
Swaps	7,973,157	428,089	7,659,277	425,723
FRAs	2,054,971	294	1,643,107	372
Options	2,182,837	1,622	2,508,569	2,238
Foreign exchange instruments				
Firm instruments	2,455,220	12,483	2,406,365	12,713
Options	806,307	-	899,930	-
Equity and index instruments				
Firm instruments	135,363	-	81,292	-
Options	778,215	-	1,803,498	-
Commodity instruments				
Firm instruments	149,532	-	151,588	-
Options	39,671	-	49,075	-
Credit derivatives	312,198	-	485,505	-
Other forward financial instruments	35,303	148	32,041	226
Total	**16,922,774**	**442,636**	**17,720,247**	**441,272**

4. MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

(In EUR m)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2017
Interest rate instruments	1,283,214	3,273,839	4,540,585	3,543,332	12,640,970
Foreign exchange instruments	1,639,107	814,533	571,829	248,541	3,274,010
Equity and index instruments	265,014	230,712	169,535	248,317	913,578
Commodity instruments	101,772	43,062	16,588	27,781	189,203
Credit derivatives	18,210	61,724	211,461	20,803	312,198
Other forward financial instruments	5,085	13,944	16,288	134	35,451
Total	**3,312,402**	**4,437,814**	**5,526,286**	**4,088,906**	**17,365,410**

NOTE 3.3 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

Available-for-sale financial assets are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, they are any financial assets that are not classified under *Loans and receivables*, *Financial assets at fair value through profit or loss*, or *Held-to-maturity financial assets*.

Interest accrued or paid on fixed-income securities is recognised in the income statement using the effective interest rate method under *Interest and similar income – Transactions in financial instruments*. Dividend income earned on these securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*.

At the balance sheet date, available-for-sale financial assets are measured at fair value, and any changes in fair value, excluding income, are booked to *Unrealised or deferred capital gains and losses*, except for foreign exchange losses or gains on foreign-currency monetary assets, which are taken to the income statement.

If these financial assets are sold, the unrealised gains and losses booked to equity are reclassified as *Net gains and losses on available-for-sale financial assets*.

If, at the balance sheet date, there is objective evidence of impairment of an available-for-sale financial asset arising from one or more events subsequent to its initial recognition, the unrealised loss previously accumulated in equity is reclassified under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity instruments. The impairment rules applied by the Group are described in Note 3.8.

1. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2017		31.12.2016	
(In EUR m)	**Net**	*o/w allowances for impairment*	**Net**	*o/w allowances for impairment*
Debt instruments	124,632	*(105)*	124,747	*(257)*
Equity instruments[(1)]	13,447	*(469)*	12,447	*(567)*
Long-term equity investments	1,919	*(420)*	2,210	*(518)*
Total	**139,998**	***(994)***	**139,404**	***(1,342)***
o/w securities lent	*509*	*-*	*2*	*-*

(1) Including UCITS.

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In EUR m)	2017
Balance at 1 January 2017	**139,404**
Acquisitions	42,899
Disposals / redemptions[(1)]	(47,533)
Change in scope and others	9,265
Gains and losses on changes in fair value recognised directly in equity during the period	(1,013)
Change in impairment on debt instruments recognised in P&L:	152
increase	*(48)*
write-backs	*205*
others	*(5)*
Impairment losses on equity instruments recognised in P&L	(118)
Change in related receivables	64
Translation differences	(3,122)
Balance at 31 December 2017	**139,998**

(1) Disposals are valued according to the weighted average cost method.

2. NET GAINS AND LOSSES AND INTEREST INCOME ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In EUR m)	2017	2016
Dividend income	503	460
Gains and losses on sale of debt instruments[1]	86	182
Gains and losses on sale of equity instruments[2]	160	(54)
Impairment losses on equity instruments[3]	(58)	(254)
Profit-sharing on available-for-sale financial assets of insurance companies	(44)	315
Gains and losses on sale of long-term equity investments[4] [5]	126	766
Impairment losses on long-term equity investments	(60)	(31)
Total net gains and losses on available-for-sale assets	**713**	**1,384**
Interest income on available-for-sale assets	**2,424**	**2,496**

(1) o/w EUR -51 million for Insurance activities in 2017.

(2) o/w EUR 159 million for Insurance activities in 2017.

(3) o/w EUR -55 million for Insurance activities in 2017.

(4) o/w EUR 8 million for Insurance activities in 2017.

(5) Sale on Visa Europe shares generated a profit in the income statement under Net gains and losses on available-for-sale financial assets in 2016 by EUR 725 million.

3. BREAKDOWN OF UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

	31.12.2017		
(In EUR m)	Unrealised gains	Unrealised losses	Net revaluation
Unrealised gains and losses on available-for-sale equity instruments	467	(18)	449
Unrealised gains and losses on available-for-sale debt instruments	728	(270)	458
Unrealised gains and losses of insurance companies	438	(27)	411
Total	**1,633**	**(315)**	**1,318**

	31.12.2016		
(In EUR m)	Unrealised gains	Unrealised losses	Net revaluation
Unrealised gains and losses on available-for-sale equity instruments	586	(40)	546
Unrealised gains and losses on available-for-sale debt instruments	867	(377)	490
Unrealised gains and losses of insurance companies	698	(198)	500
Total	**2,151**	**(615)**	**1,536**

NOTE 3.4 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

MAKING IT SIMPLE

The financial assets and liabilities recognised in the Group balance sheet are measured either at fair value or at amortised cost. In the latter case, the fair value of the instruments is disclosed in the notes (see Note 3.9).

If an instrument is quoted on an active market, its fair value is equal to its market price.

But many financial instruments are not listed (for example, most customer loans and deposits, interbank debts and claims, etc.), or are only negotiable on illiquid markets or over-the-counter markets (which is the case for many derivative instruments).

In such situations, the fair value of the instruments is calculated using measurement techniques or valuation models. Market parameters are included in these models and must be observable; otherwise they are determined based on internal estimates. The models and parameters used are subject to independent validations and internal controls.

ACCOUNTING PRINCIPLES

DEFINITION OF FAIR VALUE

Fair value is 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.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

FAIR VALUE HIERARCHY

For information purposes, in the notes to the consolidated financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the observability level of the inputs used. The fair value hierarchy is composed of the following levels:

Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 1 instruments carried at fair value on the balance sheet include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the balance sheet date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and they reflect actual and regular market transactions on an arm’s length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm’s length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Group has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

Level 2 (L2): instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Level 2 instruments include in particular securities carried at fair value on the balance sheet that are not directly quoted (e.g. corporate bonds, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

This category also includes the fair value of loans and receivables at amortised cost granted to counterparties whose credit risk is quoted via Credit Default Swap (see Note 3.9).

Level 3 (L3): instruments valued using inputs that are not based on observable market data (referred to as unobservable inputs).

Level 3 instruments carried at fair value on the balance sheet are valued based on financial models with unobservable market inputs or observable inputs that are not quoted on active markets. For the Group, those instruments match with the instruments for which the sales margin is not immediately recognised in profit or loss (see Note 3.4.7).

Accordingly, Level 3 financial instruments include derivatives with longer maturities than those usually traded and/or with specifically-tailored return profiles, structured debts including embedded derivatives valued based on a method using unobservable inputs or long term equity investments valued based on a corporate valuation method, which is the case for unlisted companies or companies listed on an insufficiently liquid market.

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, between interest rates and exchange rates or, for quanto products for example (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);

- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation ("N to default" products in which the buyer of the hedge is compensated as of the N^{th} default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- Commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e options on commodity swaps or instruments based on baskets of underlyings).

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	31.12.2017				31.12.2016			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	**96,178**	**111,818**	**170**	**208,166**	**104,225**	**163,469**	**395**	**268,089**
Bonds and other debt securities	24,143	2,621	169	26,933	38,161	3,253	16	41,430
Shares and other equity securities	72,035	8,061	1	80,097	65,790	3,758	1	69,549
Other trading assets(1)	-	101,136	-	101,136	274	156,458	378	157,110
Financial assets measured using fair value option through profit or loss	**50,667**	**24,460**	**1,937**	**77,064**	**39,621**	**23,282**	**1,219**	**64,122**
Bonds and other debt securities	26,324	346	37	26,707	22,926	224	88	23,238
Shares and other equity securities	24,343	3,633	43	28,019	16,695	2,153	73	18,921
Other financial assets	-	19,939	1,857	21,796	-	20,349	1,058	21,407
Separate assets for employee benefit plans	-	542	-	542	-	556	-	556
Trading derivatives*	**38**	**131,829**	**2,583**	**134,450**	**162**	**164,844**	**2,998**	**168,004**
Interest rate instruments*	19	87,807	1,826	89,652	46	114,697	1,893	116,636
Foreign exchange instruments*	16	16,426	126	16,568	98	21,819	200	22,117
Equity and index instruments*	-	19,535	424	19,959	-	18,302	499	18,801
Commodity instruments*	-	5,888	60	5,948	-	6,297	62	6,359
Credit derivatives	-	2,108	137	2,245	-	3,724	178	3,902
Other forward financial instruments	3	65	10	78	18	5	166	189
Hedging derivatives	**-**	**13,641**	**-**	**13,641**	**-**	**18,100**	**-**	**18,100**
Interest rate instruments	-	13,375	-	13,375	-	17,949	-	17,949
Foreign exchange instruments	-	257	-	257	-	117	-	117
Equity and index instruments	-	-	-	-	-	1	-	1
Other forward financial instruments	-	9	-	9	-	33	-	33
Available-for-sale financial assets	**129,492**	**8,620**	**1,886**	**139,998**	**128,861**	**8,526**	**2,017**	**139,404**
Debt securities	119,512	4,821	299	124,632	118,429	6,115	203	124,747
Equity securities	9,854	3,550	43	13,447	10,251	2,160	36	12,447
Long-term equity investments	126	249	1,544	1,919	181	251	1,778	2,210
Total financial assets at fair value*	**276,375**	**290,368**	**6,576**	**573,319**	**272,869**	**378,221**	**6,629**	**657,719**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

(1) o/w EUR 100,037 million of securities purchased under resale agreements at 31 December 2017 vs. EUR 151,001 million at 31 December 2016.

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2017				31.12.2016			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio*	**6,755**	**139,410**	**-**	**146,165**	**13,518**	**170,841**	**197**	**184,556**
Debt securities issued*	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	337	34,507	-	34,844	13	44,642	-	44,655
Bonds and other debt instruments sold short	5,416	-	-	5,416	11,547	45	-	11,592
Shares and other equity instruments sold short	1,002	-	-	1,002	1,958	-	-	1,958
Other trading liabilities(1)	-	104,903	-	104,903	-	126,154	197	126,351
Financial liabilities measured using fair value option through profit or loss*	**334**	**41,008**	**38,674**	**80,016**	**325**	**45,376**	**36,725**	**82,426**
Trading derivatives*	**16**	**137,336**	**5,172**	**142,524**	**96**	**168,991**	**4,051**	**173,138**
Interest rate instruments*	-	88,433	3,817	92,250	22	113,324	2,627	115,973
Foreign exchange instruments*	1	17,755	54	17,810	69	22,850	32	22,951
Equity and index instruments*	-	21,893	888	22,781	-	22,058	796	22,854
Commodity instruments*	-	6,048	22	6,070	-	6,201	66	6,267
Credit derivatives	-	2,197	391	2,588	-	3,649	530	4,179
Other forward financial instruments	15	1,010	-	1,025	5	909	-	914
Hedging derivatives	**-**	**6,750**	**-**	**6,750**	**-**	**9,594**	**-**	**9,594**
Interest rate instruments	-	6,681	-	6,681	-	9,410	-	9,410
Foreign exchange instruments	-	65	-	65	-	183	-	183
Equity and index instruments	-	-	-	-	-	-	-	-
Other financial instruments	-	4	-	4	-	1	-	1
Total financial liabilities at fair value*	**7,105**	**324,504**	**43,846**	**375,455**	**13,939**	**394,802**	**40,973**	**449,714**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options and structured bonds issued (see Note 3).*

(1) o/w EUR 104,090 million of securities sold under repurchase agreements at 31 December 2017 vs. EUR 125,146 million at 31 December 2016.

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In EUR m)	Balance at 01.01.2017	Acquisitions	Disposals / redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2017
Trading portfolio	**395**	**227**	**(399)**	**(5)**	**2**	**13**	**(53)**	**(10)**	**170**
Bonds and other debt securities	16	227	(67)	(5)	2	13	(7)	(10)	169
Shares and other equity securities	1	-	-	-	-	-	-	-	1
Other trading assets	378	-	(332)	-	-	-	(46)	-	-
Financial assets measured using fair value option through profit or loss	**1,219**	**598**	**(87)**	**(138)**	**-**	**489**	**(147)**	**3**	**1,937**
Bonds and other debt securities	88	2	(52)	-	-	(1)	-	-	37
Shares and other equity securities	73	9	(8)	-	-	(31)	-	-	43
Other financial assets	1,058	587	(27)	(138)	-	521	(147)	3	1,857
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Trading derivatives	**2,998**	**73**	**(137)**	**(105)**	**78**	**(89)**	**(235)**	**-**	**2,583**
Interest rate instruments	1,893	1	(8)	(44)	58	66	(140)	-	1,826
Foreign exchange instruments	200	22	(5)	(2)	6	(80)	(15)	-	126
Equity and index instruments	499	47	-	(23)	12	(62)	(49)	-	424
Commodity instruments	62	3	-	-	-	(4)	(1)	-	60
Credit derivatives	178	-	-	(33)	2	1	(11)	-	137
Other forward financial instruments	166	-	(124)	(3)	-	(10)	(19)	-	10
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available-for-sale financial assets	**2,017**	**295**	**(368)**	**(5)**	**12**	**(29)**	**(182)**	**146**	**1,886**
Debt securities	203	160	(90)	-	-	-	(12)	38	299
Equity securities	36	7	(12)	-	12	1	(1)	-	43
Long-term equity investments	1,778	128	(266)	(5)	-	(30)	(169)	108	1,544
Total financial assets at fair value	**6,629**	**1,193**	**(991)**	**(253)**	**92**	**384**	**(617)**	**139**	**6,576**

FINANCIAL LIABILITIES AT FAIR VALUE

(In EUR m)	Balance at 01.01.2017	Issues	Acquisitions / disposals	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Balance at 31.12.2017
Trading portfolio*	**197**	**-**	**(197)**	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities issued*	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	-	-	-	-	-	-	-	-	-
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Other trading liabilities	197	-	(197)	-	-	-	-	-	-
Financial liabilities measured using fair value option through profit or loss*	**36,725**	**18,271**	**(1,086)**	**(13,063)**	**(2,615)**	**1,727**	**1,026**	**(2,311)**	**38,674**
Trading derivatives	**4,051**	**463**	**(1)**	**(70)**	**(414)**	**996**	**362**	**(215)**	**5,172**
Interest rate instruments	2,627	9	(1)	-	(259)	951	615	(125)	3,817
Foreign exchange instruments	32	16	-	(5)	(6)	5	14	(2)	54
Equity and index instruments	796	431	-	(65)	(49)	38	(192)	(71)	888
Commodity instruments	66	7	-	-	-	-	(50)	(1)	22
Credit derivatives	530	-	-	-	(100)	2	(25)	(16)	391
Other forward financial instruments	-	-	-	-	-	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at fair value	**40,973**	**18,734**	**(1,284)**	**(13,133)**	**(3,029)**	**2,723**	**1,388**	**(2,526)**	**43,846**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of structured issued bonds (see Note 3).*

4. VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the balance sheet date or if the clearing value does not reflect transaction prices.

However, due notably to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Group does not have quoted prices in the markets.

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the inputs used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty.

CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default (conditional to the entity not defaulting) and the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publically distributed, based on a narrow consensus and/or backed up by transaction prices.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of equity options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable inputs.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.);
- proportion of net asset value held.

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

5. ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

(In EUR m)	Value in balance sheet					
Cash instruments and derivatives [(1)]	**Assets**	**Liabilities**	**Main products**	**Valuation techniques used**	**Significant unobservable inputs**	**Range of inputs min & max**
Equities/funds	1,796	28,828	Simple and complex instruments or derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	6.7%; 75.1%
					Equity dividends	0%; 20.7%
					Correlations	-99%; 97.8%
					Hedge fund volatilities	8.3%; 20.0%
					Mutual fund volatilities	1.5%; 53.3%
Rates and Forex	2,708	14,605	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-10.89%; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	1.0%; 27.42%
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0%; 45%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	64.4%; 91%
Credit	468	391	Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%; 100%
					Recovery rate variance for single name underlyings	0%; 100%
			Other credit derivatives	Credit default models	Time to default correlations	0%; 100%
					Quanto correlations	-50%; 40%
					Credit spreads	0 bp; 1,000 bps
Commodities	60	22	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	6.82%; 97.45%
Long term equity investments	1,544	-	Securities held for strategic purposes	Net Book Value / Recent transactions	Not applicable	-
TOTAL	**6,576**	**43,846**				

(1) Hybrid instruments are broken down by main unobservable inputs.

6. SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at 31 December 2017 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a “standardised” variation in unobservable inputs, calculated for each input on a net position, or on assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The “standardised” variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A REASONABLE VARIATION IN UNOBSERVABLE INPUTS

	31.12.2017		31.12.2016	
(In EUR m)	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	**(5)**	**88**	**(20)**	**94**
Equity volatilities	0	18	0	17
Dividends	0	6	(1)	5
Correlations	(5)	59	(19)	59
Hedge Fund volatility	0	0	0	8
Mutual Fund volatility	0	6	0	5
Rates or Forex instruments and derivatives	**(6)**	**50**	**(5)**	**49**
Correlations between exchange rates and/or interest rates	(4)	45	(3)	42
Forex volatilities	(1)	2	(2)	5
Constant prepayment rates	0	0	0	0
Inflation / inflation correlations	(1)	2	(1)	3
Credit instruments and derivatives	**(2)**	**6**	**(8)**	**16**
Time to default correlations	(1)	1	(1)	1
Recovery rate variance for single name underlyings	0	0	(7)	7
Quanto correlations	0	4	0	8
Credit spreads	(1)	1	(1)	1
Commodity derivatives	**0**	**1**	**0**	**2**
Commodities correlations	0	1	0	2
Long term securities valued using internal models	**NA**	**NA**	**(15)**	**27**

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date on the basis of a reasonable variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

7. DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

The remaining amount to be recorded in the income statement, resulting from the difference between the transaction price and the amount determined at this date using valuation techniques, minus the amounts recorded in the income statement after initial recognition, is shown in the table below. This amount is recorded in the income statement over time, or when the inputs become observable.

(In EUR m)	2017	2016
Deferred margin at 1 January	**1,142**	**1,029**
Deferred margin on new transactions during the period	880	779
Margin recorded in the income statement during the period	(741)	(666)
o/w amortisation	*(317)*	*(290)*
o/w switch to observable inputs	*(49)*	*(90)*
o/w disposed, expired or terminated	*(375)*	*(285)*
Deferred margin at 31 December	**1,281**	**1,142**

NOTE 3.5 - LOANS AND RECEIVABLES

ACCOUNTING PRINCIPLES

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired and not designated by the Group upon initial recognition to be measured at fair value through profit or loss in accordance with the fair value option.

Loans and receivables are recognised in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterparty. After their initial recognition, they are measured at amortised cost using the effective interest rate method and impairment, determined on an individual or a collective basis, may be recorded if appropriate (see Note 3.8).

Loans and receivables may be subject to commercial renegotiations provided that the borrowing customer is not experiencing financial difficulties and is not insolvent. Such transactions involve customers whose debt the Group is willing to renegotiate in the interest of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force, and without relinquishing any principal or accrued interest. Renegotiated loans and receivables are derecognised at the renegotiation date and replaced with the new loans, taken out under renegotiated conditions, which are recorded on the balance sheet at the same date. These new loans are subsequently measured at amortised cost, based on the effective interest rate arising from the new contractual conditions and taking into account the renegotiation fees billed to the customer.

Customer loans include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Notes 4.2 and 8.4).

These finance lease receivables represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee discounted at the interest rate implicit in the lease, plus any unguaranteed residual value. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

1. DUE FROM BANKS

(In EUR m)	31.12.2017	31.12.2016
Current accounts	22,159	24,639
Deposits and loans(1)	21,902	21,675
Subordinated and participating loans	133	157
Securities purchased under resale agreements	16,544	12,890
Related receivables	125	141
Due from banks before impairment	**60,863**	**59,502**
Impairment of individually impaired loans	(25)	(35)
Revaluation of hedged items	28	35
Net due from banks	**60,866**	**59,502**

(1) At 31 December 2017, the amount of receivables with incurred credit risk was EUR 100 million compared to EUR 97 million at 31 December 2016.

2. CUSTOMER LOANS

(In EUR m)	31.12.2017	31.12.2016
Overdrafts[1]	19,791	25,880
Other customer loans[1]	364,096	360,389
Lease financing agreements[1]	30,269	29,562
Related receivables	2,243	1,611
Securities purchased under resale agreements	21,004	23,432
Customer loans before impairment	**437,403**	**440,874**
Impairment of individually impaired loans	(11,214)	(13,281)
Impairment of groups of homogenous receivables	(1,311)	(1,534)
Revaluation of hedged items	353	442
Net customer loans	**425,231**	**426,501**

(1) At 31 December 2017, the amount of receivables with incurred credit risk was EUR 20,642 million compared to EUR 23,639 million at 31 December 2016.

BREAKDOWN OF OTHER CUSTOMER LOANS

(In EUR m)	31.12.2017	31.12.2016
Trade notes	10,173	10,289
Short-term loans	108,087	108,575
Export loans	10,395	11,718
Equipment loans	54,772	51,671
Housing loans	124,324	119,547
Loans secured by notes and securities	89	139
Other loans	56,256	58,450
Other customer loans	**364,096**	**360,389**

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EUR m)	31.12.2017	31.12.2016
Gross investments	**32,714**	**32,230**
less than one year	*8,525*	*8,294*
1-5 years	*18,784*	*18,042*
more than five years	*5,405*	*5,894*
Present value of minimum payments receivable	**28,827**	**28,151**
less than one year	*7,942*	*7,600*
1-5 years	*16,852*	*16,006*
more than five years	*4,033*	*4,545*
Unearned financial income	**2,403**	**2,584**
Unguaranteed residual values receivable by the lessor	**1,484**	**1,495**

NOTE 3.6 - DEBTS

ACCOUNTING PRINCIPLES

Debts include non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet under *Due to banks*, *Customer deposits*, *Debt securities issued* and *Subordinated debts*.

Subordinated debts are all dated or undated borrowings, whether or not in the form of debt securities, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Debts are initially recognised at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are measured at period-end and at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised using the actuarial method over the life of the instruments in question.

The Group's obligations arising from mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts*. A provision may be recorded in respect of CEL mortgage savings accounts and PEL mortgage savings plans (see Note 3.8).

1. DUE TO BANKS

(In EUR m)	31.12.2017	31.12.2016
Demand deposits and current accounts	11,686	14,337
Overnight deposits and borrowings and others	2,145	2,157
Term deposits	68,265	60,625
Related payables	127	86
Revaluation of hedged items	147	235
Securities sold under repurchase agreements	6,251	5,144
Total	**88,621**	**82,584**

2. CUSTOMER DEPOSITS

(In EUR m)	31.12.2017	31.12.2016
Regulated savings accounts	92,023	87,253
Demand	*66,515*	*62,091*
Term	*25,508*	*25,162*
Other demand deposits(1)	216,102	211,228
Other term deposits(1)	85,454	98,102
Related payables	381	451
Revaluation of hedged items	268	321
Total customer deposits	**394,228**	**397,355**
Borrowings secured by notes and securities	-	2
Securities sold to customers under repurchase agreements	16,405	23,645
Total	**410,633**	**421,002**

(1) Including deposits linked to governments and central administrations.

BREAKDOWN BY CUSTOMER TYPE

(In EUR m)	31.12.2017	31.12.2016
Other demand deposits		
Businesses and sole proprietors	97,930	87,923
Individual customers	69,591	64,071
Financial customers	36,261	41,942
Others[(1)]	12,320	17,292
Sub-total	**216,102**	**211,228**

(1) Including deposits linked to governments and central administrations.

3. DEBT SECURITIES ISSUED

(In EUR m)	31.12.2017	31.12.2016
Term savings certificates	515	577
Bond borrowings	22,470	20,910
Interbank certificates and negotiable debt instruments	78,485	78,287
Related payables	770	808
Sub-total	**102,240**	**100,582**
Revaluation of hedged items	995	1,620
Total	**103,235**	**102,202**
o/w floating-rate securities	*30,762*	*26,146*

NOTE 3.7 - INTEREST INCOME AND EXPENSE

MAKING IT SIMPLE

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities…).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

Interest is recognised as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

ACCOUNTING PRINCIPLES

Interest income and expense are recognised in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured at amortised cost using the effective interest rate method (loans and receivables, debts, held-to-maturity financial assets) and for debt securities classified as *Available-for-sale financial assets*.

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is recorded on the basis of the effective interest rate used to discount the future cash flows when measuring the loss of value.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same interest rate as that used to discount the expected outflow of resources.

(In EUR m)	2017 Income	2017 Expense	2017 Net	2016 Income	2016 Expense	2016 Net
Transactions with banks	**1,993**	**(1,427)**	**566**	**1,550**	**(1,161)**	**389**
Demand deposits and interbank loans	1,608	(1,375)	233	1,127	(1,107)	20
Securities purchased/sold under resale agreements and borrowings secured by notes and securities	385	(52)	333	423	(54)	369
Transactions with customers	**11,823**	**(4,899)**	**6,924**	**11,957**	**(4,769)**	**7,188**
Trade notes	410	-	410	531	-	531
Other customer loans	10,508	(1)	10,507	10,638	(2)	10,636
Demand deposits and current accounts	744	-	744	705	-	705
Regulated savings accounts	-	(887)	(887)	-	(875)	(875)
Other customer debts	36	(3,959)	(3,923)	13	(3,861)	(3,848)
Securities purchased/sold under resale agreements and borrowings secured by notes and securities	125	(52)	73	70	(31)	39
Transactions in financial instruments	**8,743**	**(6,937)**	**1,806**	**9,976**	**(9,263)**	**713**
Available-for-sale financial assets	2,424	-	2,424	2,496	-	2,496
Held-to-maturity financial assets	141	-	141	260	-	260
Debt securities issued	-	(1,902)	(1,902)	-	(2,033)	(2,033)
Subordinated and convertible debt	-	(581)	(581)	-	(557)	(557)
Securities lending/borrowing	14	(20)	(6)	9	(25)	(16)
Hedging derivatives	6,164	(4,434)	1,730	7,211	(6,648)	563
Lease financing agreements	**1,120**	**-**	**1,120**	**1,177**	**-**	**1,177**
Real estate lease financing agreements	199	-	199	225	-	225
Non-real estate lease financing agreements	921	-	921	952	-	952
Total Interest income and expense	**23,679**	**(13,263)**	**10,416**	**24,660**	**(15,193)**	**9,467**
o/w interest income from impaired financial assets	*519*	-	-	*373*	-	

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, which results are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

BREAKDOWN OF OTHER CUSTOMER LOANS INCOME:

(In EUR m)	2017	2016
Short-term loans	3,996	3,928
Export loans	267	280
Equipment loans	1,740	1,843
Housing loans	3,278	3,602
Other customer loans	1,227	985
Total	**10,508**	**10,638**

NOTE 3.8 - IMPAIRMENT AND PROVISIONS

MAKING IT SIMPLE

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the borrower, the counterparty or the securities issuer were to be unable to respect their financial commitments.

Fluctuations to credit risk on financial assets measured at fair value through profit and loss (particularly instruments held as part of market activities) are directly integrated in the revaluation of the instruments and are thereby recorded as profit or loss without waiting the occurrence of a default.

Conversely, the credit risk to which the Group is exposed on the other financial assets (loans and receivables, available-for-sale securities, held-to-maturity investments) does not lead to the recording of an expense until the credit loss become incurred following the occurrence of a loss event (occurrence of past-due payments, bankruptcy, significant deterioration of the borrower's financial situation…).

The evidence of an incurred credit loss shall firstly be assessed individually for each financial asset, and further assessed at the level of homogeneous portfolios of financial instruments.

Impairment of assets reduces their book value in the balance sheet and can be subsequently reversed in case of an improvement in the counterparty's credit risk.

1. IMPAIRMENT OF FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

FINANCIAL ASSETS MEASURED AT AMORTISED COST

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognised (a "loss event") and whether that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Notwithstanding the existence of a guarantee, the criteria used to assess objective evidence of credit risk include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfill its overall commitments (credit obligations); hence a risk of loss to the bank;
- concessions are granted to the clauses of the loan agreement, in light of the borrower's financial difficulties, that would not have been granted in other circumstances;
- one or more over 90-day past-due payments are recorded (with the exception of restructured loans on probation, which are considered in default at the first missed payment) and/or a collection procedure is initiated;
- or, regardless of whether or not any past-due payments are recorded, there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

The Group applies the impairment contagion principle to all of the defaulting counterparty's outstanding loans. When a debtor belongs to a group, all of the group's outstanding loans are generally impaired as well.

If there is objective evidence that loans or other receivables, or financial assets classified as *Held-to-maturity financial assets*, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees, this discount is calculated using the financial assets' original effective interest rate. The impairment is deducted from the carrying value of the impaired financial asset. Allocations to and reversals of impairments are recorded in the income statement under *Cost of risk*. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under *Interest and similar income* in the income statement.

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, the Group includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogenous portfolio, as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Homogeneous portfolios thus impaired can include:

- receivables on counterparties which have encountered financial difficulties since these receivables were initially recognised, without any objective evidence of impairment having yet been identified at the individual level (sensitive receivables); or
- receivables on counterparties linked to economic sectors considered as being in crisis further to the occurrence of loss events; or
- receivables on geographical sectors or countries in which a deterioration of credit risk has been assessed.

The amount of impairment on a group of homogeneous assets is calculated on the basis of assumptions on default rates and loss given default, or, if necessary, on the basis of *ad hoc* studies. These assumptions are calibrated for each homogeneous group based on its specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division and then adjusted to reflect any relevant current economic conditions. Allocations to and reversals of such impairment are recorded under *Cost of risk.*

RESTRUCTURING OF LOANS AND RECEIVABLES

When an asset recorded under *Loans and receivables* is restructured, contractual changes are made to the amount, term or financial conditions of the initial transaction approved by the Group, due to the financial difficulties or insolvency of the borrower (whether insolvency has already occurred or will definitely occur unless the debt is restructured), and these changes would not have been considered in other circumstances.

Restructured financial assets are classified as impaired and the borrowers are considered to be in default. These classifications are maintained for at least one year and for as long as any uncertainty remains for the Group as to whether or not the borrowers can meet their commitments.

At the restructuring date, the carrying amout of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initiale effective interest rate. This loss is booked to profit or loss under *Cost of risk*.

Restructured financial assets do not include loans and receivables subject to commercial renegotiations and involving customers whose debt the Group has agreed to renegotiate in the interest of maintaining or developing a commercial relationship, in acordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, the Group considers as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the Group to consider that the cost of its investment may not be recovered even if the above-mentioned criteria are not met. An impairment loss is then recorded through profit or loss equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.4.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under *Unrealised or deferred gains and losses* and subsequent objective evidence of impairment emerges, the Group recognises the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement under *Cost of risk* for debt instruments and under *Net gains and losses on available-for-sale financial assets* for equity securities.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

►► **IFRS 9**	***As from 1 January 2018****, the measurement of credit risk expense will be based on expected credit losses instead of incurred credit losses. Depreciation or provisions for credit risk will be then recorded from the origination of the loans or the purchase debt securities, without waiting for the occurrence of an objective evidence of impairment (see Note 1).*

BREAKDOWN OF ASSET IMPAIRMENTS

(In EUR m)	Asset impairments at 31.12.2016	Allocations	Write-backs available	Net impairment losses	Reversals used	Currency and scope effects	Asset impairments at 31.12.2017
Banks	**35**	6	(5)	**1**	(11)	-	**25**
Customer loans	**12,535**	4,845	(3,760)	**1,085**	(2,906)	(161)	**10,553**
Lease financing and similar agreements	**746**	290	(213)	**77**	(171)	9	**661**
Groups of homogeneous assets	**1,534**	449	(639)	**(190)**	-	(33)	**1,311**
Available-for-sale assets(1)(2)	**1,343**	167	(578)	**(411)**	-	62	**994**
Others(1)	**764**	34	(176)	**(142)**	(64)	24	**582**
Total	**16,957**	**5,791**	**(5,371)**	**420**	**(3,152)**	**(99)**	**14,126**

(1) Including a EUR 61 million net allowance for counterparty risks.

(2) o/w. write-down on equity securities, excluding insurance activities, of EUR 64 million, which can be broken down as follows:

- EUR 1 million: impairment loss on securities not written down at 31 December 2016;

- EUR 63 million: additional impairment loss on securities already written down at 31 December 2016.

PROVISIONS

ACCOUNTING PRINCIPLES

Provisions include provisions for credit risk related to off-balance sheet loan and guarantee commitments granted to third parties by the Group, provisions related to PEL/CEL commitments, and provisions representing liabilities whose timing or amount cannot be precisely determined (primarily legal disputes and restructuring).

Provisions may be recorded:

- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are recorded through profit or loss under the items corresponding to the future expense. Probable losses incurred by the Group in identifying objective evidence of credit risk related to off-balance sheet loan and guarantee commitments are recorded in the income statement under *Cost of risk* against a provision booked to liabilities.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

BREAKDOWN OF PROVISIONS

(In EUR m)	Provisions at 31.12.2016	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and scope effects	Provisions at 31.12.2017
Provisions for off-balance sheet commitments to banks	**6**	5	(3)	**2**	-	4	**12**
Provisions for off-balance sheet commitments to customers	**442**	410	(421)	**(11)**	-	(26)	**405**
Provision for disputes	**2,232**	1,174	(122)	**1,052**	(757)	(140)	**2,387**
Other provisions(1)	**909**	401	(201)	**200**	(42)	(16)	**1,051**
Provisions on financial instruments and disputes	**3,589**	**1,990**	**(747)**	**1,243**	**(799)**	**(178)**	**3,855**

(1) Including a EUR -32 million net write-back for PEL/CEL provisions at 31 December 2017 (see Note 3.8.3) and an allocation of EUR 72 million for social supports related to the adaptation of the French Retail banking network.

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS

Provisions for off-balance sheet commitments represent the probable losses incurred by the Group following the identification of a proven credit risk on an off-balance sheet financing or guarantee commitment that would not be considered as a derivative instrument or designated as financial asset through profit or loss.

PROVISIONS FOR DISPUTES

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of these disputes is presented in the Note 9 "Information on risks and litigation".

To take into account changes in legal risks related to public law litigation for which investigations and proceedings are under way with US authorities (such as The Office of Foreign Assets Control) and European authorities, as well as the dispute on the "précompte", the Group has recognised a provision among its liabilities, under *Provisions for disputes*; this provision has been adjusted in 2017 by an additional allowance of EUR 1,150 million and a use for EUR 750 million under *Cost of risk*, bringing it to a total of EUR 2,318 million.

OTHER PROVISIONS

Other provisions include provisions for restructuring, provisions for commercial litigations, provisions for future repayment of funds in connection with customer financing transactions and provisions for commitments linked to PEL/CEL accounts (see Note 3.8.3).

3. COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS

ACCOUNTING PRINCIPLES

In France, *Comptes d'épargne-logement* (CEL or mortgage savings accounts) and *Plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of 10 July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as *Net banking income* under net interest income. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In EUR m)	31.12.2017	31.12.2016
PEL accounts	**19,291**	**19,318**
less than 4 years old	5,847	7,869
between 4 and 10 years old	8,344	6,483
more than 10 years old	5,100	4,966
CEL accounts	**1,394**	**1,396**
Total	**20,685**	**20,714**

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2017	31.12.2016
less than 4 years old	4	9
between 4 and 10 years old	128	265
more than 10 years old	6	6
Total	**138**	**280**

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2016	Allocations	Reversals	31.12.2017
PEL accounts	**222**	**10**	**(43)**	**189**
less than 4 years old	20		(1)	19
between 4 and 10 years old	21	10		31
more than 10 years old	181		(42)	139
CEL accounts	**3**	**1**		**4**
Total	**225**	**11**	**(43)**	**193**

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2017, the provisions for PEL and CEL mortgage savings accounts were mainly linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 0.93% of total outstandings at 31 December 2017.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than 10 years). The values of these inputs can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the retail banking division's policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve at the valuation date, averaged over a 12-month period.

4. COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk includes allocations, net of reversals, for provisions and impairments for credit risk, the amount of the loan considered uncollectible and the amount recovered on loans previously written off, as well as allocations to and reversals of provisions for other risks.

(In EUR m)	2017	2016
Counterparty risk		
Net allocation to impairment losses	(1,025)	(1,629)
Losses not covered	(182)	(299)
on bad loans	*(151)*	*(255)*
on other risks	*(31)*	*(44)*
Amounts recovered	273	164
on bad loans	*258*	*161*
on other risks	*15*	*3*
Other risks		
Net allocation to other provisions	(415)	(327)
Total	**(1,349)**	**(2,091)**

NOTE 3.9 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

ACCOUNTING PRINCIPLES

DEFINITION OF FAIR VALUE

Fair value is 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.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market inputs based on assumptions that market operators would use to set the price of the instrument in question.

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest as applicable.

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2017				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due from banks	60,866	61,478	-	50,959	10,519
Customer loans	425,231	427,202	-	145,389	281,813
Held-to-maturity financial assets	3,563	3,699	3,633	66	-
Total financial assets measured at amortised cost	**489,660**	**492,379**	**3,633**	**196,414**	**292,332**

	31.12.2016				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	59,502	60,777	-	51,877	8,900
Customer loans	426,501	431,366	-	157,991	273,375
Held-to-maturity financial assets	3,912	4,114	4,033	81	-
Total financial assets measured at amortised cost	**489,915**	**496,257**	**4,033**	**209,949**	**282,275**

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	31.12.2017				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	88,621	88,493	684	83,447	4,362
Customer deposits	410,633	410,863	-	405,859	5,004
Debt securities issued	103,235	105,235	20,973	83,804	458
Subordinated debt	13,647	14,587	-	14,587	-
Total financial liabilities measured at amortised cost	**616,136**	**619,178**	**21,657**	**587,697**	**9,824**

	31.12.2016				
(In EUR m)	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Due to banks	82,584	82,907	566	79,322	3,019
Customer deposits	421,002	421,326	-	414,062	7,264
Debt securities issued	102,202	103,630	21,899	80,934	797
Subordinated debt	14,103	14,711	-	14,711	-
Total financial liabilities measured at amortised cost	**619,891**	**622,574**	**22,465**	**589,029**	**11,080**

3. VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero-coupon yield) prevailing on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively traded market for these loans, by discounting the associated expected cash flows to present value at the market rates prevailing on the balance sheet date for similar types of loans and similar maturities.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value net of impairment, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date. When the debt is a listed instrument, its fair value is its market value.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value. Similarly, the individual fair value of demand deposit accounts is equal to their book value.

NOTE 3.10 - COMMITMENTS AND ASSETS PLEDGED AND RECEIVED AS SECURITIES

ACCOUNTING PRINCIPLES

LOAN COMMITMENTS

Loan commitments that are not considered as financial derivatives are initially recognised at fair value. Thereafter, provided they are not granted or received for trading purpose and thus measured at fair value through profit or loss, they are provisioned as necessary in accordance with the accounting principles for *Provisions* (see Note 3.8).

GUARANTEE COMMITMENTS

When considered as non-derivative financial instruments, financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Thereafter, they are measured at either the amount of the obligation or the amount initially recognised (whichever is higher) less, when appropriate, the cumulative amortisation of a guarantee commission. Where there is objective evidence of impairment, a provision for financial guarantees given is recognised on the liabilities side of the balance sheet (see Note 3.8).

SECURITIES COMMITMENTS

Securities bought and sold, which are booked to *Financial assets at fair value through profit or loss, Held-to-maturity financial assets* and *Available-for-sale financial assets* are recognised on the balance sheet at the settlement-delivery date. Between the trade date and the settlement-delivery date, securities receivable or deliverable are not recognized on the balance sheet. Changes in the fair value of securities measured at fair value through profit or loss and available-for-sale securities between the trade date and the settlement-delivery date are booked to profit or loss or equity, depending on the accounting classification of the securities in question.

1. COMMITMENTS

COMMITMENTS GRANTED

(In EUR m)	**31.12.2017**	**31.12.2016**
Loan commitments		
To banks	21,983	23,438
To customers	180,004	159,382
Issuance facilities	-	-
Confirmed credit lines	*168,874*	*155,859*
Others	*11,130*	*3,523*
Guarantee commitments		
On behalf of banks	6,641	9,290
On behalf of customers(1)	61,024	59,614
Securities commitments		
Securities to be delivered	25,711	31,063

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

(In EUR m)	31.12.2017	31.12.2016
Loan commitments		
From banks	52,222	73,141
Guarantee commitments		
From banks	91,742	108,647
Other commitments(1)	126,409	112,500
Securities commitments		
Securities to be received	26,958	34,478

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 62,394 million at 31 December 2017 versus EUR 47,642 million at 31 December 2016.

2. FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In EUR m)	31.12.2017	31.12.2016
Book value of assets pledged as security for liabilities(1)	316,565	252,338
Book value of assets pledged as security for transactions in financial instruments(2)	45,291	57,149
Book value of assets pledged as security for off-balance sheet commitments	2,515	783
Total	**364,371**	**310,270**

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).

(2) Assets pledged as security for transactions in financial instruments mainly include security deposit.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EUR m)	31.12.2017	31.12.2016
Fair value of securities purchased under resale agreements	**138,956**	**189,144**

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 3.11 - TRANSFERRED FINANCIAL ASSETS

ACCOUNTING PRINCIPLES

Transferred financial assets that are not derecognised include securities lending transactions and repurchase agreements as well as certain loans transferred to consolidated securitisation vehicles.

The tables below show securities lending and repurchase agreements that only concern securities recognised on the asset side of the balance sheet.

Securities involved in a repurchase agreement or securities lending transaction are held in their original position on the asset side of the Group's balance sheet. For repurchase agreements, the obligation to return the amounts deposited is recorded under *Liabilities* on the liabilities side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial liabilities at fair value through profit or loss*.

Securities involved in a reverse repurchase agreement or securities borrowing transaction are not recorded in the Group's balance sheet. However, in the event the borrowed securities are subsequently sold, a debt representing the return of these securities to their lender is recorded on the liabilities side of the Group's balance sheet, under *Financial liabilities at fair value through profit or loss*. For securities received under a reverse repurchase agreement, the right to recover the amounts delivered by the Group is recorded under *Loans and receivables* on the asset side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial assets at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

1. TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

REPURCHASE AGREEMENTS

	31.12.2017		31.12.2016	
(In EUR m)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carring amount of transferred assets**	**Carrying amount of associated liabilities**
Customer / interbank loans	45	45		
Available-for-sale securities	14,771	12,743	16,224	13,742
Securities at fair value through profit or loss	24,586	21,143	20,148	17,892
Total	**39,402**	**33,931**	**36,372**	**31,634**

SECURITIES LENDING

	31.12.2017		31.12.2016	
(In EUR m)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carring amount of transferred assets**	**Carrying amount of associated liabilities**
Securities at fair value through profit or loss*	15,793	-	12,920	3

** Amounts restated relative to the financial statements published at 31 December 2016.*

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

Customers loans *(In EUR m)*	31.12.2017	31.12.2016
Carrying amount of transferred assets	904	1,558
Carrying amount of associated liabilities	798	1,385
Fair value of transferred assets (A)	908	1,562
Fair value of associated liabilities (B)	801	1,389
Net position (A)-(B)	**107**	**173**

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

2. TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31 December 2017, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuous involvement in said assets.

NOTE 3.12 - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING PRINCIPLES

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties. In this respect, the Group recognises in its balance sheet the net amount of derivative financial instruments traded with certain clearing houses where they achieve net settlement through a daily cash margining process, or where their gross settlement system has features that eliminate or result in insignificant credit and liquidity risk, and that process receivables and payables in a single settlement process or cycle.

The following tables present the amounts of financial assets and financial liabilities set off on the Group's consolidated balance sheet. The gross outstanding amounts of these financial assets and financial liabilities are matched with the consolidated outstanding amounts presented in the balance sheet (net balance sheet amounts), after indicating the amounts set off on the balance sheet for these various instruments (amounts offset) and aggregating them with the outstanding amounts of other financial assets and financial liabilities not subject to a Master Netting Agreement or similar agreement (amounts of assets and liabilities not eligible for offsetting).

These tables also indicate the amounts which may be offset, as they are subject to a Master Netting Agreement or similar agreement, but whose characteristics make them ineligible for offsetting in the consolidated financial statements under IFRS. This information is provided in comparison with the accounting treatment applied under US GAAP. This affects in particular financial instruments that may only be offset in the event of the default, insolvency or bankruptcy of one of the counterparties, as well as instruments pledged by cash or securities collateral. These mainly include over-the-counter interest rate options, interest rate swaps and securities purchased/sold under resale/repurchase agreements.

Net positions resulting from these various offsettings are not intended to represent the Group's actual exposure to counterparty risk through these financial instruments, insofar as counterparty risk management uses other risk mitigation strategies in addition to netting and collateral agreements.

1. AT 31 DECEMBER 2017

During this year the Group has performed a detailed review of the netting contractual agreements related to securities purchased/sold under resale/repurchase agreements, and the operational process to settle receivables and debts incurred under these operations have been updated. Such work enabled to increase the amounts set off on the balance sheet for these instruments with the same counterparty (*Securities purchased under resale agreements* on the assets side, *Securities sold under repurchase agreements* on the liabilities side).

ASSETS

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements [(1)]			
(In EUR m)	**Amount of assets not subject to offsetting**	**Gross amount**	**Amount offset**	**Net amount presented on the balance sheet**	**Financial instruments recognised in the balance sheet**		**Gross amount**	**Amount offset**
Derivative financial instruments (see Note 3.2)	30,291	182,376	(64,576)	148,091	(93,223)	(13,429)	(1)	41,438
Securities lent (see Notes 3.1 and 3.3)	2,534	13,782	-	16,316	(12,028)	-	-	4,288
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	41,458	168,163	(70,659)	138,962	(34,145)	(204)	(51,164)	53,449
Guarantee deposits pledged (see Note 4.4)	28,650	12,334	-	40,984	-	(12,334)	-	28,650
Other assets not subject to offsetting	930,775	-	-	930,775	-	-	-	930,775
Total assets	**1,033,708**	**376,655**	**(135,235)**	**1,275,128**	**(139,396)**	**(25,967)**	**(51,165)**	**1,058,600**

LIABILITIES

		Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements [(1)]			
(In EUR m)	**Amount of liabilities not subject to offsetting**	**Gross amount**	**Amount offset**	**Net amount presented on the balance sheet**	**Financial instruments recognised in the balance sheet**	**Cash collateral pledged**	**Financial instruments pledged as collateral**	**Net amount**
Derivative financial instruments (see Notes 3.1 and 3.2)	31,915	181,935	(64,576)	149,274	(93,223)	(12,334)	-	43,717
Amount payable on borrowed securities (see Note 3.1)	17,486	17,358	-	34,844	(12,028)	-	-	22,816
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	50,646	148,406	(70,659)	128,393	(34,145)	-	(17,620)	76,628
Guarantee deposits received (see Note 4.4)	25,484	13,633	-	39,117	-	(13,633)	-	25,484
Other liabilities not subject to offsetting	859,463	-	-	859,463	-	-	-	859,463
Total liabilities	**984,994**	**361,332**	**(135,235)**	**1,211,091**	**(139,396)**	**(25,967)**	**(17,620)**	**1,028,108**

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

2. AT 31 DECEMBER 2016

ASSETS

(In EUR m)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements [(1)]			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	
Derivative financial instruments (see Note 3.2) *	33,378	249,157	(96,431)	186,104	(121,894)	(16,780)	(12)	47,418
Securities lent (see Notes 3.1 and 3.3)	2,913	10,421	-	13,334	(6,298)	(10)	-	7,026
Securities purchased under resale agreements (see Notes 3.1 and 3.5) **	46,190	180,216	(37,281)	189,125	(42,884)	(473)	(88,700)	57,068
Guarantee deposits pledged (see Note 4.4)	31,728	17,017	-	48,745	-	(17,017)	-	31,728
Other assets not subject to offsetting *	917,114	-	-	917,114	-	-	-	917,114
Total assets	**1,031,323**	**456,811**	**(133,712)**	**1,354,422**	**(171,076)**	**(34,280)**	**(88,712)**	**1,060,354**

LIABILITIES

(In EUR m)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements [(1)]			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
Derivative financial instruments (see Note 3.2) *	30,866	248,297	(96,431)	182,732	(121,894)	(16,952)	(446)	43,440
Amount payable on borrowed securities (see Note 3.1)	29,085	15,570	-	44,655	(6,298)	-	(2)	38,355
Securities sold under repurchase agreements (see Notes 3.1 and 3.6) **	56,061	136,445	(37,281)	155,225	(42,884)	(65)	(37,975)	74,301
Guarantee deposits received (see Note 4.4)	33,115	17,263	-	50,378	-	(17,263)	-	33,115
Other liabilities not subject to offsetting *	855,726	-	-	855,726	-	-	-	855,726
Total liabilities	**1,004,853**	**417,575**	**(133,712)**	**1,288,716**	**(171,076)**	**(34,280)**	**(38,423)**	**1,044,937**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

*** Amounts restated compared to the 31 December 2016 consolidated financial statements.*

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect.

NOTE 3.13 - CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

(In EUR m)	**Up to 3 months**	**3 months to 1 year**	**1 to 5 Years**	**More than 5 years**	**31.12.2017**
Due to central banks	5,601	2	1	-	5,604
Financial liabilities at fair value through profit or loss	308,429	15,932	11,489	32,855	368,705
Due to banks	48,212	12,078	22,862	5,469	88,621
Customer deposits	320,277	21,602	19,941	48,813	410,633
Debt securities issued	31,527	14,165	37,802	19,741	103,235
Subordinated debt	732	1,080	634	11,201	13,647
Other liabilities	55,480	5,832	4,396	3,431	69,139
Total liabilities	**770,258**	**70,691**	**97,125**	**121,510**	**1,059,584**
Loan commitment granted	81,896	25,925	83,754	10,412	201,987
Guarantee commitments granted	29,776	8,464	10,281	19,144	67,665
Total commitments granted	**111,672**	**34,389**	**94,035**	**29,556**	**269,652**

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal.

NOTE 4 - OTHER ACTIVITIES

NOTE 4.1 - FEE INCOME AND EXPENSE

ACCOUNTING PRINCIPLES

Fee income and *Fee expense* combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under *Interest and similar income* and *Interest and similar expense* (see Note 3.7).

The Group recognises fee income and expense for services provided and received in different ways depending on the type of service:

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under *Fee income* at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

	2017			2016		
(In EUR m)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	**133**	**(168)**	**(35)**	**128**	**(120)**	**8**
Transactions with customers	**2,971**	**-**	**2,971**	**2,661**	**-**	**2,661**
Financial instruments operations	**2,416**	**(2,240)**	**176**	**2,412**	**(2,139)**	**273**
Securities transactions	596	(959)	(363)	601	(814)	(213)
Primary market transactions	208	-	208	227	-	227
Foreign exchange transactions and financial derivatives	1,612	(1,281)	331	1,584	(1,325)	259
Loan and guarantee commitments	**748**	**(62)**	**686**	**745**	**(79)**	**666**
Services	**3,934**	**-**	**3,934**	**3,886**	**-**	**3,886**
Others	**302**	**(1,211)**	**(909)**	**284**	**(1,079)**	**(795)**
Total	**10,504**	**(3,681)**	**6,823**	**10,116**	**(3,417)**	**6,699**

Fee income and expense include

(In EUR m)	2017	2016
Fee income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	4,041	3,752
Fee income linked to trust or similar fiduciary activities	2,258	2,033
Fee expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	(62)	(79)
Fee expense linked to trust or similar fiduciary activities	(1,396)	(1,189)

NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

ACCOUNTING PRINCIPLES

LEASING ACTIVITIES

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. Lease payments are recognised as income according to the straight line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of income invoiced in respect of maintenance services related to operating lease activities is to reflect a constant margin between this income and the expenses incurred in providing the service over the term of the service agreement.

Income and expenses, and capital gains or losses on investment properties and leased assets, are recorded under *Income and expenses from other activities* on the *Real estate leasing* and *Equipment leasing* lines, as well as income and expense on maintenance services related to operating lease activities.

These lines also include losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

OTHER ACTIVITIES

The accounting principles applied by the Group to insurance activities are presented in Note 4.3.

	2017			2016		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	93	(4)	**89**	96	(3)	**93**
Real estate leasing	67	(68)	**(1)**	83	(59)	**24**
Equipment leasing	9,158	(6,447)	**2,711**	8,309	(5,770)	**2,539**
Other activities*	12,727	(14,637)	**(1,910)**	12,292	(12,959)	**(667)**
o/w Insurance activities	*12,346*	*(12,052)*	***294***	*11,685*	*(11,391)*	***294***
Total	**22,045**	**(21,156)**	**889**	**20,780**	**(18,791)**	**1,989**

** For 2017, the Expenses from other activities include EUR 963 million, the exchange value of GBP 813.26 million, in compensation for the settlement agreement between Societe Generale and the Libyan Investment Authority.*

NOTE 4.3 - INSURANCE ACTIVITIES

MAKING IT SIMPLE

Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to the Insurance sector as well as the presentation of income and expenses on the Group's insurance activities that are disclosed in this note and which are classified on the basis of their function.

ACCOUNTING PRINCIPLES

FINANCIAL ASSETS AND LIABILITIES

The financial assets and liabilities of the Group's insurance companies are recognised and measured according to the rules governing financial instruments explained in Note 3.

UNDERWRITING RESERVES OF INSURANCE COMPANIES

Underwriting reserves correspond to the commitments of insurance companies with respect to policyholders and the beneficiaries of policies.

In accordance with IFRS 4 on insurance policies, life and non-life underwriting reserves continue to be measured under the same local regulations.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

Underwriting reserves for unit-linked policies with discretionary profit-sharing or any other significant feature (mortality, invalidity, etc.) are measured at the balance sheet date on the basis of the market value of the assets underlying these policies.

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in *Deferred profit-sharing.* This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable approach economic environment would not require assets to be sold in the event of unrealised losses:

- the first approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;

- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios;
- a liability adequacy test is also carried out quarterly using a stochastic model based on parameter assumptions consistent with those used for the MCEV (Market Consistent Embedded Value). This test takes into account all of the future cash flows from policies, including management charges, fees and policy options and guarantees.

INCOME AND EXPENSES

Income and expenses related to insurance policies issued by Group insurance companies are recognised in the income statement under *Income and expenses from other activities*. Other income and expenses are recorded under the related headings. Changes in provisions for deferred profit-sharing are booked to the income statement or to *Unrealised or deferred gains or losses* under the headings related to the associated underlying assets.

▶▶ **IFRS 4**	***Until 1 January 2021****, the Group's insurance subsidiaries will continue to apply IAS 39 "Financial Instruments – Recognition and Measurement" as they will defer the application of IFRS 9 "Financial Instruments" as allowed by the European Regulation 1606/2002 (see Note 1).*

1. UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EUR m)	31.12.2017	31.12.2016
Underwriting reserves for unit-linked policies	29,643	22,449
Life insurance underwriting reserves	89,563	79,705
Non-life insurance underwriting reserves	1,332	1,262
Deferred profit-sharing booked in liabilities	10,420	9,361
Underwriting reserves of insurance companies	**130,958**	**112,777**
Attributable to reinsurers	(731)	(274)
Underwriting reserves of insurance companies (including provisions for deferred profit-sharing) net of the share attributable to reinsurers	**130,227**	**112,503**

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

(In EUR m)	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January 2017 (except provisions for deferred profit-sharing)	**22,449**	**79,705**	**1,262**
Allocation to insurance reserves	1,860	(836)	66
Revaluation of unit-linked policies	879	-	-
Charges deducted from unit-linked policies	(162)	-	-
Transfers and allocation adjustments	1,276	(1,278)	-
New customers	3,184	10,688	19
Profit-sharing	140	1,238	-
Others	17	46	(15)
Reserves at 31 December 2017 (except provisions for deferred profit-sharing)	**29,643**	**89,563**	**1,332**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31 December 2017. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. It is carried out on the basis of stochastic models similar to those used for asset/liability management. The result of the test at 31 December 2017 was conclusive.

UNDERWRITING RESERVES BY REMAINING MATURITY

(In EUR m)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2017
Underwriting reserves of insurance companies	14,204	8,717	33,841	74,196	**130,958**

2. NET INVESTMENTS OF INSURANCE COMPANIES

(In EUR m before elimination of intercompany transactions)	31.12.2017	31.12.2016
Financial assets at fair value through profit or loss	**55,398**	**44,906**
Debt instruments	27,374	26,016
Equity instruments	28,024	18,890
Due from Banks	**9,195**	**9,738**
Available-for-sale financial assets	**86,509**	**77,758**
Debt instruments	72,973	65,554
Equity instruments	13,536	12,204
Investment property	**618**	**576**
Total[(1)]	**151,720**	**132,978**

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

3. BREAKDOWN OF UNREALISED GAINS AND LOSSES ON AVAILABLE-FOR-SALE ASSETS

	31.12.2017		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net revaluation**
Unrealised gains and losses of insurance subsidiaries	**438**	**(27)**	**411**
on available-for-sale equity instruments	*1,537*	*(38)*	*1,499*
on available-for-sale debt instruments and assets reclassified as Loans and receivables	*7,748*	*(327)*	*7,421*
Deferred profit-sharing	*(8,847)*	*338*	*(8,509)*

	31.12.2016		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net revaluation**
Unrealised gains and losses of insurance subsidiaries	**698**	**(198)**	**500**
on available-for-sale equity instruments	*1,177*	*(147)*	*1,030*
on available-for-sale debt instruments and assets reclassified as Loans and receivables	*8,582*	*(405)*	*8,177*
Deferred profit-sharing	*(9,061)*	*354*	*(8,707)*

4. UNDERWRITING INCOME OF INSURANCE COMPANIES

(In EUR m)	2017	2016
Written premiums	11,466	11,292
Cost of benefits (including changes in reserves)	(11,221)	(10,438)
Net income from investments	4,330	3,153
Other net technical income (expense)	(3,592)	(3,179)
Contribution to operating income before elimination of intercompany transactions	**983**	**828**
Elimination of intercompany transactions(1)	774	326
Contribution to operating income after elimination of intercompany transactions	**1,757**	**1,154**

(1) This essentially concerns the elimination of fees paid by the insurance companies to the distribution networks and the elimination of financial income on investments made in other Group companies.

5. NET FEE INCOME

(In EUR m before elimination of intercompany transactions)	2017	2016
Fees received		
Acquisition fees	696	603
Management fees	950	785
Others	40	37
Fees paid		
Acquisition fees	(635)	(549)
Management fees	(416)	(396)
Others	(64)	(30)
Total fees	**571**	**450**

6. MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, particularly risk through life insurance, individual personal protection and non-life insurance. This risk can be biometrical: disability, longevity, mortality, or related to policyholders' behavior (risk of lapses). To a lesser extent, the Insurance business line is also exposed to non-life and health risks. Such risks can come from pricing, selection, claims management or catastrophic risk;
- risks related to financial markets and ALM: the Insurance business line, mainly through life insurance, is exposed to instabilities on the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;

- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy just like objectives on long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line. Societe Generale's overall asset and liability management policy is validated by the Group's General Management at the ALM Committee meetings held every six months.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging of exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per rating issuer and per category of assets;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

NOTE 4.4 - OTHER ASSETS AND LIABILITIES

1. OTHER ASSETS

(In EUR m)	31.12.2017	31.12.2016
Guarantee deposits paid(1)	40,984	48,745
Settlement accounts on securities transactions	7,436	8,353
Prepaid expenses	989	775
Miscellaneous receivables*	10,378	13,011
Miscellaneous receivables - Insurance	1,033	807
Gross amount	**60,820**	**71,691**
Impairment	(258)	(254)
Net amount	**60,562**	**71,437**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

(1) Mainly relates to guarantee deposits paid on financial instruments, their fair value is taken to be the same as their book value net of depreciation for incurred credit risk.

2. OTHER LIABILITIES

(In EUR m)	31.12.2017	31.12.2016
Guarantee deposits received(1)	39,117	50,378
Settlement accounts on securities transactions	6,816	7,359
Expenses payable on employee benefits	2,542	2,560
Deferred income	1,633	1,642
Miscellaneous payables*	13,314	15,842
Miscellaneous payables - Insurance	5,717	4,112
Total	**69,139**	**81,893**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.

NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

MAKING IT SIMPLE

Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it be paid to employees or to outside social security agencies,
- whether it be paid during the annual reporting period or to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits…).
- whether it be paid in cash or in Societe Generale shares (free share plans, stock options).

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- Short-term employee benefits which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- Post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- Long-term employee benefits which are employee benefits not expected to be settled wholly before twelve months, such as defined variable compensation paid in cash and not indexed to the Societe Generale share, long service awards and time saving accounts;
- Termination benefits.

Information related to the Group headcount is presented in the Chapter 5 of the Registration Document (Corporate Social Responsibility), part 5.

NOTE 5.1 - PERSONNEL EXPENSES AND RELATED PARTY TRANSACTIONS

ACCOUNTING PRINCIPLES

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.

1. PERSONNEL EXPENSES

(In EUR m)	2017	2016
Employee compensation	(7,018)	(6,812)
Social security charges and payroll taxes	(1,605)	(1,567)
Net pension expenses - defined contribution plans	(713)	(705)
Net pension expenses - defined benefit plans	(112)	(97)
Employee profit-sharing and incentives	(301)	(274)
Total	**(9,749)**	**(9,455)**

2. RELATED-PARTY TRANSACTIONS

ACCOUNTING PRINCIPLES

Personnel expenses include related party transactions, within the meaning of IAS 24.

The Group's related parties include the members of the Board of Directors, corporate officers (the Chairman, the Chief Executive Officer and the three Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are either controlled exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

REMUNERATION OF THE GROUP'S MANAGERS

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits as indicated below.

(In EUR m)	2017	2016
Short-term benefits	20.7	14.2
Post-employment benefits	1.5	0.6
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.4	2.1
Total	**24.6**	**16.9**

RELATED-PARTY TRANSACTIONS

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31 December 2017 for a total amount of EUR 4.1 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY THE SOCIETE GENERALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by the Societe Generale Group at 31 December 2017 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Mr. Cabannes, Mr. Sanchez Incera, Mr. Valet and the two staff-elected Directors) is EUR 14.4 million.

NOTE 5.2 - EMPLOYEE BENEFITS

Group entities in France and abroad, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- long-term benefits such as deferred variable remuneration, long-service awards or the *Compte Epargne Temps* (CET) flexible working provisions;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EUR m)	**Provisions at 31.12.2016**	**Allocations**	**Write-backs available**	**Net allocation**	**Write-backs used**	**Actuarial gains and losses**	**Currency and scope effects**	**Provisions at 31.12.2017**
Provisions for employee benefits	**1,850**	468	(243)	**225**	-	(21)	46	**2,100**

As part of its 2020 strategic and financial plan, Societe Generale announced an acceleration of the adaptation of the French Retail banking network. Consequently, provisions for restructuring were enhanced, with an allocation of EUR 230 million recorded under *Personnel expense* in the income statement for 2017. In addition, an allocation to *Other provisions* (see Note 3.8) has been recorded for the social supports related to this restructuration; its amount of EUR 72 million has been recognised under *Other operating expenses.*

1. POST-EMPLOYMENT BENEFITS

ACCOUNTING PRINCIPLES

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bare the associated medium or long-term risk.

Provisions are recognised on the liabilities side of the balance sheet under *Provisions*, to cover the whole of these retirement obligations. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to re-measure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among *Unrealised or deferred gains and losses* and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gain and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholder's equity so that they are presented directly under *Retained earnings* on the liabilities side of the balance sheet.

Where a new or amended plan comes into force, past service cost is immediately recognised in profit or loss.

An annual charge is recorded under *Personnel expenses* for defined benefit plans consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate and the interest income on plan assets (net interest on the net defined benefit liability or asset);
- plan settlements.

DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France, in the United Kingdom and in the United States.

In France, they include state pension plans and other national pension plans such as ARRCO and AGIRC, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Post-employment pension plans include schemes offering annuities, plans offering retirement bonuses and mixed plans (cash balance). Benefits paid out in annuities supplement the pensions paid by the mandatory basic plans.

The main defined benefit plans are located in France, Switzerland, the United Kingdom and the United States.

In France, the supplementary pension plan for executive managers, set up in 1991, allocates an annual allowance to beneficiaries covered by Societe Generale, as described in the Chapter 3 "Corporate Governance" of the registration document. This allowance depends in particular on the beneficiary's seniority within Societe Generale and the portion of fixed compensation exceeding *"Tranche B*" of AGIRC.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom, the defined benefit plan has been closed to new employees for nearly 20 years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

Similarly, in the United States, defined benefit plans were closed to new employees in 2015 and the vesting of new benefits was frozen.

1.1 RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

(In EUR m)	31.12.2017	31.12.2016
A - Present value of funded defined benefit obligations	2,953	3,041
B - Fair value of plan assets and separate assets	(2,610)	(2,695)
C = A + B Deficit (surplus)	**343**	**346**
D - Present value of unfunded defined benefit obligations	428	427
E - Change in asset ceiling	8	2
C + D + E = Net balance recorded in the balance sheet	**779**	**775**

1.2 COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EUR m)	2017	2016
Current service cost including social security contributions	104	110
Employee contributions	(5)	(6)
Past service cost/curtailments	(5)	(39)
Settlements	-	(4)
Net interest	10	19
Transfer of unrecognised assets	6	3
A - Components recognised in income statement	**110**	**83**
Expected return on plan assets(1)	(70)	(180)
Actuarial gains and losses due to changes in demographic assumptions	(38)	7
Actuarial gains and losses due to changes in economic and financial assumptions	57	301
Actuarial gains and losses due to experience	12	(31)
Change in asset ceiling	-	1
B - Components recognised in unrealised or deferred gains and losses	**(39)**	**98**
C = A + B Total components of the cost of defined benefits	**71**	**181**

(1) Return on plan assets from which the expected return on plan assets included in the net interest cost is deducted.

1.3 CHANGES IN NET LIABILITIES OF POST-EMPLOYMENT BENEFIT PLANS RECORDED IN THE BALANCE SHEET

1.3.1 Changes in the present value of defined benefit obligations

(In EUR m)	2017	2016
Balance at 1 January	**3,468**	**3,380**
Current service cost including social security contributions	104	110
Past service cost/curtailments	(5)	(39)
Settlements	(23)	(29)
Net interest	63	81
Actuarial gains and losses due to changes in demographic assumptions	(38)	7
Actuarial gains and losses due to changes in economic and financial assumptions	57	301
Actuarial gains and losses due to experience	12	(31)
Foreign exchange adjustment	(92)	(120)
Benefit payments	(167)	(177)
Change in consolidation scope	1	4
Transfers and others	1	(19)
Balance at 31 December	**3,381**	**3,468**

1.3.2 Changes in the fair value of plan assets and separate assets

(In EUR m)	2017	2016
Balance at 1 January	**2,695**	**2,385**
Expected return on plan assets	47	59
Expected return on separate assets	6	3
Actuarial gains and losses due to assets	70	180
Foreign exchange adjustment	(81)	(129)
Employee contributions	5	6
Employer contributions to plan assets	26	350
Benefit payments	(141)	(134)
Change in consolidation scope	-	(1)
Transfers and others	(17)	(24)
Balance at 31 December[(1)]	**2,610**	**2,695**

(1) Including EUR 398 million in separate assets at 31 December 2017 (EUR 399 million at 31 December 2016).

1.4 INFORMATION REGARDING FUNDING ASSETS

- **1.4.1 General information regarding funding assets (for all benefits and future contributions)**

Funding assets represent around 75% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in the United Kingdom are fully hedged, those in the United States hedged 87%, while they are only 75% hedged in France and are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 56% bonds, 24% equities and 20% others investments. Directly held Societe Generale shares are not significant.

For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 86 million.

Employer contributions to be paid to post-employment defined benefit plans for 2018 are estimated at EUR 16 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources departments of the entities, by *ad hoc* structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

- **1.4.2 Actual returns on funding assets**

The actual returns on plan and separate assets can be broken down as follows:

(In EUR m)	2017	2016
Plan assets	112	232
Separate assets	11	9

1.5 MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2017	31.12.2016
Discount rate		
Europe	1.66%	1.73%
Americas	3.50%	4.04%
Asia-Oceania-Africa	2.11%	1.81%
Long-term inflation		
Europe	2.07%	2.05%
Asia-Oceania-Africa	1.77%	1.48%
Future salary increase		
Europe	0.68%	0.75%
Asia-Oceania-Africa	2.49%	2.37%
Average remaining working lifetime of employees (in years)		
Europe	9.46	9.59
Americas	8.25	8.38
Asia-Oceania-Africa	14.39	14.43
Duration (in years)		
Europe	15.76	15.94
Americas	17.53	17.75
Asia-Oceania-Africa	11.09	11.11

Assumptions by geographical area are weighted average by the defined benefit obligations (DBO).

The discount yield curves used are AA corporate bonds yield curves (source: Merrill Lynch) observed at the end of October for USD, GBP and EUR, and corrected at the end of December if the change in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed at the end of October, and corrected at the end of December if the change had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turnover assumptions.

The assumptions described above have been applied to post-employment benefit plans.

1.6 SENSITIVITIES OF DEFINED BENEFIT OBLIGATIONS TO MAIN ASSUMPTION RANGES

(Percentage of item measured)	31.12.2017	31.12.2016
Variation in discount rate	*+0.5%*	*+1.0%*
Impact on the present value of defined benefit obligations at 31 December N	-7%	-14%
Variation in long-term inflation	*+0.5%*	*+1.0%*
Impact on the present value of defined benefit obligations at 31 December N	5%	11%
Variation in future salary increase	*+0.5%*	*+1.0%*
Impact on the present value of defined benefit obligations at 31 December N	2%	5%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations.

2. LONG-TERM BENEFITS

ACCOUNTING PRINCIPLES

Long-term employee benefits are benefits other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised as profit or loss.

These benefits include deferred compensation programmes settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Epargne Temps*) flexible working provisions, or longservice awards.

At 31 December 2017, the net balance of long-term benefits was EUR 475 million.

The total cost of long-term benefits was EUR 113 million for 2017.

NOTE 5.3 - SHARE-BASED PAYMENT PLANS

ACCOUNTING PRINCIPLES

Share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as *Personnel expenses* in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under *Issuing premium and capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Expenses payable on employee benefits.* This payables item is then remeasured to take into account performance and presence conditions as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in profit or loss under *Personnel expense* as well.

OTHER SHARE-BASED PAYMENTS

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale share price.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or Monte Carlo model is used. Valuations are performed by independent actuaries.

EXPENSES RECORDED IN THE INCOME STATEMENT

	2017			2016		
(In millions of euros)	Cash settled plans	Equity settled plans	Total plans	Cash settled plans	Equity settled plans	Total plans
Net expenses from purchase plans, stock option and free share plans	71	58	**129**	124	65	**189**

RECORD OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS AWARDED
INFORMATION ON SUBSCRIPTION OR PURCHASE OPTIONS[(1)]

Date of General Meeting	27.05.2008
Date of Board meeting	09.03.2010
Total number of shares[(2)] available for subscription or purchase	1,000,000
o.w. shares available for subscription or purchase by Chief Executive Officers[(3)]	
Mr. BINI SMAGHI	N/A
Mr. OUDÉA	0
Mr. CABANNES	0
Mr. SANCHEZ INCERA	0
Mr. VALET[(4)]	20,360
o.w. shares available for subscription or purchase by Executive Committee members in office at the grant date	395,236
Total number of beneficiaries	684
o.w. Executive Committee members in office at the grant date	10
Start date for exercising options	09.03.2014
Expiry date	08.03.2017
Subscription or purchase price (in EUR)[(5)]	41.2
Exercise conditions (where the plan includes several instalments)	
Fair value (% of the share price at grant date)	26%
Number of shares subscribed at 31.12.2017	288,155
Total number of cancelled or lapsed subscription or purchase options	711,845
Subscription or purchase options outstanding at end of financial year	0
Potential dilutive effect[(6)]	0.00%

(1) Personnel costs generated by these plans are presented in Note 4.3 to the consolidated financial statements (p. 492).
(2) The exercise of one option gives entitlement to one Societe Generale share. This table takes into account adjustments performed following capital increases. This line does not take into account options exercised since the grant date.
(3) Mr. Oudéa and Mr. Cabannes were appointed as Chief Executive Officers in 2008, Mr. Sanchez Incera in 2010, and Mr. Valet in 2017.
(4) Mr. Valet's term of office as Deputy Chief Executive Officer commenced on 16th January 2017.
(5) The subscription or purchase price is equal to the average market price of the Societe Generale share over the 20 trading days preceding the meeting of the Board of Directors.
(6) The dilutive effect is the result of dividing the remaining number of options that may be subscribed by the number of shares making up the capital stock.

RECORD OF PERFORMANCE SHARES AWARDED
INFORMATION ON PERFORMANCE SHARES AWARDED

Date of General Meeting	18.05.2016	18.05.2016	20.05.2014	22.05.2012	22.05.2012
Date of Board meeting	15.03.2017	18.05.2016	12.03.2015	13.03.2014	14.03.2013
Total number of shares granted	1,796,759	2,478,926	1,233,505	1,010,775	1,846,313
o.w. number granted to Chief Executive Officers[1]	121,506	140,769			
Mr. BINI SMAGHI	N/A	N/A	N/A	N/A	N/A
Mr. OUDÉA	45,871	62,900	-	-	-
Mr. CABANNES	28,694	38,644	-	-	-
Mr. SANCHEZ INCERA	28,846	39,225	-	-	-
Mr. VALET[2]	18,095	24,942	-	-	-
Total number of beneficiaries	6,710	6,495	6,733	6,082	6,338
Vesting date	see table below	see table below	31.03.2017[3] 31.03.2019[4]	31.03.2016[3] 31.03.2018[4]	31.03.2015[3] 31.03.2017[4]
Holding period end date	see table below	see table below	31.03.2019[3]	31.03.2018[3]	31.03.2017[3]
Performance conditions[5]	yes	yes	yes	yes	yes
Fair value *(in EUR)*[6]	see table below	see table below	36.4[3] 34.9[4]	37.8[3] 38.1[4]	26.1[3] 27.1[4]
Number of shares vested at 31.12.2017	0	166	780,075	650,152	1,714,233
Total number of cancelled or lapsed shares	35,023	110,416	72,310	64,824	132,080
Performance shares outstanding at year-end	1,761,736	2,368,344	381,120	295,799	0

(1) For the Chief Executive Officers, see also Tables 6 and 7 of the 2018 Registration Document.
(2) Didier Valet's term of office as Deputy Chief Executive Officer commenced on 16th January 2017. The amounts indicated correspond to remuneration awarded in respect of his previous duties as Head of Corporate and Investment Banking, Private Banking, Asset Management and Securities Services.
(3) French tax residents.
(4) Non-French tax residents.
(5) The applicable performance conditions are described in Chapter 5, "Corporate Social Responsibility, Employee share plans".
(6) The fair value is calculated using the arbitrage method of valuation.

SUMMARY OF THE 2016 PERFORMANCE SHARES PLAN(1)

Date of General Meeting	18.05.2016			
Date of Board meeting	18.05.2016			
Total number of shares granted	2,478,926			
Vesting date	29.03.2018 (1st instalment) 29.03.2019 (2nd instalment)	29.03.2019	31.03.2020 (1st instalment) 31.03.2022 (2nd instalment)	31.03.2021
Holding period end date	30.09.2018 30.09.2019	N/A	01.04.2021 01.04.2023	02.10.2021
Fair value *(in EUR)*(2)	30.18 (1st instalment) 28.92 (2nd instalment)	29.55	22.07 (1st instalment) 21.17 (2nd instalment)	32.76

(1) Under the annual employee LTI plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).
(2) The fair value is calculated using the arbitrage method of valuation.

SUMMARY OF THE 2017 PERFORMANCE SHARES PLAN(1)

Date of General Meeting	18.05.2016			
Date of Board meeting	15.03.2017			
Total number of shares granted	1,796,759			
Vesting date	29.03.2019 (1st instalment) 31.03.2020 (2nd instalment)	31.03.2020	31.03.2021 (1st instalment) 31.03.2023 (2nd instalment)	31.03.2022
Holding period end date	30.09.2019 02.10.2020	N/A	01.04.2022 01.04.2024	02.10.2022
Fair value *(in EUR)*(2)	42.17 (1st instalment) 40.33 (2nd instalment)	41.05	27.22 (1st instalment) 26.34 (2nd instalment)	43.75

(1) Under the annual employee LTI plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).
(2) The fair value is calculated using the arbitrage method of valuation.

NOTE 6 - INCOME TAX

MAKING IT SIMPLE

Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period.
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

ACCOUNTING PRINCIPLES

CURRENT TAXES

Current tax is based on the taxable profits of each consolidated taxable entity and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under *Income tax* in the consolidated income statement.

DEFERRED TAXES

Deferred taxes are recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments.

Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value.

Deferred tax assets can result from deductible temporary differences or from tax loss carry forwards. These deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set time. These temporary differences or tax loss carry forwards can also be used against future taxable profit.

Tax loss carry forwards are subject to an annual review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognised in the consolidated income statement under *Income tax.* However, deferred taxes related to gains and losses recorded under *Unrealised or deferred gains and losses* are also recognised under the same heading in shareholders' equity.

1. INCOME TAX

(In EUR m)	2017	2016
Current taxes	(1,035)	(1,313)
Deferred taxes[(1)]	(673)	(656)
Total[(2)]	**(1,708)**	**(1,969)**

(1) At 31 December 2017, the deferred taxes include the change in the US tax rate and the appreciation of deferred tax assets of the US tax group for EUR -253 million.

(2) At 31 December 2017, the income tax (current and differed) includes an impact of EUR -163 million relative to the French taxes changes:

- *refund of the additional 3% contribution on dividends, which was rejected by the Constitiutional Council;*
- *exceptional tax on corporate income introduced in the 2017 French Rectificated Finance Act;*
- *progressive reduction in the corporate tax rate included in the 2018 French Finance Act.*

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

(In EUR m)	2017	2016
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	**5,045**	**6,178**
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences[(1)]	12.87%	7.15%
Differential on securities with tax exemption or taxed at reduced rate	(2.23)%	(1.93)%
Tax rate differential on profits taxed outside France	(10.48)%	(6.83)%
Impact of non-deductible losses and use of tax losses carried forward	(0.69)%	(0.96)%
Group effective tax rate	**33.90%**	**31.86%**

(1) At 31 December 2017, the main impact is related to the change in the US tax rate and the appreciation of deferred tax assets of the US tax group for +5.01%, and the change in the French tax rate for +3.23%.

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings (contribution sociale) was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21 December 2017, includes a gradual reduction in French tax rate. Between now and 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% in 2018 and 25.83% from 2022;
- for income taxed at reduced rate, the rate is between 4.13% in 2018 and 3.10% from 2022.

The US tax reform enacted end of December 2017 introduced a new tax on services and interest payments to non-US related parties ("Base Erosion Anti-abuse Tax"). Societe Generale is currently reviewing the potential impact of these new US tax rules, while remaining attentive to guidance that are still expected from US authorities.

2. PROVISIONS FOR TAX ADJUSTMENTS

ACCOUNTING PRINCIPLES

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange;
- and when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

(In EUR m)	Provisions at 31.12.2016	Allowances	Available Write-backs	Net	Used Write-backs	Changes in translation and consolidation scope	Provisions at 31.12.2017
Tax adjustments	**248**	23	(77)	**(54)**	(15)	(17)	**162**

3. TAX ASSETS AND LIABILITIES

TAX ASSETS

(In EUR m)	31.12.2017	31.12.2016
Current tax assets	1,236	1,091
Deferred tax assets	4,765	5,330
o/w deferred tax assets on tax loss carryforwards	*2,970*	*3,083*
o/w deferred tax assets on temporary differences	*1,795*	*2,247*
Total	**6,001**	**6,421**

TAX LIABILITIES

(In EUR m)	31.12.2017	31.12.2016
Current tax liabilities	995	984
Deferred tax liabilities	667	460
Total	**1,662**	**1,444**

Each year, the Group performs a review of tax loss carryforwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in the Group budgetary path and/or on the strategic review of countries, after being approved by empowered management bodies.

In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the Group's tax expertise.

Beyond the Group budgetary path and/or the strategic review, extrapolations are performed particularly from macro-economic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of macro-economic factors chosen and the internal estimations used to determine the tax results contain risks and uncertainties on their realisation over the estimated horizon of the losses absorption. These risks and uncertainties concern the possibilities of change of tax rules applicable (tax result computation as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, the Group realises sensitivity analysis on the achievement of budgetary and strategic assumptions.

At 31 December 2017, these analyses confirm the probability for the Group to use tax loss carryforwards subject to deferred tax assets against future taxable profit.

4. DEFERRED TAX ON UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	31.12.2017	31.12.2016
Tax impact on items that will be subsequently reclassified into income	**(237)**	**(292)**
Available-for-sale financial assets	(243)	(265)
Hedging derivatives	7	(19)
Unrealised or deferred gains and losses accounted for using the equity method and that will be subsequently reclassified into income	(1)	(8)
Tax impact on items that will not be subsequently reclassified into income	**192**	**215**
Actuarial gain / (loss) on post-employment benefits	192	215
Total	**(45)**	**(77)**

5. DEFERRED TAX ASSETS RECOGNISED ON TAX LOSS CARRYFORWARDS

At 31 December 2017, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EUR m)	31.12.2017	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	**2,970**	**-**	**-**
o/w French tax group	*2,457*	*unlimited(1)*	*9 years*
o/w US tax group	*399*	*20 years*	*7 years*
others	*114*	*-*	*-*

(1) In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

At 31 December 2017, the main unrecognised deferred tax assets represent a total of EUR 327 million (compared to EUR 739 million at 31 December 2016). They are mostly related to the US tax group, with EUR 269 million (compared to EUR 702 million at 31 December 2016).

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23 September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (*Conseil d'État)* and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and recently confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, the Societe Generale Group will not fail to assert its rights before the competent courts.

NOTE 7 - SHAREHOLDERS' EQUITY

MAKING IT SIMPLE

Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments (such as certain perpetual subordinated notes).

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

NOTE 7.1 - TREASURY SHARES AND SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

ACCOUNTING PRINCIPLES

TREASURY SHARES

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to deliver cash to the holders of the securities.

When they are classified as equity, securities issued by Societe Generale are recorded under *Other equity instruments*. If they are issued by Group subsidiaries, these securities are recognised under *Non-controlling interests*. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under *Debt securities issued* or *Subordinated debt* depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

1. ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2017	31.12.2016
Ordinary shares	807,917,739	807,713,534
Including treasury stock with voting rights(1)	*6,850,304*	*8,251,751*
Including shares held by employees	*49,830,060*	*55,769,100*

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

At 31 December 2017, Societe Generale S.A.'s capital amounted to EUR 1,009,897,173.75 and was made up of 807,917,739 shares with a nominal value of EUR 1.25.

During the second half of 2017, Societe Generale S.A. carried out a capital increase totalling EUR 0.3 million with additional paid-in capital of EUR 8 million through the issuance of 204,205 shares, resulting from the exercise of stock-options granted in 2010.

2. TREASURY STOCK

At 31 December 2017, the Group held 12,227,289 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 1.51% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 493 million, including EUR 222 million in shares held for trading purposes.

THE CHANGE IN TREASURY STOCK OVER 2017 BREAKS DOWN AS FOLLOWS:

(In EUR m)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	-	(147)	25	**(122)**
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(7)	(22)	**(29)**

3. EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

Perpetual subordinated notes issued by the Group, with some discretionary features governing the payment of interest, are classified as equity.

At 31 December 2017, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million, valued at historical rate.

Issuance Date	Amount in local currency at 31 December 2016	Repurchases and redemptions in 2017	Amount in local currency at 31 December 2017	Amount in millions of euros at historical rate	Remuneration
1 July 1985	EUR 62 M	-	EUR 62 M	62	BAR (Bond Average Rate) of -0.25% for the period from 1 June to 31 May before each due date
24 November 1986	USD 248 M	-	USD 248 M	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%

PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual deeply subordinated notes have been classified as equity and recognised under *Other equity instruments*.

At 31 December 2017, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 8,322 million, valued at historical rate.

The variation of the amount of perpetual deeply subordinated notes reflects the redemptions of three notes during the year.

Issuance Date	Amount in local currency at 31 December 2016	Repurchases and redemptions in 2017	Amount in local currency at 31 December 2017	Amount in millions of euros at historical rate	Remuneration
5 April 2007	USD 63 M	USD 63 M	-	47	3-month USD Libor +0.75% annually, from 2017 3-month USD Libor +1.75% annually
5 April 2007	USD 808 M	USD 808 M	-	604	5.922%, from 2017 3-month USD Libor +1.75% annually
19 December 2007	EUR 463 M	EUR 463 M	-	463	6.999%, from 2018 3-month Euribor +3.35% annually
16 June 2008	GBP 506 M	-	GBP 506 M	642	8.875%, from 2018 3-month GBP Libor +3.4% annually
4 September 2009	EUR 905 M	-	EUR 905 M	905	9.375%, from 2019 3-month Euribor +8.901% annually
6 September 2013	USD 1,250 M	-	USD 1,250 M	953	8.25%, from 29 November 2018 USD 5-year Mid Swap Rate +6.394%
18 December 2013	USD 1,750 M	-	USD 1,750 M	1,273	7.875%, from 18 December 2023, USD 5-year Mid Swap Rate +4.979%
25 June 2014	USD 1,500 M	-	USD 1,500 M	1,102	6%, from 27 January 2020, USD 5-year Mid Swap Rate +4.067%
7 April 2014	EUR 1,000 M	-	EUR 1,000 M	1,000	6.75%, from 7 April 2021, EUR 5-year Mid Swap Rate +5.538%
29 September 2015	USD 1,250 M	-	USD 1,250 M	1,111	8.00% from 29 September 2025, USD 5-year Mid Swap rate +5.873%
13 September 2016	USD 1,500 M	-	USD 1,500 M	1,335	7.375% from 13 September 2021, USD 5-year Mid Swap rate +6.238%

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual subordinated notes issued by the Group's subsidiaries are classified as equity.

At 31 December 2017, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

Issuance Date	**Amount**	**Remuneration**
18 December 2014 (step-up clause after 12 years)	EUR 800 M	4.125%, from 2026 5-year Mid-Swap rate + 4.150% annually

SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

Changes related to the perpetual subordinated notes and deeply subordinated notes included in *Shareholder's equity, Group share* are detailed below:

	31.12.2017		
(In EUR m)	**Deeply subordinated notes**	**Perpetual subordinated notes**	**Total**
Remuneration paid booked under dividends (2017 *Dividends paid* line)	(735)	(3)	**(738)**
Changes in nominal values in 2017	(1,114)	-	**(1,114)**
Tax savings on remuneration payable to shareholders and recorded under reserves	186	1	**187**

NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

ACCOUNTING PRINCIPLES

Earnings per share are measured by dividing net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. Net income attributable to ordinary shareholders takes account of dividend rights of preferred shareholders, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. Diluted earnings per share take into account the potential dilution of shareholders' interests in the event dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

1. EARNINGS PER SHARE

(In EUR m)	2017	2016
Net income, Group share	2,806	3,874
Net attributable income to deeply subordinated notes	(466)	(465)
Issuance fees relating to subordinated notes	-	(7)
Net income attributable to ordinary shareholders	**2,340**	**3,402**
Weighted average number of ordinary shares outstanding(1)	800,596,132	798,767,809
Earnings per ordinary share (in euros)	**2.92**	**4.26**
Average number of ordinary shares used in the dilution calculation(2)	50	19,154
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	800,596,182	798,786,963
Diluted earnings per ordinary share (in euros)	**2.92**	**4.26**

(1) Excluding treasury shares.

(2) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares and stock-option plans.

The dilutive effect of stock-option plans depends on the average Societe Generale share price, which at 31 December 2017 was EUR 46.79. Accordingly, at 31 December 2017, there are neither free shares nor stock options plan, granted without any performance condition, which are considered as dilutive.

2. DIVIDENDS PAID

Dividends paid by the Group in 2017 amounted to EUR 2,776 million and are detailed in the following table:

	2017			2016		
(In EUR m)	**Group Share**	**Non-controlling interests**	**Total**	**Group Share**	**Non-controlling interests**	**Total**
Ordinary shares	(1,762)	(243)	(2,005)	(1,596)	(258)	(1,854)
o/w paid in shares	-	-	-	-	-	-
o/w paid in cash	*(1,762)*	*(243)*	*(2,005)*	*(1,596)*	*(258)*	*(1,854)*
Other equity instruments	(738)	(33)	(771)	(693)	(33)	(726)
Total	**(2,500)**	**(276)**	**(2,776)**	**(2,289)**	**(291)**	**(2,580)**

NOTE 8 - ADDITIONAL DISCLOSURES

NOTE 8.1 - SEGMENT REPORTING

1. DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, Crédit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
  - International Retail Banking, including consumer finance activities,
  - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance),
  - Insurance activities;
- Global Banking and Investor Solutions which comprises:
  - Global Markets and Investors Services,
  - Financing and Advisory,
  - Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's central funding department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-Group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

2. SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	Societe Generale Group		French Retail Banking		Corporate Centre [2]	
(In EUR m)	2017	2016	2017	2016	2017	2016
Net banking income	23,954	25,298	8,131	8,403	(1,134)	14
Operating Expenses[1]	(17,838)	(16,817)	(6,108)	(5,522)	(361)	(135)
Gross operating income	**6,116**	**8,481**	**2,023**	**2,881**	**(1,495)**	**(121)**
Cost of risk	(1,349)	(2,091)	(567)	(704)	(400)	(340)
Operating income	**4,767**	**6,390**	**1,456**	**2,177**	**(1,895)**	**(461)**
Net income from companies accounted for by the equity method	92	129	32	51	17	11
Net income / expense from other assets	278	(212)	7	(12)	236	(282)
Value adjustments on goodwill	1	-	-	-	-	-
Earnings before tax	**5,138**	**6,307**	**1,495**	**2,216**	**(1,642)**	**(732)**
Income tax	(1,708)	(1,969)	(485)	(730)	54	(156)
Net income before non-controlling interests	**3,430**	**4,338**	**1,010**	**1,486**	**(1,588)**	**(888)**
Non-controlling interests	624	464	-	-	157	158
Net income, Group share	**2,806**	**3,874**	**1,010**	**1,486**	**(1,745)**	**(1,046)**

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EUR m)	2017	2016	2017	2016	2017	2016	2017	2016
Net banking income	5,279	5,012	1,802	1,677	989	883	8,070	7,572
Operating Expenses (1)	(3,198)	(3,109)	(905)	(825)	(371)	(339)	(4,474)	(4,273)
Gross operating income	**2,081**	**1,903**	**897**	**852**	**618**	**544**	**3,596**	**3,299**
Cost of risk	(349)	(721)	(51)	(58)	-	-	(400)	(779)
Operating income	**1,732**	**1,182**	**846**	**794**	**618**	**544**	**3,196**	**2,520**
Net income from companies accounted for by the equity method	24	18	17	19	-	-	41	37
Net income / expense from other assets	36	58	-	-	-	-	36	58
Value adjustments on goodwill	1	-	-	-	-	-	1	-
Earnings before tax	**1,793**	**1,258**	**863**	**813**	**618**	**544**	**3,274**	**2,615**
Income tax	(421)	(293)	(227)	(230)	(210)	(174)	(858)	(697)
Net income before non-controlling interests	**1,372**	**965**	**636**	**583**	**408**	**370**	**2,416**	**1,918**
Non-controlling interests	382	280	57	5	2	2	441	287
Net income, Group share	**990**	**685**	**579**	**578**	**406**	**368**	**1,975**	**1,631**

(In EUR m)	Global Banking and Investor Solutions							
	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Net banking income	5,679	5,936	2,220	2,372	988	1,001	8,887	9,309
Operating Expenses(1)	(4,436)	(4,390)	(1,546)	(1,539)	(913)	(958)	(6,895)	(6,887)
Gross operating income	**1,243**	**1,546**	**674**	**833**	**75**	**43**	**1,992**	**2,422**
Cost of risk	(34)	(4)	50	(247)	2	(17)	18	(268)
Operating income	**1,209**	**1,542**	**724**	**586**	**77**	**26**	**2,010**	**2,154**
Net income from companies accounted for by the equity method	5	4	(3)	(2)	-	28	2	30
Net income / expense from other assets	-	-	(1)	28	-	(4)	(1)	24
Value adjustments on goodwill	-	-	-	-	-	-	-	-
Earnings before tax	**1,214**	**1,546**	**720**	**612**	**77**	**50**	**2,011**	**2,208**
Income tax	(322)	(327)	(76)	(53)	(21)	(6)	(419)	(386)
Net income before non-controlling interests	**892**	**1,219**	**644**	**559**	**56**	**44**	**1,592**	**1,822**
Non-controlling interests	20	14	4	3	2	2	26	19
Net income, Group share	**872**	**1,205**	**640**	**556**	**54**	**42**	**1,566**	**1,803**

(1) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(2) Income and expenses not directly related to the business line activities are recorded in the Corporate Centre's income. Thus, the Net Banking Income includes the revaluation differences for debts related to own credit risk (EUR - 53 million at 31 December 2017) and compensation of EUR -963 million for the transaction agreement between Societe Generale and the Libyan Investment Authority.

The Net Banking Income for the year 2016 includes EUR 725 million in capital gain on the sale of Visa Europe shares.

In addition, the Net income from other assets for the year 2016 registered a depreciation of EUR -235 million in unrealised losses on non-current assets held for sale on the retail bank in Croatia. In 2017, Net income from other assets includes EUR 203 million related to the acquisition of the remaining 50% in Antarius and EUR 73 million in capital gains on the disposal of Fortune SG Fund Management Co Ltd.

(In EUR m)	Societe Generale Group		French Retail Banking		Corporate Centre [2]	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Segment assets*	1,275,128	1,354,422	226,346	217,971	116,737	129,635
Segment liabilities[1]*	1,211,091	1,288,716	230,110	224,222	92,515	97,495

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EUR m)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Segment assets	116,749	115,844	39,645	35,455	149,785	126,271	306,179	277,570
Segment liabilities[1]	91,853	88,616	12,106	11,057	141,676	119,311	245,635	218,984

	Global Banking and Investor Solutions							
	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EUR m)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Segment assets*	494,111	586,409	97,179	102,613	34,576	40,224	625,866	729,246
Segment liabilities[1]*	593,419	686,995	24,063	29,898	25,349	31,122	642,831	748,015

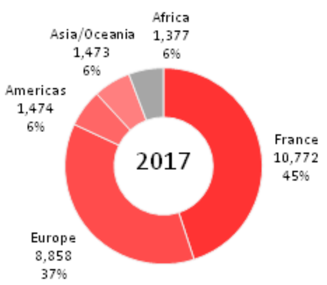
** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

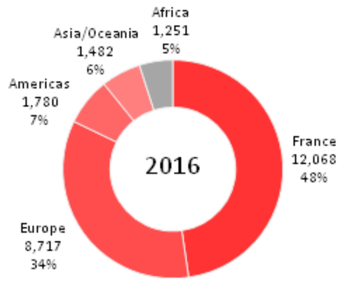
(1) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(2) Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet. Thus the debt revaluation differences linked to own credit risk and the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios are allocated to the Corporate Centre.

3. SEGMENT REPORTING BY GEOGRAPHICAL REGION

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME

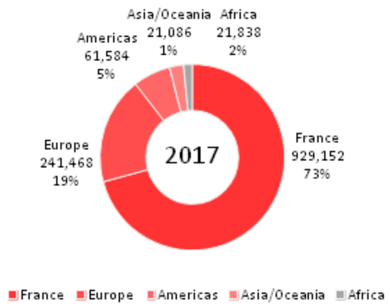


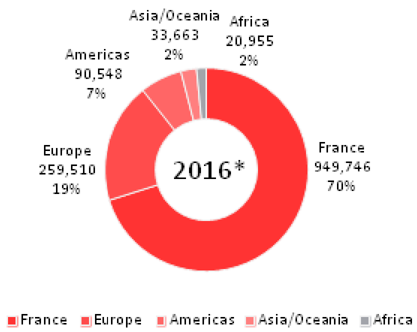


At 31 December 2017, the amount of Net Banking Income was EUR 23,954 million compared to EUR 25,298 million at 31 December 2016.

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS

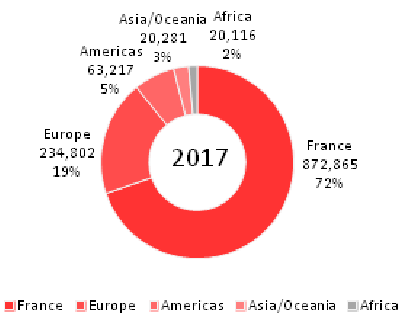
ASSETS

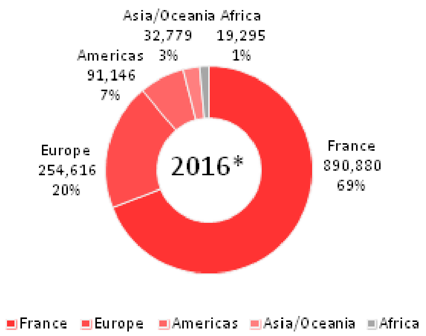




At 31 December 2017, the amount of asset was EUR 1,275,128 million compared to EUR 1,354,422* million at 31 December 2016.

LIABILITIES





At 31 December 2017, the amount of liabilities (except shareholder equity) was EUR 1,211,091 million compared to EUR 1,288,716* million at 31 December 2016.

Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

NOTE 8.2 - OTHER OPERATING EXPENSES

ACCOUNTING PRINCIPLES

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Lease payments include real estate and equipment leasing expenses (mainly computer-related), which are booked over the lease period using the straight-line method.

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised on the income statement at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised on the income statement at 1st January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EUR m)	**2017**	**2016**
Rentals*	(839)	(912)
Taxes and levies	(919)	(802)
Data & telecom (excluding rentals)	(2,265)	(2,126)
Consulting fees (excluding data & telecom)	(1,340)	(1,294)
Other*(1)	(1,720)	(1,289)
Total	**(7,083)**	**(6,423)**

** Amounts restated compared to the financial statements published in 2016.*

(1) In 2016, the European Commission reduced the fine imposed on Societe Generale in 2013, in connection with Euribor. It was recorded, for the first half of 2016 and at 31 December 2016, as a decrease in Other operating expenses (under "Other") for a total of EUR 218 million.

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/49/UE of 16 April 2014 on deposit guarantee schemes and the Directive 2014/59/UE of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE n°806/2014 of 15 July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF). In addition to this instrument, the National Resolution Fund (NRF) exists for institutions subject to this resolution mechanisms, but that have no SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the year 2017, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 366 million, of which EUR 319 million for the SRF and EUR 47 million for the NRF (EUR 245 million for the SRF and EUR 47 million for the NRF in 2016). These contributions are non tax-deductible in France and have been recorded in the income statement in *Other administrative expenses,* among *Taxes and levies*;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 64 million related to the SRF (EUR 35 million in 2016), recorded as an asset in the balance sheet, among *Other assets*.

NOTE 8.3 - PROVISIONS

ACCOUNTING PRINCIPLES

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes, employee benefits and income tax adjustments.

BREAKDOWN OF PROVISIONS

(In EUR m)	31.12.2017	31.12.2016
Provisions for financial instruments and disputes (see Note 3.8)	3,855	3,589
Provisions for employee benefits (see Note 5.2)	2,100	1,850
Provisions for tax adjustments (see Note 6)	162	248
Total	**6,117**	**5,687**

NOTE 8.4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

ACCOUNTING PRINCIPLES

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets.*

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*.

Investment properties are depreciated using the component based-method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on operating lease assets and on investment property, including amortisation and depreciation, are recognised under *Income from other activities* and *Expense from other activities* (see Note 4.2).

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EUR m)	Gross book value at 31.12.2016	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications	Gross value at 31.12.2017	Depreciation and amortisation of assets at 31.12.2016	Allocations to amortisation and depreciation in 2017	Impairment of assets in 2017	Write-backs from amortisation and depreciation in 2017	Changes in translation, consolidation scope and reclassifications	Net book value at 31.12.2017	Net book value at 31.12.2016
Intangible assets	5,674	696	(47)	(86)	6,237	(3,957)	(437)	(2)	32	67	1,940	1,717
Operating tangible assets	10,704	675	(273)	(90)	11,016	(5,685)	(551)	(19)	188	103	5,052	5,019
Lease assets of specialised financing companies	20,230	9,488	(6,968)	949	23,699	(5,813)	(3,276)	15	2,787	(224)	17,188	14,417
Investment property	771	61	(12)	(43)	777	(141)	(19)	-	6	15	638	630
Total tangible and intangible fixed assets	**37,379**	**10,920**	**(7,300)**	**730**	**41,729**	**(15,596)**	**(4,283)**	**(6)**	**3,013**	**(39)**	**24,818**	**21,783**

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EUR m)	31.12.2017	31.12.2016
Breakdown of minimum payments receivable		
due in less than one year	*3,400*	*3,374*
due in 1-5 years	*12,392*	*7,557*
due in more than five years	*328*	*40*
Total minimum future payments receivable	**16,120**	**10,971**

NOTE 8.5 - FOREIGN EXCHANGE TRANSACTIONS

ACCOUNTING PRINCIPLES

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1).

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates prevailing at the end of the period. Unrealised gains and losses are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign operation (see Note 3.2).

Non-monetary financial assets denominated in foreign currencies, including shares and other equity instruments that are not measured at fair value through profit or loss, are translated into the entity's functional currency at the exchange rate prevailing at the end of the period. Foreign exchange differences arising on these financial assets are booked in equity among *Unrealised or deferred gains and losses* and are only recorded in the income statement when sold or impaired or where the currency risk is fair value-hedged. In particular, if a non-monetary asset is funded by a liability denominated in the same currency and if a fair value hedge relationship has been documented between these two financial instruments to hedge the foreign currency risk, the asset is translated at the spot rate prevailing at the end of the period while booking the impact of exchange rate fluctuations to income.

	31.12.2017				31.12.2016*			
(In EUR m)	**Assets**	**Liabilities**	**Currencies bought, not yet received**	**Currencies sold, not yet delivered**	**Assets**	**Liabilities**	**Currencies bought, not yet received**	**Currencies sold, not yet delivered**
EUR	813,117	790,479	27,723	31,949	779,465	769,239	28,389	24,501
USD	242,646	229,177	51,273	41,661	340,616	317,153	40,313	48,248
GBP	53,717	37,804	15,021	10,321	54,739	36,134	10,664	7,388
JPY	24,058	54,176	17,753	24,588	34,354	79,722	21,104	17,180
AUD	5,981	7,035	4,830	5,910	8,122	8,043	3,700	5,730
CZK	33,753	36,175	572	766	29,456	31,296	502	575
RUB	13,537	10,590	37	88	11,780	9,126	91	111
RON	7,630	7,967	168	132	7,453	7,690	124	235
Other currencies	80,689	101,725	32,740	27,191	88,437	96,019	24,162	17,287
Total	**1,275,128**	**1,275,128**	**150,117**	**142,606**	**1,354,422**	**1,354,422**	**129,049**	**121,255**

** Amounts restated compared to the 31 December 2016 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options (see Note 3).*

NOTE 8.6 - COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
South Africa								
	(1)	SG JOHANNESBURG	Bank	FULL	100	100	100	100
Albania								
		BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	88.89	88.64	88.89	88.64
Algeria								
		ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	79.81	99.99	99.99	99.99
		SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany								
		AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	100	100	100
		ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	100	100	100
		ALD INTERNATIONAL SAS & CO. KG	Specialist Financing	FULL	79.82	100	100	100
		ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
		BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.91	99.9	51	51
		BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100	100
		CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	100	100	100
		CARPOOL GMBH	Broker	FULL	79.82	100	100	100
		EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
		EUROPARC GMBH	Real Estate and Real Estate Financing	FULL	100	100	100	100
		EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
		GEFA BANK GMBH	Specialist Financing	FULL	100	100	100	100
		GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100	100
		HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75	75
		HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100	100
		HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100	100
		INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	100	100	100
	(4)	ONVISTA	Services	FULL		100		100
	(4)	ONVISTA BANK	Broker	FULL		100		100
	(4)	ONVISTA MEDIA GMBH	Services	FULL		100		100
		PEMA GMBH	Specialist Financing	FULL	100	100	100	100
		PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	100	100	100	100
		RED & BLACK AUTO GERMANY 2 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	99.91	99.9	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	99.91	99.9	100	100
		RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100	100
		RED & BLACK CAR SALES 1UG	Financial Company	FULL	79.82	100	100	100
	(2)	RED & BLACK TME GERMANY 1 UG	Financial Company	FULL		100		100
		SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE SA & CO KG	Specialist Financing	FULL	100	100	100	100
	(1)	SG FRANCFORT	Bank	FULL	100	100	100	100
		SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1)	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
	(1)	SOGECAP RISQUES DIVERS DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
Australia								
		SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
Austria								
		ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	79.82	100	100	100
		SG EQUIPMENT LEASING AUSTRIA GMBH	Specialist Financing	EFS	100	100	100	100
	(1)	SG VIENNE	Bank	FULL	100	100	100	100
Belgium								
		AXUS FINANCE SPRL	Specialist Financing	FULL	79.82	100	100	100
		AXUS SA/NV	Specialist Financing	FULL	79.82	100	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
	(2)	MILFORD	Specialist Financing	FULL		100		100
		PARCOURS BELGIUM	Specialist Financing	FULL	79.82	100	100	100
		PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	100	100	100	100
	(1)	SG BRUXELLES	Bank	FULL	100	100	100	100
	(1)	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
	(6)	SOCIETE GENERALE DE FINANCEMENT	Financial Company	FULL	100		100	
		SOCIETE GENERALE IMMOBEL	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING NV/SA	Bank	FULL	100	100	100	100
Benin								
		SOCIETE GENERALE BENIN	Bank	FULL	89.64	88.34	90.3	89.01
Bermuda								
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
Brazil								
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	79.82	100	100	100
	(5)	BANCO CACIQUE S.A.	Bank	FULL		100		100
	(4)	BANCO PECUNIA S.A.	Bank	FULL		100		100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
	(5)	CACIQUE PROMOTORA DE VENDAS LTDA	Specialist Financing	FULL		100		100
	(5)	COBRACRED COBRANCA ESPECIALIZADA LTDA	Financial Company	FULL		100		100
	(5)	CREDIAL EMPREENDIMENTOS E SERVICOS LTDA	Specialist Financing	FULL		100		100
		MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	100	100	100	100
	(2)	NEWEDGE REPRESENTACOES LTDA (NEWEDGE BRAZIL)	Broker	FULL		100		100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SOCIETE GENERALE S.A. CORRETORA DE CAMBIO, TITULOS E VALORES MOBILIARIOS	Broker	FULL	100	100	100	100
Bulgaria								
		REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	51.86	51.86	52	52
		SG EXPRESS BANK	Bank	FULL	99.74	99.74	99.74	99.74
		SOCIETE GENERALE FACTORING	Specialist Financing	FULL	99.74	99.74	100	100
		SOGELEASE BULGARIA	Specialist Financing	FULL	99.74	99.74	100	100
Burkina Faso								
		SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
Cameroon								
		SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08
Canada								
		KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100	100
		SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
	(8)	SG HAMBROS TRUST COMPANY (CANADA) INC	Financial Company	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
China								
		ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	EFS	39.91	50	50	50
	(4)	FORTUNE SG FUND MANAGEMENT CO. , LTD.	Financial Company	EJV		49		49
		SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
South Korea								
		SG SECURITIES KOREA CO, LTD	Broker	FULL	100	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire								
		SOCIETE GENERALE DE BANQUES EN COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
		SOGEBOURSE EN COTE D'IVOIRE	Portfolio Management	FULL	71.27	71.27	100	100
Croatia								
		ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	79.82	100	100	100
	(4)	S.B.ZGRADA	Group Real Estate Management Company	FULL		100		100
	(4)	SG LEASING D.O.O.	Specialist Financing	FULL		100		100
	(4)	SOCIETE GENERALE-SPLITSKA BANKA D.D.	Bank	FULL		100		100
Curaçao								
		SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark								
		ALD AUTOMOTIVE A/S	Specialist Financing	FULL	79.82	100	100	100
		NF FLEET A/S	Specialist Financing	FULL	63.85	80	80	80
		PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	100	100	100	100
	(1)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100	100
United Arab Emirates								
	(1)	SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100	100
Spain								
		ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	79.82	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
	(6)	ALD AUTORENTING S.A.U.	Specialist Financing	FULL	79.82		100	
		ALTURA MARKETS, SOCIEDAD DE VALORES, SA	Broker	EJV	50	50	50	50
	(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
		PARCOURS IBERIA SA	Specialist Financing	FULL	79.82	100	100	100
		SELF TRADE BANK SA	Broker	FULL	100	100	100	100
		SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.	Specialist Financing	FULL	100	100	100	100
		SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
	(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
		SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia								
		ALD AUTOMOTIVE EESTI AS	Specialist Financing	EFS	59.87	75.01	75.01	75.01
United States								
		AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	(8)	CGI FINANCE INC	Financial Company	FULL	99.89	99.89	100	100
	(8)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.89	99.89	100	100
	(8)	CLASSIC YACHT DOCUMENTATION, INC.	Services	FULL	99.89	99.89	100	100
		LYXOR ASSET MANAGEMENT HOLDING CORP.	Portfolio Management	FULL	100	100	100	100
		LYXOR ASSET MANAGEMENT INC.	Financial Company	FULL	100	100	100	100
		SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
		SG AMERICAS OPERATIONAL SERVICES, INC.	Services	FULL	100	100	100	100
		SG AMERICAS SECURITIES HOLDINGS, LLC	Bank	FULL	100	100	100	100
		SG AMERICAS SECURITIES, LLC	Broker	FULL	100	100	100	100
		SG AMERICAS, INC.	Financial Company	FULL	100	100	100	100
		SG CONSTELLATION, INC.	Financial Company	FULL	100	100	100	100
		SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
		SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
		SG MORTGAGE SECURITIES, LLC	Portfolio Management	FULL	100	100	100	100
		SG REINSURANCE INTERMEDIARY BROKERAGE, LLC	Insurance	FULL	100	100	100	100
		SG STRUCTURED PRODUCTS, INC.	Specialist Financing	FULL	100	100	100	100
		SGAIF, LLC	Financial Company	FULL	100	100	100	100
		SGAIH, INC.	Financial Company	FULL	100	100	100	100
	(8)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	50.94	50.94	100	100
	(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE ENERGY LLC	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LIQUIDITY FUNDING, LLC	Financial Company	FULL	100	100	100	100
		TENDER OPTION BOND PROGRAM	Financial Company	FULL	100	100	100	100
Finland								
		AXUS FINLAND OY	Specialist Financing	FULL	79.82	100	100	100
	(2)	EASY KM OY	Specialist Financing	FULL		100		100
		NF FLEET OY	Specialist Financing	FULL	63.85	80	80	80
France								
	(6)	29 HAUSSMANN EQUILIBRE	Portfolio Management	FULL	87.1		87.1	
	(6)	29 HAUSSMANN EURO RDT	Portfolio Management	FULL	58.1		58.1	
	(6)	29 HAUSSMANN SELECTION MONDE	Portfolio Management	FULL	68.7		68.7	

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
	(4)	ADILOTZ	Real Estate and Real Estate Financing	ESI		61		100
		AIR BAIL	Specialist Financing	FULL	100	100	100	100
		AIX - BORD DU LAC - 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
		AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(3)	ALBIGNY AVORAUX	Real Estate and Real Estate Financing	FULL		95.5		100
		ALD	Specialist Financing	FULL	79.82	100	79.82	100
		ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	79.82	100	100	100
		ALPRIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		ANTALIS SA	Financial Company	FULL	100	100	100	100
	(6)	ANTARES	Real Estate and Real Estate Financing	ESI	45		45	
		ANTARIUS	Insurance	FULL	100	50	100	50
	(3)	ANTARIUS FONDS ACTIONS PLUS	Financial Company	EJV		50		100
	(3)	ANTARIUS FONDS OBLIGATAIRE	Financial Company	EJV		49.75		99.5
	(3)	ANTARIUS OBLI 1-3 ANS	Financial Company	EJV		50		100
	(3)	ANTARIUS ROTATION SECTORIELLE	Financial Company	EJV		48.63		97.27
	(4)	AQPRIM	Real Estate and Real Estate Financing	FULL		55		55
	(4)	ATLANTIQUE DEVELOPPEMENT IMMOBILIER	Real Estate and Real Estate Financing	ESI		40		40
		AVIVA INVESTORS RESERVE EUROPE	Financial Company	FULL	69.35	31.44	69.35	62.89
	(6)	AXA SOGECAP LOAN	Portfolio Management	FULL	100		100	
		BANQUE COURTOIS	Bank	FULL	100	100	100	100
		BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
		BANQUE KOLB	Bank	FULL	99.97	99.87	99.97	99.87
		BANQUE LAYDERNIER	Bank	FULL	100	100	100	100
		BANQUE NUGER	Bank	FULL	100	100	100	100
		BANQUE POUYANNE	Bank	ESI	35	35	35	35
		BANQUE RHONE ALPES	Bank	FULL	99.99	99.99	99.99	99.99
		BANQUE TARNEAUD	Bank	FULL	100	100	100	100
		BOURSORAMA INVESTISSEMENT	Services	FULL	100	100	100	100
		BOURSORAMA SA	Broker	FULL	100	100	100	100
		BREMANY LEASE SAS	Specialist Financing	FULL	79.82	100	100	100
		CAEN - RUE BASSE	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		CAEN - RUE DU GENERAL MOULIN	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		CARBURAUTO	Group Real Estate Management Company	EJV	50	50	50	50
		CARRERA	Group Real Estate Management Company	EJV	50	50	50	50
		CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	FULL	60	60	60	60
		CHARTREUX LOT A1	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
	(3)	COEUR DE LEZ	Real Estate and Real Estate Financing	ESI		30		30
	(2)	COEUR EUROPE	Real Estate and Real Estate Financing	EJV		50		50
		COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	FULL	100	100	100	100
		COMPAGNIE GENERALE D'AFFACTURAGE	Services	FULL	100	100	100	100
		COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	FULL	99.89	99.89	99.89	99.89
		CONTE	Group Real Estate Management Company	EJV	50	50	50	50
	(3)	COURS BEAULIEU	Real Estate and Real Estate Financing	ESI		40		40
		CREDINORD CIDIZE	Financial Company	FULL	100	100	100	100
		CREDIT DU NORD	Bank	FULL	100	100	100	100
		DARWIN DIVERSIFIE 0-20	Portfolio Management	FULL	88.67	88.67	88.67	88.67
		DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	79.98	79.98	79.98	79.98
		DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	78.1	78.1	78.1	78.1
		DESCARTES TRADING	Financial Company	FULL	100	100	100	100
		DESSUARD	Real Estate and Real Estate Financing	ESI	40	40	40	40
		DEVILLE AV LECLERC	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
		ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
		ETOILE CLIQUET 90	Financial Company	FULL	73.52	35.02	73.52	70.05
	(3)	ETOILE GARANTI AVRIL 2018	Financial Company	EJV		25.42		50.85
	(3)	ETOILE GARANTI FEVRIER 2020	Financial Company	EJV		43.37		86.74
	(3)	ETOILE GARANTI JUILLET 2018	Financial Company	EJV		28.32		56.64
		ETOILE ID	Financial Company	FULL	100	100	100	100
	(3)	ETOILE MULTI GESTION ACTIFS	Financial Company	EJV		25.91		51.83
	(3)	ETOILE MULTI GESTION ACTIFS PLUS	Financial Company	EJV		27.75		55.5
	(3)	ETOILE MULTI GESTION CROISSANCE	Financial Company	EJV		26.02		52.04
	(3)	ETOILE MULTI GESTION FRANCE	Financial Company	EJV		28.23		56.47
	(3)	ETOILE PATRIMOINE 50	Financial Company	EJV		31.27		62.55
	(3)	ETOILE USA 500	Financial Company	EJV		27.88		55.76
	(3)	EUGENE ROY	Real Estate and Real Estate Financing	ESI		40		40
		F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80	80	100	100
		FCC ALBATROS	Portfolio Management	FULL	100	100	51	51
	(8)	FCT CODA	Financial Company	FULL	100	100	100	100
	(3)	FCT COMPARTMENT SOGECAP SG 1	Financial Company	FULL		100		100
	(2)	FCT R&B BDDF PPI	Portfolio Management	FULL		100		100
	(6)	FEEDER LYX E ST50 D5	Portfolio Management	FULL	100		100	
	(6)	FEEDER LYX E ST50 D6	Portfolio Management	FULL	100		100	
		FEEDER LYXOR CAC 40	Financial Company	FULL	99.77	99.77	99.77	99.77
	(6)	FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	FULL	100		100	
		FEEDER LYXOR STOXX 50	Financial Company	FULL	99.56	99.56	99.56	99.56
		FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
		FIDUCEO	Services	FULL	100	100	100	100
		FINANCIERE PARCOURS	Specialist Financing	FULL	79.82	100	100	100
		FINANCIERE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100
		FINASSURANCE SNC	Broker	FULL	98.89	98.89	99	99
		FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99
		FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100
		GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
	(3)	GARDEN PARK	Real Estate and Real Estate Financing	ESI		40		40
		GENEBANQUE	Bank	FULL	100	100	100	100
		GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100
		GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
		GENECOMI	Specialist Financing	FULL	99.64	99.64	99.64	99.64
		GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
		GENEFINANCE	Portfolio Management	FULL	100	100	100	100
		GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
		GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
		GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
		IMAPRIM AMENAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
		IMMOBILIER BORDEAUX	Specialist Financing	FULL	79.82	100	100	100
		IMMOBILIERE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(1)	INORA LIFE FRANCE	Insurance	FULL	100	100	100	100
		INTER EUROPE CONSEIL	Financial Company	FULL	100	100	100	100
		INVESTIR IMMOBILIER - MAROMME	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	80	100	80
		INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
		KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
		LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	35	35	35	35
		LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
		LA COURTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LA CROIX BOISEE	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
	(4)	LAGUNAK	Real Estate and Real Estate Financing	ESI		40		40
	(3)	LE HAMEAU DE DONAMARTIA	Real Estate and Real Estate Financing	ESI		40		40
		LES ALLEES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
		LES CEDRES BLEUS	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(3)	LES DEUX POMMES D'OR	Real Estate and Real Estate Financing	ESI		30		30
	(4)	LES HAUTS DE LA HAIE VIGNE	Real Estate and Real Estate Financing	EJV		49		50
		LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(6)	LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30		30	
		LES MESANGES	Real Estate and Real Estate Financing	FULL	55	44	55	55
	(3)	LES SERRES	Real Estate and Real Estate Financing	ESI		30		30
		LES VILLAS VINCENTI	Real Estate and Real Estate Financing	ESI	30	30	30	30
		L'HESPEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(6)	LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	48.87		50	

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	(6)	LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27		87.27	
	(6)	LYXOR INTERMEDIATION	Broker	FULL	100		100	
		LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
		MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	43	43	50	50
		NOAHO	Real Estate and Real Estate Financing	FULL	85	85	85	85
		NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
		NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		NORIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	NORMANDIE REALISATIONS	Real Estate and Real Estate Financing	FULL	100		100	
		ONYX	Group Real Estate Management Company	EJV	50	50	50	50
		OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
		OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
		ORADEA VIE	Insurance	FULL	100	100	100	100
		ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
		PACTIMO	Real Estate and Real Estate Financing	FULL	86	86	86	86
		PANORAMIK	Real Estate and Real Estate Financing	EJV	50	49	50	50
		PARCOURS	Specialist Financing	FULL	79.82	100	100	100
		PARCOURS ANNECY	Specialist Financing	FULL	79.82	100	100	100
		PARCOURS IMMOBILIER	Specialist Financing	FULL	79.82	100	100	100
		PARCOURS NANTES	Specialist Financing	FULL	79.82	100	100	100
		PARCOURS STRASBOURG	Specialist Financing	FULL	79.82	100	100	100
		PAREL	Services	FULL	100	100	100	100
		PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	(4)	PORTE NEUVE	Real Estate and Real Estate Financing	ESI		37.5		37.5
		PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
		PRIMAXIA	Real Estate and Real Estate Financing	FULL	93.74	81.74	95	86
		PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
		PROGEREAL SA	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
		PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
		RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	(6)	RED & BLACK HOME LOANS FRANCE 1	Financial Company	FULL	100		100	
		RIVAPRIM	Real Estate and Real Estate Financing	FULL	80	80	80	80
		S.C.I. DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	S.C.I. LES JARDINS DE XANA	Real Estate and Real Estate Financing	ESI		40		40
		SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
		SAINT CLAIR	Real Estate and Real Estate Financing	EJV	50	40	50	50
		SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SARL ALPRIM HABITAT	Real Estate and Real Estate Financing	FULL		100		100
		SARL CS 72 - KERIADENN	Real Estate and Real Estate Financing	ESI	32.5	57.5	32.5	95

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43	43	50	50
	(6)	SARL DE LA COTE D'OPALE	Real Estate and Real Estate Financing	ESI	35		35	
		SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	ESI	32.5	57.5	32.5	95
	(4)	SARL DT 6 NANTES	Real Estate and Real Estate Financing	EJV		70		100
		SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	35	61	35	100
	(4)	SARL ORIO	Real Estate and Real Estate Financing	ESI		40		40
		SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	71.62	52.5	75	52.5
		SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	50	70	50	100
		SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
		SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	86	100	100
		SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	100	98	100	100
	(6)	SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28		28	
		SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	FULL	80		100	
	(6)	SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	68.4		68.4	
	(6)	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	EJV	50		50	
	(6)	SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51		51	
		SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SAS TOUR D2	Real Estate and Real Estate Financing	JO	50	50	50	50
	(6)	SAS ZAC DU TRIANGLE	Real Estate and Real Estate Financing	FULL	48.7		51	
		SC ALICANTE 2000	Group Real Estate Management Company	FULL	100	100	100	100
		SC CHASSAGNE 2000	Group Real Estate Management Company	FULL	100	100	100	100
		SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	51.6	43.86	60	51
		SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCCV 3 CHATEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV ADIVO	Real Estate and Real Estate Financing	ESI	26	46	26	76
		SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	ESI	49	49	49	49
	(3)	SCCV APPARTOCEANIS	Real Estate and Real Estate Financing	ESI		57.5		95
	(6)	SCCV BAHIA	Real Estate and Real Estate Financing	FULL	48.7		51	
		SCCV BALMA ENTREPRISE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV BASSENS LES MONTS	Real Estate and Real Estate Financing	FULL	70	70	70	70
		SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	FULL	100	80.18	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	50	40	50	50
	(3)	SCCV BRIANDERIE	Real Estate and Real Estate Financing	ESI		61		100
	(6)	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	EJV	47.75		50	
		SCCV CAEN CHARITE - ILOT 3	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		SCCV CHARITE - REHABILITATION	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	50	40	50	50
		SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		SCCV CITY SQUARE	Real Estate and Real Estate Financing	ESI	35	61	35	100
		SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV COURS CLEMENCEAU	Real Estate and Real Estate Financing	ESI	28	48.8	28	80
	(6)	SCCV CUGNAUX-LEO LAGRANGE	Real Estate and Real Estate Financing	EJV	43		50	
		SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	35	61	35	100
		SCCV EKO PARK OCEAN	Real Estate and Real Estate Financing	ESI	32.5	57.5	32.5	95
	(3)	SCCV ERDREO	Real Estate and Real Estate Financing	ESI		57.5		95
		SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV ETERVILLE RUE DU VILLAGE	Real Estate and Real Estate Financing	FULL	100	80.18	100	100
		SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	70	50	100
		SCCV GAO	Real Estate and Real Estate Financing	ESI	32.5	57.5	32.5	95
	(6)	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	60.2		70	
	(6)	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	EJV	47.75		50	
		SCCV HALLUARD	Real Estate and Real Estate Financing	ESI	35	61	35	100
		SCCV HEROUVILLE ILOT A2	Real Estate and Real Estate Financing	ESI	33.33	32.67	33.33	33.33
		SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	61	35	100
	(6)	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40		40	
		SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	49	50	50
	(6)	SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	ESI	30		30	
		SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49	49
	(6)	SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	35		35	
		SCCV LE SIX	Real Estate and Real Estate Financing	ESI	24.5	42.7	24.5	70
		SCCV LE TEICH COEUR DE VILLE	Real Estate and Real Estate Financing	ESI	30	68.5	30	100
		SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	70	86.5	70	100
		SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
		SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
		SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
	(2)	SCCV MARQUET PROJECTIM	Real Estate and Real Estate Financing	FULL		68		85

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SCCV MASSON BEAU	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(6)	SCCV MONROC - LOT 3	Real Estate and Real Estate Financing	EJV	43		50	
		SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCCV NATUREO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(6)	SCCV NOAHO HABITAT	Real Estate and Real Estate Financing	FULL	97.75		100	
		SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6)	SCCV PARK OCEAN II	Real Estate and Real Estate Financing	ESI	35		35	
		SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	EJV	51	50	51	50
	(2)	SCCV RIVER GREEN	Real Estate and Real Estate Financing	FULL		99.6		100
		SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	100	97.82	100	100
	(6)	SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	FULL	60.2		70	
		SCCV SAY	Real Estate and Real Estate Financing	ESI	35	61	35	100
		SCCV SENGHOR	Real Estate and Real Estate Financing	ESI	35	61	35	100
	(6)	SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80		80	
		SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	95	97.75	95	100
		SCCV VAULX PABLO PICASSO	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
		SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	47.75	47.75	50	50
		SCCV VILLA CHANZY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(3)	SCI 11 AVENUE DU NORD TASSIN	Real Estate and Real Estate Financing	ESI		30		30
		SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI ABARITZ	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI AGIAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(3)	SCI AIX-BORD DU LAC-2	Real Estate and Real Estate Financing	EJV		50		50
		SCI ANGLET PROMOTION	Real Estate and Real Estate Financing	ESI	38.5	38.5	38.5	38.5
		SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	77.5	50	100
		SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
		SCI AUBERVILLIERS CREVECOEUR	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
		SCI BOBIGNY HOTEL DE VILLE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(4)	SCI CAP COURROUZE	Real Estate and Real Estate Financing	FULL		65		65
		SCI CENTRE IMMO PROMOTION RESIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI CHARITE - GIRANDIERE	Real Estate and Real Estate Financing	EJV	50	40	50	50
		SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(3)	SCI COURBEVOIE HUDRI	Real Estate and Real Estate Financing	ESI		20		20

Country			Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
		SCI D.S.N.	Real Estate and Real Estate Financing	ESI	32.5	57.5	32.5	95
	(3)	SCI DELATOUR	Real Estate and Real Estate Financing	FULL		68		75
		SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	68	68	75	75
		SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI ETRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	51	51	51	51
		SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(3)	SCI GRANIER MONTPELLIER	Real Estate and Real Estate Financing	EJV		43		50
		SCI HAUSQUETTE I	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
	(2)	SCI HOLTZHEIM LES COLOMBES	Real Estate and Real Estate Financing	ESI		35		35
	(3)	SCI ILOT CHAROST	Real Estate and Real Estate Financing	ESI		25		25
	(3)	SCI ITSAS LARRUN	Real Estate and Real Estate Financing	ESI		40		40
	(3)	SCI LA COURNEUVE 20-26 FRANCS TIREURS	Real Estate and Real Estate Financing	ESI		35		35
		SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	93	93	100	100
		SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
		SCI LE CERCLE DES ARTS	Real Estate and Real Estate Financing	ESI	37.5	37.5	37.5	37.5
		SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	20	20	20	20
		SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	47	40	40
		SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(8)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60
	(3)	SCI LE PARC ILGORA	Real Estate and Real Estate Financing	ESI		40		40
		SCI LES BAIGNOTS	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES CASTELLINES	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	80	70	80
		SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
		SCI LES TERRASSES DE BEL AIR	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LIEUSAINT RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	(3)	SCI LYON 8 ALOUETTES	Real Estate and Real Estate Financing	ESI		25		25
	(3)	SCI LYON 8 NIEUPORT	Real Estate and Real Estate Financing	ESI		25		25
		SCI LYON BON LAIT	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	47.8	47.8	50	50
		SCI MARSEILLE LE ZEPHYR	Real Estate and Real Estate Financing	FULL	55.9	55.9	65	65
	(3)	SCI MASSY AMPERE	Real Estate and Real Estate Financing	ESI		40		40
	(3)	SCI MEAUX FOCH	Real Estate and Real Estate Financing	ESI		35		35
		SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	EJV	43	43	50	50
		SCI NOAHO RESIDENCES	Real Estate and Real Estate Financing	FULL	95.5	95.5	100	100
	(3)	SCI NYMPHEAS BATIMENT C	Real Estate and Real Estate Financing	EJV		43		50
		SCI PARCOURS TOURS	Specialist Financing	FULL	79.82	100	100	100
	(3)	SCI PARIS 182 CHATEAU DES RENTIERS	Real Estate and Real Estate Financing	FULL		63.5		60
	(8)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	25.8	25.8	30	30
		SCI PORTU ONDOAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
	(3)	SCI PROJECTIM HELLEMMES SEGUIN	Real Estate and Real Estate Financing	FULL		64		80
		SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	EJV	48	48	60	60
		SCI PRONY	Real Estate and Real Estate Financing	EJV	50	33.33	50	33.33
		SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	48	48	50	50
		SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RESIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	47	40	40
		SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	92	92	100	100
		SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	96	96	100	100
		SCI ROUBAIX FOCH-LECLERC	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(6)	SCI RSS INVESTIMMO COTE BASQUE	Real Estate and Real Estate Financing	ESI	20		20	
	(2)	SCI RUE DE LA FRATERNITE	Real Estate and Real Estate Financing	ESI		25		25
	(8)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	EJV	38	46.75	38	38
		SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	67	60	60
	(2)	SCI SAINT-PIERRE-DES-CORPS/CAP 55	Real Estate and Real Estate Financing	FULL		80		100
		SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
		SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SCI SOGEPROM ATLANTIQUE	Real Estate and Real Estate Financing	FULL	80	88	80	100
	(3)	SCI SOGEPROM CIP CENTRE	Real Estate and Real Estate Financing	FULL		92		100
		SCI STRASBOURG ETOILE THUMENAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	87	80	80
		SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI VAILLANT COUTURIER	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(2)	SCI VANNES AR PINEG	Real Estate and Real Estate Financing	ESI		40		40
		SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
		SCI VILLA EMILIE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	(3)	SCI-LUCE-LE CARRE D'OR-LOT E	Real Estate and Real Estate Financing	FULL		92		100
	(6)	SCPI GENEPIERRE	Real Estate and Real Estate Financing	FULL	45.08		45.08	
		SEFIA	Specialist Financing	FULL	99.89	50.94	100	51
		SERVIPAR	Specialist Financing	FULL	79.82	100	100	100
		SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
	(3)	SG ACTIONS EURO SELECTION	Financial Company	FULL		58.24		58.24
	(6)	SG ACTIONS FRANCE	Portfolio Management	FULL	38.14		38.14	
	(6)	SG ACTIONS US	Portfolio Management	FULL	100		100	
		SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	100
	(5)	SG CONSUMER FINANCE	Portfolio Management	FULL		100		100
	(5)	SG EURO CT	Broker	FULL		100		100
		SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	100	100	100	100
		SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	(6)	SG FLEXIBLE	Portfolio Management	FULL	100		100	
		SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	100	100	100	100
		SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
		SG MONETAIRE PLUS E	Financial Company	FULL	38.45	38.45	38.45	38.45
	(6)	SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95		97.95	
		SG OPTION EUROPE	Broker	FULL	100	100	100	100
		SG SERVICES	Specialist Financing	FULL	100	100	100	100
		SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	75.34	75.34	75.34	75.34
		SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51	51
		SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100	100
	(3)	SNC ACTIVAL	Real Estate and Real Estate Financing	ESI		30		30
	(2)	SNC BON PUITS 1	Real Estate and Real Estate Financing	FULL		100		100
	(2)	SNC BON PUITS 2	Real Estate and Real Estate Financing	FULL		100		100
		SNC COEUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	25.5	25.5	30	30
		SNC COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SNC DU 10 RUE MICHELET	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	(6)	SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40		40	
		SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	FULL	100	100	100	100
		SOCIETE CIVILE IMMOBILIERE 110 RUE DE RICHELIEU	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45
	(3)	SOCIETE CIVILE IMMOBILIERE CAP VERT	Real Estate and Real Estate Financing	ESI		30		30
		SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50
		SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28
		SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
		SOCIETE CIVILE IMMOBILIERE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SOCIETE CIVILE IMMOBILIERE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE CIVILE IMMOBILIERE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
		SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(3)	SOCIETE CIVILE IMMOBILIERE LE DOMAINE DES PALMIERS	Real Estate and Real Estate Financing	ESI		45		45
		SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
		SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
		SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(3)	SOCIETE CIVILE IMMOBILIERE RESIDENCE MARVEYRE	Real Estate and Real Estate Financing	ESI		30		30
		SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE CIVILE IMMOBILIERE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	(5)	SOCIETE CIVILE IMMOBILIERE VOGRE	Real Estate and Real Estate Financing	FULL		99.9		99.9
		SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
		SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
		SOCIETE DE REALISATION DU PARC D'ACTIVITES DE TOULOUSE S O P A T	Real Estate and Real Estate Financing	ESI	100	100	100	100
		SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
		SOCIETE DU PARC D'ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SOCIETE EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOCIETE FINANCIERE D'ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE	Bank	FULL	100	100	100	100
	(6)	SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	FULL	100		100	

Country		Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
	SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100	100
	SOCIETE GENERALE EQUIPMENT FINANCE S.A.	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER "SOGEBAIL"	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100
	SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE LES "PINSONS"	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
	SOGE BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	SOGE PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGE PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
(6)	SOGEACT.SELEC.MON.	Portfolio Management	FULL	99.78		99.78	
	SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
	SOGECAP	Insurance	FULL	100	100	100	100
	SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
(3)	SOGECAP ACTIONS	Financial Company	FULL		100		100
(6)	SOGECAP DIVERSIFIE 1	Portfolio Management	FULL	100		100	
	SOGECAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
	SOGEFIM HOLDING	Portfolio Management	FULL	100	100	100	100
	SOGEFIMUR	Specialist Financing	FULL	100	100	100	100
	SOGEFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGEFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
	SOGEFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
	SOGELEASE FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGEMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
	SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100
	SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9	90.9	100	100
		SOGESSUR	Insurance	FULL	100	100	100	100
		SOGEVIMMO	Group Real Estate Management Company	FULL	100	100	100	100
		SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS	Group Real Estate Management Company	FULL	100	100	100	100
	(3)	SOLVEO	Real Estate and Real Estate Financing	ESI		57.5		95
	(6)	ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	43		50	
		STAR LEASE	Specialist Financing	FULL	100	100	100	100
		STRACE	Real Estate and Real Estate Financing	ESI	20	20	20	20
		TEMSYS	Specialist Financing	FULL	79.82	100	100	100
		URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	99.88	99.96	99.88	99.96
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
		UTEI FEYZIN	Real Estate and Real Estate Financing	ESI	30	30	30	30
	(2)	UTEI LE CLOS FLEURI	Real Estate and Real Estate Financing	ESI		30		30
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
		VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40
Ghana								
		SOCIETE GENERALE GHANA LIMITED	Bank	FULL	56.67	56.67	56.67	56.67
Gibraltar								
		HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece								
		ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	79.82	100	100	100
	(1)(2)	SOGECAP GREECE	Insurance	FULL		100		100
Guernsey								
		ARAMIS II SECURITIES CO, LTD	Financial Company	FULL	100	100	100	100
		CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
		GRANGE NOMINEES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
		HTG LIMITED	Services	FULL	100	100	100	100
		K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
	(8)	KBII PCC LIMITED	Bank	FULL	100	100	100	100
	(5)	KLEINWORT BENSON (CHANNEL ISLANDS) INVESTMENT MANAGEMENT LIMITED	Bank	FULL		100		100
	(5)	KLEINWORT BENSON (CHANNEL ISLANDS) LIMITED	Bank	FULL		100		100
	(5)	KLEINWORT BENSON (GUERNSEY) LIMITED	Bank	FULL		100		100
	(5)	KLEINWORT BENSON (GUERNSEY) SERVICES LIMITED	Bank	FULL		100		100
	(5)	KLEINWORT BENSON CHANNEL ISLANDS HOLDINGS LIMITED	Bank	FULL		100		100
		MISON NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1)	SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100
Guinea								
		SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea								
		SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23
Hong Kong								
	(1)	DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	100	100	100	100
	(2)	NEWEDGE BROKER HONG KONG LTD	Broker	FULL		100		100
		SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
		SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
		SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	(1)	SG HONG KONG	Bank	FULL	100	100	100	100
		SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
		SG SECURITIES (HONG-KONG) LTD	Broker	FULL	100	100	100	100
		SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG)	Broker	FULL	100	100	100	100
		SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary								
		ALD AUTOMOTIVE MAGYARORSZAG KFT	Specialist Financing	FULL	79.82	100	100	100
	(6)	MKB-EUROLEASING AUTOPARK KERESKEDELMI ES SZOLGALTATO ZARTKORUEN MUKODO RESZVENYTARSASAG	Specialist Financing	FULL	79.82		100	
		SG EQUIPMENT FINANCE HUNGARY ZRT	Specialist Financing	EFS	100	100	100	100
		SG EQUIPMENT LEASING HUNGARY LTD	Specialist Financing	EFS	100	100	100	100
Isle of Man								
		KBBIOM LIMITED	Bank	FULL	50	100	50	100
		KBTIOM LIMITED	Bank	FULL	100	100	100	100
Cayman Islands								
		AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
		BRIDGEVIEW II LIMITED	Specialist Financing	FULL	100	100	100	100
	(8)	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
British Virgin Islands								
		TSG HOLDINGS LTD	Services	FULL	100	100	100	100
		TSG MANAGEMENT LTD	Services	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		TSG SERVICES LTD	Services	FULL	100	100	100	100
India								
		ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	EFS	79.82	100	100	100
	(3)	NEWEDGE BROKER INDIA PTE LTD	Broker	FULL		100		100
	(1)	SG MUMBAI	Bank	FULL	100	100	100	100
		SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE	Services	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland								
		ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	79.82	100	100	100
		INORA LIFE LTD	Insurance	FULL	100	100	100	100
		IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	(6)	MERRION FLEET FINANCE LIMITED	Financial Company	FULL	79.82		100	
	(6)	MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	79.82		100	
	(1)	SG DUBLIN	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100	100	100	100
		SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
		SGSS (IRELAND) LIMITED	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
Italy								
		ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	79.82	100	100	100
		FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100
		FRAER LEASING SPA	Specialist Financing	FULL	73.85	73.85	73.85	73.85
		SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	FULL	100	100	100	100
		SG FACTORING SPA	Specialist Financing	FULL	100	100	100	100
		SG LEASING SPA	Specialist Financing	FULL	100	100	100	100
	(1)	SG MILAN	Bank	FULL	100	100	100	100
	(1)	SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
	(1)	SOGESSUR SA	Insurance	FULL	100	100	100	100
Japan								
		LYXOR ASSET MANAGEMENT JAPAN CO LTD	Portfolio Management	FULL	100	100	100	100
	(1)	SG TOKYO	Bank	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (NORTH PACIFIC) LTD, TOKYO BRANCH	Bank	FULL	100	100	100	100
		SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Jersey								
		ELMFORD LIMITED	Services	FULL	100	100	100	100
		HANOM I LIMITED	Financial Company	FULL	100	100	100	100
		HANOM II LIMITED	Financial Company	FULL	100	100	100	100
		HANOM III LIMITED	Financial Company	FULL	100	100	100	100
		JD CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
	(5)	KLEINWORT BENSON (JERSEY) SERVICES LIMITED	Bank	FULL		100		100
		KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100	100	100	100
	(7)	LYXOR MASTER FUND	Financial Company	FULL	100	100	100	100
		NEWMEAD TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (FOUNDATIONS) LTD	Financial Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
	(5)	SG HAMBROS PROPERTIES (JERSEY) LTD	Financial Company	FULL		100		100
		SG KLEINWORT HAMBROS BANK (CI) LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100	100
		SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100	100
		SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	100	100	100	100
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	EFS	59.86	75	75	75
Lebanon								
		SG DE BANQUE AU LIBAN	Bank	ESI	16.79	16.8	16.85	22.73
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	EFS	59.86	75	75	75
Luxembourg								
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	100	100	100
		AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	ESI	38	38	38	38
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	100	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
		CHABON SA	Financial Company	FULL	100	100	100	100
	(6)	CODEIS COMPARTIMENT A0076	Financial Company	FULL	100		100	
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	100	100
	(6)	G FINANCE LUXEMBOURG SA	Financial Company	FULL	100		100	
		IVEFI S.A.	Financial Company	FULL	100	100	100	100
		LX FINANZ S.A.R.L.	Financial Company	FULL	100	100	100	100
		PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	79.82	100	100	100
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBTCI	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL MARKET FINANCE	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE FINANCING AND DISTRIBUTION	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE LDG	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LIFE INSURANCE BROKER SA	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
	(6)	SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100		100	
		SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia								
		OHRIDSKA BANKA AD SKOPJE	Bank	FULL	70.02	70.02	70.96	71.33
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70
Malta								
		LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
		LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
Morocco								
		ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	36.56	43.62	50	50
		ATHENA COURTAGE	Insurance	FULL	58.41	58.35	99.93	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.53	57.46	100	100
		LA MAROCAINE VIE	Insurance	FULL	89.02	89	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.53	57.46	57.53	57.46
		SOCIETE D'EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	FULL	45.75	45.73	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.53	57.46	100	100
		SOCIETE GENERALE TANGER OFFSHORE	Financial Company	FULL	57.46	57.39	99.88	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.49	57.43	99.94	99.94
	(6)	SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.5		99.96	
		SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.53	57.46	100	100
Mauritius								
		SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mexico								
		ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	79.82	100	100	100
		ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	79.82	100	100	100
		SGFP MEXICO, S.A. DE C.V.	Financial Company	FULL	100	100	100	100
Moldova								
		MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	79.93	79.93	87.9	87.9
Monaco								
	(1)	CREDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1)	SMC MONACO	Bank	FULL	100	100	100	100
	(1)	SOCIETE GENERALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro								
		SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	90.56	90.56	90.56	90.56
Norway								
		ALD AUTOMOTIVE AS	Specialist Financing	FULL	79.82	100	100	100
		NF FLEET AS	Specialist Financing	FULL	63.85	80	80	80
		SG FINANS AS	Specialist Financing	FULL	100	100	100	100
New Caledonia								
		CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
		SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.1	90.1	90.1	90.1
Netherlands								
		ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	(6)	ASTEROLD B.V.	Financial Company	FULL	100		100	
		AXUS FINANCE NL B.V.	Specialist Financing	FULL	79.82	100	100	100
		AXUS NEDERLAND BV	Specialist Financing	FULL	79.82	100	100	100
		BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
	(6)	COPARER HOLDING	Group Real Estate Management Company	FULL	100		100	
		HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
		HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
		MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1)	SG AMSTERDAM	Bank	FULL	100	100	100	100
		SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SOGELEASE B.V.	Specialist Financing	FULL	100	100	100	100
		SOGELEASE FILMS	Specialist Financing	FULL	100	100	100	100
		TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
The Philippines								
	(1)(8)	SOCIETE GENERALE MANILA OFFSHORE BRANCH	Bank	FULL	100	100	100	100
Poland								
		ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	100	100	100
		EURO BANK S.A.	Bank	FULL	99.99	99.97	99.99	99.97
		PEMA POLSKA SP.Z O.O.	Services	FULL	100	100	100	100
		SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100	100
	(1)	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100	100
	(1)	SOGECAP RISQUES DIVERS SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
	(1)	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100	100
French Polynesia								
		BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1	72.1
		SOGELEASE BDP "SAS"	Specialist Financing	FULL	72.1	72.1	100	100
Portugal								
	(5)	PARCOURS PORTUGAL SA	Specialist Financing	FULL		100		100
		SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	79.82	100	100	100
Czech Republic								
		ALD AUTOMOTIVE SRO	Specialist Financing	FULL	79.82	100	100	100
		CATAPS	Services	ESI	12.15	12.15	20	20
		ESSOX SRO	Specialist Financing	FULL	80	80	100	100
		FACTORING KB	Financial Company	FULL	60.73	60.73	100	100
		KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100	100
		KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
		KOMERCNI BANKA A.S	Bank	FULL	60.73	60.73	60.73	60.73
		KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100	100
		MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100	100
	(4)	NP 33	Real Estate and Real Estate Financing	FULL		60.73		100
		PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	100	100	100	100
		PROTOS	Financial Company	FULL	60.73	60.73	100	100
	(6)	PSA FINANCE CESKA REPUBLIKA SRO	Specialist Financing	FULL	80		100	
		SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100	100
		SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	STD2, A.S.	Group Real Estate Management Company	FULL	60.73		100	
		VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
Romania								
		ALD AUTOMOTIVE SRL	Specialist Financing	FULL	75.89	92.03	100	100
		BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17	60.17
		BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97	99.97
		BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100	100
		S.C. BRD SOGELEASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100	100

Country			Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
		S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75	75
		SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	100	99.99	100	100
		SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100	100
United Kingdom								
		ACR	Financial Company	FULL	100	100	100	100
		ALD AUTOMOTIVE GROUP PLC	Specialist Financing	FULL	79.82	100	100	100
		ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	79.82	100	100	100
		ALD FUNDING LIMITED	Specialist Financing	FULL	79.82	100	100	100
	(1)	BRIDGEVIEW II LIMITED (UK BRANCH)	Specialist Financing	FULL	100	100	100	100
	(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(1)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	100	100	100	100
		FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
		FRANK NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(2)	HOLMES DROLLED LIMITED	Bank	FULL		100		100
	(1)	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	(8)	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	100	100	100	100
		JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
		KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		KBPB NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(5)	KLEINWORT BENSON BANK LIMITED	Bank	FULL		100		100
		KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	75	100	75	100
		KLEINWORT BENSON UNIT TRUSTS LIMITED	Bank	FULL	100	100	100	100
		LANGBOURN NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(2)	LNG INVESTMENT 1 LTD	Financial Company	FULL		100		100
	(2)	LNG INVESTMENT 2 LTD	Financial Company	FULL		100		100
		LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
		MAGPIE ROSE LIMITED	Bank	FULL	100	100	100	100
	(2)	PARCOURS UK LIMITED	Specialist Financing	FULL		100		100
		PICO WESTWOOD LIMITED	Bank	FULL	100	100	100	100
		ROBERT BENSON, LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100	100	100	100
		SAINT MELROSE LIMITED	Bank	FULL	100	100	100	100
	(6)	SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100		100	
		SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
		SG EQUIPMENT FINANCE RENTAL LIMITED	Specialist Financing	FULL	100	100	100	100
		SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS TRUST COMPANY LTD	Financial Company	FULL	100	100	100	100
		SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
		SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12.2017	at 31.12.2016	at 31.12.2017	at 31.12.2016
		SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100	100	100	100
		SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
	(8)	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100
		SG LEASING IX	Specialist Financing	FULL	100	100	100	100
	(8)	SG LEASING XII	Specialist Financing	FULL	100	100	100	100
	(1)	SG LONDRES	Bank	FULL	100	100	100	100
		SGFLD LIMITED	Financial Company	FULL	100	100	100	100
		SOCGEN NOMINEES (UK) LIMITED	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	FULL	100	100	100	100
		SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	FULL	100	100	100	100
	(8)	SOCIETE GENERALE SECURITIES SERVICES UK LIMITED	Broker	FULL	100	100	100	100
		STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(8)	TALOS HOLDING LTD	Financial Company	FULL	100	100	100	100
	(8)	TALOS SECURITIES LTD	Broker	FULL	100	100	100	100
	(1)	TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
	(2)	TH LEASING (JUNE) LIMITED	Specialist Financing	FULL		100		100
	(2)	TH STRUCTURED ASSET FINANCE LIMITED	Financial Company	FULL		100		100
		THE EIFFEL LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
		THE FENCHURCH PARTNERSHIP	Financial Company	FULL	100	100	100	100
	(1)	TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation								
		ALD AUTOMOTIVE OOO	Specialist Financing	FULL	79.82	100	100	100
		CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	EFS	99.95	100	100	100
		COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	99.95	99.95	100	100
		CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.95	99.95	100	100
		JSC TELSICOM	Services	FULL	99.95	99.95	100	100
		LLC RUSFINANCE	Bank	FULL	99.95	99.95	100	100
		LLC RUSFINANCE BANK	Bank	FULL	99.95	99.95	100	100
		PJSC ROSBANK	Bank	FULL	99.95	99.95	99.95	99.95
	(2)	PROEKTINVEST LLC	Group Real Estate Management Company	FULL		99.95		100
		RB FACTORING LLC	Specialist Financing	FULL	99.95	99.95	100	100
		RB LEASING LLC	Specialist Financing	FULL	99.95	99.95	100	100
		RB SERVICE LLC	Group Real Estate Management Company	FULL	99.95	99.95	100	100
		RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.95	99.95	100	100
		SG STRAKHOVANIE LLC	Insurance	FULL	99.99	99.99	100	100
		SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.99	100	100

Country			Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
		SOSNOVKA LLC	Group Real Estate Management Company	FULL	99.95	99.95	100	100
	(2)	VALMONT LLC	Group Real Estate Management Company	FULL		99.95		100
Senegal								
		SOCIETE GENERALE DE BANQUES AU SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia								
		ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	FULL	79.82	100	100	100
		SOCIETE GENERALE BANKA SRBIJA	Bank	FULL	100	100	100	100
		SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	100	100	100	100
Singapore								
		SG MARKETS (SEA) PTE. LTD.	Broker	FULL	100	100	100	100
		SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	FULL	100	100	100	100
	(1)	SG SINGAPOUR	Bank	FULL	100	100	100	100
		SG TRUST (ASIA) LTD	Financial Company	FULL	100	100	100	100
Slovakia								
		ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	79.82	100	100	100
	(1)	KOMERCNI BANKA BRATISLAVA	Bank	FULL	60.73	60.73	100	100
		PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	FULL	100	100	100	100
	(6)	PSA FINANCE SLOVAKIA SRO	Specialist Financing	FULL	80		100	
	(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	FULL	80.33	80.33	100	100
Slovenia								
		ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	100	100	100
		SKB LEASING D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
		SKB BANKA D.D. LJUBLJANA	Bank	FULL	99.73	99.73	99.73	99.73
		SKB LEASING SELECT D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
Sweden								
		ALD AUTOMOTIVE AB	Specialist Financing	FULL	79.82	100	100	100
		NF FLEET AB	Specialist Financing	FULL	63.85	80	80	80
		PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	100	100	100	100
	(1)	SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	100	100	100	100
	(1)(6)	SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	FULL	100		100	
Switzerland								
		ALD AUTOMOTIVE AG	Specialist Financing	FULL	79.82	100	100	100
		PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	100	100	100	100
	(8)	ROSBANK (SWITZERLAND)	Bank	FULL	99.95	99.95	100	100
		SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1)	SG ZURICH	Bank	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan								
	(1)	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
	(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad								
		SOCIETE GENERALE TCHAD	Bank	FULL	56.86	55.19	67.83	66.16
Thailand								
	(6)	SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	FULL	100		100	
Togo								

Country			Activity	Method*	Group ownership interest at 31.12.2017	Group ownership interest at 31.12.2016	Group voting interest at 31.12.2017	Group voting interest at 31.12.2016
	(1)	SOCIETE GENERALE TOGO	Bank	FULL	89.64	88.34	100	100
Tunisia								
		UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey								
		ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	79.82	100	100	100
	(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine								
		ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	EFS	79.82	100	100	100

**FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) - EFS: Equity For Simplication (Entities controlled by the Group that are consolidated using the equity method for simplification due to their limited materiality).*

(1) Branches

(2) Entities wound up in 2017

(3) Removal from the scope in 2017

(4) Entities sold in 2017

(5) Merged in 2017

(6) Newly consolidated in 2017

(7) Including 96 funds

(8) Wind up in process

Additional information related to the consolidation scope and equity investments as required by the regulation 2016-09 of the “Autorité des Normes Comptables” (ANC, the French Accounting standard setter), dated 2 December 2016 is available on the Societe Generale Group website at:

https://www.societegenerale.com/en/measuring-our-performance/information-and-publications/registration-documents

NOTE 8.7 - FEES PAID TO STATUTORY AUDITORS

The consolidated financial statements of Societe Generale Group are certified jointly by Ernst & Young et Autres, represented by Mrs. Isabelle Santenac, on the one hand; and Deloitte et Associés, represented by Mr. José-Luis Garcia, on the other hand.

On the proposal of the Board of Directors, the Annual General Meeting held on 22 May 2012 appointed Ernst & Young et Autres and renewed the mandate of Deloitte et Associés, for six years.

Further to the publication of the European regulation on the audit reform, a new approval policy of the non-audit services of statutory auditors ("SACC") and their network was set up by the Audit and Internal Control Committee of Societe Generale (CACI) to verify its compliance in relation to the new regulation before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

In addition, a report on the fees according to type of mission (audit or non-audit) is submitted each year to the CACI.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		**Deloitte et Associés**		**TOTAL**	
(In EUR m excl. VAT)		**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	7	4	9	6	16	10
	Fully consolidated subsidiaries	17	14	14	11	31	25
Sub-total Audit		**24**	**18**	**23**	**17**	**47**	**35**
Non-audit services (SACC)	Issuer	1	2	1	1	2	3
	Fully consolidated subsidiaries	1	2	1	2	2	4
Total		**26**	**22**	**25**	**20**	**51**	**42**

The non-audit services provided by statutory auditors this year mainly consisted of missions of compliance review with regard to the regulatory requirements, missions of internal control within the framework of respect of ISAE standards (International Standard on Assurance Engagement), complementary audits within the scope of issuing of certificates or RSE report (RSE: environmental and social responsibility) and then audit assignments within the framework of project of acquisitions.

NOTE 9 - INFORMATION ON RISKS AND LITIGATION

Every quarter, the Group reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that the Group will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange.

For each of the disputes described in the present Chapter, no detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

Additionally, to take into account the development of a global risk of outflows regarding some ongoing judicial investigations and proceedings in the US (such as the Office of Foreign Assets Control) and with European authorities, as well as the dispute on the French “précompte”, the Group has recorded a provision for disputes among its liabilities which is disclosed in Note 3.8 to the consolidated financial statements.

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission (“SEC”) and the Antitrust Division of the U.S. Department of Justice (“DOJ”), focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts (“GICs”) and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities.

- On 24th October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5th October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Supreme Court has departed from its traditional line of case law regarding the compensation of victims of criminal offences against property and remanded the case to the Versailles Court of Appeal for it to rule on the amount of damages. On 23rd September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and recently confirmed that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court *(Conseil d'État)* and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, the Societe Generale Group will not fail to assert its rights before the competent courts.

- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3rd April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 14th September 2017, Societe Generale has been granted leave to appeal by the Court of Appeal. A stay of the inquiry into damages was agreed upon by consent between Societe Generale and Goldas. The stay will be lifted upon determination of the appeal. On 16th February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

- Societe Generale Algeria ("SGA") and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries. The defendants are accused of having failed to make complete or accurate statements to the Bank of Algeria on capital transfers in connection with exports or imports made by clients of SGA. The events were discovered during investigations by the Bank of Algeria, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, fourteen cases have ended in favour of SGA and nine remain pending, seven of which before the Supreme Court.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – Echange d'Images Chèques), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20th September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million.

  However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. On 21st December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. Societe Generale and Crédit du Nord have decided to file an appeal before the Supreme court against this decision.

- Societe Generale Private Banking (Suisse), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. ("SIBL"), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16th February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers. The Official Stanford Investors Committee ("OSIC") was permitted to intervene and filed a complaint against Societe Generale Private Banking (Suisse) and the other defendants seeking similar relief.

  The motion by Societe Generale Private Banking (Suisse) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5th June 2014. Societe Generale Private Banking (Suisse) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21st April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

  On 7th November 2017, the District Court denied the plaintiffs motion for class certification. The plaintiffs are seeking leave to appeal this decision.

  On 22nd December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Suisse) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Suisse) has opposed this motion.

- Societe Generale, along with other financial institutions, has received formal requests from the U.S. Department of Justice ("DOJ") and the U.S. Commodity Futures Trading Commission ("CFTC") (collectively, the "U.S. Authorities"), in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates ("Libor") and submissions to the European Banking Federation (now the EBF-FBE) for setting the Euro Interbank Offered Rate ("Euribor"), as well as trading in derivatives indexed to various benchmark rates.

  Societe Generale is cooperating with the U.S. Authorities and is in discussions with them in order to reach an agreement to resolve this matter. Any such agreement would include a requirement that Societe Generale pay a monetary fine and may in addition impose other sanctions. It is possible, without it being certain, that the pending discussions lead to an agreement in the next weeks or months. It is furthermore impossible to determine with certainty the amount of the fine or the other sanctions that may be imposed on Societe Generale.

  In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

  As to US Dollar Libor, the District Court has dismissed all claims against Societe Generale in two of the putative class actions and in all of the individual actions. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit. Two other putative class actions are effectively stayed pending resolution of these appeals. Societe Generale was voluntarily dismissed from a fifth putative class action.

  As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange ("CME"), the District Court has allowed certain Commodity Exchange Act claims to proceed to discovery. The plaintiff's deadline to move for class certification in that action is 17th October 2018.

  As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint.

  In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- On 10th December 2012, the French Supreme Administrative Court (*Conseil d'État*) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

  Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016.

- Societe Generale is cooperating with the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Attorney's Office for the Southern District of New York, the New York County District Attorney's Office, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, and the New York State Department of Financial Services (collectively, the "US Authorities") in connection with an investigation relating to U.S. dollar transactions processed by Societe Generale involving countries that are the subject of U.S. economic sanctions.

  Société Générale is in discussions with the US Authorities in order to reach an agreement to resolve this matter. Any such agreement would include a requirement that Société Générale pay a monetary fine and may in addition impose other sanctions. It is possible, without it being certain, that the pending discussions lead to an agreement in the next weeks or months. It is furthermore impossible to determine with certainty the amount of the fine or the other sanctions that may be imposed on Société Générale.

- On 7th March 2014, the Libyan Investment Authority ("LIA") brought proceedings against Societe Generale before the High Court of England regarding the conditions pursuant to which LIA entered into certain investments with the Societe Generale Group. LIA alleges that Societe Generale and other parties who participated in the conclusion of the investments notably committed acts amounting to corruption. On 3rd May 2017, Societe Generale and the Libyan Investment Authority reached a settlement agreement with a GBP 813.26 million payment, putting an end to the dispute. On 8th April 2014, the DOJ served a subpoena requesting that Societe Generale produce documents relating to potential violations of the Foreign Corrupt Practices Act in connection with certain transactions involving Libyan counterparties, including the LIA. In October 2016, the SEC (together with the DOJ, the "US Authorities") issued a subpoena to Societe Generale and its U.S. broker-dealer requesting substantially the same information. Societe Generale is cooperating with the US Authorities in connection with this matter.

  Societe Generale is in discussions with the DOJ in order to reach an agreement to resolve this matter. Any such agreement would include a requirement that Societe Generale pay a monetary fine and may in addition impose other sanctions. It is possible, without it being certain, that the pending discussions lead to an agreement in the next weeks or months. It is furthermore impossible to determine with certainty the amount of the fine or the other sanctions that may be imposed on Societe Generale.

  In September and October 2017, Societe Generale also received two judicial requests to produce documents regarding its relations with the LIA in the scope of a preliminary investigation opened by the French National Financial Prosecutor's office regarding possible violations of French anti-corruption laws. The requested documents have been communicated to the French authorities.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the Commodity Exchange Act ("CEA") in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016. Discovery is currently stayed by court orders. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.

- On 30th January 2015, the CFTC served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1st January 2009. Societe Generale is cooperating with the authorities.

- SG Americas Securities, LLC ("SGAS")~~,~~ along with other financial institutions, was named as a defendant in several putative class actions alleging violations of US antitrust laws and the CEA in connection with its activities as a US Primary Dealer, buying and selling US Treasury securities. The cases were consolidated in the US District Court in Manhattan, and lead plaintiffs' counsel appointed. An amended consolidated complaint was filed on 15th November 2017, and SGAS was not named as a defendant. An individual "opt out" action filed on behalf of three entities electing not to participate in the class action remains pending against SGAS.

- Societe Generale, along with several other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action is brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was preliminarily approved by the Court. Notice to the class has begun, and a final approval hearing is scheduled for 23 May 2018. Separate putative class actions on behalf of putative classes of indirect purchasers are also pending. A motion to dismiss those cases is pending.

  Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims. The Societe Generale defendants have reached a settlement covering both actions for a total amount of CAD 1.8 million. Both Canadian courts have approved the settlement, and the matters are concluded.

- Further to an inspection conducted from 8th September to 1st December 2015 within the Societe Generale Group in order to review the Group's suspicious transaction reporting policies and procedures, the ACPR gave Societe Generale notice on 26th July 2016 of the opening of enforcement proceedings against it. On 19th July 2017, the ACPR enforcement commission issued a reprimand against Societe Generale and ordered it to pay a fine of EUR 5 million.

- Societe Generale has been informed on 28th July 2017 of the opening of enforcement proceedings by the ACPR enforcement division related to the adequacy of Societe Generale's level of vigilance on some cash withdrawals in retail banking, and of staff training in this field.

NOTE 10 - RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS

This note presents the risks associated with financial instruments and the way in which the Group manages them.

1. TYPES OF RISKS

Credit and counterparty risk (including concentration effects): risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk.

Market risk: risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, the price of securities (equity, bonds), commodities, derivatives and other assets.

Operational risks: risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events. They include:

- **Non-compliance risk (including legal and tax risks)**: risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's activities;
- **Reputational risk**: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;
- **Misconduct risk**: from actions (or inactions) of the bank or its employees inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the bank's sustainability or reputation at risk, including in the long term.

Model risk: the Group makes use of models in the course of its activities. Selecting a particular model and configuring its parameters necessarily involves a simplification of reality and can result in an inaccurate assessment of risk.

Structural interest and exchange rate risk: risk of losses of interest margin or of banking book value due to changes in interest or exchange rates. Structural interest and exchange rate risks arise from commercial activities and from corporate centre transactions.

Liquidity and funding risk: liquidity risk is defined as the Group's inability to meet its financial obligations at a reasonable cost. Funding risk is defined as the risk of the Group being unable to finance the development of its activities in line with its commercial objectives and at a competitive cost.

Strategic/business risks: risks resulting from the Group's inability to execute its strategy and to execute its business plan.

Private equity risk: risk of losses linked to financial holdings of a private equity nature.

Risk related to insurance activities: through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to this business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims.

Risk related to specialised finance activities: through its specialised financial services activities, mainly in its operational vehicle leasing subsidiary, the Group is exposed to residual value risk (when the net resale value of an asset at the end of the lease is less than estimated).

In addition, **risks associated with climate change,** both physical (increased frequency of extreme weather events) and transition-related (new carbon regulations), have been identified as factors that could aggravate the Group's existing risks.

2. RISK MANAGEMENT

Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale in all businesses, markets and regions in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Group's risk management, supervised at the highest level, is compliant with the regulations in force, in particular the Order of 3rd November 2014 related to internal control of companies in the banking sector, payment services and investment services subject to control of the French Prudential Supervisory and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR) and European regulations CRR/CRD4.

The main objectives of the Group's risk management strategy are:

- to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite in conjunction with the Finance Division and the business divisions;
- to contribute to the Group's sustainability by establishing a risk management and monitoring system;
- to reconcile the independence of the risk management system (with respect to the businesses) with close collaboration with the core businesses, which have primary responsibility for the transactions they initiate.
- This can take the form of:
- clear principles for the governance, control and organisation of risks;
- determining and formally defining the Group's risk appetite;
- effective risk management tools;
- risk awareness that is cultivated and established at each level of the company.

2.1 GOVERNANCE OF RISK MANAGEMENT

Two main high-level bodies govern Group risk management: the Board of Directors and General Management.

General Management presents the main aspects of, and notable changes to, the Group's risk management strategy to the Board of Directors at least once a year (more often if circumstances so require).

Within the Board of Directors, the Risk Committee (see Art. 11 of the Internal rules of the Board of Directors, p. 550) is more specifically responsible for examining the consistency of the internal risk monitoring framework, as well as compliance with this framework and with the applicable laws and regulations.

The Board of Directors' Audit and Internal Control Committee (see Art. 10 of the Internal rules of the Board of Directors, p. 549) ensures that the risk control systems operate effectively.

Chaired by General Management, the specialised committees responsible for central oversight of internal control and risk management are as follows:

- **the Risk Committee** (CORISQ), which met 20 times in 2017, addresses the Group's key priorities in term of risks. It takes the major decisions relating to the management of different risks (credit risks, country risks, market and operational risks).

The Group also has a Large Exposures Committee, which approves the sales and marketing strategy and risk-taking with regard to major client groups;

- **the Finance Committee** (COFI) is responsible for setting out the Group's financial strategy and for managing scarce resources (capital, liquidity, balance sheet, tax capacity) in the context of the Group's risk appetite. It validates the Group's management and structural risk monitoring mechanism and reviews changes in those risks and in significant entities (limits and consumption). It periodically assesses the consumption of scarce resources. It examines ILAAP and ICAAP documents, the budget, the Preventive Recovery Plan, and the Corporate Centre and re-invoicing budget. Lastly, it covers issues of the Group's taxation (managed jointly by DFIN and SEGL);

- **the Compliance Committee (COM-CO)** meets quarterly in order to define the Group's main guidelines and principles in terms of compliance. The Head of Compliance presents the main events having occurred over the period, an update on the compliance system, the main regulatory developments and the state of progress on projects;
- **the Corporate Strategic Architecture Committee** (CSAE) defines the company's architecture from the standpoint of data and reference systems, operational processes and information systems, and ensures the consistency of the Group's projects with the architecture set out;
- **the Group Internal Control Coordination Committee** (CCCIG) is responsible for the overall architecture of the Group's internal control system, its consistency and its efficiency.

2.2 DIVISIONS IN CHARGE OF RISK MONITORING

The Group's Corporate Divisions, which are independent from the core businesses, contribute to the management and internal control of risks.

The Corporate Divisions provide the Group's General Management with all the information needed to assume its role of managing Group strategy under the authority of the Chief Executive Officer. The Corporate Divisions report directly to General Management.

The main responsibilities of the **Risk Division** are to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite (broken down by business) under the aegis of General Management and in collaboration with the Finance Division and the business divisions, and to establish a risk management and monitoring system as a second line of defence.

In performing its work, the Risk Division reconciles independence from the businesses with a close working relationship with the core businesses, which are responsible in the first instance for the transactions they initiate.

Accordingly, the Risk Division:

- provides hierarchical and functional supervision for the Group's Risk function;
- is jointly responsible, with the Finance Division, for setting the Group's risk appetite as recommended to General Management;
- identifies all Group risks;
- implements a governance and monitoring system for these risks, including cross-business risks, and regularly reports on their nature and extent to General Management, the Board of Directors and the supervisory authorities;
- contributes to the definition of risk policies, taking into account the aims of the businesses and the relevant risk issues;
- defines or validates the methods and procedures used to analyse, measure, approve and monitor risks;
- implements a second-level control to ensure the correct application of these methods and procedures;
- conducts and validates transactions and limits proposed by business managers;
- defines or validates the architecture of the risk information system and ensures its suitability to business requirements.

In addition to its financial management responsibilities, the **Group Finance Division** also carries out extensive accounting and finance controls. As such:

- the Mutualised Operations Activities Department is responsible for accounting, regulatory and tax production for entities under its responsibility (o.w. Societe Generale SA); it is also responsible for coordinating the continuous improvement and management of processes for entities within its scope;

- the missions of the ALM Department, the Balance Sheet and Global Treasury Management Department, and the Strategic Financial Management Department are detailed in the "Structural and liquidity risks" section, p. 153 of the Registration Document.

The Finance Departments of the Business Units, which report hierarchically to the Group Finance Division and functionally to the core businesses' managers, ensure that the financial statements are prepared correctly at the local level and control the quality of the information in the financial reports (accounting, management control, regulations, etc.) submitted to the Group Finance Division.

The **Group Compliance Division**, which has been reporting to General Management since 1st June 2017, ensures that the Group's banking and investment activities are compliant with all laws, regulations and ethical principles applicable to them. It also ensures the prevention of reputational risk.

The **Corporate Secretary** includes the **Group Legal Department**, which monitors the security and legal compliance of the Group's activities, relying where applicable on the legal departments of subsidiaries and branches, and the **Group Tax Department**; which ensures compliance with tax laws in France and abroad.

The **Human Resources and Communication Division** monitors the implementation of compensation policies, amongst other things.

The **Corporate Resources and Innovation Division** is specifically responsible for defining information system security policies.

The **Group Internal Audit Division** is in charge of internal audits, under the authority of the Head of Group Internal Audit.

In performing their missions, the Risk Division, Compliance Division and Information System Security Department rely on functions in the core businesses and corporate divisions, formed by representatives who report to them directly or functionally.

3. CAPITAL MANAGEMENT AND ADEQUACY

3.1 THE REGULATORY FRAMEWORK

Since January 2014, Societe Generale has been applying the new Basel 3 regulation implemented in the European Union via a directive (CRD4) and a regulation (CRR). Some of the provisions will become effective over a period continuing until at least 2019.

The general framework defined by Basel 3 is structured around three pillars:

- Pillar 1 sets the minimum solvency requirements and defines the rules that banks must use to measure risks and calculate the related capital requirements, according to standard or more advanced methods;
- Pillar 2 concerns the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar 1, and to calibrate additional capital requirements taking into account all the risks to which these institutions are exposed;
- Pillar 3 encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to better assess a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

In terms of capital, the main new measures introduced to strengthen banks' solvency were as follows:

- the complete revision and harmonisation of the definition of capital, in particular with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities;
- new capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and to hedge exposures on the central counterparties (CCP);
- the set-up of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require banks to create a conservation buffer and a countercyclical buffer to preserve their solvency in the event of adverse conditions. Moreover, an additional buffer is required for systemically important banks. As such, the Societe Generale Group, as a global systemically important bank (GSIB), has had its Common Equity Tier 1 ratio requirement increased by an additional 1%. Requirements related to capital buffers gradually entered into force as from 1st January 2016, for full application by January 2019;
- the set-up of restrictions on distributions, relating to dividends, AT1 instruments and variable remuneration;
- in addition to these measures, there will be measures to contain the size and, consequently, the use of excessive leverage. To this end, the Basel Committee has defined a leverage ratio, for which the definitive regulations were published in January 2014, and included in the Commission's Delegated Regulation (EU) 2015/62. The leverage ratio compares the bank's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Banks are required to publish this ratio since 2015.

In December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), endorsed the ongoing Basel 3 regulatory reforms, implemented in 2009. These new rules will take effect from 2022 with an overall output floor: the RWA of the bank will be floored to a percentage of the standard method (credit, market and operational). The output floor level will increase gradually, from 50% in 2022 to 72.5% in 2027. Nevertheless, these rules will have to be transposed into European law (CRR3/CRD6) to be applicable to the Group. The timeline is therefore likely to change.

The Basel Committee has also pushed back to 1st January 2022 the planned implementation date of the revised minimum capital requirements regarding market risk, which were initially set for implementation in 2019.

Furthermore, on 23rd November 2016 the Commission published its draft CCR2/CRD5 text. Most of the provisions will enter into force two years after the CCR2 becomes effective. Depending on the Trilogue, this may not happen before 2019 at the earliest. The final provisions will only be known following the European legislative procedure. Accordingly, the texts are likely to change.

3.2 CAPITAL MANAGEMENT

As part of its capital management, the Group (under the supervision of the Finance Division) ensures that its solvency level is always compatible with the following objectives:

- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth and growth through acquisitions;
- allocating adequate capital to the various businesses, according to the Group’s strategic objectives;
- maintaining the Group’s resilience in the event of stress scenarios;
- meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

The Group determines its internal solvency targets in accordance with these objectives and regulatory thresholds.

The Group has an internal process for assessing the adequacy of its capital that measures the adequacy of the Group’s capital ratios in light of regulatory constraints

4. CREDIT RISKS

4.1 GOVERNANCE AND ORGANISATION

Management of credit risk is based on four core principles:

- all transactions involving credit risk (debtor risk, settlement/delivery risk, issuer risk and replacement risk) must be pre-authorised;
- responsibility for analysing and approving transactions lies with the dedicated primary customer relations unit and risk unit, which examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management;
- the primary customer relations unit and the risk unit must be independent from each other;
- credit decisions must be systematically based on internal risk ratings (obligor rating), as provided by the primary customer relations unit and approved by the Risk Division.

In terms of governance, the Risk Division submits recommendations to the Group Risk Committee (CORISQ) on limits which it deems appropriate for certain countries, geographic regions, sectors, products or types of customers in order to reduce risks with strong correlations. The allocation of limits is also subject to final approval by CORISQ. Major concentration risks are analysed on a regular basis for the entire Group.

Together with the core businesses, the Risk Division has defined a control and monitoring system based on the credit risk policy. Said policy is reviewed on a regular basis by the Board of Directors' Risk Committee.

4.2 REPLACEMENT RISK

4.2.1 MANAGEMENT OF COUNTERPARTY RISK LINKED TO MARKET TRANSACTIONS

Societe Generale places great emphasis on the careful monitoring of its counterparty risk exposure in order to minimise its losses in case of default. Counterparty limits are assigned to all counterparties (banks, other financial institutions, corporates, public institutions and CCP).

4.2.2 SETTING INDIVIDUAL COUNTERPARTY COLLATERAL

The credit profile of counterparties is reviewed on a regular basis and limits are set according to both the type and maturity of the instruments concerned. The intrinsic creditworthiness of counterparties and the reliability of the associated legal documentation are two factors considered when setting these limits.

Information technology systems allow both traders and the Risk Division to ensure that counterparty limits are not exceeded.

Any significant weakening in any of the Bank's counterparties triggers an urgent internal rating review. A specific supervision and approval process is put in place for more sensitive counterparties or more complex financial instruments.

4.3 HEDGING OF CREDIT RISK

4.3.1 GUARANTEES AND COLLATERAL

The Group uses credit risk mitigation techniques for both market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

There are two main categories:

- personal guarantees are commitments made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (e.g. Crédit Logement in France), monoline or multiline insurers, export credit agencies, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;

- collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies.

Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

The Group proactively manages its risks by diversifying guarantees: physical collateral, personal guarantees and others (including CDS).

During the credit approval process, an assessment is performed on the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements Directive (CRD).

Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year. The Risk function is responsible for approving the operating procedures established by the core businesses for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, whether during the approval phase for a new loan or upon the annual renewal of the credit application.

The amount of guarantees and collateral is capped at the amount of outstanding loans less provisions, i.e. EUR 272.44 billion at 31st December 2017 (compared with EUR 265.08 billion at 31st December 2016), of which EUR 137.46 billion for retail customers and EUR 134.98 billion for other types of counterparty (compared with EUR 131.68 billion and EUR 133.39 billion at 31st December 2016, respectively).

The outstanding loans covered by these guarantees and collateral correspond mainly to loans and receivables in the amount of EUR 225.61 billion at 31st December 2017, and to off-balance sheet commitments in the amount of EUR 43.70 billion (compared with EUR 222.10 billion and EUR 39.01 billion at 31st December 2016, respectively).

Guarantees and collateral received for loans with payments past due but not individually impaired amounted to EUR 3.12 billion at 31st December 2017 (versus EUR 2.21 billion at 31st December 2016), of which EUR 1.28 billion for retail customers and EUR 1.84 billion for other types of counterparty (versus EUR 1.21 billion and EUR 0.99 billion at 31st December 2016, respectively).

Guarantees and collateral received for individually impaired loans amounted to EUR 6.61 billion at 31st December 2017 (versus EUR 7.32 billion at 31st December 2016), of which EUR 2.92 billion for retail customers and EUR 3.68 billion for other types of counterparty (versus EUR 3.42 billion and EUR 3.90 billion at 31st December 2016, respectively). These amounts are capped at the amount of outstanding individually impaired loans.

4.3.2 USE OF CREDIT DERIVATIVES TO MANAGE CORPORATE CONCENTRATION RISK

Within Corporate and Investment Banking, the Credit Portfolio Management (CPM) team is responsible for working in close cooperation with the Risk Division and the businesses to reduce excessive portfolio concentrations and react quickly to any deterioration in the creditworthiness of a particular counterparty. CPM forms part of the department responsible for managing scarce resources for the credit and loan portfolio.

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentrations and to implement a proactive risk and capital management approach. Individual protection is essentially purchased under the over-concentration management policy.

Total outstanding purchases of protection through Corporate credit derivatives decreased to EUR 0.5 billion at end-December 2017 (compared to EUR 0.8 billion at end-December 2016).

The amounts recognised as assets (EUR 2.2 billion at 31st December 2017 versus EUR 3.9 billion at 31st December 2016) and liabilities (EUR 2.6 billion at 31st December 2017 versus EUR 4.2 billion at 31st December 2016) correspond to the fair value of credit derivatives mainly held under a transaction activity but also under the aforementioned protection purchases.

In 2017, the Credit Default Swap (CDS) spreads from European investment-grade issuances (iTraxx index) narrowed from mid-April onwards. The overall sensitivity of the portfolio to spreads widening declined, since the average maturity of protection is now much shorter.

Most protection purchases were made from clearing houses (89% of the outstanding amounts as of 31st December 2017), with the remainder being made from bank counterparties with ratings of A- or above.

4.3.3 MITIGATION OF COUNTERPARTY RISK LINKED TO MARKET TRANSACTIONS

Societe Generale uses various techniques to reduce this risk. With regard to counterparties dealing with market transactions, it seeks to implement master agreements with a termination-clearing clause wherever it can. In the event of default, such agreements provide for netting of all due and payable amounts. These agreements usually call for the revaluation of the collateral required at regular intervals (generally on a daily basis) and for the payment of the corresponding margin calls. Collateral is largely composed of cash and high-quality liquid assets, such as government bonds with a good rating. Other tradable assets are also accepted, provided that the appropriate haircuts are made to reflect the lower quality and/or liquidity of the asset.

Accordingly, at 31st December 2017, most over-the-counter (OTC) transactions were secured: by amount(1), 71% of transactions with positive mark to market (collateral received by Societe Generale) and 63% of transactions with negative mark to market (collateral posted by Societe Generale).

Management of OTC collateral is monitored on an ongoing basis in order to minimise operational risk:

- the exposure value of each collateralised transaction is certified on a daily basis;
- specific controls are conducted to make sure the process goes smoothly (settlement of collateral, cash or securities; monitoring of suspended transactions, etc.);
- all outstanding secured transactions are reconciled with those of the counterparty according to a frequency set by the regulator (mainly on a daily basis) in order to prevent and/or resolve any disputes on margin calls;
- any legal disputes are monitored daily and reviewed by a committee.

Moreover, regulations stipulate that a greater number of OTC derivative instruments must be cleared through clearing houses certified by competent authorities and subject to prudential regulations. The implementation of the European Market Infrastructure Regulation (EMIR) and the Dodd Frank Act – Title VII in the United States is an ongoing process in such respect. Among other things, these regulations aim to improve the stability and transparency of the derivatives market, by means of wider collateralisation of transactions, either through the use of clearing houses, for eligible products, or through bilateral and mandatory margin calls to cover actual exposure (variation margin) and future exposure (initial margins). In 2017, the exchange of variation margins became mandatory for all financial counterparties. Since September 2017, the exchange of initial margins has become mandatory for "category 2" counterparties (financial institutions dealing beyond a certain amount in nominal). This measure will be gradually extended to all other types of counterparty by 2020.

Accordingly, at end-December 2017, 19% of the OTC transactions (amounting to 51% of the nominal) were cleared through central counterparties (CCP).

Transactions stemming from prime brokerage activities are subject to systematic margin calls in order to mitigate the counterparty risk (customers post variation margins and initial margins for Societe Generale on a daily basis, to cover actual and future exposure).

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(1) Excluding OTC deals cleared in clearing houses.

4.3.4 CREDIT INSURANCE

In addition to using export credit agencies (for example Coface and Exim) and multilateral organisations (for example the European Bank for Reconstruction and Development – EBRD), the Group has been developing relationships with private insurers over the last several years in order to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group's General Management. The system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty, the latter being furthermore required to meet strict eligibility criteria.

The implementation of such a policy contributes to sound overall risk reduction.

4.4 RISK MEASUREMENT AND INTERNAL RATINGS

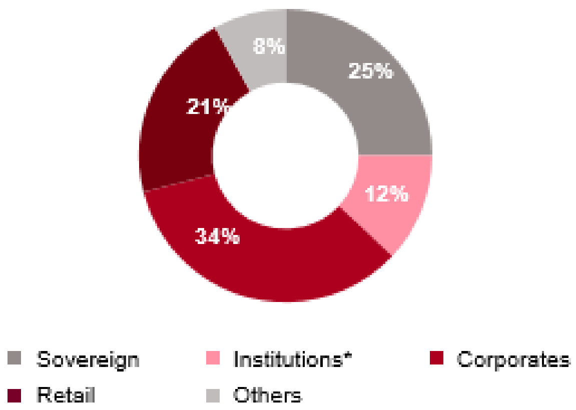
- To calculate its capital requirements under the IRB method, Societe Generale estimates its Risk-Weighted Assets (RWA) and the Expected Loss (EL) that may be incurred in light of the nature of the transaction, the quality of the counterparty and all measures taken to mitigate risk.
- To calculate its RWA, Societe Generale uses its own Basel parameters, which are estimated using its internal risk measurement system:
- the Exposure at Default (EAD) value is defined as the Group's exposure in the event that the counterparty should default. The EAD includes exposures recorded on the balance sheet (loans, receivables, accrued income, market transactions, etc.), and a proportion of off-balance sheet exposures calculated using internal or regulatory Credit Conversion Factors (CCF);
- the Probability of Default (PD): the probability that a counterparty of the Bank will default within one year;
- the Loss Given Default (LGD): the ratio between the loss incurred on an exposure in the event a counterparty defaults and the amount of the exposure at the time of the default.
- The Societe Generale Group also takes into account:
- the impact of guarantees and credit derivatives, by substituting the PD, the LGD and the risk-weighting calculation of the guarantor for that of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favourable than that of the obligor;
- collateral used as guarantees (physical or financial). This impact is factored in either at the level of the LGD models for the pools concerned or on a line-by-line basis.

4.5 QUANTITATIVE INFORMATION

The measurement used for credit exposures in this section is EAD – Exposure At Default (on- and off-balance sheet). Under the Standard Approach, EAD is calculated net of collateral and provisions. EAD is broken down according to the guarantor's characteristics, after taking into account the substitution effect (unless otherwise indicated).

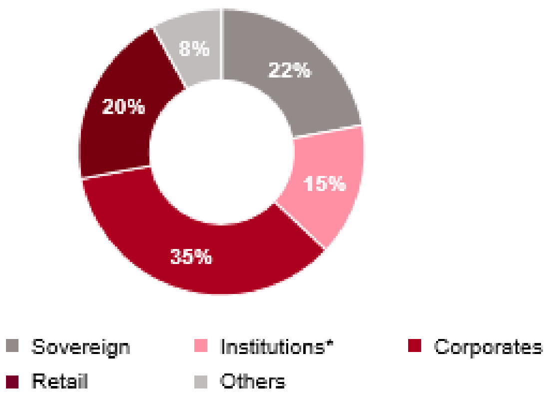
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2017

On- and off-balance sheet exposures (EUR 872 billion in EAD)



CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2016

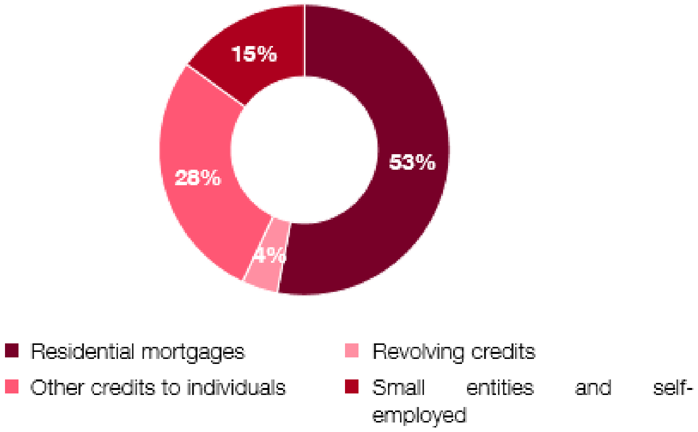
On- and off-balance sheet exposures (EUR 878 billion in EAD)



** Institutions : Basel classification bank and public sector portfolios.*

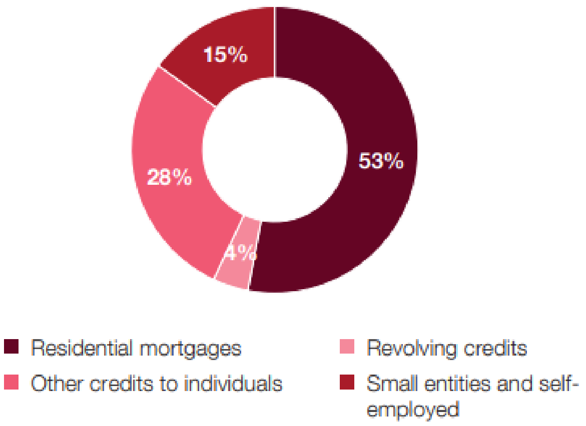
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2017

On- and off-balance sheet exposures (EUR 184 billion in EAD)

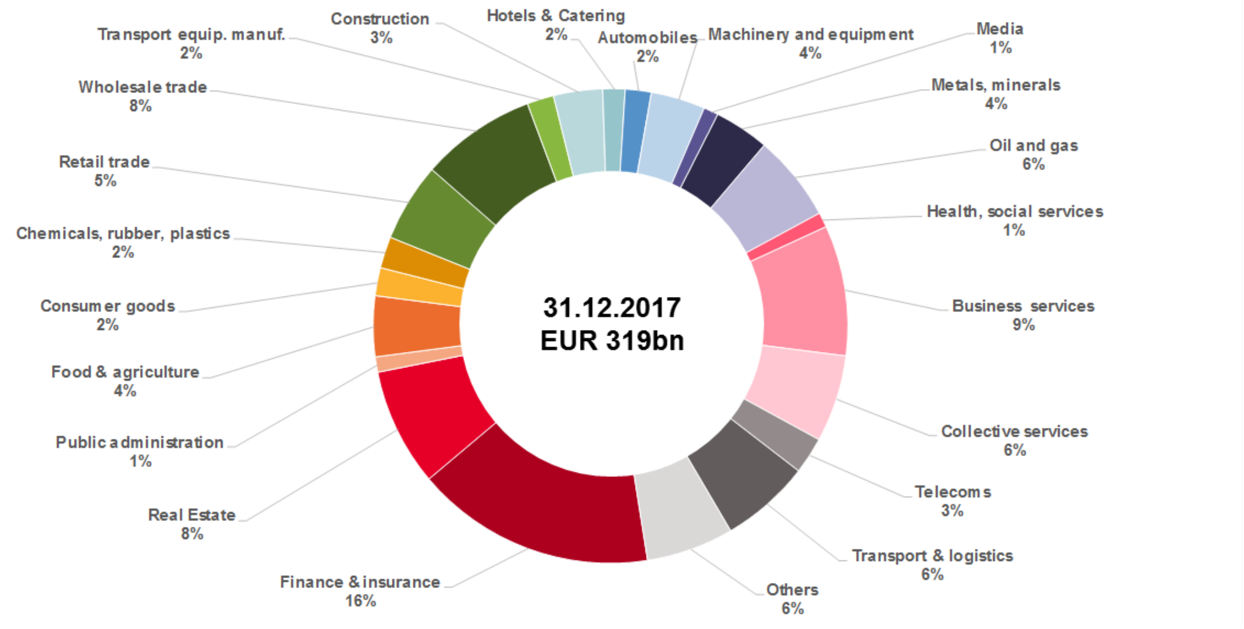


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2016

On- and off-balance sheet exposures (EUR 177 billion in EAD)



SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO)

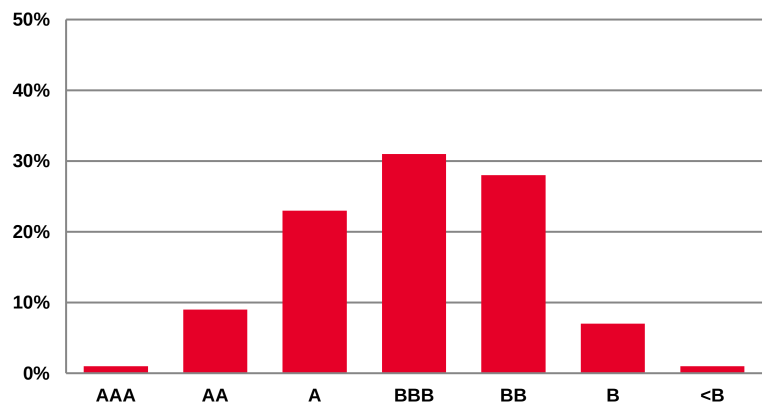


EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialist financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

At 31st December 2017, the Corporate portfolio amounted to EUR 319 billion (on- and off-balance sheet exposures measured in EAD). Only the Finance and Insurance sector accounts for more than 10% of the portfolio. The Group's exposure to its ten largest Corporate counterparties accounts for 6% of this portfolio.

CORPORATE AND BANK COUNTERPARTY EXPOSURE

BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31ST DECEMBER 2017 (AS % OF EAD)

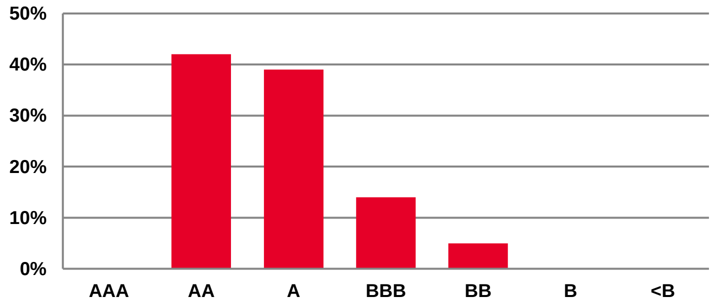


The scope includes performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialised financing) for the entire Corporate client portfolio, all divisions combined, and represents EAD of EUR 237 billion (out of total EAD for the Basel Corporate client portfolio of EUR 295 billion, standard method included).

The breakdown by rating of the Group's Corporate exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

At 31st December 2017, the majority of the portfolio (64% of Corporate clients) had an investment grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB-. Transactions with non-investment grade counterparties were very often backed by guarantees and collateral in order to mitigate the risk incurred.

BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31ST DECEMBER 2017 (AS % OF EAD)



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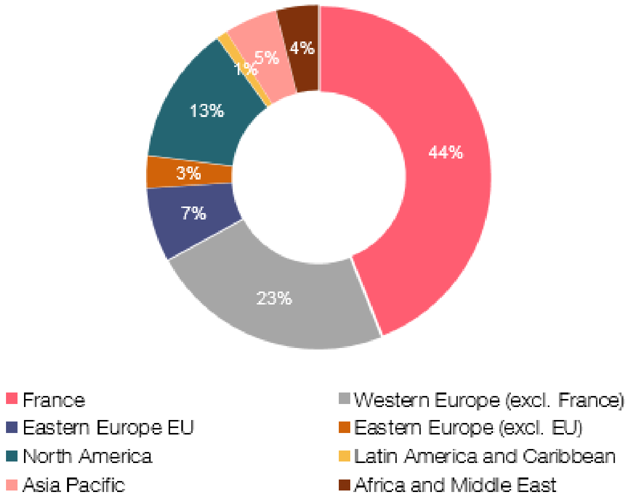
The scope includes performing loans recorded under the IRB method for the entire Bank client portfolio, all divisions combined, and represents EAD of EUR 54 billion (out of total EAD for the Basel Bank client portfolio of EUR 109 billion, standard method included). The breakdown by rating of the Societe Generale Group's bank counterparty exposure demonstrates the sound quality of the portfolio.

It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

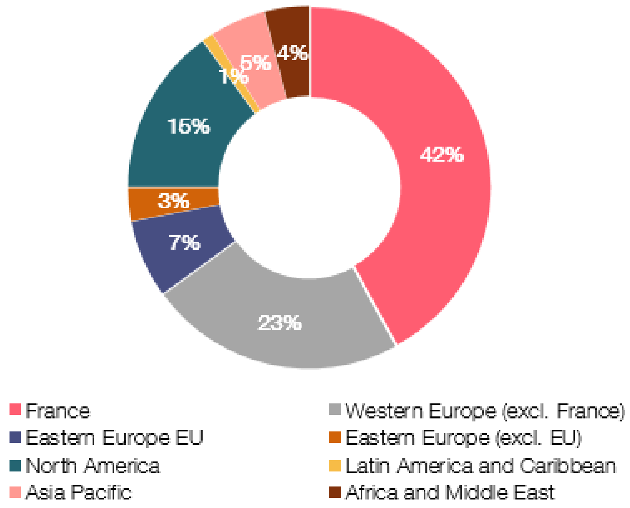
At 31st December 2017, exposure on banking clients was concentrated in investment grade counterparties (95% of exposure), as well as in developed countries (91%).

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2017 (ALL CLIENT TYPES INCLUDED) : EUR 872 BN



At 31st December 2017, 89% of the Group's on- and off-balance sheet exposure was concentrated in the major industrialised countries.(1) Almost half of the overall amount of outstanding loans was to French customers (28% exposure to non-retail portfolio and 16% to retail portfolio).

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2016 (ALL CLIENT TYPES INCLUDED) : EUR 878 BN



4.6 IMPAIRMENT

Impairment includes impairments on groups of homogeneous assets, which cover performing loans, and specific impairments, which cover counterparties in default.
The applicable accounting principles are set out in Note 3.8 to the consolidated financial statements provided in Chapter 6 of this Registration Document, p. 367.

4.6.1 IMPAIRMENT ON GROUPS OF HOMOGENEOUS ASSETS

Impairments on groups of homogeneous assets are collective impairments booked for portfolios that are homogeneous and have a deteriorated risk profile although no objective evidence of default can be observed at an individual level.

These homogeneous groups include sensitive counterparties, sectors or countries. They are identified through regular analyses of the portfolio by sector, country or counterparty type.

These impairments are calculated on the basis of assumptions on default rates and loss rates after default. These assumptions are calibrated by homogeneous group based on each group's specific characteristics, sensitivity to the economic environment and historical data. They are reviewed periodically by the Risk Division.

At 31st December 2017, the Group's impairment on groups of homogeneous assets amounted to EUR 1.3 billion (vs. EUR 1.5 billion at 31st December 2016).

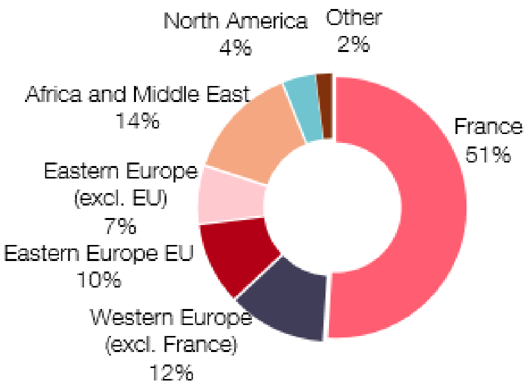
4.6.2 SPECIFIC IMPAIRMENT

The principles are described in note 3.8.1 of the financial statements.

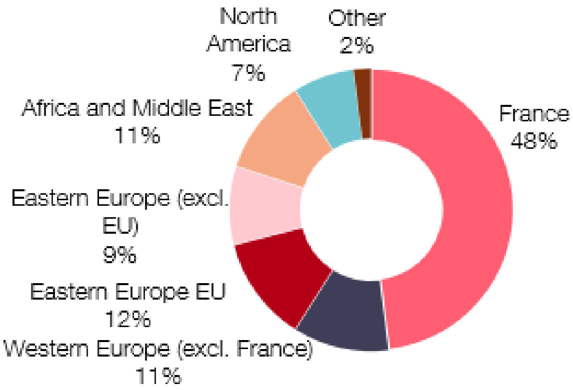
Impairment and provisions for credit risks are primarily booked for doubtful and disputed loans (customer loans and receivables, amounts due from banks, operating leases, lease financing and similar agreements).

At 31st December 2017, these individually impaired loans amounted to EUR 20.9 billion (versus EUR 23.9 billion at 31st December 2016).

BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2017



BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2016



4.6.3 RESTRUCTRED DEBT

For the Societe Generale Group, “restructured” debt refers to loans whose amount, term or financial conditions have been contractually modified due to the borrower’s insolvency (whether insolvency has already occurred or will definitely occur unless the debt is restructured). Societe Generale aligns its definition of restructured loans with the EBA definition.

Restructured debt does not include commercial renegotiations involving customers for which the bank has agreed to renegotiate the debt in order to maintain or develop a business relationship, in accordance with credit approval rules in force and without relinquishing any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the customer in question in the Basel default category and classifying the loans themselves as impaired.

The customers whose loans have been restructured are kept in the default category for as long as the bank remains uncertain of their ability to meet their future commitments and for at least one year.

Restructured debt totalled EUR 6.18 billion at 31st December 2017.

4.6.4 LOANS AND ADVANCES PAST DUE BUT NOT INDIVIDUALLY IMPAIRED

Loans and advances in the on-balance-sheet credit portfolio that are past due but not individually impaired are broken down as follows:

	31.12.2017					31.12.2016				
(In EUR bn)	between 1 and 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days	Total	between 1 and 30 days	between 31 and 90 days	between 91 and 180 days	more than 180 days	Total
Due from banks (A)	**0.02**	**0.02**	**0.00**	**0.00**	**0.04**	**0.03**	**0.02**	**0.00**	**0.00**	**0.05**
Sovereign (B)	0.01	0.01	0.00	0.01	0.03	0.06	0.00	0.00	0.00	0.06
Corporates (C)	2.96	0.78	0.18	0.16	4.08	1.74	0.64	0.14	0.22	2.74
Retail (D)	2.14	0.75	0.11	0.05	3.05	2.08	0.76	0.06	0.04	2.94
Customer loans (E = B + C + D)	**5.11**	**1.54**	**0.29**	**0.22**	**7.16**	**3.88**	**1.40**	**0.20**	**0.26**	**5.74**
Total (F = A + E)	**5.13**	**1.56**	**0.29**	**0.22**	**7.20**	**3.91**	**1.42**	**0.20**	**0.26**	**5.79**

The amounts presented in the table above include loans and advances that are past due for technical reasons, which primarily affect the "between 1 and 30 days" category. Loans and advances past due for technical reasons are loans and advances that are classified as past due on account of a delay between the value date and the date of recognition in the customer's account.

The total declared past due loans and advances not individually impaired includes all receivables (outstanding principal, interest and past due amounts) with at least one recognised past due amount.

These outstanding loans and advances can be placed on a watch list as soon as the first payment is past due.

At 31st December 2017, past due loans and advances not individually impaired accounted for 1.6% of unimpaired on-balance sheet assets excluding debt instruments and including loans and advances past due for technical reasons (for a total of EUR 439.89 billion). The proportion at 31st December 2016 was 1.3% of unimpaired on-balance sheet assets excluding debt instruments.

5. MARKET RISKS

5.1 ORGANISATION

Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system comes under the Market Risk Department of the Risk Division, which is independent from the businesses.

This department:

- checks the existence of an effective market risks monitoring system based on suitable limits;
- assesses the limit requests submitted by the different businesses within the framework of the overall limits authorised by the Board of Directors and General Management, and based on the use of these limits;
- proposes appropriate market risk limits by Group activity to the Group Risk Committee;
- defines methods for evaluating market risk;
- approves the valuation models used to calculate risk and results;
- defines methodologies for calculating provisions for market risk (reserves and adjustments to earnings).

To carry out these different tasks, the Market Risk Department uses the information provided by the Market Analysts & Certification Community (MACC), which independently monitors the Group's market positions on a permanent and daily basis, through:

- daily calculation and certification of market risk indicators based on formal and secure procedures;
- reporting and first-level analysis of these indicators;
- daily monitoring of the limits set for each activity, in conjunction with the Market Risk Department;
- verification of the market parameters used to calculate risks and results, with the Market Risk Department bearing responsibility for validating sources and defining the methods used to determine the parameters;
- monitoring and control of the gross nominal value of positions. This system is based on alert levels applied to all instruments and desks, defined in collaboration with the Market Risk Department, and contributes to the detection of possible rogue trading operations.

In order to perform its tasks, MACC defines the architecture and the functionalities of the information system used to produce the risk indicators for market transactions. MACC ensures it meets the needs of the different businesses and of the Market Risk Department.

5.2 METHODS FOR MEASURING MARKET RISK AND DEFINING LIMITS

The Group's market risk assessment is based on several types of indicators, which are monitored through limits:

the 99% Value-at-Risk (VaR): in accordance with the regulatory internal model, this global indicator is used for the day-to-day monitoring of the market risks incurred by the Group within the scope of its trading activities;

stress test measurements, based on decennial shock-type indicators, which make it possible to restrict the Group's exposure to systemic risk and exceptional market shocks. The measurements can be multi-risk factor (based on historic or hypothetical scenarios), by activity or risk factor in order to take into account extreme risks on a specific market, or event-driven, to temporarily monitor a particular situation;

sensitivity and nominal indicators used to manage the size of positions: sensitivities are used to monitor the risk incurred locally on a given type of position (e.g. sensitivity of an option

to changes in the underlying asset), while nominal indicators are used for significant positions in terms of risk, and make it possible to monitor the order of magnitude on exposures without netting effects;

additional metrics such as concentration risk or holding period, maximum maturity, etc.

The following indicators are also calculated: stressed VaR (SVaR) on a daily basis, and IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure) on a weekly basis. The capital charges arising from these internal models complement the VaR by taking into account the rating migration risks and the default risks, and by limiting the procyclical nature of capital requirements.

5.3 VALUE AT RISK 99 % (VAR)

The Internal VaR Model was introduced at the end of 1996 and has been approved by the French regulator within the scope of the regulatory capital requirements.

The Value-at-Risk (VaR) assesses the potential losses on positions over a defined time horizon and for a given confidence interval (99% for Societe Generale). The method used is the "historical simulation" method, which implicitly takes into account the correlation between the various markets and is based on the following principles:

- storage in a database of the risk factors that are representative of Societe Generale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.);
- definition of 260 scenarios corresponding to one-day variations in these market parameters over a rolling one-year period; these scenarios are updated daily with the inclusion of a new scenario and the removal of the oldest scenario. There are three coexisting methods for modelling scenarios (relative shocks, absolute shocks and hybrid shocks); the choice between these methods for a given risk factor is determined by its nature and its historical trend;
- the application of these 260 scenarios to the market parameters of the day;
- revaluation of daily positions, on the basis of the 260 sets of adjusted market parameters: in most cases this calculation involves a full re-pricing. Nonetheless, for certain risk factors, a sensitivity-based approach may be used.

Within the framework described above, the one-day 99% VaR, calculated according to the 260 scenarios, corresponds to the mean of the second and third largest losses computed.

The day-to-day follow-up of market risks is performed via the one-day VaR, which is computed on a daily basis. For regulatory capital requirements, however, we have to take into account a ten-day horizon, thus we also compute a ten-day VaR, which is obtained by multiplying the one-day VaR by the square root of ten. This methodology complies with Basel 2 requirements and has been reviewed and validated by the regulator.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limitations of which are as follows:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of the risk of loss under normal market conditions and does not take into account exceptionally significant fluctuations;
- VaR is computed using closing prices, meaning that intra-day fluctuations are not taken into account;
- the use of a historical model is based on the assumption that past events are representative of future events and may not capture all potential events.

The Market Risk Department mitigates the limitations of the VaR model by performing stress tests and other additional measurements.

At present, the market risks for almost all of Corporate and Investment Banking's activities (including those related to the most complex products) are monitored using the VaR method, as are the main market activities of Retail Banking and Private Banking. The few activities not covered by the VaR method, either for technical reasons or because the stakes are too low, are monitored using stress tests, and capital charges are calculated using the standard method or through alternative in-house methods.

The relevance of the model is checked through continuous backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval.

In compliance with regulations, backtesting compares the VaR to the (i) actual and (ii) hypothetical change in the portfolio's value.

In the first case (backtesting against "actual P&L"), the daily P&L includes the change in book value, the impact of new transactions and of transactions modified during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions and parameter adjustments made for market risk.

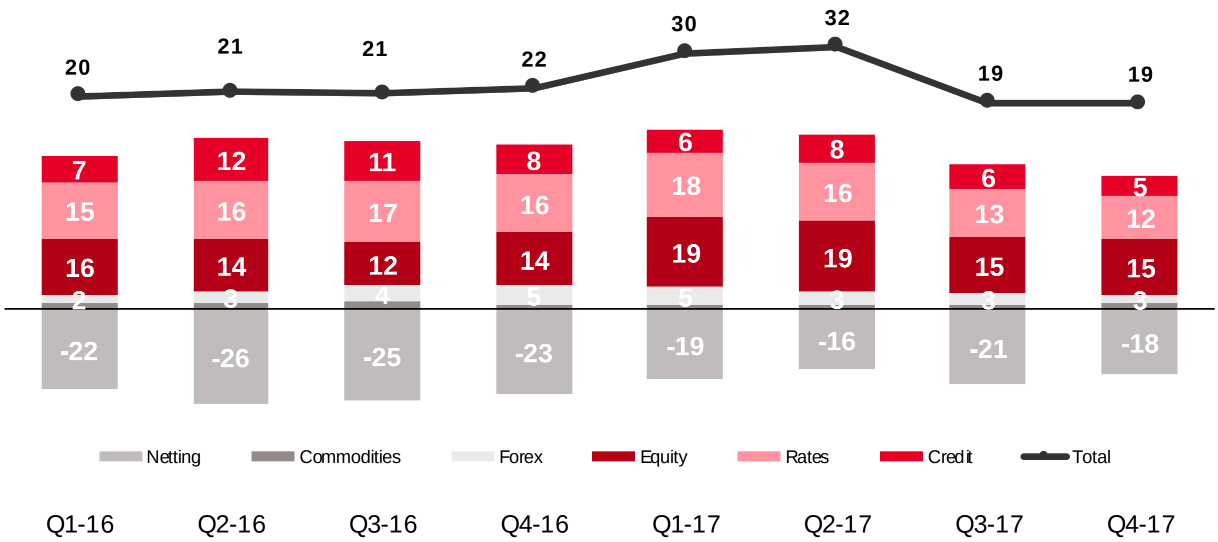
In the second case (backtesting against “hypothetical P&L”), the daily P&L includes only the change in book value related to changes in market parameters, and excludes all other factors.

5.4 AVERAGE VAR

In 2017, VaR (1 day, 99%) was riskier on average (EUR 25 million compared to EUR 21 million in 2016) with two major trends:

- an increase over the first part of the year, due to the inclusion at end-2016 of more volatile scenarios within the VaR computation;
- a decrease in early summer, due to (i) an improvement in the calculation method, aiming to more accurately reflect the characteristics of the Cross Currency basis, and (ii) interest rate and FX positions in Europe moving towards a more defensive profile.

BREAKDOWN BY RISK FACTOR OF TRADING VAR (ONE-DAY, 99%) – CHANGES IN QUARTERLY AVERAGE OVER THE 2016-2017 PERIOD (IN EUR M)



5.5 STRESSED VAR (SVAR)

At end-2011, Societe Generale was authorised by the French Prudential and Resolution Supervisory Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR) to supplement its internal models with the CRD3 requirements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used for the 99% one-day SVaR is the same as under the VaR approach. It consists in carrying out a historical simulation with one-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, SVaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

The method for determining the fixed historical stress window, which has been approved by the regulator, is based on a review of the historic shocks on the risk factors representative of the Societe Generale portfolio (related to equity, fixed income, foreign exchange, credit and commodity risks): historical shocks are aggregated to determine the period of highest stress for the entire portfolio. Each risk factor is assigned a weighting to account for the weight of each risk factor within its asset class and the weight of the asset class in the Group’s VaR. The historical window used is reviewed annually. In 2017, this window was “September 2008-September 2009.”

The ten-day SVaR used for the computation of the regulatory capital is obtained, as for VaR, by multiplying the one-day SVaR by the square root of ten.

5.6 STRESS TEST ASSESSMENT

Alongside the internal VaR model, Societe Generale monitors its exposure using stress test simulations to take into account exceptional market disruptions.

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected.

This stress test risk assessment is applied throughout all the Bank's market activities. It is based on a set of 18 scenarios (3 historical and 15 hypothetical).

Together with the VaR model, this stress test risk assessment methodology is one of the main pillars of the risk management framework. The underlying principles are as follows:

- the stress test corresponds to the worst result derived from the set of historical and hypothetical scenarios;
- the shocks applied are calibrated on time horizons specific to each risk factor (the time horizon can range from five days for the most liquid risk factors, to three months for the least liquid);
- risks are calculated every day for each of the Bank's market activities (all products together), using each of the historical and hypothetical scenarios;
- stress test limits are established for Societe Generale's activity as a whole, and then for the Group's various business lines.

The various stress test scenarios are reviewed by the Risk Division on a regular basis, in conjunction with the Group's teams of economists and specialists. These reviews are presented during dedicated committee meetings held every six months, attended by the Head of the Market Risk Department, economists and representatives of Societe Generale's trading activities. These committee meetings cover the following topics: changes in scenarios (introduction, removal, shock review), appropriate coverage of the risk factors by the scenarios, review of the approximations made in terms of calculation, correct documentation of the whole process. The delegation level needed to validate the changes in stress test scenarios depends on the impact of the change in question. At the end of 2016, the time horizons used for shock calibration were reviewed: for some parameters (mainly equity dividends, equity repos, implicit correlations on equity markets), the time horizons used previously were deemed inadequate in view of developments in market conditions, which led us to adjust the shocks used in the scenarios at the beginning of 2017. Furthermore, the foreign exchange shocks were reviewed in various scenarios.

HISTORICAL STRESS TESTS

This method consists of an analysis of the major economic crises that have affected the financial markets since 1995 (date from which the financial markets have become global and subject to increased regulatory requirements): changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analysed in order to define scenarios for potential variations in these main risk factors which, when applied to the Bank's trading positions, could generate significant losses. Accordingly, Societe Generale uses three significant historical scenarios related to the period from October to December 2008.

HYPOTHETICAL STRESS TESTS

The hypothetical scenarios are defined with the Group's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The Group's aim is to select extreme but plausible events which would have major repercussions on all international markets.

6. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Structural exposure to interest rate and exchange rate risks results from commercial transactions, their associated hedging transactions and corporate centre transactions.

The interest rate and exchange rate risks linked to trading activities are excluded from the structural risk measurement scope as they belong to the category of market risks. Structural and market exposures constitute the Group's total interest rate and exchange rate exposure.

The general principle is to reduce structural interest rate and exchange rate risks to the greatest extent possible within the consolidated entities. Wherever possible, commercial and corporate centre transactions within entities are hedged against interest rate and exchange rate risks, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within a treasury department). At a consolidated level, some foreign exchange positions are kept in order to minimise the sensitivity of the Group Common Equity Tier 1 ratio to currency fluctuations.

6.1 ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within the Group Finance Division supplements the control framework.

6.1.1 The Group Finance Committee, a General Management body

The Group Finance Committee:

- validates and oversees the structural risk monitoring, management and supervision system;
- reviews changes in the Group's structural risks through consolidated reporting;
- examines and validates the measures proposed by the Group Finance Division.

6.1.2 The ALM Department within the Group Finance Division

The ALM (Asset and Liability Management) Department is responsible for:

- defining the structural risk policies for the Group and formalising risk appetite for structural risks;
- defining the steering indicators and overall stress test scenarios for the different types of structural risk and setting the main limits for the entities;
- analysing the Group's structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment concerning structural risk;
- defining the ALM principles for the Group;
- defining the normative environment of the structural risk metrics, as well as modelling and management methods;
- defining the models used by the Group's entities with regard to structural risks;
- inventorying, consolidating and reporting on Group structural risks;
- monitoring compliance with structural risk limits.

6.1.3 The ALM Risk Control Department within the Risk Division

The second-level supervision of the ALM models used within the Group and of associated frameworks is provided by a dedicated service within the Risk Department. Accordingly, this department provides an opinion on the methodological principles, parameters and backtests of ALM models. It analyses proposals from the ALM Department regarding the risk indicators, stress test scenarios and structural risk frameworks.

It also conducts second-level controls of risk limits. The Risk Department organises and chairs the Model Validation Committee.

6.1.4 THE ENTITIES ARE RESPONSIBLE FOR STRUCTURAL RISK MANAGEMENT

In this respect, the entities apply the standards defined at the Group level, develop their models, measure their risk exposure and implement the required hedges.

Each entity has its own structural risk manager, who reports to the entity's Finance Department and is responsible for conducting first-level controls and for reporting the entity's structural risk exposure to the Group Finance Division via a shared IT system. French and International Retail Banking entities generally have an ad hoc ALM Committee responsible for applying the validated models, managing exposures to interest rate and exchange rate risks, and implementing the hedging programmes in compliance with the principles set out by the Group and the limits validated by the Finance Committee and the pillars' ALM Committees.

6.2 STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is measured within the scope of structural activities, specifically commercial transactions, the associated hedging transactions and corporate centre transactions for each of the Group's consolidated entities.

Structural interest rate risk arises mainly from the residual gaps (surplus or deficit) in each entity's fixed-rate forecasted positions.

6.2.1 OBJECTIVE OF THE GROUP

When steering structural interest rate risk, the main aim is to ensure the risk is managed by reducing each Group entity's exposure to the greatest extent possible.

To this end, each entity and the Group as a whole are subject to sensitivity limits validated by the Finance Committee. Sensitivity is defined as the variation in the net present value of future residual fixed-rate positions (surplus or deficit), stemming from assets and liabilities in a static vision, for a 1% parallel increase in the yield curve (i.e. this sensitivity does not correspond to the net interest margin sensitivity). The limit set at Group level is EUR 1 billion.

6.2.2 MEASUREMENT AND MONITORING OF STRUCTURAL INTEREST RATE RISKS

Societe Generale uses several indicators to measure the Group's overall interest rate risk. The two most important indicators are:

- the net present value (NPV) sensitivity: this is used to set limits for the entities and is calculated as the sensitivity of the net present value of the balance sheet to variations in interest rates. This measurement is calculated for all currencies to which the Group is exposed;
- the net interest margin sensitivity to variations in interest rates in various stress scenarios: this takes into account the sensitivity generated by future commercial productions over a three-year rolling horizon, and is calculated on a dynamic basis.

In order to quantify its exposure to structural interest rate risks, the Group analyses all fixed-rate assets and liabilities in the future. These positions result from transactions remunerated or charged at fixed rates and from their maturities.

Assets and liabilities are analysed independently, without any a priori matching. The maturities of outstanding assets and liabilities are determined based on the contractual terms of transactions, amortisation conventions and models based on customers' historic behaviour patterns (particularly for sight deposits, regulated savings accounts, loan prepayments) and shareholders' equity.

Once the Group has identified its fixed-rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to interest rate variations. This sensitivity is defined as the variation in the net present value of the fixed-rate positions for a 1% instantaneous parallel increase in the yield curve.

In addition to this analysis, the Group analyses the sensitivity to different yield curve configurations with a floor at 0% of its fixed-rate position.

The measurement of the net interest margin sensitivity to different yield curve configurations with a floor at 0% over a three-year rolling horizon is also used by the Group to quantify the structural interest rate risk of significant entities.

Throughout 2017, the Group maintained overall sensitivity of the net present value to interest rate risk below 0.6% of Group regulatory capital and below its EUR 1 billion limit.

The following observations can be made with regard to the businesses' structural interest rate risk:

- within French Retail Banking, the outstanding amounts of customer deposits are generally considered to be fixed-rate. Macro-hedging is set up mainly using interest rate swaps, in order to maintain the networks' net present value and income margin sensitivities to interest rate risk (on the basis of the scenarios adopted) within the limits set. At end-December 2017, the sensitivity of French Retail Banking's net present value to an instantaneous 1% parallel increase in the yield curve, based on its essentially euro-denominated assets and liabilities, was EUR -171 million;
- commercial transactions with large corporates are generally micro-hedged and therefore present no interest rate risk;
- commercial transactions with customers of the Specialised Financial Services subsidiaries are generally macro-hedged and therefore present only a very low interest rate risk;
- commercial transactions at the Group's subsidiaries and branches located in countries with weak development of the financial markets can generate structural interest rate risk, due to the difficulties these entities may face in optimally hedging interest rate risk; nonetheless, these positions, managed within limits, remain marginal at Group level;
- corporate centre transactions are subject to hedging.

Sensitivity to interest rate variations within the Group's main entities, accounting for 86% of Group and corporate centre outstanding loans as at 31st December 2017, represented EUR -275 million (for a 1% parallel and instantaneous rise in the yield curve).

MEASUREMENT OF THE ENTITIES' SENSITIVITY TO A 1% INTEREST RATE SHIFT, INDICATED BY MATURITY

(In EUR m)	**<1 year**	**1-5 years**	**>5 years**	**Total**
Amount of sensitivity (31.12. 2017)	**4**	**(265)**	**(13)**	**(275)**
Amount of sensitivity (31.12.2016)	15	9	87	111

The Group analyses the sensitivity of the interest margin to variations in market interest rates using stress tests on the Group's net interest margin.

6.3 STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk is mainly caused by:

- foreign currency-denominated capital contributions and equity investments financed through the purchase of foreign currencies;
- retained earnings in foreign subsidiaries.

6.3.1 OBJECTIVE OF THE GROUP

The Group's policy consists in calibrating the hedging of its net investments in foreign entities to reduce, as far as possible, the sensitivity of its Common Equity Tier 1 ratio to fluctuations in exchange rates. To this end, it enters into hedging transactions to maintain a currency exposure reducing such sensitivity within limits validated by the Finance Committee.

6.3.2 MEASUREMENT AND MONITORING OF STRUCTURAL FOREIGN EXCHANGE RATE RISKS

The Group quantifies its exposure to structural foreign exchange rate risks by analysing all assets and liabilities denominated in foreign currencies, arising from commercial transactions and the corporate centre.

The Group monitors structural exchange rate positions in the different currencies and manages the sensitivity of the Common Equity Tier 1 ratio to exchange rate fluctuations.

In 2017, structural positions monitoring reduced the Common Equity Tier 1 ratio sensitivity to currency fluctuations (sensitivity of the Common Equity Tier 1 ratio is managed within limits for each currency, set according to the Group's risk appetite in these currencies).

7.LIQUIDITY RISK

Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

7.1 GOVERNANCE AND ORGANISATION

The principles and standards applicable to the management of liquidity risks are defined by the Group's governing bodies, whose duties in the area of liquidity are listed below:

- The Board of Directors:
  - establishes the level of liquidity risk tolerance as part of the Group's Risk Appetite exercise, including the time period during which the Group can operate under conditions of stress ("survival horizon"),
  - meets regularly (at least quarterly) to examine the Group's liquidity risk situation;
- the Executive Committee:
  - sets budget targets in terms of liquidity based on proposals from the Group Finance Division,
  - allocates liquidity to the businesses and Group Treasury based on proposals from the Group Finance Division;
- the Finance Committee is the body responsible for monitoring structural risks and managing scarce resources. As such, it:
  - meets every six weeks, under the chairmanship of the Chief Executive Officer or a Deputy Chief Executive Officer, with the representatives of the Finance and Development Division's Risk Department and of the businesses,
  - oversees and validates the limits set for structural liquidity risk,
  - regularly monitors compliance with the budget and liquidity trajectory,
  - takes decisions, if necessary, on the implementation of corrective measures,
  - takes decisions, if necessary, on methodology issues regarding liquidity risk management,
  - examines regulatory changes and their impact.

The businesses are responsible for managing liquidity risk within their scope and are directly supervised by the Group Finance Division. They must ensure compliance with the regulatory requirements applicable to the entities falling within their scope of supervision.

The Group Finance Division manages and monitors liquidity risk through three separate departments, in compliance with the principle of separation between risk steering, execution and control functions:

- the Strategic and Financial Steering Department, responsible for:
  - establishing the Group's financial trajectory, in line with its strategic targets, regulatory requirements and market expectations,
  - proposing and monitoring the businesses' budget trajectory,
  - – monitoring the regulatory environment and developing liquidity steering standards for the businesses;
- the Balance Sheet and Global Treasury Management Department, responsible for:
  - implementing the Group's short-term and long-term funding plan (including the management of intraday liquidity risk),
  - supervising and coordinating the Group's Treasury functions,
  - monitoring the market and contributing its operational expertise to the establishment of Group liquidity steering objectives and the liquidity allocation for businesses,
  - managing the collateral used in refinancing operations (Central Banks, covered bonds, securitisation, secured funding), and monitoring the liquidity reserve,

- – managing the Group’s central funding department (management of liquidity and equity within the Group), including the internal liquidity charts;

- the ALM Department, which reports to the Chief Financial Officer, is in charge of, in particular:
  - supervising and controlling structural risks (interest rates, exchange rates and liquidity) to which the Group is exposed,
  - controlling the structural risk models and their compliance with the Group’s rules and methodologies, and monitoring compliance with risk limits and management practices within the Group’s divisions, business lines and entities.

Second-level supervision of the ALM models used within the Group and of the associated risk framework is conducted by a dedicated team within the Market Risk Department. Accordingly, this team provides an opinion on the methodological principles, parameters and backtests of liquidity models. It analyses proposals from the Finance Division regarding the risk indicators, stress test scenarios and liquidity and funding risk frameworks. It also conducts second-level controls of compliance with the risk limits defined under such a framework.

7.2 THE GROUP’S APPROACH TO LIQUIDITY RISK MANAGEMENT

The Group’s primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity steering system provides a balance sheet framework based on an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- the assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure. This development must comply with the liquidity gaps defined at Group level (under static and stress scenarios) as well as regulatory requirements;
- the liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Group to sustainably raise financial resources on the markets, in accordance with its risk appetite.

This steering system is based on measurement and supervision of the businesses’ liquidity gaps under reference and stress scenarios, their Group funding needs, the funds raised by the Group on the market, the eligible assets and the businesses’ contribution to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

- The businesses must maintain low to nil static liquidity gaps within the operating limits of their activities, by using the Group’s Central Treasury, which can, if needed, run an (anti) transformation position and manage it within the framework of the established risk limits.
- Internal liquidity stress tests, established on the basis of systemic, specific or combined scenarios, are controlled at Group level. They are used to ensure compliance with the survival horizon established by the Board of Directors and to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that sets out measures to be taken in the event of a liquidity crisis.
- The businesses’ funding needs (short-term and long-term) are determined on the basis of the development objectives for the franchises and in line with the Group’s fund-raising targets and capabilities.
- A plan for long-term funding, which complements the resources raised by the businesses, is designed to cover upcoming repayments and finance the growth of the businesses. It takes into account the Group’s investment capabilities and aims to optimise the cost of fund-raising while complying with limits in terms of market concentration. Diversification in terms of issuers and investor pools is also sought and managed.
- The Group’s short-term resources are adapted to the financing of the businesses’ short-term needs over periods appropriate to their management and in line with market concentration limits. As outlined above, they are adjusted in light of the liquidity reserve on the assets side, based on the

established stress survival horizon as well as the Group's LCR target (Liquidity Coverage Ratio, see Regulatory Ratios section).

- The Group's liquidity steering takes into account compliance with the target regulatory ratios (LCR, NSFR, leverage), the pillars' contributions to these ratios being subject to supervision.

Lastly, liquidity is governed in terms of cost via the Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to the latter on the basis of scales that must reflect the liquidity cost for the Group. This system is designed to optimise the use of external financing sources by businesses, and is used to monitor the equilibrium of balance sheet funding.

Societe Generale has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities.