6

FINANCIAL INFORMATION

Contents of consolidated financial statements

The information on the risk typology, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, is disclosed in Chapter 4 of the present Registration Document (Risks and capital adequacy).

The main characteristics of Societe Generale stock-option plans and free share plans are disclosed in Chapter 3 of the present Registration Document (Corporate governance).

This information belongs to the note to the consolidated financial statements and has been audited by statutory auditors; it is identified as such in Chapters 3 and 4 of the present Registration Document.

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In EUR m)		31.12.2016	31.12.2015
Cash, due from central banks		96,186	78,565
Financial assets at fair value through profit or loss*	Notes 3.1, 3.2 and 3.4	514,715	519,600
Hedging derivatives	Note 3.2	18,100	16,538
Available-for-sale financial assets	Notes 3.3 and 3.4	139,404	134,187
Due from banks	Notes 3.5 and 3.9	59,502	71,682
Customer loans	Notes 3.5 and 3.9	426,501	405,252
Revaluation differences on portfolios hedged against interest rate risk		1,078	2,723
Held-to-maturity financial assets	Note 3.9	3,912	4,044
Tax assets	Note 6	6,421	7,367
Other assets*	Note 4.4	84,756	69,131
Non-current assets held for sale	Note 2.5	4,252	171
Investments accounted for using the equity method		1,096	1,352
Tangible and intangible fixed assets	Note 8.4	21,783	19,421
Goodwill	Note 2.2	4,535	4,358
Total		**1,382,241**	**1,334,391**

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EUR m)		31.12.2016	31.12.2015
Due to central banks		5,238	6,951
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	455,620	454,981
Hedging derivatives	Note 3.2	9,594	9,533
Due to banks	Notes 3.6 and 3.9	82,584	95,452
Customer deposits	Notes 3.6 and 3.9	421,002	379,631
Debt securities issued	Notes 3.6 and 3.9	102,202	106,412
Revaluation differences on portfolios hedged against interest rate risk		8,460	8,055
Tax liabilities	Note 6	1,444	1,571
Other liabilities	Note 4.4	94,212	83,083
Non-current liabilities held for sale	Note 2.5	3,612	526
Underwriting reserves of insurance companies	Note 4.3	112,777	107,257
Provisions	Note 8.3	5,687	5,218
Subordinated debt		14,103	13,046
Total liabilities		**1,316,535**	**1,271,716**
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Issued common stocks, equity instruments and capital reserves		30,596	29,537
Retained earnings		25,813	23,905
Net income		3,874	4,001
Sub-total		**60,283**	**57,443**
Unrealised or deferred capital gains and losses		1,670	1,594
Sub-total equity, Group share		**61,953**	**59,037**
Non-controlling interests	Note 2.3	3,753	3,638
Total equity		**65,706**	**62,675**
Total		**1,382,241**	**1,334,391**

CONSOLIDATED INCOME STATEMENT

(In EUR m)		2016	2015
Interest and similar income	Note 3.7	24,660	25,431
Interest and similar expense	Note 3.7	(15,193)	(16,125)
Fee income	Note 4.1	10,116	10,144
Fee expense	Note 4.1	(3,417)	(3,466)
Net gains and losses on financial transactions		7,143	7,906
*o.w. net gains and losses on financial instruments at fair value through profit or loss**	*Note 3.1*	*5,759*	*6,957*
o.w. net gains and losses on available-for-sale financial assets	*Note 3.3*	*1,384*	*949*
Income from other activities*	Note 4.2	20,780	19,749
Expenses from other activities*	Note 4.2	(18,791)	(18,000)
Net banking income		**25,298**	**25,639**
Personnel expenses	Note 5	(9,455)	(9,476)
Other operating expenses	Note 8.2	(6,423)	(6,477)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(939)	(940)
Gross operating income		**8,481**	**8,746**
Cost of risk	Note 3.8	(2,091)	(3,065)
Operating income		**6,390**	**5,681**
Net income from investments accounted for using the equity method	Note 2.3	129	231
Net income/expense from other assets		(212)	197
Impairment losses on goodwill	Note 2.2	-	-
Earnings before tax		**6,307**	**6,109**
Income tax	Note 6	(1,969)	(1,714)
Consolidated net income		**4,338**	**4,395**
Non-controlling interests	Note 2.3	464	394
Net income, Group share		**3,874**	**4,001**
Earnings per ordinary share	Note 7.2	**4.26**	**4.49**
Diluted earnings per ordinary share	Note 7.2	**4.26**	**4.49**

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	2016	2015
Net income	**4,338**	**4,395**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**50**	**1,059**
Translation differences[(1)]	389	797
Available-for-sale financial assets	(321)	425
Revaluation differences	*661*	*703*
Reclassified into income	*(982)*	*(278)*
Hedging derivatives	(6)	(174)
Revaluation differences	*1*	*(171)*
Reclassified into income	*(7)*	*(3)*
Unrealised gains and losses of entities accounted for using the equity method and that will be reclassified subsequently into income	-	(117)
Tax on items that will be reclassified subsequently into income	(12)	128
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**(64)**	**80**
Actuarial gains and losses on post-employment defined benefits plans	(54)	125
Tax on items that will not be reclassified subsequently into income	(10)	(45)
Total unrealised or deferred gains and losses	**(14)**	**1,139**
Net income and unrealised or deferred gains and losses	**4,324**	**5,534**
o.w. Group share	*3,891*	*5 148*
o.w. non-controlling interests	*433*	*386*

(1) The variation in translation differences amounted to EUR 389 million and consisted of a:
- EUR +385 million variation in Group translation differences, mainly due to the depreciation of the Euro against the US dollar (EUR +412 million) and the Russian rouble (EUR +129 million), partially offset by the appreciation of the Euro against the pound sterling (EUR -329 million);
- EUR +4 million variation in translation differences attributable to non-controlling interests.

CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves					Retained earnings	Net income, Group Share
(In EUR m)	**Issued common stocks**	**Issuing premium and capital reserves**	**Elimination of treasury stock**	**Other equity instruments**	**Total**		
Shareholders' equity at 1st January 2015	1,007	20,141	(731)	9,069	29,486	25,216	-
Increase in common stock	1	4	-	-	5	(1)	-
Elimination of treasury stock	-	-	282	-	282	151	-
Issuance / Redemption of equity instruments	-	-	-	(297)	(297)	229	-
Equity component of share-based payment plans	-	61	-	-	61	-	-
2015 Dividends paid	-	-	-	-	-	(1,658)	-
Effect of acquisitions and disposals on non-controlling interests	-	-	-	-	-	(95)	-
Sub-total of changes linked to relations with shareholders	*1*	*65*	*282*	*(297)*	*51*	*(1,374)*	-
Unrealised or deferred gains and losses	-	-	-	-	-	80	-
Other changes	-	-	-	-	-	(17)	-
2015 Net income for the period	-	-	-	-	-	-	4,001
Sub-total	-	-	-	-	-	*63*	*4,001*
Change in equity of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-
Shareholders' equity at 31st December 2015	1,008	20,206	(449)	8,772	29,537	23,905	4,001
Appropriation of net income	-					4,001	(4,001)
Shareholders' equity at 1st January 2016	1,008	20,206	(449)	8,772	29,537	27,906	-
Increase in common stock (see Note 7.1)	2	6			8	(2)	
Elimination of treasury stock (see Note 7.1)			78		78	(20)	
Issuance / Redemption of equity instruments (see Note 7.1)				908	908	251	
Equity component of share-based payment plans (see Note 5.3)		65			65		
2016 Dividends paid (see Note 7.2)					-	(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 using the equity method					-		
Shareholders' equity at 31st December 2016	1,010	20,277	(371)	9,680	30,596	25,813	3,874

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**
(757)	1,027	257	527	55,229	2,778	800	67	3,645	58,874
-	-	-	-	4	-	-	-	-	4
-	-	-	-	433	-	-	-	-	433
-	-	-	-	(68)	-	-	-	-	(68)
-	-	-	-	61	-	-	-	-	61
-	-	-	-	(1,658)	(233)	-	-	(233)	(1,891)
-	-	-	-	(95)	(168)	-	-	(168)	(263)
-	*-*	*-*	*-*	*(1,323)*	*(401)*	*-*	*-*	*(401)*	*(1,724)*
769	556	(170)	1,155	1,235	-	-	(8)	(8)	1,227
-	-	-	-	(17)	8	-	-	8	(9)
-	-	-	-	4,001	394	-	-	394	4,395
769	*556*	*(170)*	*1,155*	*5,219*	*402*	*-*	*(8)*	*394*	*5,613*
-	(88)	-	(88)	(88)	-	-	-	-	(88)
12	1,495	87	1,594	59,037	2,779	800	59	3,638	62,675
				-				-	-
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

CASH FLOW STATEMENT

(In EUR m)	2016	2015
Net income (I)	4,338	4,395
Amortisation expense on tangible fixed assets and intangible assets (include operational leasing)	3,876	3,597
Depreciation and net allocation to provisions	4,238	4,507
Net income/loss from investments accounted for using the equity method	(129)	(231)
Change in deferred taxes	655	651
Net income from the sale of long-term available-for-sale assets and subsidiaries	(716)	(337)
Other changes	3,201	4,455
Non-cash items included in net income and others adjustments not including income on financial instruments at fair value through profit or loss (II)	11,125	12,642
Income on financial instruments at fair value through profit or loss	(5,760)	(6,957)
Interbank transactions	(1,020)	14,659
Customers transactions	20,672	(5,724)
Transactions related to other financial assets and liabilities	(4,247)	(2,126)
Transactions related to other non financial assets and liabilities	(2,378)	4,226
Net increase/decrease in cash related to operating assets and liabilities (III)	7,267	4,078
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III)	22,730	21,115
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	1,294	1,997
Net cash inflow (outflow) related to tangible and intangible fixed assets	(5,531)	(4,502)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)	(4,237)	(2,505)
Cash flow from/to shareholders	(1,357)	(1,522)
Other net cash flows arising from financing activities	1,306	4,404
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)	(51)	2,882
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	18,442	21,492
Cash, due from central banks (assets)	78,565	57,065
Due to central banks (liabilities)	(6,951)	(4,607)
Current accounts with banks (see Note 3.5)	26,113	23,625
Demand deposits and current accounts with banks (see Note 3.6)	(14,920)	(14,767)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	82,808	61,316
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 END OF THE YEAR	101,250	82,808
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS	18,442	21,492

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 8th February 2017.

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of 19th July 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended 31st December 2016 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_en.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 Standard Setter, the ANC, under Recommendation 2013-04 of 7th November 2013.

Disclosure provided in the notes to the consolidated financial statements are focused 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 1ST JANUARY 2016

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"

Annual improvements to IFRSs (2010-2012)

Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"

Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation"

Annual improvements to IFRSs (2012-2014)

Amendments to IAS 1 "Disclosure Initiative"

The future application of these amendments and improvements is not expected to have significant impacts on the Group's net income and equity.

AMENDMENTS TO IAS 19 "DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS"

These amendments apply to contributions from employees to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent from the number of years of employee service.

ANNUAL IMPROVEMENTS TO IFRSs (2010-2012) AND (2012-2014)

As part of the annual Improvements to International Financial Reporting Standards, the IASB has published amendments to some accounting standards.

AMENDMENTS TO IFRS 11 "ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS"

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business as defined in IFRS 3 "Business combinations". It requires that all principles of IFRS 3 be applied to the acquisition of an interest.

AMENDMENTS TO IAS 16 AND IAS 38 "CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION"

IASB clarifies that using a revenue-based method to calculate the depreciation and amortisation of an asset is not appropriate with few exceptions.

AMENDMENTS TO IAS 1 "DISCLOSURE INITIATIVE"

These amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. IASB clarifies that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial statements.

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

Not all of the accounting standards, amendments or interpretations published by the IASB had been adopted by the European Union at 31st December 2016. They are required to be applied from annual periods beginning on 1st January 2017 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as of 31st December 2016.

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

2017

- Amendments to IAS 12 "Recognition of deferred Tax Assets between an Investor and its Associate or Joint Venture"
- Amendments to IAS 7 "Disclosure Initiative"
- Annual improvements to IFRS 12 (2014-2016)

2018

- IFRS 9 "Financial Instruments" [Adopted by EU]
- IFRS 15 "Revenue from Contracts with Customers" [Adopted by EU]
- Clarifications to IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
- Amendments to IAS 40 "Transfers of Investment Property"
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
- Annual improvements to IAS 28 (2014-2016)

2019

- IFRS 16 "Leases"

ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

IFRS 9 "Financial Instruments"

Adopted on 22nd November 2016 and becoming effective for annual periods beginning on or after 1st January 2018

This standard aims to replace IAS 39. IFRS 9 determines new requirements for classifying and measuring financial assets and financial liabilities, the new credit risk impairment methodology for financial assets, and hedge accounting treatment, except accounting for macro hedging for which the IASB currently has a separate project.

The following treatments will be applicable to accounting periods beginning on or after 1st 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).

Classification and measurement

Financial assets are required to be classified into three categories according to measurement methods to be applied (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.

By default, financial assets will be classified as subsequently measured at fair value through profit or loss.

Debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash flows and if these cash flows consist solely of payments of principal and interest. Debt instruments will be measured at fair value through other comprehensive income (with cumulative gain or loss reclassified in profit or loss when the instruments are derecognised) if the objective of the entity (business model) is to collect the contractual cash-flows or to sell the instruments and if these contractual cash-flows consist solely of payments of principal and interest.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are compatible with a so-called basic loan. In a basic loan arrangement, the interest is mainly consideration for the time value of the money and for the credit risk. Any contract clause that might generate exposure to risk or to volatility of cash flows unrelated to such a basic loan arrangement (for example, exposure to changes in equity prices or in a stock index, or introduction of a leverage effect) do not give rise to contractual cash flow that are solely payments of principal and interest on the principal amount outstanding, unless there is only minimal effect on the flows.

Analysis of contractual cash flows may also require comparison with the cash flows of a benchmark instrument if the time value component of the money included in the interest is subject to modification due to the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is periodically revised, but the frequency of the revisions does not correspond with the duration for which the interest rate has been defined (for example, an interest rate that is revised monthly according to an annual rate) or if the interest rate of the financial instrument is revised periodically according to an average of short-term and long-term interest rates.

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety will then be measured at fair value through profit or loss.

Equity instruments will be measured at fair value through profit or loss except in case of irrevocable election made at initial recognition for measurement at fair value through other comprehensive income (provided these financial assets are not held for trading purposes and not classified as such into financial assets measured at fair value through profit or loss) without subsequent reclassification into income.

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.

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

IFRS 9 was adopted by the European Union on 22nd November 2016 and will be applicable to annual periods beginning on or after 1st January 2018. IFRS 9 allows the early application of the 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 31st December 2016, the Group did not anticipate the application of this treatment.

- 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 impairment or a provision for expected credit losses since their initial recognition.

The main change involves the systematic recording of depreciation on loans as soon as the loan is granted or as soon as the bonds are acquired, without waiting the occurrence of an objective evidence of impairment.

Thus, the financial assets in question will be allocated into three categories according to the gradual deterioration of their credit risk since their initial recognition, and an impairment will be booked to each of these categories as follows:

Stage 1

- All financial assets in question are initially recognised in this category.
- A loss allowance will be recorded at an amount equal to 12-month expected credit losses.
- Interest income will be recognised in the income statement using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 2

- If the credit risk on a financial asset significantly increases since its initial recognition, the asset will be transferred to this category.
- The loss allowance for the financial asset will then be increased to the level of its lifetime expected credit losses.
- Interest income will be recognised in the income statement using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 3

- Financial assets identified as being credit-impaired will be transferred to this category.
- The loss allowance for credit risk will continue to be measured at an amount equal to the lifetime expected credit losses and will be adjusted if necessary to take into account any additional deterioration of the credit risk.
- Interest income will then be recognised in the income statement using the effective interest rate method applied to the 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 will not appear to be relevant. A counterparty-based approach (applying the default contagion principle to all of the counterparty's outstanding loans) will also be possible if it gives similar results.

The Group will have to take into account all available past due and forward-looking information as well as potential consequences of a change in macro-economic factors at a portfolio level, 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 increases 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 or not there is objective evidence of impairment of a financial asset. An asset will notably be presumed in default if one or more contractual payments are more than 90 days past due.

The expected credit losses will be measured taking into account past events, but also the current situation, as well as reasonable forecasts of future economic conditions. Thus, such losses shall not be calculated according to average data's observed through the cycle, and may then introduce some pro-cyclicality into depreciation expenses.

Lifetime expected credit losses will be measured taking into account past events, but also the current situation, as well as reasonable forecasts of future economic conditions and relevant macro-economic factors up until the contract term.

- Hedge accounting (excluding macro-hedges)

This new standard will align hedge accounting more closely with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The standard expands the scope of non-derivative financial instruments that could be considered as hedging instruments. Similarly, the scope of items that could be considered as hedged items is expanded to include components of non-financial items. The standard also amends the approach for assessing hedge effectiveness.

However, the transition guidance of IFRS 9 allow entities to continue applying the provisions of IAS 39 on hedge accounting, in which case they must be applied to all hedging transactions.

Additional disclosures will also be required to explain both the effect that hedge accounting has had on the financial statements and the entity's risk management strategy.

Organisation of IFRS 9 implementation

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 dealing with 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 in order to implement the new standard and to be ready to apply it on 1st 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.

- Classification and measurement

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

This review was carried out in 2016 in order to determine the scope of financial assets whose classification and measurement will be modified by applying IFRS 9. Processes have been developed for analysing the contractual flows of financial assets, particularly in order to be able to compare those flows with a benchmark instrument when the monetary time value component included in the interest is subject to modification according to the instrument's contractual clauses.

The specifications necessary to adapt the entities' information systems, on the one hand, and the consolidation processes and reporting schedules, on the other hand, also continued through 2016. Development work was begun on information systems to identify qualification criteria for financial assets, update accounting treatments and collect the additional information to be disclosed in the notes. The Group also initiated preparations for a dry run exercise and general rehearsal, scheduled respectively for the second and third quarter of 2017, to test the new system in its entirety.

Moreover, the IASB has received a submission related to the classification of loans whose contractual terms include a prepayment option held by the borrower according to which the lender could receive a reimbursement amount including a negative prepayment indemnity or a reimbursement amount equal to the fair value of the loan at the prepayment date. The IASB decided to propose a limited amendment to IFRS 9 on this issue; the Group will follow closely the works and proposals of the IASB in order to assess their potential consequences on the future accounting classification of its financial assets under IFRS 9.

- 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. This framework has started to be calibrated and reviewed for approval in 2016, in particular in the following areas:

- Implementation of the methodological framework in all entities;
- Start of the IT developments in order to begin the testing period as of beginning of 2017;
- First description of the organisational processes, including the operational governance.

Thanks to the achieved steps, the group ambition is still to almost get the main part of the programme done at the end of the third quarter of 2017 to proceed to a general rehearsal.

The calibration stream and the validation of the methodological framework will take place in 2017 in order to understand as much as possible the new IFRS 9 provisioning models. These works require to simulate different management rules as well as different calibration rules (as consistent as possible with the Basel rules) in order to determine the conjunctions that best meet both the normative and business criteria. In addition to these themes, other streams will be launched, such as the definition of backtests, surveys to better understand the intrinsic pro-cyclicality of IFRS 9 models, and definition of the governance for updating the models and the weighted macro-economic scenarios in compliance with the accounting closing period.

During 2016, the general principles for implementation have been decided and will be implemented as follows:

- Centralisation of the provisioning models even though they are implemented taking into account the entities specificities;
- Use of a common calculator for the major part of the assets;
- Central collection of the assets and their provisions in order to face all the communication, explanation and reporting challenges around the provisions calculation.

- Hedging

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. The Group will continue to keep abreast of IASB research on accounting methods for macro-hedging operations.

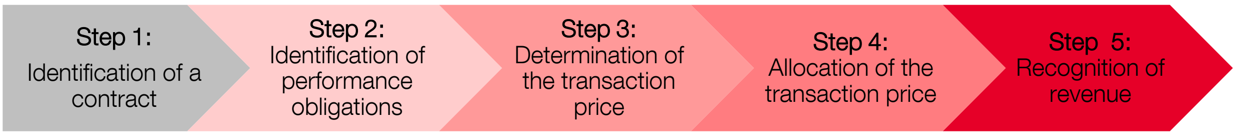
At this point of the IFRS 9 implementation process, the consequences of its application to Group financial statements cannot be estimated reasonably.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

Adopted on 22nd September 2016 and becoming effective for annual periods beginning on or after 1st January 2018

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

In order to recognise revenue, it will be necessary to apply five steps between the identification of a contract and the recognition of the revenue when a performance obligation is satisfied:



The Group is currently analysing the impact of this standard on its net income and equity. Given the application scope of the standard, the contracts that are expected to be mostly concerned by this analysis are those service contracts that lead to the recognition of fee income (loyalty packages, fees related to asset management or to loan syndication, etc.). The Group does not expect any significant impact due to the application of the standard.

AMENDMENTS, ACCOUNTING STANDARDS OR AMENDMENTS NOT YET ADOPTED BY THE EUROPEAN UNION AT 31ST DECEMBER 2016

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

Issued by IASB on 19th January 2016

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"

Issued by IASB on 29th January 2016

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

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

Issued by IASB on 20th 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 IFRS 4: APPLYING IFRS 9 "FINANCIAL INSTRUMENTS" WITH IFRS 4 "INSURANCE CONTRACTS"

Issued by IASB on 12th September 2016

These amendments propose solutions to treat the volatility in profit or loss that will arise from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard IFRS 4 "Insurance contracts". They give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied and before the new insurance contracts standard becomes effective. They give also companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. These entities will continue to apply the existing financial instruments standard, IAS 39.

ANNUAL IMPROVEMENTS TO IFRS 12 AND IAS 28 (2014-2016)

Issued by IASB on 8th December 2016

As part of the annual Improvements to International Financial Reporting Standards, the IASB has published amendments to some accounting standards.

AMENDMENTS TO IAS 40 "TRANSFERS OF INVESTMENT PROPERTY"

Issued by IASB on 8th December 2016

These amendments reinforce the principle that the entity shall transfer a property into or out of 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 for the use of the property.

IFRIC 22 "FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION"

Issued by IASB on 8th December 2016

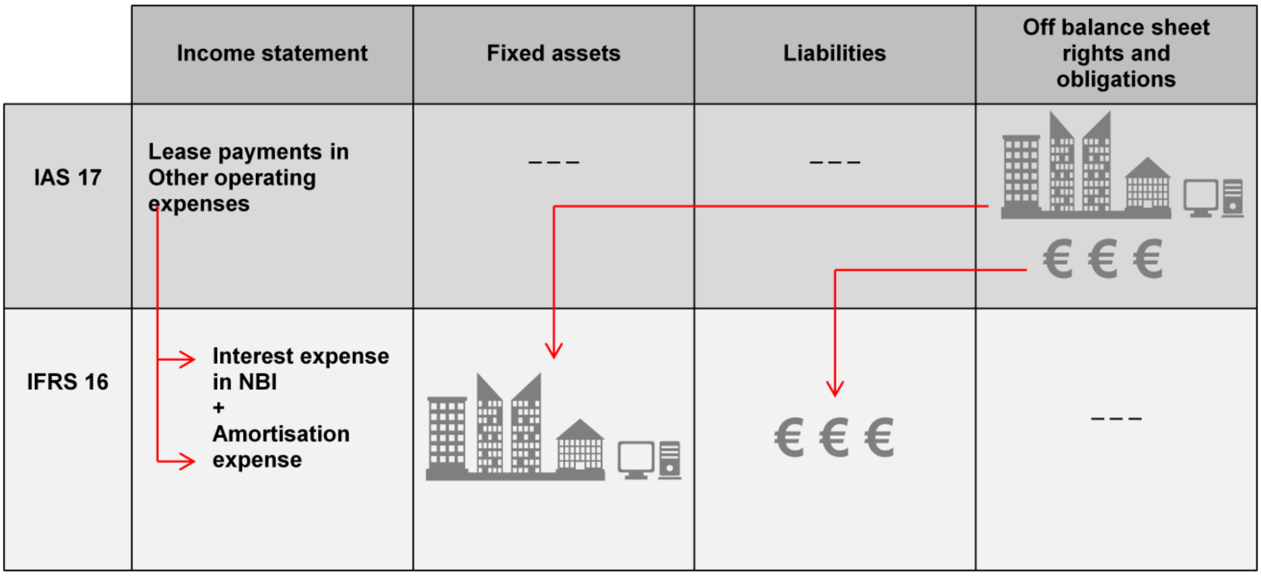
This interpretation clarifies the accounting for foreign currency transactions (payments or prepayments). The transaction shall provide a consideration that is denominated or priced in a foreign currency. Before this transaction, a prepayment asset or a deferred income liability shall be recognised and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

IFRS 16 "Leases"

Issued by IASB on 13th January 2016

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

For all lease agreements, the lessee is 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 shall separately recognise the depreciation of the right-of-use assets and the interest expense on lease liabilities:



This new accounting treatment of lease contracts for the lessee does not apply to short-term leases (with a term of less than twelve months including option to extend the lease) and leases for which the underlying asset is of low value.

Furthermore, the standard modifies the identification guidance of a lease contract in order to distinguish it from the accounting treatment applicable to a contract for services.

After a preliminary effects analysis of this new standard, the Group has started on the 4th quarter 2016 a framework project for the implementation transition in its information systems and processes and for the definition of the lease contracts to be included in the scope of this new standard. Property leases are the main contracts identified by the current assessment.

4. USE OF ESTIMATES AND JUDGEMENT

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 judgement. 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 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 held a referendum on 23rd June 2016, in which a majority of British citizens voted to leave the European Union (Brexit). Further to 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 necessary, 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 standardised 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 transactions carried out with third parties outside of the Group and the corresponding results.

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 voting rights solely concern administrative tasks and 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 ending 31st 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 on which 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 in 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 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. 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 1st 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 1st January 2004.

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

In the event of an increase in the Group's ownership interest in a subsidiary over which it already exercises control: the difference 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 *Consolidated reserves, Group share*.

Also, in the event of a reduction in the Group's stake in an entity over which it keeps control, the difference between the selling price and the carrying amount of the share of interests sold is accounted for under *Consolidated reserves, Group share*.

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

At the date on which the Group loses 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 other 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 scope of consolidation 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 31st December 2016, compared with the scope applicable at the closing date of 31st December 2015, are as follows:

PARCOURS

On 3rd May 2016, ALD Automotive acquired the Parcours Group, subsidiary of Wendel, located in Europe and mostly in France. This acquisition reinforced ALD Automotive on the SME and very small businesses segment, and enables accelerated growth on the French long-term leasing market.

The Group balance sheet increased by EUR 0.9 billion, with EUR 0.8 billion in assets under *Tangible and intangible fixed assets* and EUR 0.7 billion in liabilities under *Due to banks*.

KLEINWORT BENSON

On 6th June 2016, Societe Generale Hambros Ltd. acquired Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holdings Limited. The two entities were acquired as part of the Group's core market development strategy for Private Banking, in accordance with its ambition of being a reference as a relationship-focused bank.

The Group's balance sheet increased by EUR 2.4 billion, mainly through assets of EUR 0.8 billion under *Customer loans*, EUR 0.7 billion under *Available-for-sale financial assets* and EUR 0.6 billion under *Due from banks*, and liabilities of EUR 2.3 billion under *Customer deposits*.

BANK REPUBLIC

On 20th October 2016, The Group sold its majority shareholding in Bank Republic (93.64%), its Georgian subsidiary, to TBC Bank Group PLC, the second largest player in the Georgian banking industry. Societe Generale now holds limited minority stakes in TBC Bank Group PLC. The operation generated an expense in the income statement under *Net income/expense from other assets* totalling EUR 17 million.

The sale reduced the Group's balance sheet by EUR 0.7 billion, mainly through EUR 0.5 billion in assets under *Customer loans* and EUR 0.3 billion in liabilities under *Customer deposits*.

POST-CLOSING EVENTS

On 25th February 2015, the Group exercised its call option under the Shareholder Agreement between Aviva France and Credit du Nord pursuant to the Antarius joint venture. Following a period necessary for the operational transition, Aviva France and Sogecap signed on 8th February 2017 an agreement defining the conditions of the acquisition by Sogecap of the 50% interest in Antarius previously held by Aviva France. The transfer of the shares will be effective on 1st April 2017. Antarius will then be 100% owned by the Group, jointly by Sogecap and Credit du Nord and fully consolidated.

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 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 lower than initial expectations, or that the anticipated synergies have not been realised.

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 *Impairment losses on goodwill*.

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in 2016:

(In EUR m)	Net book value at 31.12.2015	Acquisitions and other increases	Disposals and other decreases	Impairments	Net book value at 31.12.2016
French Retail Banking	815	-	-	-	815
Societe Generale Network	304				304
Credit du Nord	511				511
International Retail Banking & Financial Services	2,676	203	(123)	-	2,756
Europe	1,910		(123)		1,787
Russia	-				-
Africa, Asia, Mediterranean Basin and Overseas	231				231
Insurance	10				10
Equipment and Vendor Finance	335				335
Auto Leasing Financial Services	190	203			393
Global Banking and Investor Solutions	867	99	(2)	-	964
Global Markets and Investor Services	501				501
Financing and Advisory	39				39
Asset and Wealth Management	327	99	(2)		424
TOTAL	4,358	302	(125)	-	4,535

The scope of certain CGUs changed over 2016, including in particular:

- Auto Leasing Financial Services, following the acquisition of Parcours Group in May 2016;
- Asset and Wealth Management, following the acquisitions of Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holding Limited in June 2016;
- Europe, following the sale of the retail bank in Georgia (Bank Republic) and the reclassification of the retail bank in Croatia (Splitska Banka) under *Non-current assets held for sale and related debt* at the end of 2016 (see Note 2.5).

At 31st December 2016, 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, online banking activities (Boursorama), consumer and equipment financing in France and transaction and payment management services
Credit Du Nord	Retail banking network of Credit 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), the 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 and Oradéa Vie)
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 31st December 2016 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.

Historically determined on the basis of a nine-year business plan, the cash flows were determined this year on a shorter six-year period, with the prospective four-year budgets (from 2017 to 2020) extrapolated over a two-year period (2021-2022), the year 2022 corresponding to a "normative" year used to calculate the terminal value:

- allocated equity at 31st December 2016 amounted to 11% of risk-weighted assets, excepted for Credit 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 Eurozone) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Eurozone), 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 2020-2021 forecasts.

No goodwill impairment was recorded at 31st December 2016 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 31st December 2016	**Discount rate**	**Long-term growth rate**
French Retail Banking		
Societe Generale Network and Credit du Nord	8%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.2% to 15.4%	3% to 3.5%
Insurance	9.1%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.7%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	11.3%	2%
Financing and Advisory	10%	2%
Asset and Wealth Management	9.8%	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
	Further investments to support the transformation
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	Continued transformation of Rosbank in stabilising economic conditions, with a focus on the efficiency of the retail banking arm, information systems, quality of customer service and pooling of resources
	Strict discipline applied to operating expenses and cost of risk
Africa, Asia, Mediterranean Basin and Overseas	Development of Societe Generale's sales network and expansion of services through the mobile banking offer
	Continued focus on operating efficiency
Insurance	Dynamic growth maintained and international development of the bank insurance model, 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	Solid momentum in a highly competitive international environment
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 in equities
	Continued of optimisation measures and investments in information systems
Financing and Advisory	Continuation of origination momentum of financing activities
	Consolidation of market-leading franchises in commodity and structured financing
	Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	Development of synergies with retail bank networks, both in France or abroad and with corporate and investment banking
	Consolidation in United Kingdom following the acquisition by SG Hambros of Kleinwort Benson

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions. At 31st December 2016, 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 and regulatory changes 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 6.9% 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 2.4% in recoverable value and would not generate any additional impairment;
- finally, consideration of regulatory constraints (Basel 4, IFRS 16 and IFRS 9 accounting standards) under their current provisions 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 exercises 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 31st December 2016 does not intend to support them financially.

The Group has contractual arrangements with some consolidated structured entities which may require it to provide financial support to these entities in relation to their exposure to credit risk, market risk or liquidity risk.

The structured debt securities issued by issuing vehicles are covered by an unconditional and irrevocable guarantee granted by Societe Generale to ensure payments on due dates. These issuing vehicles have also entered into hedging transactions with Societe Generale to hedge their contractual outflows. At 31st December 2016, the outstanding guaranteed amount was EUR 54.1 billion.

Carrying out securitisation transactions on behalf of customers and investors, Societe Generale provides liquidity facilities to two ABCP conduits (Asset Backed Commercial Paper) for a total amount of EUR 16.8 billion at 31st December 2016.

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 cumulative reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

Non-controlling interest amounted to EUR 3,753 million at 31st December 2016 (vs. EUR 3,638 million at 31st December 2015) and accounted for 6% of Group shareholders' equity at 31st December 2016 (vs. 6% at 31st December 2015).

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.

	31.12.2016				
(In EUR m)	**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)

	31.12.2015				
(In EUR m)	**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%	184	1,222	(163)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	45	542	-
SG MAROCAINE DE BANQUES	57.01%	57.01%	16	380	(10)
SOGECAP	100.00%	100.00%	33	829	(6)
Other entities	-	-	116	665	(54)
Total	-	-	394	3,638	(233)

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

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

	31.12.2016			
(In EUR m)	**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

	31.12.2015			
(In EUR m)	**Net banking income**	**Net income**	**Net income and unrealised or deferred gains and losses**	**Total balance sheet**
KOMERCNI BANKA A.S	1,094	482	821	32,587
BRD - GROUPE SOCIETE GENERALE SA	569	116	80	11,020
SG MAROCAINE DE BANQUES	346	40	62	7,757

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:	2016	2015	2016	2015	2016	2015
Net income	72	72	57	159	129	231
Unrealised or deferred gains and losses (net of tax)	-	-	-	(88)	-	(88)
Net income and unrealised or deferred gains and losses	72	72	57	71	129	143

The activities of joint ventures mainly include real estate development, asset and wealth management and insurance.

COMMITMENTS TO RELATED PARTIES

(In EUR m)	31.12.2016	31.12.2015
Loan commitments granted	-	-
Guarantee commitments granted	17	33
Forward financial instrument commitments	90	279

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 vehicles).

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, etc.);
- 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 Swaps (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
(In EUR m)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Total balance sheet of the entity[(1)]	8,730	8,748	90,537	70,292	19,204	14,544
Net carrying amount of Group interests in unconsolidated structured entities:						
Assets:	3,915	4,480	10,274	10,104	6,654	3,986
Financial assets at fair value through profit or loss	522	586	9,836	9 278	2,633	425
Available for sale financial assets	67	117	17	24	613	3
Bank and customer loans and receivables	3,318	3,768	419	802	3,403	3,553
Others	8	9	2	-	5	5
Liabilities:	1,803	1,853	10,893	9,457	5,048	1,580
Financial liabilities at fair value through profit or loss	255	188	9,235	8,081	3,414	662
Due to banks and customer deposits	1,513	1,593	1,631	1,371	1,587	909
Others	35	72	27	5	47	9

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

The Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31st December 2016, 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.

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

(In EUR m)	Asset financing		Asset management		Others	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
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	3,714	3,849	6,798	5,173	1,718	1,236
Fair value(1) of derivative financial assets recognised in the balance sheet	357	412	4,926	4,124	2,436	526
Notional amount of CDS sold (maximum amount to be paid)	-	-	2	-	-	-
Notional amount of loan or guarantee commitments granted	562	663	1,468	1,780	1,049	1,256
Maximum exposure to loss	4,633	4,924	13,194	11,077	5,203	3,018

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

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.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 3,198 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.

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 8,444 million (including EUR 6,015 million for Other structures).

The amount of income from these structured entities (mainly Asset financing) was EUR 0.2 million from gains on derecognition of interests in structured entities.

(1) Fair value at the closing date, which may fluctuate in subsequent periods.

NOTE 2.5 - NON CURRENT ASSETS HELD FOR SALE AND RELATED DEBT

ACCOUNTING PRINCIPLES

A non-current asset or group of assets and liabilities is deemed to be "held for sale" if its carrying value will primarily be recovered via a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group of assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be marketed at a price that is reasonable in relation to its current fair value.

Assets and liabilities falling into this category are reclassified as *Non-current assets held for sale* and *Non-current liabilities held for sale*, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less than their net carrying value, an impairment is then recognised in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In EUR m)	**31.12.2016**	**31.12.2015**
Assets	**4,252**	**171**
Fixed assets and Goodwill	124	27
Financial assets	666	6
Receivables:	3,447	104
due from banks	*746*	*90*
customer loans	*2,127*	*14*
others	*574*	-
Other assets	15	34
Liabilities	**3,612**	**526**
Allowances	18	163
Financial liabilities	1	-
Debts	3,528	346
due to banks	*763*	-
customer deposits	*2,748*	*346*
others	*17*	-
Other liabilities	65	17

The *Non-current assets held for sale and related debt* include, in particular, the assets and liabilities of the retail bank in Croatia (Splitska Banka and its subsidiaries) and the brokerage and financial information disclosure activities in Germany.

In order to materialise the unrealised losses on the Croatian retail bank assets held for sale, an impairment loss of EUR -235 million has been recorded under *Net income/expense from other assets.*

NOTE 3 - FINANCIAL INSTRUMENTS

MAKING IT SIMPLE

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.). These financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets.

In the financial statements, classification and valuation of financial assets and liabilities depends 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 (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

Financial assets are booked to 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 booked to 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 upon sale of 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.

The information on the risk typology, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, is disclosed in Chapter 4 of the present Registration Document (Risks and capital adequacy).

This information belongs to the note to the consolidated financial statements and has been audited by statutory auditors; it is identified as such in Chapters 3 and 4 of the present Registration Document.

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

	31.12.2016		31.12.2015	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio*	450,593	389,508	463,042	400,931
Financial instruments measured using the fair value option through profit or loss	64,122	66,112	56,558	54,050
Total	**514,715**	**455,620**	**519,600**	**454,981**
o.w. securities purchased/sold under resale/repurchase agreements	*152,803*	*126,436*	*136,157*	*141,265*

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

1. TRADING PORTFOLIO

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 booked to 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)	31.12.2016	31.12.2015
Bonds and other debt securities	41,430	54,628
Shares and other equity securities	69,549	79,297
Trading derivatives(1)	182,504	188,329
Other trading assets*	157,110	140,788
Total	**450,593**	**463,042**
o.w. securities lent	*13,332*	*15,766*

(1) See Note 3.2 Financial derivatives.

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Debt securities issued	16,314	15,524
Amounts payable on borrowed securities	44,655	37,271
Bonds and other debt instruments sold short	11,592	14,142
Shares and other equity instruments sold short	1,958	1,407
Trading derivatives(1)	188,638	190,228
Other trading liabilities	126,351	142,359
Total	**389,508**	**400,931**

(1) See Note 3.2 Financial derivatives.

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 the Global Markets and Investor Services business 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.

ASSETS

(In EUR m)	31.12.2016	31.12.2015
Bonds and other debt securities	23,238	20,704
Shares and other equity securities	18,921	18,537
Customer loans	19,604	17,026
Other financial assets	1,803	1
Separate assets for employee benefit plans	556	290
Total	**64,122**	**56,558**

LIABILITIES

Financial liabilities measured at 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 354 million at 31st December 2016. 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 31st December 2016, the difference between fair value of financial liabilities measured using the fair value option through profit or loss (EUR 66,112 million versus EUR 54,050 million at 31st December 2015) and the amount repayable at maturity (EUR 65,837 million versus EUR 53,769 million at 31st December 2015) was EUR 275 million (EUR 281 million at 31st December 2015).

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

(In EUR m)	**2016**	**2015**
Net gain/loss on trading portfolio*	(2,276)	394
Net gain/loss on financial instruments measured using fair value option	16	1,879
Net gain/loss on derivative instruments	7,857	3,421
Net gain/loss on hedging transactions	89	244
Net gain/loss on fair value hedging derivatives	*998*	*(2,004)*
Revaluation of hedged items attributable to hedged risks	*(911)*	*2,248*
Net gain/loss on foreign exchange transactions	75	1,019
Total[(1)]	5,759	6,957

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

(1) Insofar as 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 P&L 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, etc.), as are their forms (forward contracts, swaps, calls and puts, etc.).

The Group may use these derivative instruments for their market activities to provide its customers with 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 of 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.

1. 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

	31.12.2016		31.12.2015	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	125,801	125,848	126,002	124,931
Foreign exchange instruments	27,140	28,325	23,713	24,725
Equity and index instruments	18,987	22,878	18,589	20,727
Commodity instruments	6,485	6,494	12,604	11,690
Credit derivatives	3,902	4,179	7,108	7,265
Other forward financial instruments	189	914	313	890
Total	182,504	188,638	188,329	190,228

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

	31.12.2016		31.12.2015	
(In EUR m)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge				
Interest rate instruments	17,365	9,289	15,448	9,199
Foreign exchange instruments	45	4	79	4
Equity and index instruments	1	-	5	-
Cash flow hedge				
Interest rate instruments	584	121	589	135
Foreign exchange instruments	72	179	384	183
Other financial instruments	33	1	33	12
Total	18,100	9,594	16,538	9,533

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 activities of the Global Banking and Investor Solutions, 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)	Less than 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, etc.)	174	505	862	5,270	6,811
Highly probable forecast transaction	44	95	115	109	363
Other (Forex, etc.)	13	-	3	-	16
Total flows covered by cash flow hedge	231	600	980	5,379	7,190

(In EUR m)	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2015
Floating cash flows hedged (rates, etc.)	368	890	744	911	2,913
Highly probable forecast transaction	2	164	178	110	454
Other (Forex, etc.)	1	2	-	-	3
Total flows covered by cash flow hedge	371	1,056	922	1,021	3,370

3. FORWARD FINANCIAL INSTRUMENT COMMITMENTS (NOTIONAL AMOUNTS)

	31.12.2016		31.12.2015	
(In EUR m)	Trading	Hedging	Trading	Hedging
Interest rate instruments				
Firm instruments				
Swaps	7,659,277	425,723	9,464,657	388,205
FRAs	1,643,107	372	1,401,505	291
Options	2,508,569	2,238	2,519,669	542
Foreign exchange instruments				
Firm instruments	2,406,365	12,713	2,429,059	9,635
Options	899,930	-	612,156	-
Equity and index instruments				
Firm instruments	81,292	-	85,632	-
Options	1,803,498	-	1,806,733	35
Commodity instruments				
Firm instruments	151,588	-	183,023	-
Options	49,075	-	57,682	-
Credit derivatives	485,505	-	675,181	-
Other forward financial instruments	32,041	226	33,260	342
TOTAL	17,720,247	441,272	19,268,557	399,050

4. MATURITIES OF FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

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

(In EUR m)	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2016
Interest rate instruments	1,290,563	3,086,161	4,613,613	3,248,949	12,239,286
Foreign exchange instruments	1,583,635	823,150	651,781	260,442	3,319,008
Equity and index instruments	295,416	1,283,202	262,229	43,943	1,884,790
Commodity instruments	106,211	58,646	29,572	6,234	200,663
Credit derivatives	38,052	134,167	287,752	25,534	485,505
Other forward financial instruments	4,772	12,596	14,787	112	32,267
Total	3,318,649	5,397,922	5,859,734	3,585,214	18,161,519

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

	31.12.2016		31.12.2015	
(In EUR m)	**Net**	*o.w. allowances for impairment*	**Net**	*o.w. allowances for impairment*
Debt instruments	124,747	*(257)*	119,467	*(266)*
Equity instruments[1]	12,447	*(567)*	12,091	*(363)*
Long-term equity investments	2,210	*(518)*	2,629	*(510)*
Total	139,404	*(1,342)*	134,187	*(1,139)*
o.w. securities lent	*2*	-	*1*	-

(1) Including UCITS.

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In EUR m)	2016
Balance at 1st January 2016	134,187
Acquisitions	55,665
Disposals / redemptions[1]	(49,564)
Change in scope and others	(1,294)
Gains and losses on changes in fair value recognised directly in equity during the period	926
Change in impairment on debt instruments recognised in P&L	9
increase	*(7)*
write-backs	*10*
others	*5*
Impairment losses on equity instruments recognised in P&L	(285)
Change in related receivables	(113)
Translation differences	(127)
Balance at 31st December 2016	139,404

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

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

(In EUR m)	2016	2015
Dividend income	460	722
Gains and losses on sale of debt instruments(1)	182	133
Gains and losses on sale of equity instruments(2)	(54)	995
Impairment losses on equity instruments(3)	(254)	(102)
Profit-sharing on available-for-sale financial assets of insurance companies	315	(893)
Gains and losses on sale of long-term equity investments	766	118
Impairment losses on long-term equity investments(4)	(31)	(24)
Total net gains and losses on available-for-sale assets	1,384	949
Interest income on available-for-sale assets	2,496	2,811

(1) o.w. EUR 5 million for Insurance activities in 2016.
(2) o.w. EUR -63 million for Insurance activities in 2016.
(3) o.w. EUR -248 million for Insurance activities in 2016.
(4) o.w. EUR -1 million for Insurance activities in 2016.

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

	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

	2015		
(In EUR m)	Unrealised gains	Unrealised losses	Net revaluation
Unrealised gains and losses on available-for-sale equity instruments	1,119	(62)	1,057
Unrealised gains and losses on available-for-sale debt instruments	1,047	(679)	368
Unrealised gains and losses of insurance companies	550	(119)	431
Total	2,716	(860)	1,856

SALE OF VISA SHARES

After being approved by the appropriate European authorities, Visa Inc.'s acquisition of the unlisted Visa Europe shares held by the Group and recorded under *Available-for-sale assets*, agreed on 2nd November 2015, was closed on 21st June 2016. The Visa Europe shares were sold against a three-part payment: an upfront cash consideration, a deferred cash payment, and Visa Inc. preference shares.

The preference shares will be convertible into ordinary shares over a period of four to 12 years, subject to conditional terms; they are not listed and are subject to limited transferability. To assess the value of the preference shares, the Group incorporated their illiquidity the uncertainties surrounding the factors that will be used to determine the final conversion rate into ordinary Visa shares, using estimates and assumptions similar to those made for the valuation of Visa Europe shares at 31st December 2015. As a result of this sale, the EUR 552 million before tax booked to *Unrealised gains and losses on available-for-sale equity instruments* at 31st December 2015 were recycled to income and a total capital gain of EUR 725 million was recorded under *Net gains and losses on available-for-sale financial assets*.

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 (as 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 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 upon sale of 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 significance of the inputs used, according to 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 predominantly 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. Similarly, debt measured at fair value is classified as Level 3 where the valuation of the associated embedded derivatives is also based on unobservable inputs.

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 Nth 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 (including options on commodity swaps, baskets of underlyings).

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	31.12.2016				31.12.2015			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	104,225	163,469	395	268,089	119,627	154,499	587	274,713
Bonds and other debt securities	38,161	3,253	16	41,430	46,383	8,021	224	54,628
Shares and other equity securities	65,790	3,758	1	69,549	72,975	6,322	-	79,297
Other trading assets(1)*	274	156,458	378	157,110	269	140,156	363	140,788
Financial assets measured using fair value option through P&L	39,621	23,184	1,317	64,122	37,710	16,444	2,404	56,558
Bonds and other debt securities	22,926	126	186	23,238	20,291	228	185	20,704
Shares and other equity securities	16,695	2,153	73	18,921	17,419	975	143	18,537
Other financial assets	-	20,349	1,058	21,407	-	14,951	2,076	17,027
Separate assets for employee benefit plans	-	556	-	556	-	290	-	290
Trading derivatives	162	179,344	2,998	182,504	413	184,065	3,851	188,329
Interest rate instruments	46	123,862	1,893	125,801	38	123,411	2,553	126,002
Foreign exchange instruments	98	26,842	200	27,140	298	23,142	273	23,713
Equity and index instruments	-	18,488	499	18,987	-	18,107	482	18,589
Commodity instruments	-	6,423	62	6,485	-	12,361	243	12,604
Credit derivatives	-	3,724	178	3,902	-	6,855	253	7,108
Other forward financial instruments	18	5	166	189	77	189	47	313
Hedging derivatives	-	18,100	-	18,100	-	16,538	-	16,538
Interest rate instruments	-	17,949	-	17,949	-	16,037	-	16,037
Foreign exchange instruments	-	117	-	117	-	463	-	463
Equity and index instruments	-	1	-	1	-	5	-	5
Other forward financial instruments	-	33	-	33	-	33	-	33
Available-for-sale financial assets	128,861	8,526	2,017	139,404	123,718	8,200	2,269	134,187
Debt securities	118,429	6,115	203	124,747	113,374	5,983	110	119,467
Equity securities	10,251	2,160	36	12,447	10,153	1,827	111	12,091
Long-term equity investments	181	251	1,778	2,210	191	390	2,048	2,629
Total financial assets at fair value	272,869	392,623	6,727	672,219	281,468	379,746	9,111	670,325

(1) o.w. EUR 151,001 million of securities purchased under resale agreements at 31st December 2016 vs. EUR 136,158 million at 31st December 2015.
* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	31.12.2016				31.12.2015			
(In EUR m)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	13,518	180,408	6,944	200,870	15,564	189,175	5,964	210,703
Debt securities issued	-	9,567	6,747	16,314	-	9,728	5,796	15,524
Amounts payable on borrowed securities	13	44,642	-	44,655	52	37,219	-	37,271
Bonds and other debt instruments sold short	11,547	45	-	11,592	14,105	36	1	14,142
Shares and other equity instruments sold short	1,958	-	-	1,958	1,407	-	-	1,407
Other trading liabilities(1)	-	126,154	197	126,351	-	142,192	167	142,359
Financial liabilities measured using fair value option through P&L	325	37,499	28,288	66,112	306	32,570	21,174	54,050
Trading derivatives	96	184,491	4,051	188,638	279	185,884	4,065	190,228
Interest rate instruments	22	123,199	2,627	125,848	42	122,334	2,555	124,931
Foreign exchange instruments	69	28,224	32	28,325	221	24,470	34	24,725
Equity and index instruments	-	22,082	796	22,878	-	19,991	736	20,727
Commodity instruments	-	6,428	66	6,494	-	11,436	254	11,690
Credit derivatives	-	3,649	530	4,179	-	6,780	485	7,265
Other forward financial instruments	5	909	-	914	16	873	1	890
Hedging derivatives	-	9,594	-	9,594	-	9,533	-	9,533
Interest rate instruments	-	9,410	-	9,410	-	9,334	-	9,334
Foreign exchange instruments	-	183	-	183	-	187	-	187
Equity and index instruments	-	-	-	-	-	-	-	-
Other financial instruments	-	1	-	1	-	12	-	12
Total financial liabilities at fair value	13,939	411,992	39,283	465,214	16,149	417,162	31,203	464,514

(1) o.w. EUR 125,146 million of securities sold under repurchase agreements at 31st December 2016 vs. EUR 141,166 million at 31st December 2015.

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In EUR m)	Balance at 01.01.2016	Acquisitions	Disposals / redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2016
Trading portfolio	587	140	(227)	(173)	69	(16)	15	-	395
Bonds and other debt securities	224	120	(151)	(171)	-	(6)	-	-	16
Shares and other equity securities	-	20	(76)	-	69	(15)	3	-	1
Other trading assets	363	-	-	(2)	-	5	12	-	378
Financial assets measured using fair value option through profit or loss	2,404	775	(358)	(1,438)	-	(96)	30	-	1,317
Bonds and other debt securities	185	2	(2)	(1)	-	2	-	-	186
Shares and other equity securities	143	1	(52)	-	-	(19)	-	-	73
Other financial assets	2,076	772	(304)	(1,437)	-	(79)	30	-	1,058
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Trading derivatives	3,851	50	(22)	(1,055)	391	(312)	95	-	2,998
Interest rate instruments	2,553	-	(20)	(673)	91	(123)	65	-	1,893
Foreign exchange instruments	273	7	-	(6)	75	(159)	10	-	200
Equity and index instruments	482	37	(2)	(147)	23	95	11	-	499
Commodity instruments	243	6	-	(217)	-	30	-	-	62
Credit derivatives	253	-	-	(12)	28	(94)	3	-	178
Other forward financial instruments	47	-	-	-	174	(61)	6	-	166
Hedging derivatives	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	2,269	493	(378)	(399)	-	175	(13)	(130)	2,017
Debt securities	110	169	(65)	(7)	-	-	(2)	(2)	203
Equity securities	111	14	(35)	-	-	2	(7)	(49)	36
Long-term equity investments	2,048	310	(278)	(392)	-	173	(4)	(79)	1,778
Total financial assets at fair value	9,111	1,458	(985)	(3,065)	460	(249)	127	(130)	6,727

FINANCIAL LIABILITIES AT FAIR VALUE

(In EUR m)	Balance at 01.01. 2016	Issues	Acquisitions / disposals	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Balance at 31.12. 2016
Trading portfolio	5,964	2,426	(1)	(1,781)	(310)	426	66	154	6,944
Debt securities issued	5,796	2,426	-	(1,777)	(200)	247	107	148	6,747
Amounts payable on borrowed securities	-	-	-	-	-	-	-	-	-
Bonds and other debt instruments sold short	1	-	(1)	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Other trading liabilities	167	-	-	(4)	(110)	179	(41)	6	197
Financial liabilities measured using fair value option through P&L	21,174	11,201	-	(5,285)	(2,898)	3,631	207	258	28,288
Trading derivatives	4,065	575	(9)	(303)	(760)	223	220	40	4,051
Interest rate instruments	2,555	13	(9)	-	(405)	181	269	23	2,627
Foreign exchange instruments	34	8	-	-	(17)	1	4	2	32
Equity and index instruments	736	549	-	(301)	(210)	21	(12)	13	796
Commodity instruments	254	5	-	(1)	(70)	-	(121)	(1)	66
Credit derivatives	485	-	-	-	(58)	20	80	3	530
Other forward financial instruments	1	-	-	(1)	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-
Total financial liabilities at fair value	31,203	14,202	(10)	(7,369)	(3,968)	4,280	493	452	39,283

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 do 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 & Schools 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, publicly 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	1,993	25,643	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	2.5%; 97.9%
					Equity dividends	0.0%; 32.2%
					Correlations	-99%; 100%
					Hedge fund volatilities	8.5%; 11.9%
					Mutual fund volatilities	1.7%; 24.5%
Rates and Forex	2,694	13,044	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-47.1%; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	1%; 28.1%
			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%; 93%
Credit	201	530	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 bps; 1,000 bps
Commodities	62	66	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	-0.9%; 98.5%
Long term equity investments	1,778	-	Securities held for strategic purposes	Various securities valuation models (Discounted Cash Flows – DCF, Net Book Value)	Growth rate (DCF)	1%; 3%
					Cost of Equity (DCF)	8%; 10%
TOTAL	6,728	39,283				

(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 31st December 2016 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

	31.12.2016	
(In EUR m)	**Negative impact**	**Positive impact**
Shares and other equity instruments and derivatives	**(20)**	**94**
Equity volatilities	0	17
Dividends	(1)	5
Correlations	(19)	59
Hedge Fund volatility	0	8
Mutual Fund volatility	0	5
Rates and/or Forex instruments and derivatives	**(5)**	**49**
Correlations between exchange rates and/or interest rates	(3)	42
Forex volatilities	(2)	5
Constant prepayment rates	0	0
Inflation / inflation correlations	(1)	3
Credit instruments and derivatives	**(8)**	**16**
Time to default correlations	(1)	1
Recovery rate variance for single name underlyings	(7)	7
Quanto correlations	0	8
Credit spreads	(1)	1
Commodity derivatives	**0**	**2**
Commodities correlations	0	2
Long term securities valued using internal models	**(15)**	**27**
Growth rate and cost of equity	(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)	2016	2015
Deferred margin at 1st January	1,029	1,031
Deferred margin on new transactions during the period	779	634
Margin recorded in the income statement during the period	(666)	(636)
o.w. amortisation	*(290)*	*(251)*
o.w. switch to observable inputs	*(90)*	*(79)*
o.w. disposed, expired or terminated	*(285)*	*(307)*
o.w. translation differences	*-*	*1*
Deferred margin at 31st December	**1,142**	**1,029**

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)	**31.12.2016**	**31.12.2015**
Current accounts	24,639	26,113
Deposits and loans[1]	21,675	21,291
Subordinated and participating loans	157	458
Securities purchased under resale agreements	12,890	23,699
Related receivables	141	122
Due from banks before impairment	59,502	71,683
Impairment of individually impaired loans	(35)	(37)
Revaluation of hedged items	35	36
Net due from banks	59,502	71,682

(1) At 31st December 2016, the amount of receivables with incurred credit risk was EUR 97 million compared to EUR 82 million at 31st December 2015.

2. CUSTOMER LOANS

(In EUR m)	31.12.2016	31.12.2015
Overdrafts	25,880	22,653
Other customer loans[1]	360,389	348,619
Lease financing agreements[1]	29,562	27,972
Related receivables	1,611	1,661
Securities purchased under resale agreements	23,432	19,131
Customer loans before impairment	440,874	420,036
Impairment of individually impaired loans	(13,281)	(13,978)
Impairment of groups of homogeneous receivables	(1,534)	(1,388)
Revaluation of hedged items	442	582
Net customer loans	426,501	405,252

(1) At 31st December 2016, the amount of receivables with incurred credit risk was EUR 23,639 million compared to EUR 24,411 million at 31st December 2015.

BREAKDOWN OF OTHER CUSTOMER LOANS

(In EUR m)	31.12.2016	31.12.2015
Trade notes	10,289	9,582
Short-term loans	108,575	101,926
Export loans	11,718	11,499
Equipment loans	51,671	51,938
Housing loans	119,547	115,689
Loans secured by notes and securities	139	140
Other loans	58,450	57,845
Other customer loans	360,389	348,619

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

(In EUR m)	31.12.2016	31.12.2015
Gross investments	32,230	30,645
less than 1 year	*8,294*	*8,200*
1-5 years	*18,042*	*16,414*
more than 5 years	*5,894*	*6,031*
Present value of minimum payments receivable	28,151	26,510
less than 1 year	*7,600*	*7,501*
1-5 years	*16,006*	*14,450*
more than 5 years	*4,545*	*4,559*
Unearned financial income	2,584	2,617
Unguaranteed residual values receivable by the lessor	1,495	1,518

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)	31.12.2016	31.12.2015
Demand deposits and current accounts	14,337	14,920
Overnight deposits and borrowings and others	2,157	4,807
Term deposits	60,625	63,418
Related payables	86	101
Revaluation of hedged items	235	158
Securities sold under repurchase agreements	5,144	12,048
Total	**82,584**	**95,452**

2. CUSTOMER DEPOSITS

(In EUR m)	31.12.2016	31.12.2015
Regulated savings accounts	87,253	83,745
Demand	*62,091*	*59,923*
Term	*25,162*	*23,822*
Other demand deposits(1)	211,228	184,853
Other term deposits(1)	98,102	90,591
Related payables	451	528
Revaluation of hedged items	321	370
Total customer deposits	**397,355**	**360,087**
Borrowings secured by notes and securities	2	91
Securities sold to customers under repurchase agreements	23,645	19,453
Total	**421,002**	**379,631**

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

BREAKDOWN BY CUSTOMER TYPE

(In EUR m)	31.12.2016	31.12.2015
Other demand deposits		
Businesses and sole proprietors	87,923	76,774
Individual customers	64,071	56,448
Financial customers	41,942	38,478
Others[1]	17,292	13,153
Total	211,228	184,853

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

3. DEBT SECURITIES ISSUED

(In EUR m)	31.12.2016	31.12.2015
Term savings certificates	577	850
Bond borrowings	20,910	23,350
Interbank certificates and negotiable debt instruments	78,287	79,256
Related payables	808	897
Sub-total	100,582	104,353
Revaluation of hedged items	1,620	2,059
Total	102,202	106,412
o.w. floating-rate securities	*26,146*	*30,235*

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, etc.).

This compensation represents 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 expenses 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 discount future cash inflows and outflows over the expected life of the instrument in order to establish the 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.

	2016			2015		
(In EUR m)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	1,550	(1,161)	389	1,349	(1,678)	(329)
Demand deposits and interbank loans	1,127	(1,107)	20	1,102	(1,600)	(498)
Securities purchased under resale agreements and borrowings secured by notes and securities	423	(54)	369	247	(78)	169
Transactions with customers	11,957	(4,769)	7,188	12,860	(5,721)	7,139
Trade notes	531	-	531	583	-	583
Other customer loans	10,638	(2)	10,636	11,562	(2)	11,560
Demand deposits and current accounts	705	-	705	678	-	678
Regulated savings accounts	-	(875)	(875)	-	(1,061)	(1,061)
Overdrafts	13	(3,861)	(3,848)	-	(4,629)	(4,629)
Securities purchased under resale agreements and borrowings secured by notes and securities	70	(31)	39	37	(29)	8
Transactions in financial instruments	9,976	(9,263)	713	10,020	(8,726)	1,294
Available-for-sale financial assets	2,496	-	2,496	2,811	-	2,811
Held-to-maturity financial assets	260	-	260	188	-	188
Debt securities issued	-	(2,033)	(2,033)	-	(1,992)	(1,992)
Subordinated and convertible debt	-	(557)	(557)	-	(487)	(487)
Securities lending/borrowing	9	(25)	(16)	15	(21)	(6)
Hedging derivatives	7,211	(6,648)	563	7,006	(6,226)	780
Lease financing agreements	1,177	-	1,177	1,202	-	1,202
Real estate lease financing agreements	225	-	225	236	-	236
Non-real estate lease financing agreements	952	-	952	966	-	966
Total Interest income and expense	24,660	(15,193)	9,467	25,431	(16,125)	9,306
Including interest income from impaired financial assets	*373*	-	-	*436*	-	-

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)	2016	2015
Short-term loans	3,928	4,116
Export loans	280	278
Equipment loans	1,843	1,856
Housing loans	3,602	4,018
Other customer loans	985	1,294
Total	10,638	11,562

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 in 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 for the occurrence of a default.

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

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 fulfil 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 homogeneous 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); 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 amount of the restructured financial asset is decreased to the present amount of the estimated new future recoverable cash flows discounted using the initial 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 accordance 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.

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.

BREAKDOWN OF ASSET IMPAIRMENTS

(In EUR m)	Asset impairments at 31.12.2015	Allocations	Write-backs available	Net impairment losses	Reversals used	Currency and scope effects	Asset impairments at 31.12.2016
Banks	37	1	(5)	(4)	-	2	35
Customer loans	13,158	4,592	(3,246)	1,346	(2,087)	118	12,535
Lease financing and similar agreements	820	364	(317)	47	(121)	-	746
Groups of homogeneous assets	1,388	572	(439)	133	-	13	1,534
Available-for-sale assets[(1)(2)]	1,139	292	(148)	144	(8)	68	1,343
Others[(1)]	540	380	(122)	258	(48)	14	764
Total	17,082	6,201	(4,277)	1,924	(2,264)	215	16,957

(1) Including a EUR 51 million net allowance for counterparty risks.
(2) o.w. write-down on equity securities, excluding insurance activities, of EUR 40 million, which can be broken down as follows:
- EUR 14 million: impairment loss on securities not written down at 31st December 2015;
- EUR 26 million: additional impairment loss on securities already written down at 31st December 2015.

2. 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 31.12.2015	Allocations	Write-backs available	Net allocation	Write-backs used	Currency and scope effects	Provisions at 31.12.2016
Provisions for off-balance sheet commitments to banks	15	-	(8)	(8)	-	(1)	6
Provisions for off-balance sheet commitments to customers	353	423	(359)	64	(1)	26	442
Provision for disputes	1,869	369	(68)	301	(63)	125	2,232
Other provisions[(1)]	911	254	(234)	20	(50)	28	909
Provisions on financial instruments and disputes	3,148	1,046	(669)	377	(114)	178	3,589

(1) Including a EUR -63 million net write-back for PEL/CEL provisions at 31st December 2016 (see Note 3.8.3).

PROVISIONS FOR OFF-BALANCE SHEET COMMITMENTS

Provisions for off-balance sheet commitments represent the Group's probable losses incurred following the identification of a proven credit risk on an off-balance sheet financing or guarantee commitment that is not considered to be 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 judgement 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 rulings already handed down, 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 pending disputes that present a significant risk. The description of this litigation 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 was adjusted in 2016 by an additional allowance of EUR 350 million recorded under *Cost of risk*, bringing it to a total of EUR 2,050 million.

OTHER PROVISIONS

Other provisions include provisions for restructuring, provisions for commercial litigation, 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 French Act 65-554 of 10th 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 exist 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)	31.12.2016	31.12.2015
PEL accounts	19,318	18,079
less than 4 years old	7,869	7,874
between 4 and 10 years old	6,483	5,292
more than 10 years old	4,966	4,913
CEL accounts	1,396	1,442
Total	20,714	19,521

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2016	31.12.2015
less than 4 years old	9	31
between 4 and 10 years old	265	82
more than 10 years old	6	8
Total	280	121

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EUR m)	31.12.2015	Allocations	Reversals	31.12.2016
PEL accounts	286	15	(79)	222
less than 4 years old	6	15	(1)	20
between 4 and 10 years old	28		(7)	21
more than 10 years old	252		(71)	181
CEL accounts	2	2	(1)	3
Total	288	17	(80)	225

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2016, the provisions for PEL and CEL mortgage savings accounts were primarily linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 1.09% of total outstandings at 31st December 2016.

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)	2016	2015
Counterparty risk		
Net allocation to impairment losses	(1,629)	(2,232)
Losses not covered	(299)	(293)
on bad loans	*(255)*	*(245)*
on other risks	*(44)*	*(48)*
Amounts recovered	164	164
on bad loans	*161*	*161*
on other risks	*3*	*3*
Other risks		
Net allocation to other provisions	(327)	(704)
Total	(2,091)	(3,065)

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 values of financial instruments include accrued interest as applicable.

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2016				
(In EUR m)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from 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

	31.12.2015				
(In EUR m)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	71,682	72,357	-	60,528	11,829
Customer loans	405,252	406,975	-	142,999	263,976
Held-to-maturity financial assets	4,044	4,268	4,139	95	34
Total financial assets measured at amortised cost	480,978	483,600	4,139	203,622	275,839

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	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

	31.12.2015				
(In EUR m)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	95,452	95,739	139	91,667	3,933
Customer deposits	379,631	380,263	-	370,918	9,345
Debt securities issued	106,412	109,227	22,546	85,649	1,032
Subordinated debt	13,046	14,040	-	14,040	-
Total financial liabilities measured at amortised cost	594,541	599,269	22,685	562,274	14,310

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 purposes 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 recognised 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)	31.12.2016	31.12.2015
Loan commitments		
To banks*	23,438	27,998
To customers*	159,382	164,809
Issuance facilities	-	-
*Confirmed credit lines**	*155,859*	*161,404*
Others	*3,523*	*3,405*
Guarantee commitments		
On behalf of banks	9,290	9,349
On behalf of customers(1)	59,614	54,855
Securities commitments		
Securities to be delivered	31,063	30,015

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.
* Amounts restated relative to the financial statements published in 2015.

COMMITMENTS RECEIVED

(In EUR m)	31.12.2016	31.12.2015
Loan commitments		
From banks*	73,141	82,818
Guarantee commitments		
From banks	108,647	92,439
Other commitments(1)	112,500	103,133
Securities commitments		
Securities to be received	34,478	30,332

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 47,642 million at 31st December 2016 versus 44,878 million at 31st December 2015.
* Amounts restated relative to the financial statements published in 2015.

2. FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSET PLEDGED

(In EUR m)	31.12.2016	31.12.2015
Book value of assets pledged as security for liabilities(1)	252,338	235,130
Book value of assets pledged as security for transactions in financial instruments(2)	57,149	38,302
Book value of assets pledged as security for off-balance sheet commitments	783	763
Total	310,270	274,195

(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 surety deposits.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EUR m)	31.12.2016	31.12.2015
Fair value of securities purchased under resale agreements	189,144	178,937

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 security.

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

	31.12.2016		31.12.2015	
(In EUR m)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Available-for-sale securities	16,224	13,742	16,106	12,249
Securities at fair value through profit or loss	20,148	17,892	43,009	33,174
Total	36,372	31,634	59,115	45,423

SECURITIES LENDING

	31.12.2016		31.12.2015	
(In EUR m)	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Securities at fair value through profit or loss	5,521	3	5,832	180
Total	5,521	3	5,832	180

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

Customer loans *(In EUR m)*	31.12.2016	31.12.2015
Carrying amount of transferred assets	1,558	1,062
Carrying amount of associated liabilities	1,385	946
Fair value of transferred assets (A)	1,562	1,060
Fair value of associated liabilities (B)	1,389	944
Net position (A)-(B)	173	116

In 2016, one securitisation of customer loans was partially refinanced with external investors. The vehicles carrying these loans are consolidated by the Group.

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 31st December 2016, 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 31ST DECEMBER 2016

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	Cash collateral received	Financial instruments received as collateral	Net amount
Derivative financial instruments (see Note 3.2)	33,378	263,657	(96,431)	200,604	(136,394)	(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)	39,979	180,216	(31,070)	189,125	(42,884)	(473)	(94,911)	50,857
Guarantee deposits pledged (see Note 4.4)	31,728	17,017	-	48,745	-	(17,017)	-	31,728
Other assets not subject to offsetting	930,433	-	-	930,433	-	-	-	930,433
Total assets	1,038,431	471,311	(127,501)	1,382,241	(185,576)	(34,280)	(94,923)	1,067,462

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 Note 3.2)	31,866	262,797	(96,431)	198,232	(136,394)	(16,952)	(446)	44,440
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)	49,850	136,445	(31,070)	155,225	(42,884)	(65)	(42,603)	69,673
Guarantee deposits received (see Note 4.4)	33,115	17,263	-	50,378	-	(17,263)	-	33,115
Other liabilities not subject to offsetting	868,045	-	-	868,045	-	-	-	868,045
Total liabilities	1,011,961	432,075	(127,501)	1,316,535	(185,576)	(34,280)	(43,051)	1,053,628

(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 31ST DECEMBER 2015

ASSETS

(In EUR m)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[(1)]: Financial instruments recognised in the balance sheet	Impact of MNA: Cash collateral received	Impact of MNA: Financial instruments received as collateral	Net amount
Derivative financial instruments (see Note 3.2)	30,149	271,252	(96,534)	204,867	(142,350)	(16,311)	(158)	46,048
Securities lent (see Notes 3.1 and 3.3)	1,724	13,947	-	15,671	(12,631)	-	(659)	2,381
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	45,413	173,089	(39,515)	178,987	(49,829)	(587)	(78,783)	49,788
Guarantee deposits pledged (see Note 4.4)	22,967	16,132	-	39,099	-	(16,132)	-	22,967
Other assets not subject to offsetting	895,767	-	-	895,767	-	-	-	895,767
Total assets	**996,020**	**474,420**	**(136,049)**	**1,334,391**	**(204,810)**	**(33,030)**	**(79,600)**	**1,016,951**

LIABILITIES

(In EUR m)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet: Gross amount	Impact of offsetting on the balance sheet: Amount offset	Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements[(1)]: Financial instruments recognised in the balance sheet	Impact of MNA: Cash collateral pledged	Impact of MNA: Financial instruments pledged as collateral	Net amount
Derivative financial instruments (see Note 3.2)	29,946	266,349	(96,534)	199,761	(142,350)	(16,102)	-	41,309
Amount payable on borrowed securities (see Note 3.1)	11,921	25,350	-	37,271	(12,631)	-	(15,947)	8,693
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	61,191	151,090	(39,515)	172,766	(49,829)	(30)	(51,417)	71,490
Guarantee deposits received (see Note 4.4)	27,590	16,898	-	44,488	-	(16,898)	-	27,590
Other liabilities not subject to offsetting	817,430	-	-	817,430	-	-	-	817,430
Total liabilities	**948,078**	**459,687**	**(136,049)**	**1,271,716**	**(204,810)**	**(33,030)**	**(67,364)**	**966,512**

(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

The amounts shown are the contractual amounts excluding provisional interest.

(In EUR m)	**Less than 3 months**	**3 months to 1 year**	**1 to 5 Years**	**More than 5 years**	**31.12.2016**
Due to central banks	5,235	2	1	-	5,238
Financial liabilities at fair value through profit or loss	400,291	13,829	13,446	28,055	455,620
Due to banks	50,595	9,697	20,224	2,068	82,584
Customer deposits	336,689	29,867	29,134	25,312	421,002
Debt securities issued	31,005	21,063	35,437	14,697	102,202
Subordinated debt	296	90	2,302	11,415	14,103
Other Liabilities	80,596	6,314	4,785	2,516	94,212
Total Liabilities	904,708	80,863	105,328	84,063	1,174,961
Loan commitment granted	63,041	23,801	85,634	10,344	182,820
Guarantee commitments granted	17,843	10,688	20,780	19,591	68,903
Total commitments granted	80,885	34,490	106,414	29,935	251,723

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

In the absence of contractual elements, or in the case of financial instruments relating to the trading book (ex: derivatives), maturities fall in the first tranche (less than 3 months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal with, by default, a maturity in the first instalment (less than 3 months).

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.

	2016			2015		
(In EUR m)	Income	Expense	Net	Income	Expense	Net
Transactions with banks	128	(120)	8	138	(128)	10
Transactions with customers	2,661	-	2,661	2,611	-	2,611
Financial instruments operations	2,412	(2,139)	273	2,364	(2,148)	216
Securities transactions	601	(814)	(213)	680	(1,006)	(326)
Primary market transactions	227	-	227	280	-	280
Foreign exchange transactions and financial derivatives	1,584	(1,325)	259	1,404	(1,142)	262
Loan and guarantee commitments	745	(79)	666	768	(91)	677
Services	3,886	-	3,886	3,963	-	3,963
Others	284	(1,079)	(795)	300	(1,099)	(799)
Total	10,116	(3,417)	6,699	10,144	(3,466)	6,678

BREAKDOWN OF FEE INCOME AND EXPENSE

(In EUR m)	2016	2015
Fee income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	3,752	3,789
Fee income linked to trust or similar activities	2,033	1,976
Fee expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	(79)	(91)
Fee expense linked to trust or similar activities	(1,189)	(1,432)

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.

	2016			2015		
(In EUR m)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	96	(3)	93	76	(4)	72
Real estate leasing	83	(59)	24	47	(66)	(19)
Equipment leasing	8,309	(5,770)	2,539	7,496	(5,130)	2,366
Other activities	12,292	(12,959)	(667)	12,130	(12,800)	(670)
o.w. Insurance activities	*11,685*	*(11,391)*	*294*	*11,556*	*(11,344)*	*212*
Total	20,780	(18,791)	1,989	19,749	(18,000)	1,749

As part of its market-making activity in commodity derivatives, the Group may hold physical commodities, measured at fair value. In order to provide a more relevant picture of these activities and improve the clarity of the consolidated financial statements, these trading portfolio assets, previously reported among *Other assets*, have been reclassified under *Financial assets at fair value through profit or loss* (see Note 3.1).

The income and expenses related to these commodities, previously reported among Income and expense from other activities are now classified in *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1.3).

The impact on 2015 comparative data is as follows:

(In EUR m)	**31.12.2015 Before reclassification**	**31.12.2015 After reclassification**	**Reclassification impacts**
Balance sheet - Assets			
Financial assets at fair value through profit or loss	519,333	519,600	267
Other assets	69,398	69,131	(267)
Income statement			
Net gains and losses on financial transactions			
o.w. Net gains and losses on financial instruments at fair value through profit or loss	*7,275*	*6,957*	*(318)*
Income from other activities	53,324	19,749	(33,575)
Expenses from other activities	(51,893)	(18,000)	33,893

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 that sector of activities 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 economic environment would not require assets to be sold in the event of unrealised losses:

- the first 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 for 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 reserved for the associated underlying assets.

1. UNDERWRITING RESERVES OF INSURANCE COMPANIES

UNDERWRITING RESERVES

(In EUR m)	31.12.2016	31.12.2015
Underwriting reserves for unit-linked policies	22,449	20,043
Life insurance underwriting reserves	79,705	78,316
Non-life insurance underwriting reserves	1,262	1,175
Deferred profit-sharing booked in liabilities	9,361	7,723
Total	112,777	107,257
Attributable to reinsurers	(274)	(293)
Underwriting reserves of insurance companies (including provisions for deferred profit-sharing) net of the share attributable to reinsurers	112,503	106,964

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 1st January 2016 (except provisions for deferred profit-sharing)	20,043	78,316	1,175
Allocation to insurance reserves	1,618	572	82
Revaluation of unit-linked policies	431	-	-
Charges deducted from unit-linked policies	(125)	-	-
Transfers and allocation adjustments	382	(384)	-
New customers	1	-	-
Profit-sharing	99	1,188	-
Others	-	13	5
Reserves at 31st December 2016 (except provisions for deferred profit-sharing)	22,449	79,705	1,262

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31st December 2016. 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 31st December 2016 was conclusive.

UNDERWRITING RESERVES BY REMAINING MATURITY

(In EUR m)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2016
Insurance company underwriting reserves	13,158	7,970	30,276	61,373	112,777

2. NET INVESTMENTS OF INSURANCE COMPANIES

(In EUR m before elimination of intercompany transactions)	31.12.2016	31.12.2015
Financial assets at fair value through profit or loss	44,906	41,930
Debt instruments	26,016	23,451
Equity instruments	18,890	18,479
Due from banks	9,738	9,890
Available-for-sale financial assets	77,758	74,873
Debt instruments	65,554	63,130
Equity instruments	12,204	11,743
Investment property	576	591
Total(1)	132,978	127,284

(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

	31.12.2016		
(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)*

	31.12.2015		
(In EUR m)	**Unrealised gains**	**Unrealised losses**	**Net Revaluation**
Unrealised gains and losses of insurance subsidiaries	550	(119)	431
on available-for-sale equity instruments	*928*	*(568)*	*360*
on available-for-sale debt instruments and assets reclassified as Loans and receivables	*7,908*	*(521)*	*7,387*
Deferred profit-sharing	*(8,286)*	*970*	*(7,316)*

4. UNDERWRITING INCOME OF INSURANCE COMPANIES

(In EUR m)	**2016**	**2015**
Written premiums	11,292	11,271
Cost of benefits (including changes in reserves)	(10,438)	(11,233)
Net income from investments	3,153	4,535
Other net technical income (expense)	(3,179)	(3,853)
Contribution to operating income before elimination of intercompany transactions	828	720
Elimination of intercompany transactions[1]	326	404
Contribution to operating income after elimination of intercompany transactions	1,154	1,124

(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)	**2016**	**2015**
Fees Received		
Acquisition fees	603	737
Management fees	785	702
Others	37	38
Fees Paid		
Acquisition fees	(549)	(585)
Management fees	(396)	(394)
Others	(30)	(61)
Total Fees	450	437

6. MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, mainly pricing risks and risks of discrepancies in total fluctuations in claim experience: in non-life insurance and individual personal protection alike, profits are exposed to risks of deterioration in claim rates observed compared to claim rates anticipated at the time the price schedule was established. Discrepancies can be linked to multiple complex factors such as changes in policyholder behaviour (lapses), changes in the macroeconomic environment, pandemics, natural disasters, mortality, morbidity, longevity, etc.;
- risks linked to the financial markets and ALM: in life insurance, insurers are exposed to the instabilities of the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Management of 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.

In the area of pricing risks and risks of discrepancies in total loss experience, a number of guidelines are applied:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile from the very beginning. Proper application of these procedures is verified via Quality Audits and multi-annual Internal Audits. These processes have been ISO-certified;
- regular monitoring of loss ratios, based on statistics developed per year of occurrence. This analysis (expansion of the portfolio, level of provisions for reported claims and for incurred but not reported claims) allows pricing adjustments to be made, where applicable, for subsequent financial years;
- implementation of a reinsurance plan to protect the Group from major/serial claims.

Management of risks linked to the financial markets is just as much an integral part of the investment strategy as the aim of 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 and analysis are based on the following key principles:

- asset/liability risk management:
  - monitoring of long-term cash flows: the term of a liability is matched against the term of an asset, and cash flow peaks are strictly controlled in order to minimise liquidity risks;
  - close monitoring of redemption flows and stress scenario simulations;
  - close monitoring of the equity markets and stress scenario simulations;
  - hedging of exchange rate risks (in the event of a rise or drop in the markets) using financial instruments.
- financial risk management via the establishment of limits:
  - counterparty limits (e.g. limits according to the issuer's country of domiciliation, distinction between sovereign issuers and private issuers);
  - rating limits by issuer;
  - limits by type of asset (e.g. equities, private equity).

All of these strategies are assessed by simulating various scenarios of financial market behaviour and policyholder behaviour using stress tests and stochastic modelling.

NOTE 4.4 - OTHER ASSETS AND LIABILITIES

1. OTHER ASSETS

(In EUR m)	31.12.2016	31.12.2015
Guarantee deposits paid(1)	48,745	39,099
Settlement accounts on securities transactions	8,353	6,557
Prepaid expenses	775	569
Miscellaneous receivables(2)*	27,137	23,140
Gross amount	**85,010**	**69,365**
Impairment	(254)	(234)
Net amount	**84,756**	**69,131**

* Amounts restated relative to the financial statements published at 31st December 2015, following a modification in the presentation of physical commodities (see Note 4.2).

(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) Miscellaneous receivables include premiums to be received on instalment options that are besides measured at fair value in the balance sheet among financial instruments at fair value through profit or loss or hedging derivatives, as well as receivables related to insurance activities.

2. OTHER LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Guarantee deposits received(1)	50,378	44,488
Settlement accounts on securities transactions	7,357	6,938
Other securities transactions	2	21
Expenses payable on employee benefits	2,560	2,818
Deferred income	1,642	1,605
Miscellaneous payables(2)	32,273	27,213
Total	**94,212**	**83,083**

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

(2) Miscellaneous payables include premiums to be paid on instalment options that are besides measured at fair value in the balance sheet among financial instruments at fair value through profit or loss or hedging derivatives, as well as payables related to insurance activities.

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 is to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits, etc.);
- 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, profit-sharing and incentives;
- Post-employment benefits, including defined contribution 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 deferred variable compensation paid in cash and not indexed to the Societe Generale share, long-service awards and time saving accounts;
- Termination benefits.

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)	2016	2015
Employee compensation	(6,812)	(6,817)
Social security charges and payroll taxes	(1,567)	(1,604)
Net pension expenses - defined contribution plans	(705)	(679)
Net pension expenses - defined benefit plans	(97)	(128)
Employee profit-sharing and incentives	(274)	(248)
Total	(9,455)	(9,476)

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 two Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are controlled either 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 under IAS 24 - paragraph 17 - as indicated below.

(In EUR m)	2016	2015
Short-term benefits	14.2	15.6
Post-employment benefits	0.6	0.5
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	2.1	1.5
Total	16.9	17.6

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 31st December 2016 for a total amount of EUR 2.9 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 31st December 2016 under IAS 19, as restated for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Mr. Cabannes, Mr. Sanchez Incera and the two staff-elected Directors) is EUR 6.1 million.

NOTE 5.2 - EMPLOYEE BENEFITS

Group companies, 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 31.12.2015	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2016
Provisions for employee benefits	1,784	370	(392)	(22)	-	96	(8)	1,850

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 bear 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 gains and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholders' 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 "Corporate Governance" section. 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)	31.12.2016	31.12.2015
A - Present value of funded defined benefit obligations	3,041	2,961
B - Fair value of plan assets and separate assets	(2,695)	(2,385)
C = A + B Deficit (surplus)	**346**	**576**
D - Present value of unfunded defined benefit obligations	427	419
E - Change in asset ceiling	2	47
C + D + E = Net balance recorded in the balance sheet	**775**	**1,042**

1.2. COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EUR m)	2016	2015
Current service cost including social security contributions	110	110
Employee contributions	(6)	(6)
Past service cost/curtailments	(39)	-
Settlements	(4)	(1)
Net interest	19	19
Transfer of unrecognised assets	3	3
A - Components recognised in income statement	83	125
Expected return on plan assets(1)	(180)	18
Actuarial gains and losses due to changes in demographic assumptions	7	36
Actuarial gains and losses due to changes in economic and financial assumptions	301	(192)
Actuarial gains and losses due to experience	(31)	(33)
Change in asset ceiling	1	46
B - Components recognised in unrealised or deferred gains and losses	98	(125)
C = A + B Total components of the cost of defined benefits	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)	2016	2015
Balance at 1st January	3,380	3,447
Current service cost including social security contributions	110	110
Past service cost/curtailments	(39)	-
Settlements	(29)	(15)
Net interest	81	81
Actuarial gains and losses due to changes in demographic assumptions	7	36
Actuarial gains and losses due to changes in economic and financial assumptions	301	(192)
Actuarial gains and losses due to experience	(31)	(33)
Foreign exchange adjustment	(120)	116
Benefit payments	(177)	(175)
Change in consolidation scope	4	3
Transfers and others	(19)	2
Balance at 31st December	3,468	3,380

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

(In EUR m)	2016	2015
Balance at 1st January	2,385	2,357
Expected return on plan assets	59	60
Expected return on separate assets	3	3
Actuarial gains and losses due to assets	180	(18)
Foreign exchange adjustment	(129)	101
Employee contributions	6	6
Employer contributions to plan assets	350	27
Benefit payments	(134)	(140)
Change in consolidation scope	(1)	3
Transfers and others	(24)	(14)
Balance at 31st December(1)	2,695	2,385

(1) Including EUR 399 million in separate assets at 31st December 2016 (EUR 142 million at 31st December 2015).

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, and those in the United States hedged 85%, while they are only 76% hedged in France and are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 53% bonds, 32% equities, 1% cash instruments and 13% others. 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 61 million.

Employer contributions to be paid to post-employment defined benefit plans for 2017 are estimated at EUR 18 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. In addition, 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)	31.12.2016	31.12.2015
Plan assets	232	40
Separate assets	9	4

1.5 MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2016	**31.12.2015**
Discount rate		
Europe	1.73%	2.46%
Americas	4.04%	4.26%
Asia-Oceania-Africa	1.81%	2.12%
Long-term inflation		
Europe	2.05%	2.19%
Americas	N/A	2.00%
Asia-Oceania-Africa	1.48%	1.77%
Future salary increase		
Europe	0.75%	0.58%
Americas	N/A	N/A
Asia-Oceania-Africa	2.37%	2.07%
Average remaining working lifetime of employees (in years)		
Europe	9.59	9.43
Americas	8.38	8.53
Asia-Oceania-Africa	14.43	13.40
Duration (in years)		
Europe	15.94	15.19
Americas	17.75	18.45
Asia-Oceania-Africa	11.11	9.94

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 are the long-term targets of the central banks of the USD and GBP monetary areas. Inflation swaps rates curve is the Group reference of the EUR monetary area.

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)	**31.12.2016**	**31.12.2015**
Variation of +1% in discount rate		
Impact on the present value of defined benefit obligations at 31st December N	-14%	-14%
Variation of +1% in long-term inflation		
Impact on the present value of defined benefit obligations at 31st December N	11%	9%
Variation of +1% in future salary increases		
Impact on the present value of defined benefit obligations at 31st December N	5%	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 Épargne Temps*) flexible working provisions, or long-service awards.

At 31st December 2016, the net balance of long-term benefits was EUR 502 million.

The total cost of long-term benefits was EUR 143 million for 2016.

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.

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

	2016			2015		
(In EUR m)	**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	124	65	189	174	60	234

The description of Societe Generale stock-option plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Registration Document on page 116 (Table 8) and 117 (Table 10).

This information belongs to the note to the consolidated financial statements and has been audited by statutory auditors; it is identified as such in Chapter 3 of the present Registration Document.

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, based on their business development outlook: 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)	2016	2015
Current taxes	(1,313)	(1,064)
Deferred taxes	(656)	(650)
Total	(1,969)	(1,714)

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

(In EUR m)	2016	2015
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	6,178	5,878
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences[(1)]	7.15%	5.15%
Differential on securities with tax exemption or taxed at reduced rate	(1.93%)	(1.05%)
Tax rate differential on profits taxed outside France	(6.83%)	(6.65%)
Impact of non-deductible losses and use of tax losses carried forward	(0.96%)	(2.71%)
Group effective tax rate	31.86%	29.17%

(1) At 31st December 2016, the main impact is related to the change in the French tax rate for +9.81% and the effect of the activation of previous losses in the US for -5.18%.

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). The Group was also subject to an additional contribution of 10.7% in 2015. This contribution is no longer applicable to companies closing their financial years as from 31st December 2016.

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 2017 French Finance Act, adopted on 20th December 2016, includes a gradual reduction in French tax rate. Between now and 2020, the standard Corporate Income Tax of 33.33% will be brought down to 28%, 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, i.e.:

- for income taxed at the ordinary tax rate, the rate is 34.43% or 28.92%,
- for income taxed at reduced rate, the rate is 4.13% or 3.47%.

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 if 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 31.12.2015	Depreciation	Available Write-backs	Net	Used Write-backs	Changes in translation and consolidation scope	Provisions at 31.12.2016
Tax adjustments	286	112	(88)	24	(75)	13	248

3. TAX ASSETS AND LIABILITIES

TAX ASSETS

(In EUR m)	31.12.2016	31.12.2015
Current tax assets	1,091	1,439
Deferred tax assets	5,330	5,928
o.w. deferred tax assets on tax loss carryforwards	*3,083*	*3,413*
o.w. deferred tax assets on temporary differences	*2,247*	*2,515*
Total	6,421	7,367

TAX LIABILITIES

(In EUR m)	31.12.2016	31.12.2015
Current tax liabilities	984	1,108
Deferred tax liabilities	460	463
Total	1,444	1,571

4. DEFERRED TAX ON UNREALISED OR DEFERRED GAINS AND LOSSES

(In EUR m)	31.12.2016	31.12.2015
Tax impact on items that will be subsequently reclassified into income	(292)	(279)
Available-for-sale financial assets	(265)	(261)
Hedging derivatives	(19)	(11)
Unrealised or deferred gains and losses accounted for using the equity method and that will be subsequently reclassified into income	(8)	(7)
Tax impact on items that will not be subsequently reclassified into income	215	225
Actuarial gain / (loss) on post-employment benefits	215	225
Total	(77)	(54)

5. DEFERRED TAX ASSETS RECOGNISED ON TAX LOSS CARRYFORWARDS

At 31st December 2016, based on the tax system of each entity and a realistic projection of their taxable income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EUR m)	31.12.2016	Statutory time limit on carryforwards	Expected recovery period
Total deferred tax assets relating to tax loss carryforwards	3,083	-	-
French tax group	*2,320*	*Unlimited(1)*	*10 years*
US tax group	*626*	*20 years*	*7 years*
others	*137*	-	-

(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 31st December 2016, the main unrecognised deferred tax assets represent a total of EUR 739 million (compared to EUR 988 million at 31st December 2015). They are mostly related to the US tax group, with EUR 702 million (compared to EUR 988 million at 31st December 2015).

The Societe Generale Group considers that the decision handed down on 23rd September 2016 by the Versailles Court of Appeal in the legal proceedings against Jérôme Kerviel has no impact on its tax situation. However, as indicated by the Ministry for the Economy and Finance, the French tax administration is assessing the tax consequences of the net losses suffered by the Bank for an amount of EUR 4.9 billion as a result of Jérôme Kerviel's fraudulent acts, and a dispute on this subject before the competent courts is still possible.

NOTE 7 - SHAREHOLDERS' EQUITY

MAKING IT SIMPLE

Equity is 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)	2016	2015
Ordinary shares	807,713,534	806,239,713
Including treasury stock with voting rights(1)	*8,251,751*	*9,513,568*
Including shares held by employees	*55,769,100*	*57,400,407*

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

At 31st December 2016, Societe Generale S.A.'s capital amounted to EUR 1,009,641,917.5 and was made up of 807,713,534 shares with a nominal value of EUR 1.25.

During the first half of 2016 and in accordance with the conditional free share allocation plan, Societe Generale S.A. carried out a capital increase of EUR 1 million through the incorporation of reserves.

During the second half of 2016, Societe Generale S.A. carried out a capital increase totalling EUR 0.3 million with additional paid-in capital of EUR 6 million, resulting from the exercise of stock-options granted in 2009 and 2010.

2. TREASURY STOCK

At 31st December 2016, the Group held 11,296,403 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 1.4% 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 371 million, including EUR 75 million in shares held for trading purposes.

At 31st December 2016, no Societe Generale shares were held under the liquidity contract, which contained EUR 51 million for the purpose of carrying out transactions in Societe Generale shares.

THE CHANGE IN TREASURY STOCK OVER 2016 BREAKS DOWN AS FOLLOWS:

(In EUR m)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	-	50	28	78
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(3)	(17)	(20)

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 31st December 2016, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million.

This amount changed to the redemption at par for JPY 10,000 million of subordinated notes issued in December 1996.

Issuance Date	Amount in local currency at 31.12. 2015	Repurchases and redemptions in 2016	Amount in local currency at 31.12. 2016	Amount in millions of euros at historical rate	Remuneration
1st July 1985	EUR 62 M		EUR 62 M	62	BAR (Bond Average Rate) of -0.25% for the period from 1st June to 31st May before each due date
24th November 1986	USD 248 M		USD 248 M	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%
30th December 1996	JPY 10,000 M	JPY 10,000 M	-	71	3.936% until September 2016 and for subsequent due dates: the more favourable rate between the fixed rate and a variable rate + spread defined as follows: JPY 5-year Mid Swap Rate +2.0%

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 31st December 2016, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 9,435 million.

The variation of the amount of perpetual deeply subordinated notes reflects the issuing of one note and redemption of one note during the year.

Issuance Date	Amount in local currency at 31.12.2015	Repurchases and redemptions in 2016	Amount in local currency at 31.12. 2016	Amount in millions of euros at historical rate	Remuneration
5th 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
5th April 2007	USD 808 M	-	USD 808 M	604	5.922%, from 2017 3-month USD Libor +1.75% annually
19th December 2007	EUR 463 M	-	EUR 463 M	463	6.999%, from 2018 3-month Euribor +3.35% annually
16th June 2008	GBP 506 M	-	GBP 506 M	642	8.875%, from 2018 3-month GBP Libor +3.4% annually
27th February 2009	USD 450 M	USD 450 M	-	356	9.5045%, from 2016 3-month USD Libor +6.77% annually
4th September 2009	EUR 905 M	-	EUR 905 M	905	9.375%, from 2019 3-month Euribor +8.901% annually
6th September 2013	USD 1,250 M	-	USD 1,250 M	953	8.25%, from 29th November 2018 USD 5-year Mid Swap Rate +6.394%
18th December 2013	USD 1,750 M	-	USD 1,750 M	1,273	7.875%, from 18th December 2023, USD 5-year Mid Swap Rate + 4.979 %
25th June 2014	USD 1,500 M	-	USD 1,500 M	1,102	6%, from 27th January 2020, USD 5-year Mid Swap Rate + 4.067 %
7th April 2014	EUR 1,000 M	-	EUR 1,000 M	1,000	6.75%, from 7th April 2021, EUR 5-year Mid Swap Rate + 5.538 %
29th September 2015	USD 1,250 M	-	USD 1,250 M	1,111	8.00% from 29th September 2025, USD 5-year Mi Swap rate + 5.873 %
13th September 2016	-	-	USD 1,500 M	1,335	7.375% from 13th September 2021, USD 5-year Mi 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 31st December 2016, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18th 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 *Retained earnings, Group share* are detailed below:

	31.12.2016		
(In EUR m)	Deeply subordinated notes	Perpetual subordinated notes	Total
Remuneration paid booked under dividends (*2016 dividends paid* line)	(686)	(7)	(693)
Changes in nominal values in 2016	979	(71)	908
Tax savings on remuneration payable to shareholders and recorded under reserves	245	13	258
Issuance costs, net of tax, related to subordinated notes issued in 2016	(7)	-	(7)

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)	2016	2015
Net income, Group share	3,874	4,001
Net income attributable to subordinated notes and deeply subordinated notes	(465)	(435)
Issuance fees relating to subordinated notes and deeply subordinated notes	(7)	(7)
Net income attributable to ordinary shareholders	**3,402**	**3,559**
Weighted average number of ordinary shares outstanding(1)	798,767,869	792,503,322
Earnings per ordinary share *(in euros)*	**4.26**	**4.49**
Average number of ordinary shares used in the dilution calculation(2)	19,154	100,457
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	798,787,023	792,603,779
Diluted earnings per ordinary share *(in euros)*	**4.26**	**4.49**

(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 31st December 2016 was EUR 34.50. Accordingly, at 31st December 2016, only free shares without performance conditions under the 2009 stock option plans were considered as dilutive.

2. DIVIDENDS PAID

Dividends paid by the Group in 2016 amounted to EUR 2,580 million and are detailed in the following table:

	2016			2015		
(In EUR m)	**Group Share**	**Non-controlling interests**	**Total**	**Group Share**	**Non-controlling interests**	**Total**
Ordinary shares	(1,596)	(258)	(1,854)	(943)	(227)	(1,170)
o.w. paid in shares	-	-	-	-	-	-
o.w. paid in cash	*(1,596)*	*(258)*	*(1,854)*	*(943)*	*(227)*	*(1,170)*
Other equity instruments	(693)	(33)	(726)	(715)	(6)	(721)
Total	(2,289)	(291)	(2,580)	(1,658)	(233)	(1,891)

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, Credit 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 Investor 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 takes 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

Amounts by division and sub-division incorporate the new organisational structure of Group activities.

	Societe Generale Group		French Retail Banking		Corporate Centre[2]	
(In EUR m)	2016	2015	2016	2015*	2016	2015*
Net banking income	25,298	25,639	8,403	8,588	14	167
Operating expenses[1]	(16,817)	(16,893)	(5,522)	(5,486)	(135)	(160)
Gross operating income	**8,481**	**8,746**	**2,881**	**3,102**	**(121)**	**7**
Cost of risk	(2,091)	(3,065)	(704)	(824)	(340)	(591)
Operating income	**6,390**	**5,681**	**2,177**	**2,278**	**(461)**	**(584)**
Net income from companies accounted for by the equity method	129	231	51	42	11	23
Net income / expense from other assets	(212)	197	(12)	(26)	(282)	163
Earnings before tax	**6,307**	**6,109**	**2,216**	**2,294**	**(732)**	**(398)**
Income tax	(1,969)	(1,714)	(730)	(853)	(156)	123
Net income before non-controlling interests	**4,338**	**4,395**	**1,486**	**1,441**	**(888)**	**(275)**
Non-controlling interests	464	394	-	-	158	126
Net income, Group share	**3,874**	**4,001**	**1,486**	**1,441**	**(1,046)**	**(401)**

	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EUR m)	2016	2015*	2016	2015*	2016	2015*	2016	2015*
Net banking income	5,012	5,042	1,677	1,515	883	825	7,572	7,382
Operating expenses(1)	(3,109)	(3,206)	(825)	(774)	(339)	(327)	(4,273)	(4,307)
Gross operating income	1,903	1,836	852	741	544	498	3,299	3,075
Cost of risk	(721)	(1,127)	(58)	(119)	-	-	(779)	(1,246)
Operating income	1,182	709	794	622	544	498	2,520	1,829
Net income from companies accounted for by the equity method	18	16	19	55	-	-	37	71
Net income / expense from other assets	58	(36)	-	-	-	(1)	58	(37)
Earnings before tax	1,258	689	813	677	544	497	2,615	1,863
Income tax	(293)	(148)	(230)	(195)	(174)	(159)	(697)	(502)
Net income before non-controlling interests	965	541	583	482	370	338	1,918	1,361
Non-controlling interests	280	247	5	2	2	1	287	250
Net income, Group share	685	294	578	480	368	337	1,631	1,111

	Global Banking and Investor Solutions							
	Global Markets and Investor Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EUR m)	2016	2015*	2016	2015*	2016	2015*	2016	2015*
Net banking income	5,936	6,003	2,372	2,415	1,001	1,084	9,309	9,502
Operating expenses(1)	(4,390)	(4,566)	(1,539)	(1,533)	(958)	(841)	(6,887)	(6,940)
Gross operating income	1,546	1,437	833	882	43	243	2,422	2,562
Cost of risk	(4)	(66)	(247)	(312)	(17)	(26)	(268)	(404)
Operating income	1,542	1,371	586	570	26	217	2,154	2,158
Net income from companies accounted for by the equity method	4	6	(2)	(6)	28	95	30	95
Net income / expense from other assets	-	-	28	98	(4)	(1)	24	97
Earnings before tax	1,546	1,377	612	662	50	311	2,208	2,350
Income tax	(327)	(361)	(53)	(58)	(6)	(63)	(386)	(482)
Net income before non-controlling interests	1,219	1,016	559	604	44	248	1,822	1,868
Non-controlling interests	14	14	3	3	2	1	19	18
Net income, Group share	1,205	1,002	556	601	42	247	1,803	1,850

* Amounts restated relative to the financial statements published at 31st December 2015 due to adjustments of normative capital calculation method within business lines.

(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 debt revaluation differences linked to own credit risk (EUR -354 million at 31st December 2016), are allocated to the Corporate Centre. The *Net Banking Income* of the Corporate Centre of 2016 includes the capital gain on sale of Visa Europe shares for EUR 725 million. Besides, in order to materialise the unrealised losses on assets held for sale of the retail bank in Croatia, the Corporate Centre has booked an impairment loss of EUR -235 million through *Net income/expense from other assets.*

(In EUR m)	Societe Generale Group		French Retail Banking		Corporate Centre (2)	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Segment assets	1,382,241	1,334,391	217,971	219,420	129,635	120,221
Segment liabilities(1)	1,316,535	1,271,716	224,222	210,926	97,495	93,692

(In EUR m)	International Retail Banking & Financial Services							
	International Retail Banking		Financial Services to Corporates		Insurance		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Segment assets	115,844	109,039	35,455	31,481	126,271	120,371	277,570	260,891
Segment liabilities(3)	88,616	83,912	11,057	10,125	119,311	113,483	218,984	207,520

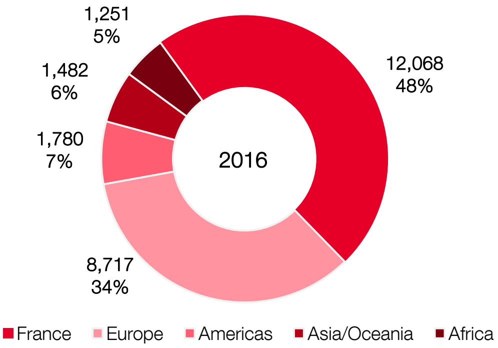
(In EUR m)	Global Banking and Investor Solutions							
	Global Markets and Investor Services		Financing and Advisory		Asset and Wealth Management		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Segment assets	614,228	603,471	102,613	96,157	40,224	34,231	757,065	733,859
Segment liabilities(3)	714,244	702,901	30,468	28,393	31,122	28,284	775,834	759,578

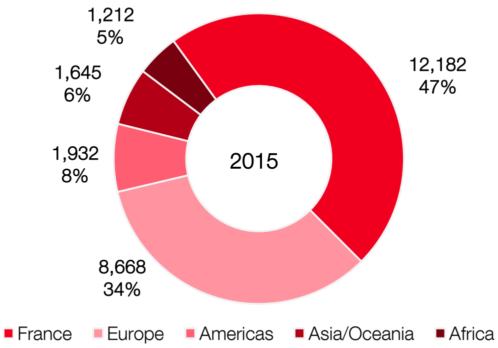
(1) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(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

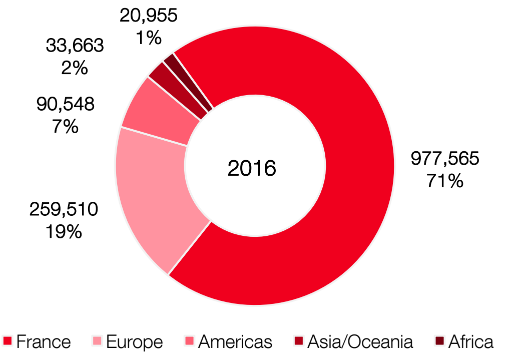


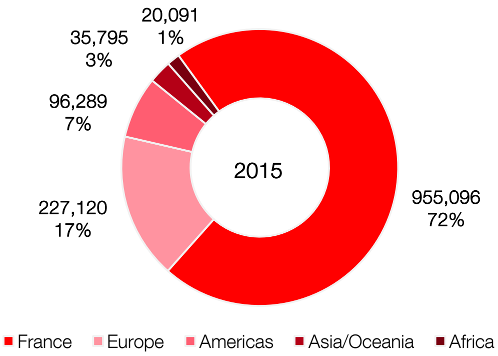


At 31st December 2016, the amount of Net Banking Income was EUR 25,298 million compared to EUR 25,639 million at 31st December 2015.

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS

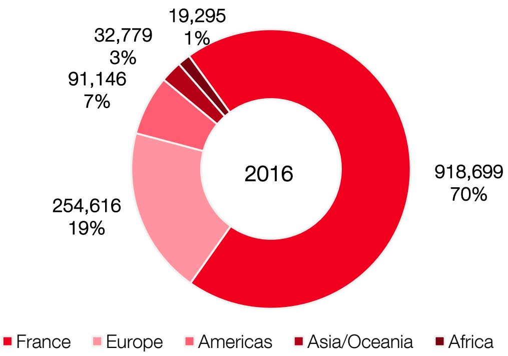
ASSETS

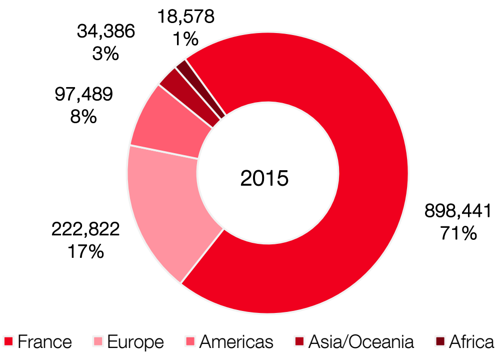




At 31st December 2016, the amount of asset was EUR 1,382,241 million compared to EUR 1,334,391 million at 31st December 2015.

LIABILITIES





At 31st December 2016, the amount of liabilities (except shareholder equity) was EUR 1,316,535 million compared to EUR 1,271,716 million at 31st December 2015.

Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

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)	**2016**	**2015**
Lease payments	(1,102)	(1,106)
Taxes and levies	(802)	(724)
IT & telecom (excluding lease payments)	(2,126)	(2,069)
Consulting fees (excluding IT & telecom)	(1,294)	(1,283)
Other[1]	(1,099)	(1,295)
Total	(6,423)	(6,477)

(1) In 2016, the European Commission reduced the fine imposed on Societe Generale in 2013 in connection with Euribor. It was recorded as a decrease in “Other operating expenses” (under “Other”) for EUR 218 million.

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework intended to enhance the financial stability was updated by Directive 2014/49/EU of 16th April 2014 on deposit guarantee schemes and Directive 2014/59/EU of 15th May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation EU n°806/2014 of 15th July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF).

This Fund, established in January 2016, will receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund will 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 2016, the Group’s contributions to the SRF were made of:

- Cash contributions (85%) for an amount of EUR 245 million (EUR 137 million in 2015) which is non tax-deductible in France and has been recorded in the income statement among *Taxes and Levies*;
- Irrevocable payment commitments (15%) backed by a cash collateral for an amount of EUR 35 million (EUR 46 million in 2015) 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 tax adjustments.

BREAKDOWN OF PROVISIONS

(In EUR m)	31.12.2016	31.12.2015
Provisions for financial instruments and disputes (see Note 3.8)	3,589	3,148
Provisions for employee benefits (see Note 5.2)	1,850	1,784
Provisions for tax adjustments (see Note 6)	248	286
Total	5,687	5,218

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 lease purposes 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 assets 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 are recognised under *Income from other activities* and *Expenses from other activities* (see Note 4.2).

CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EUR m)	Gross book value at 31.12.2015	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications	Gross value at 31.12.2016	Depreciation and amortisation of assets at 31.12.2015	Allocations to amortisation and depreciation in 2016	Impairment of assets in 2016	Write-backs from amortisation and depreciation in 2016	Changes in translation, consolidation scope and reclassifications	Net book value at 31.12.2016	Net book value at 31.12.2015
Intangible assets	5,306	553	(45)	(140)	5,674	(3,684)	(417)	(8)	36	116	1,717	1,622
Operating tangible assets	10,693	588	(412)	(165)	10,704	(5,608)	(511)	(13)	260	187	5,019	5,085
Lease assets of specialised financing companies	17,305	7,971	(6,042)	996	20,230	(5,247)	(2,930)	(14)	2,617	(239)	14,417	12,058
Investment property	782	18	(2)	(27)	771	(126)	(18)	(3)	7	(1)	630	656
Total tangible and intangible fixed assets	**34,086**	**9,130**	**(6,501)**	**664**	**37,379**	**(14,665)**	**(3,876)**	**(38)**	**2,920**	**63**	**21,783**	**19,421**

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EUR m)	31.12.2016	31.12.2015
Breakdown of minimum payments receivable		
due in less than 1 year	*3,374*	*3,356*
due in 1-5 years	*7,557*	*5,118*
due in more than 5 years	*40*	*22*
Total minimum future payments receivable	10,971	8,496

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.

	31.12.2016				31.12.2015			
(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	807,284	797,058	28,389	24,501	760,374	746,574	20,811	19,937
USD	340,616	317,153	40,313	48,248	324,591	324,715	43,752	49,152
GBP	54,739	36,134	10,664	7,388	69,513	58,518	7,836	12,791
JPY	34,354	79,722	21,104	17,180	41,084	64,231	21,168	17,611
AUD	8,122	8,043	3,700	5,730	6,122	5,712	3,640	4,923
CZK	29,456	31,296	502	575	29,046	30,656	270	130
RUB	11,780	9,126	91	111	9,843	6,789	21	43
RON	7,453	7,690	124	235	6,595	7,256	47	189
Other currencies	88,437	96,019	24,162	17,287	87,223	89,941	18,256	15,131
Total	**1,382,241**	**1,382,241**	**129,049**	**121,256**	**1,334,391**	**1,334,391**	**115,802**	**119,906**

NOTE 8.6 - COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
South Africa							
	[1] SG JOHANNESBURG	Bank	FULL	100	100	100	100
Albania							
	BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	88.64	88.64	88.64	88.64
Algeria							
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	FULL	99.99	99.99	99.99	99.99
	SOCIETE GENERALE ALGERIE	Bank	FULL	100	100	100	100
Germany							
	[6] AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	-		100	
	ALD AUTOLEASING D GMBH	Specialist Financing	FULL	100	100	100	100
	ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	100	100	100	100
	ALD INTERNATIONAL SAS & CO. KG	Specialist Financing	FULL	100	100	100	100
	ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100	100
	BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.9	99.86	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	100	100	100	100
	CARPOOL GMBH	Broker	FULL	100	100	100	100
	EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	100	100	100	100
	EUROPARC GMBH	Group Real Estate Management Company	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
	[5] GEFA LEASING GMBH	Specialist Financing	FULL		100		100
	GEFA VERSICHERUNGSDIENST GMBH	Insurance	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	100	100	100	100
	ONVISTA	Financial Company	FULL	100	100	100	100
	ONVISTA BANK	Broker	FULL	100	100	100	100
	ONVISTA MEDIA GMBH	Services	FULL	100	100	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
	PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	-	-	100	100
	PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	-	-	100	100
	RED & BLACK AUTO GERMANY 2 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	-	-	100	100
	RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	-	-	100	100
	[6] RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	-		100	
	[6] RED & BLACK AUTO LEASE GERMANY 2 SA	Financial Company	FULL	-		100	
	RED & BLACK CAR SALES 1UG	Financial Company	FULL	-	-	100	100
	[9] 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	100	100	100	100
	SG EQUIPMENT LEASING AUSTRIA GMBH	Specialist Financing	EFS	100	100	100	100
	[1] SG VIENNE	Bank	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
Bahamas								
	(4)	SG PRIVATE BANKING (BAHAMAS) LTD.	Bank	FULL		100		100
Belgium								
		AXUS FINANCE SPRL	Specialist Financing	FULL	100	100	100	100
		AXUS SA/NV	Specialist Financing	FULL	100	100	100	100
		BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
		MILFORD	Specialist Financing	FULL	100	100	100	100
	(6)	PARCOURS BELGIUM	Specialist Financing	FULL	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
		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	88.34	83.19	89.01	83.85
Bermuda								
		CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
	(2)	CATALYST RE LTD.	Insurance	FULL		100		100
Brazil								
		ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	100	100	100	100
		BANCO CACIQUE S.A.	Bank	FULL	100	100	100	100
		BANCO PECUNIA S.A.	Bank	FULL	100	100	100	100
		BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
		CACIQUE PROMOTORA DE VENDAS LTDA	Specialist Financing	FULL	100	100	100	100
		COBRACRED COBRANCA ESPECIALIZADA LTDA	Financial Company	FULL	100	100	100	100
		CREDIAL EMPREENDIMENTOS E SERVICOS LTDA	Specialist Financing	FULL	100	100	100	100
		MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	100	100	100	100
		NEWEDGE REPRESENTACOES LTDA (NEWEDGE BRAZIL)	Broker	FULL	100	100	100	100
		SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
	(2)	SG SD FUNDO DE INVESTIMENTO MULTIMERCADO - INVESTIMENTO NO EXTERIOR	Financial Company	FULL		100		100
		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								
	(6)	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100		100	
		SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
	(9)	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	50	50	50	50
		FORTUNE SG FUND MANAGEMENT CO. , LTD.	Financial Company	EJV	49	49	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
Cyprus								
	(3)	VPRG LIMITED	Group Real Estate Management Company	FULL		99.49		100
South Korea								
		SG SECURITIES KOREA, LTD	Broker	FULL	100	100	100	100
	(1)	SG SEOUL	Bank	FULL	100	100	100	100
Côte d'Ivoire								
		SG 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	EFS	100	100	100	100
	(6)	S.B.ZGRADA	Group Real Estate Management Company	FULL	100		100	
		SG LEASING D.O.O.	Specialist Financing	FULL	100	100	100	100
		SOCIETE GENERALE-SPLITSKA BANKA D.D.	Bank	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
Curaçao							
	SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark							
	ALD AUTOMOTIVE A/S	Specialist Financing	FULL	100	100	100	100
	NF FLEET A/S	Specialist Financing	FULL	80	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	100	100	100	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
	[6] PARCOURS IBERIA SA	Specialist Financing	FULL	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	75.01	75.01	75.01	75.01
United States							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
	[9] CGI FINANCE INC	Financial Company	FULL	99.89	99.89	100	100
	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.89	99.89	100	100
	[9] 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
	[5] NEWEDGE FACILITIES MANAGEMENT INC	Services	FULL		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
	[6] SG MORTGAGE SECURITIES, LLC	Portfolio Management	FULL	-		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
	[9] SGB FINANCE NORTH AMERICA INC.	Financial Company	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	100	100	100	100
	EASY KM OY	Specialist Financing	FULL	100	100	100	100
	NF FLEET OY	Specialist Financing	FULL	80	80	80	80
France							
	9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	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
	[6] AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50		50	
	ALBIGNY AVORAUX	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
	ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	100	100	100	100
	ALD INTERNATIONAL	Specialist Financing	FULL	100	100	100	100
	ALPRIM	Real Estate and Real Estate Financing	FULL	100	60	100	60
	ANTALIS SA	Financial Company	FULL	-	-	100	100
	ANTARIUS	Insurance	EJV	50	50	50	50
	ANTARIUS FONDS ACTIONS PLUS	Financial Company	EJV	-	-	100	99.89

Country			Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
		ANTARIUS FONDS OBLIGATAIRE	Financial Company	EJV	-	-	99.5	99.95
		ANTARIUS OBLI 1-3 ANS	Financial Company	EJV	-	-	100	100
		ANTARIUS ROTATION SECTORIELLE	Financial Company	EJV	-	-	97.27	97.29
		AQPRIM	Real Estate and Real Estate Financing	FULL	55	55	55	55
		AVIVA INVESTORS RESERVE EUROPE	Financial Company	EJV	-	-	62.89	58.58
		BANQUE COURTOIS	Bank	FULL	100	100	100	100
		BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	FULL	50	50	50	50
		BANQUE KOLB	Bank	FULL	99.87	99.87	99.87	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	100	100	100	100
		CAEN - RUE BASSE	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
		CAEN - RUE DU GENERAL MOULIN	Real Estate and Real Estate Financing	FULL	80.18	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	80.18	80.18	100	100
		CHEMIN DES COMBES	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
		COEUR EUROPE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	FULL	99.99	99.99	100	100
		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
		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
		DARWIN DIVERSIFIE 40-60	Portfolio Management	FULL	-	-	79.98	79.98
		DARWIN DIVERSIFIE 80-100	Portfolio Management	FULL	-	-	78.1	78.1
		DESCARTES TRADING	Financial Company	FULL	100	100	100	100
		DEVILLE AV LECLERC	Real Estate and Real Estate Financing	FULL	80.18	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
		ETOILE CLIQUET 90	Financial Company	EJV	-	-	70.05	66.29
	(6)	ETOILE GARANTI AVRIL 2018	Financial Company	EJV	-		50.85	
		ETOILE GARANTI FEVRIER 2020	Financial Company	EJV	-	-	86.74	86.15
		ETOILE GARANTI JUILLET 2018	Financial Company	EJV	-	-	56.64	53.61
		ETOILE ID	Financial Company	FULL	100	100	100	100
	(6)	ETOILE MULTI GESTION ACTIFS	Financial Company	EJV	-		51.83	
	(6)	ETOILE MULTI GESTION ACTIFS PLUS	Financial Company	EJV	-		55.5	
	(6)	ETOILE MULTI GESTION CROISSANCE	Financial Company	EJV	-		52.04	
	(6)	ETOILE MULTI GESTION FRANCE	Financial Company	EJV	-		56.47	
		ETOILE PATRIMOINE 50	Financial Company	EJV	-	-	62.55	58.64
	(6)	ETOILE USA 500	Financial Company	EJV	-		55.76	
	(6)	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80		100	
		FCC ALBATROS	Portfolio Management	FULL	-	-	51	51
		FCT CODA	Financial Company	FULL	-	-	100	100
		FCT COMPARTMENT SOGECAP SG 1	Financial Company	FULL	-	-	100	100
	(2)	FCT MALZIEU	Financial Company	FULL		-		100
		FCT R&B BDDF PPI	Portfolio Management	FULL	100	100	100	100
	(2)	FCT WATER DRAGON	Financial Company	FULL		-		100
		FEEDER LYXOR CAC 40	Financial Company	FULL	-	-	99.77	99.77
		FEEDER LYXOR STOXX 50	Financial Company	FULL	-	-	99.56	99.56
		FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
		FIDUCEO	Services	FULL	100	100	100	100
	(6)	FINANCIERE PARCOURS	Specialist Financing	FULL	100		100	
		FINANCIERE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	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
	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
	GENEFIMMO HOLDING	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
	(5) GENEVAL	Portfolio Management	FULL		100		100
	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	(5) GENINFO	Portfolio Management	FULL		100		100
	IMAPRIM AMENAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
	(6) IMMOBILIER BORDEAUX	Specialist Financing	FULL	100		100	
	(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	80.18	80.18	100	100
	INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	(6) INVESTISSEMENT 81	Financial Company	FULL	-		100	
	(3) ISSY 11-3 GALLIENI	Real Estate and Real Estate Financing	EJV		50		50
	KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
	LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	35	35	35	35
	LA CROIX BOISEE	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	LA FONCIERE DE LA DEFENSE	Portfolio Management	FULL	99.99	99.99	100	100
	(6) LES HAUTS DE LA HAIE VIGNE	Real Estate and Real Estate Financing	EJV	49		50	
	LES MESANGES	Real Estate and Real Estate Financing	FULL	44	40	55	50
	LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
	(6) MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	EJV	43		50	
	(5) NICE BROC	Real Estate and Real Estate Financing	FULL		100		100
	(5) NICE CARROS	Real Estate and Real Estate Financing	FULL		100		100
	NOAHO	Real Estate and Real Estate Financing	FULL	85	55	85	55
	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
	ONYX	Group Real Estate Management Company	EJV	50	50	50	50
	OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	-	-	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
	(6) PANORAMIK	Real Estate and Real Estate Financing	EJV	49		50	
	(6) PARCOURS	Specialist Financing	FULL	100		100	
	(6) PARCOURS ANNECY	Specialist Financing	FULL	100		100	
	(6) PARCOURS IMMOBILIER	Specialist Financing	FULL	100		100	
	(6) PARCOURS NANTES	Specialist Financing	FULL	100		100	
	(6) PARCOURS STRASBOURG	Specialist Financing	FULL	100		100	
	PAREL	Services	FULL	100	100	100	100
	(5) PARTICIPATIONS IMMOBILIERES RHONE ALPES	Real Estate and Real Estate Financing	FULL		100		100
	PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
	PRIMAXIA	Real Estate and Real Estate Financing	FULL	81.74	79.74	86	81
	PRIORIS	Financial Company	FULL	94.89	94.89	95	95

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	RIVAPRIM	Real Estate and Real Estate Financing	FULL	80	60	80	60
	S.C.I. DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SARL ALPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100		100	
(6)	SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43		50	
	SARL DT 6 NANTES	Real Estate and Real Estate Financing	EJV	70	50	100	50
	SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
(6)	SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80		100	
(3)	SAS ANTONY - DOMAINE DE TOURVOIE	Real Estate and Real Estate Financing	JO		50		50
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
(3)	SAS DE LA RUE DORA MAAR	Real Estate and Real Estate Financing	EJV		50		50
(6)	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	52.5		52.5	
	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	70	50	100	50
	SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	86	86	100	100
	SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	FULL	98	98	100	100
	SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	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
	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
(6)	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	FULL	43.86		51	
	SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	FULL	100	39.52	100	51
	SCCV 3 CHATEAUX	Real Estate and Real Estate Financing	EJV	43	43	50	50
	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	80.18	80.18	100	100
(6)	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	EJV	40		50	
	SCCV CAEN CHARITE - ILOT 3	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	SCCV CHARITE - REHABILITATION	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
(6)	SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	EJV	40		50	
	SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
(6)	SCCV CLICHY BRC	Real Estate and Real Estate Financing	EJV	50		50	
(6)	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50		50	
	SCCV ETERVILLE RUE DU VILLAGE	Real Estate and Real Estate Financing	FULL	80.18	80.18	100	100
(6)	SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	70		100	
(6)	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	49		50	
(6)	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50		50	
(6)	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49		49	
(6)	SCCV LE TEICH COEUR DE VILLE	Real Estate and Real Estate Financing	FULL	68.5		100	

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	FULL	86.5	86.5	100	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	43.25	50	50
	SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV MARQUET PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
	(6) SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80		80	
	(6) SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50		50	
	(4) SCCV POURCIEUX-BARONNES	Real Estate and Real Estate Financing	FULL		60		60
	(6) SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43		50	
	(6) SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	EJV	50		50	
	SCCV RIVER GREEN	Real Estate and Real Estate Financing	FULL	99.6	99.6	100	100
	(6) SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	97.82		100	
	(6) SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43		50	
	(6) SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	97.75		100	
	(6) SCCV VAULX PABLO PICASSO	Real Estate and Real Estate Financing	EJV	47.75		50	
	SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	47.75	43.25	50	50
	(4) SCDM PARTICIPATIONS	Portfolio Management	ESI		-		100
	(6) SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43		50	
	(3) SCI AIX BORD DU LAC-1	Real Estate and Real Estate Financing	EJV		50		50
	SCI AIX-BORD DU LAC-2	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	77.5	77.5	100	100
	SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
	SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
	(2) SCI BRAILLE/HOTEL DE VILLE	Real Estate and Real Estate Financing	EJV		49.96		50
	SCI CAP COURROUZE	Real Estate and Real Estate Financing	FULL	65	65	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	40	40	50	50
	SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	(6) SCI DELATOUR	Real Estate and Real Estate Financing	FULL	68		75	
	(6) SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	68		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 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
	(6) SCI GRANIER MONTPELLIER	Real Estate and Real Estate Financing	EJV	43		50	
	SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
	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 LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	47	40	40	40

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
(9)	SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI LES RESIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
	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
	SCI L'OREE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	47.8	43.4	50	50
(3)	SCI MARCOUSSIS BELLEJAME	Real Estate and Real Estate Financing	EJV		50		50
(6)	SCI MARSEILLE LE ZEPHYR	Real Estate and Real Estate Financing	FULL	55.9		65	
(6)	SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	EJV	43		50	
	SCI NOAHO RESIDENCES	Real Estate and Real Estate Financing	FULL	95.5	86.5	100	100
(6)	SCI NYMPHEAS BATIMENT C	Real Estate and Real Estate Financing	EJV	43		50	
(6)	SCI PARCOURS TOURS	Specialist Financing	FULL	100		100	
	SCI PARIS 182 CHATEAU DES RENTIERS	Real Estate and Real Estate Financing	FULL	63.5	60	60	60
(6)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	25.8		30	
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI PROJECTIM HELLEMMES SEGUIN	Real Estate and Real Estate Financing	FULL	64	64	80	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	33.33	33.33	33.33	33.33
	SCI QUINTESSENCE-VALESCURE	Real Estate and Real Estate Financing	EJV	48	46	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	47	40	40	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	92	100	100
(6)	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100		100	
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	92	84	100	100
	SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	FULL	96	92	100	100
	SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	EJV	46.75	38	38	38
	SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	67	60	60	60
	SCI SAINT-PIERRE-DES-CORPS/CAP 55	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
(2)	SCI SOGEADI TERTIAIRE	Real Estate and Real Estate Financing	EJV		50		50
	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
	SCI SOGEPROM ATLANTIQUE	Real Estate and Real Estate Financing	FULL	88	80	100	80
	SCI SOGEPROM CIP CENTRE	Real Estate and Real Estate Financing	FULL	92	92	100	100
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	87	80	80	80
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
	SCI-LUCE-LE CARRE D' OR-LOT E	Real Estate and Real Estate Financing	FULL	92	92	100	100
	SEFIA	Financial Company	FULL	50.94	50.94	51	51
(6)	SERVIPAR	Specialist Financing	FULL	100		100	
	SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
(5)	SG 29 REAL ESTATE	Services	FULL		100		100
	SG ACTIONS EURO SELECTION	Financial Company	FULL	-	-	58.24	58.24

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	FULL	100	100	100	100
	SG CONSUMER FINANCE	Portfolio Management	FULL	100	100	100	100
	SG EURO CT	Broker	FULL	100	100	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 LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	-		100	
	SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
	SG MONETAIRE PLUS E	Financial Company	FULL	-	-	38.45	38.45
	SG OPTION EUROPE	Broker	FULL	100	100	100	100
	(5) SG SECURITIES (PARIS) SAS	Broker	FULL		100		100
	SG SERVICES	Specialist Financing	FULL	100	100	100	100
	SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	-	-	75.34	75.34
	SGB FINANCE S.A.	Financial Company	FULL	50.94	50.94	51	51
	(6) SGI HOLDING SIS	Group Real Estate Management Company	FULL	100		100	
	SNC BON PUITS 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SNC BON PUITS 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
	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
	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
	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
	(5) SOCIETE CIVILE DE CONSTRUCTION-VENTE ANNA PURNA	Real Estate and Real Estate Financing	FULL		100		100
	SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
	(2) SOCIETE CIVILE IMMOBILIERE DOMION	Real Estate and Real Estate Financing	FULL		80		80
	SOCIETE CIVILE IMMOBILIERE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE CIVILE IMMOBILIERE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE CIVILE IMMOBILIERE VOGRE	Real Estate and Real Estate Financing	FULL	99.9	99.9	99.9	99.9
	(3) SOCIETE CIVILE IMMOBILIERE VOLTAIRE PHALSBOURG	Real Estate and Real Estate Financing	FULL		80		80
	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 DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
	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
	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	99.99	100	99.99
	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 SCF	Financial Company	FULL	100	100	100	100
	(5) SOCIETE GENERALE SECURITIES SERVICES FRANCE	Financial Company	FULL		100		100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	(5) SOCIETE GENERALE SECURITIES SERVICES NET ASSET VALUE	Services	FULL		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

Country			Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
		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
		SOGECAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
		SOGECAP	Insurance	FULL	100	100	100	100
	(6)	SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100		100	
		SOGECAP ACTIONS	Financial Company	FULL	-	-	100	100
		SOGECAP LONG TERME N°1	Financial Company	FULL	-	-	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
	(3)	SOGEPALM	Real Estate and Real Estate Financing	EJV		50		50
		SOGEPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100
		SOGEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	(6)	SOGEPROM ALPES	Real Estate and Real Estate Financing	FULL	100		100	
	(6)	SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100		100	
	(6)	SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100		100	
	(6)	SOGEPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	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
	(7)	SOGEPROM ME	Real Estate and Real Estate Financing	ESI	20	20	20	20
		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
	(6)	SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9		100	
		SOGESSUR	Insurance	FULL	100	100	100	100
		SOGEVIMMO	Group Real Estate Management Company	FULL	-	-	100	100
		SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS	Group Real Estate Management Company	FULL	100	100	100	100
	(5)	SOPHIA-BAIL	Real Estate and Real Estate Financing	FULL		100		100
		STAR LEASE	Specialist Financing	FULL	100	100	100	100
		TEMSYS	Specialist Financing	FULL	100	100	100	100
		URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	99.96	99.92	99.96	99.92
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
Georgia								
	(4)	BANK REPUBLIC	Bank	FULL		93.64		93.64
	(4)	GEORGIAN MILL COMPANY LLC	Specialist Financing	FULL		93.64		100
	(4)	MERTSKHALI PIRVELI	Specialist Financing	FULL		93.64		100
Ghana								
		SOCIETE GENERALE GHANA LIMITED	Bank	FULL	56.67	52.24	56.67	52.24
Gibraltar								
		HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
		SG HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece								
		ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	100	100	100	100
	(1)	SOGECAP GREECE	Insurance	FULL	100	100	100	100
Guernsey								
		ARAMIS II SECURITIES CO, LTD	Financial Company	FULL	-	-	100	100
		CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
	(6)	GRANGE NOMINEES LIMITED	Bank	FULL	100		100	
	(6)	GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100		100	
	(6)	GUERNSEY NOMINEES LIMITED	Bank	FULL	100		100	
		HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
		HTG LIMITED	Services	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
	(6)	KBII PCC LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON (CHANNEL ISLANDS) INVESTMENT MANAGEMENT LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON (CHANNEL ISLANDS) LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON (GUERNSEY) LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON (GUERNSEY) SERVICES LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON CHANNEL ISLANDS HOLDINGS LIMITED	Bank	FULL	100		100	
	(6)	MISON NOMINEES LIMITED	Bank	FULL	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								
		SG 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
		NEWEDGE BROKER HONG KONG LTD	Broker	FULL	100	100	100	100
		NEWEDGE FINANCIAL HONG KONG LTD	Broker	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
	(1) (2)	SOCIETE GENERALE BANK AND TRUST HONG KONG BRANCH	Bank	FULL		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) 3 LIMITED	Financial Company	FULL	100	100	100	100
	(6)	TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	-		100	
Hungary								
		ALD AUTOMOTIVE MAGYARORSZAG KFT	Specialist Financing	EFS	100	100	100	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								
	(6)	KBTIOM LIMITED	Bank	FULL	100		100	
	(6)	KBBIOM LIMITED	Bank	FULL	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
		SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
British Virgin Islands								
	(6)	TSG HOLDINGS LTD	Services	FULL	100		100	
	(6)	TSG MANAGEMENT LTD	Services	FULL	100		100	
	(6)	TSG SERVICES LTD	Services	FULL	100		100	
India								
		ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	EFS	100	100	100	100
	(9)	NEWEDGE BROKER INDIA PTE LTD	Broker	FULL	100	100	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	100	100	100	100
		INORA LIFE LTD	Insurance	FULL	100	100	100	100
		IRIS II SPV LIMITED	Financial Company	FULL	-	-	100	100
	(6)	KLEINWORT BENSON PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100		100	
	(2)	RED & BLACK PRIME RUSSIA MBS	Financial Company	FULL		-		100
	(1)	SG DUBLIN	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 LIMITED	Financial Company	FULL	100	100	100	100
Italy								
		ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	100	100	100	100
		FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100

Country			Activity	Method*	Group ownership interest		Group voting interest	
					at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
		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 SECURITIES (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
	(6)	K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON (JERSEY) SERVICES LIMITED	Bank	FULL	100		100	
	(6)	KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100		100	
	(8)	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
		SG HAMBROS BANK (CHANNEL ISLANDS) LTD	Bank	FULL	100	100	100	100
		SG HAMBROS FUND MANAGERS (JERSEY) LTD	Portfolio Management	FULL	100	100	100	100
		SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
		SG HAMBROS PROPERTIES (JERSEY) LTD	Financial Company	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
Latvia								
		ALD AUTOMOTIVE SIA	Specialist Financing	EFS	75	75	75	75
Lebanon								
		SG DE BANQUE AU LIBAN	Bank	ESI	16.8	16.8	16.8	16.8
Lithuania								
		UAB ALD AUTOMOTIVE	Specialist Financing	EFS	75	75	75	75
Luxembourg								
	(6)	ALD INTERNATIONAL SERVICES S.A.	Real Estate and Real Estate Financing	FULL	100		100	
	(6)	AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	ESI	38		38	
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	100	100	100	100
		BARTON CAPITAL SA	Financial Company	FULL	-	-	100	100
		CHABON SA	Financial Company	FULL	100	100	100	100
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	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
	(6)	PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100		100	
	(2)	RED & BLACK AUTO LEASE GERMANY 1 SA	Specialist Financing	FULL		-		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	Financial Company	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
		SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia								
		OHRIDSKA BANKA AD SKOPJE	Bank	FULL	70.02	70.02	71.33	71.85
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
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
Morocco							
	ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	43.62	43.55	50	50
	ATHENA COURTAGE	Insurance	FULL	58.35	57.91	99.93	99.93
	FONCIMMO	Group Real Estate Management Company	FULL	57.46	57.01	100	100
	LA MAROCAINE VIE	Insurance	FULL	89	88.88	99.98	99.98
	SG MAROCAINE DE BANQUES	Bank	FULL	57.46	57.01	57.46	57.01
	SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	FULL	45.73	45.65	53.72	53.72
	SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.46	57.01	100	100
	SOCIETE GENERALE TANGER OFFSHORE	Financial Company	FULL	57.39	56.94	99.88	99.88
	SOGECAPITAL GESTION	Financial Company	FULL	57.43	56.98	99.94	99.94
	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.46	57.01	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	100	100	100	100
	ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	100	100	100	100
	SGFP MEXICO, S. DE R.L. 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) SOCIÉTÉ GÉNÉRALE (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	100	100	100	100
	NF FLEET AS	Specialist Financing	FULL	80	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
New Zealand							
	(2) SG HAMBROS TRUST COMPANY (NEW ZEALAND) LIMITED	Financial Company	FULL		100		100
Netherlands							
	ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	AXUS FINANCE NL B.V.	Specialist Financing	FULL	-	-	100	100
	AXUS NEDERLAND BV	Specialist Financing	FULL	100	100	100	100
	BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	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
	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) (9) SOCIETE GENERALE MANILA OFFSHORE BRANCH	Bank	FULL	100	100	100	100
Poland							
	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	100	100	100	100
	EURO BANK S.A.	Specialist Financing	FULL	99.97	99.52	99.97	99.52
	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							
	(6) PARCOURS PORTUGAL SA	Specialist Financing	FULL	100		100	
	SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest		Group voting interest	
				at 31.12. 2016	at 31.12.2015	at 31.12.2016	at 31.12.2015
Czech Republic							
	ALD AUTOMOTIVE SRO	Specialist Financing	FULL	100	100	100	100
	CATAPS	Services	ESI	12.15	60.73	20	100
	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
	NP 33	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
	PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	100	100	100	100
	PROTOS	Financial Company	FULL	60.73	60.73	100	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
	VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100	100
Romania							
	ALD AUTOMOTIVE SRL	Specialist Financing	FULL	92.03	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
	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	99.99	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	100	100	100	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	100	100	100	100
	ALD FUNDING LIMITED	Specialist Financing	FULL	-	-	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
	(6) FENCHURCH NOMINEES LIMITED	Bank	FULL	100		100	
	(6) FRANK NOMINEES LIMITED	Bank	FULL	100		100	
	(6) HOLMES DROLLED LIMITED	Bank	FULL	100		100	
	(1) HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	100	100	100	100
	JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	(6) KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100		100	
	(6) KBPB NOMINEES LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON BANK LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	100		100	
	(6) KLEINWORT BENSON UNIT TRUSTS LIMITED	Bank	FULL	100		100	
	(6) LANGBOURN NOMINEES LIMITED	Bank	FULL	100		100	
	LNG INVESTMENT 1 LTD	Financial Company	FULL	100	100	100	100
	LNG INVESTMENT 2 LTD	Financial Company	FULL	100	100	100	100
	LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
	(6) MAGPIE ROSE LIMITED	Bank	FULL	100		100	
	(6) PARCOURS UK LIMITED	Specialist Financing	FULL	100		100	
	(6) PICO WESTWOOD LIMITED	Bank	FULL	100		100	
	(6) ROBERT BENSON, LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100		100	
	(6) SAINT MELROSE LIMITED	Bank	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 BANK LIMITED	Bank	FULL	100	100	100	100
	SG HAMBROS LIMITED (HOLDING)	Bank	FULL	100	100	100	100
	SG HAMBROS TRUST COMPANY LTD	Financial Company	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
	SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
	SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
	(6) SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	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
	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
	(6) SG LEASING (GEMS) LIMITED	Real Estate and Real Estate Financing	FULL	-		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
	(9) 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
	(9) SOCIETE GENERALE SECURITIES SERVICES UK LIMITED	Broker	FULL	100	100	100	100
	STRABUL NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	(9) TALOS HOLDING LTD	Financial Company	FULL	100	100	100	100
	(9) TALOS SECURITIES LTD	Broker	FULL	100	100	100	100
	(1) TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
	(9) TH LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
	(9) TH STRUCTURED ASSET FINANCE LIMITED	Financial Company	FULL	100	100	100	100
	THE EIFFEL LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	THE FENCHURCH PARTNERSHIP	Financial Company	FULL	100	100	100	100
	(2) THE MARS MARITIME LIMITED PARTNERSHIP	Financial Company	FULL		100		100
	(2) THE SATURN MARITIME LIMITED PARTNERSHIP	Financial Company	FULL		100		100
	(1) TYNEVOR B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
Russian Federation							
	ALD AUTOMOTIVE OOO	Specialist Financing	FULL	100	100	100	100
	(2) AVTO LCC	Services	FULL		99.49		100
	CLOSED JOINT STOCK COMPANY SG FINANCE	Financial Company	EFS	100	100	100	100
	COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	FULL	99.95	99.49	100	100
	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	FULL	99.95	99.49	100	100
	(6) JSC TELSICOM	Services	FULL	99.95		100	
	LLC RUSFINANCE	Specialist Financing	FULL	99.95	99.49	100	100
	LLC RUSFINANCE BANK	Specialist Financing	FULL	99.95	99.49	100	100
	PJSC ROSBANK	Bank	FULL	99.95	99.49	99.95	99.49
	(9) PROEKTINVEST LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
	RB FACTORING LLC	Specialist Financing	FULL	99.95	99.49	100	100
	RB LEASING LLC	Specialist Financing	FULL	99.95	99.49	100	100
	RB SERVICE LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
	RB SPECIALIZED DEPOSITARY LLC	Financial Company	FULL	99.95	99.49	100	100
	(3) REAL INVEST LLC	Real Estate and Real Estate Financing	FULL		99.49		100
	SG STRAKHOVANIE LLC	Insurance	FULL	99.99	99.9	100	100
	SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	FULL	99.99	99.9	100	100
	SOSNOVKA LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
	VALMONT LLC	Group Real Estate Management Company	FULL	99.95	99.49	100	100
Senegal							
	SG DE BANQUES AU SENEGAL	Bank	FULL	64.45	64.45	64.87	64.87
Serbia							
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	EFS	100	100	100	100
	SOCIETE GENERALE BANKA SRBIJA	Bank	FULL	100	100	100	100
	(6) SOGELEASE SRBIJA D.O.O.	Specialist Financing	FULL	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
	(6) SG TRUST (ASIA) LTD	Financial Company	FULL	100		100	
	(1) (2) SOCIETE GENERALE BANK & TRUST SINGAPORE BRANCH	Bank	FULL		100		100

Country			Activity	Method*	Group ownership interest at 31.12. 2016	Group ownership interest at 31.12.2015	Group voting interest at 31.12.2016	Group voting interest at 31.12.2015
Slovakia								
		ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	FULL	100	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
	(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	100	100	100	100
	(6)	BPF FINANCIRANJE	Specialist Financing	FULL	99.73		100	
		SKB LEASING D.O.O.	Specialist Financing	FULL	99.73	99.73	100	100
		SKB BANKA	Bank	FULL	99.73	99.73	99.73	99.73
Sweden								
		ALD AUTOMOTIVE AB	Specialist Financing	FULL	100	100	100	100
		NF FLEET AB	Specialist Financing	FULL	80	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
Switzerland								
		ALD AUTOMOTIVE AG	Specialist Financing	FULL	100	100	100	100
		PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	100	100	100	100
	(9)	ROSBANK (SWITZERLAND)	Bank	FULL	99.95	99.49	100	100
		SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1)	SG ZURICH	Bank	FULL	100	100	100	100
	(2)	SOCIETE GENERALE PRIVATE BANKING (LUGANO-SVIZZERA) SA	Bank	FULL		100		100
		SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan								
	(1)	SG SECURITIES (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	(1)	SG TAIPEI	Bank	FULL	100	100	100	100
Chad								
		SOCIETE GENERALE TCHAD	Bank	FULL	55.19	55.19	66.16	66.16
Thailand								
	(1) (2)	SG BANGKOK	Bank	FULL		100		100
Togo								
	(1)	SOCIETE GENERALE TOGO	Bank	FULL	88.34	83.19	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	EFS	100	100	100	100
	(1)	SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine								
		FIRST LEASE LTD.	Specialist Financing	EFS	100	100	100	100

* FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) - EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification because of their insignificant nature).

(1) Branches
(2) Entities wound up in 2016
(3) Removal from the scope in 2016
(4) Entities sold in 2016
(5) Merged in 2016
(6) Newly consolidated in 2016
(7) Including 114 French property holding companies (SCIs) under equity method not significant
(8) Including 137 funds
(9) Wind up in process

NOTE 8.7 - FEES PAID TO STATUTORY AUDITORS

The consolidated financial statements of Societe Generale 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.

At the proposal of the Board of Directors, the General Meeting held on 22nd May 2012 appointed Ernst & Young et Autres and renewed 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 and their network was set up in 2016 to verify the compliance of these missions in relation to the new regulation before the validation by the Audit committee.

A report is submitted each year to the Audit and Internal Control Committee, detailing the fees paid by type of assignment to the Statutory Auditors' networks.

Moreover, in order to prevent the development of excessively close ties between auditors and Management, and to gain a new perspective on the accounts of the Group's entities, a new distribution of audit sections has been implemented. A rotation between the firms in charge of the different audit sections was implemented as from 1st January 2015.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte and Ernst & Young. The conclusions of this survey are presented to the Audit and Internal Control Committee.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
(In EUR m, excl. VAT)		2016	2015	2016	2015	2016	2015
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	4	4	6	6	10	10
	Fully consolidated subsidiaries	14	14	11	12	25	26
Audit Services and Related assignments	Issuer	2	1	1	2	3	3
	Fully consolidated subsidiaries	1	1	1	1	2	2
Sub-total Audit		21	20	19	21	40	41
in %		95%	95%	95%	100%	95%	98%
Other services provided by the networks to fully consolidated subsidiaries	Legal, tax, social	0	0	0	0	0	0
	Other	1	1	1	0	2	1
Total		22	21	20	21	42	42

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 and the Antitrust Division of the Department of Justice, 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 Jérôme Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. Jérôme 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 Jérôme 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 before the Court of Appeal of Versailles for a ruling on damages. On 23rd September 2016, the Versailles Court of Appeal rejected Jérôme Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net losses suffered by the Bank as a result of his criminal conduct amount to EUR4.9 billion. It also declared Jérôme Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and Jérôme Kerviel did not appeal before the Supreme Court. Societe Generale considers that this judgment has no impact on its tax situation, although the tax treatment of the EUR 4.9 billion net loss caused by Jérôme Kerviel's fraudulent acts has not, at this time, been definitively validated by the French tax authorities and a dispute on this subject before the competent courts is still possible.
- Between 2003 and 2008, Societe Generale had 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. The proceedings brought by Societe Generale against its insurers in France are still pending.
- 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, twelve cases have ended in favour of SGA and nine remain pending, eight 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 considered 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 Credit 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*, upheld the absence of any 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. The decision is expected on 11th May 2017.
- 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 bear some responsibility 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.

In May 2015, the plaintiffs filed a motion for class certification, which Societe Generale Private Banking (Suisse) has opposed. The motion is now pending for 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. Briefing on this motion is ongoing.

Connected with the allegations in this class action, Societe Generale Private Banking (Suisse) and Societe Generale have also received requests for documents and other information from the US Department of Justice. Societe Generale Private Bank (Suisse) and Societe Generale has cooperated with the US authorities.

- Societe Generale, along with other financial institutions, has received formal requests for information from several authorities in Europe, the US and Asia, 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 investigating authorities.

  Societe Generale, along with other financial institutions, was named as a defendant in five putative class actions and several individual (non-class) actions in connection with its involvement in the setting of US Dollar Libor rates and trading in derivatives indexed to Libor. The actions were brought by purchasers of certain exchange-based derivatives contracts, over-the-counter derivatives contracts, bonds, equity securities and mortgages, and are pending before a single judge in the US District Court in Manhattan. The actions variously allege violations of, among other laws, US antitrust laws, the US Commodity Exchange Act ("CEA"), and numerous state laws. On 23rd June 2014, the court dismissed the claims against Societe Generale in putative class actions brought by purchasers of certain over-the-counter derivative contracts and purchasers of certain exchange-based derivative contracts. On 5th March 2015, Societe Generale was voluntarily dismissed from a third putative class action brought by purchasers of adjustable rate mortgages tied to Libor. The two other putative class actions are effectively stayed pending resolution of the appeal described below. On 20th October 2015, the court dismissed the claims against Societe Generale in an individual action brought by the liquidating agent of several failed credit unions. On 4th August 2015, the court dismissed several claims asserted by individual plaintiffs, but permitted some state law claims to proceed against defendants in limited circumstances. On 23rd May 2016, the Second Circuit vacated the District Court's dismissal of plaintiffs' antitrust claims, and remanded the claims for further proceedings. On 19th August 2016, briefing was completed on renewed motions to dismiss plaintiffs' antitrust claims on merits and jurisdictional grounds filed by Societe Generale and other defendants in the District Court. On 20th December 2016, the court dismissed plaintiff's antitrust claims against Societe Generale on personal jurisdiction grounds. As a result of that decision and prior rulings by the District Court, all claims against Societe Generale have been dismissed. The District Court has not yet entered judgment on the dismissal of those claims.

  Societe Generale, along with other financial institutions, also has been named as a defendant in two putative class actions in the US District Court in Manhattan brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange ("CME"), and purchasers of over-the-counter derivative contracts, respectively, who allege that their instruments were traded or transacted at artificial levels due to alleged manipulation of Yen LIBOR and Euroyen TIBOR rates. These actions allege violations of, among other laws, the US antitrust laws, the CEA, the civil provisions of the Racketeer Influenced Corrupt Organization ("RICO") Act, and state laws. On 28th March 2014, the court dismissed the exchange-based plaintiffs' antitrust claims, among others, but permitted certain CEA claims to proceed. On 31st March 2015, the court denied the exchange-based plaintiffs' motion for leave to add a RICO claim and additional class representatives, who sought to assert CEA, RICO and state law claims.

  On 8th October 2015, the court denied a motion filed by the California State Teachers' Retirement System ("CalSTRS") to intervene as plaintiff in the exchange-based case. CalSTRS appealed that decision to the US Court of Appeals for the Second Circuit, and voluntarily withdrew the appeal on 8th June 2016. On 29th February 2016, exchange-based plaintiffs filed their Third Amended Complaint adding CEA claims for an extended putative class period against all defendants. On 16th May 2016, Societe Generale filed its answer to the Third Amended Complaint in the exchange-based action and, along with other financial institutions, filed a motion to dismiss the additional CEA claims in that Complaint. On 29th September 2016, Societe Generale and two other financial institutions filed a motion for relief from the District Court's November 2014 order in the exchange-based action that denied them leave to file a motion to dismiss the Complaint for lack of personal jurisdiction, or, alternatively, certification of that order for appeal. Motions to dismiss the over-the-counter plaintiffs' claims have been filed, and oral argument on those motions was held on 5th May 2016.

  Societe Generale, along with other financial institutions, also has been named as a defendant in a putative class action in the US District Court in Manhattan brought on behalf of purchasers or sellers of futures contracts on the LIFFE exchange, Euro currency futures contracts on the CME, Euro interest rate swaps, or Euro foreign exchange forwards, who allege that their instruments traded or that they transacted at artificial levels due to alleged manipulation of Euribor rates. The action alleges violations of, among other laws, US antitrust laws and the CEA as the index in question is a Euro index. Motions to dismiss have been filed.

Societe Generale, along with other financial institutions, has been named as a defendant in litigation in Argentina brought by a consumer association on behalf of Argentine consumers who held government bonds or other instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with an alleged manipulation of the US Dollar Libor rate. On 25th August 2016, the Argentine Court of Appeal issued a decision directing that the actions against the various financial institutions (including the action against Societe Generale) be consolidated before a single judge. Societe Generale has not yet been served with the complaint in this matter.

On 4th December 2013, the European Commission issued a decision further to its investigation into the EURIBOR rate, which provides for the payment by Societe Generale of an amount of EUR 445.9 million in relation to events that occurred between March 2006 and May 2008. Societe Generale has filed an appeal with the Luxembourg Court regarding the method used to determine the value of the sales that served as a basis for the calculation of the fine. On 6th April 2016, Societe Generale obtained a EUR 218 million discount on the fine after having withdrawn its appeal. The fine therefore decreased from EUR 445.9 million to EUR 227.72 million, and Societe Generale will receive, in addition to the reimbursement of the capital, interest calculated by the Commission.

On 5th December 2016, the Swiss competition authority (COMCO) approved an amicable settlement with four banks, among which Societe Generale, to close its investigation related to events which occurred between March 2006 and May 2008. Under the terms of this settlement, Societe Generale was fined CHF 3.254 million, i.e. approximately EUR 3 million.

- 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 were 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 has engaged in discussions with the US Office of Foreign Assets Control, the US Department of Justice, the office of the District Attorney of New York County, the Board of Governors of the Federal Reserve System in Washington, the Federal Reserve Bank of New York, and the New York State Department of Financial Services in relation to US dollar transfers made by Societe Generale on behalf of entities based in countries that are the subject of economic sanctions ordered by the US authorities. In connection with these discussions, Societe Generale is conducting an internal review and is cooperating with the US authorities.

- On 22nd May 2013, the ACPR launched disciplinary proceedings against Societe Generale in relation to the resources and procedures deployed by it pursuant to the legal requirements relating to the "right to a bank account" (*droit au compte*). On 11th April 2014, the ACPR sanctions commission imposed the following sanctions on Societe Generale: a fine of EUR 2 million, a reprimand, and the publication of the decision. In May 2014, Societe Generale referred this decision to the French Supreme Administrative Court (*Conseil d'État*). By a judgment handed down on *14th* October 2015, the French Supreme Administrative Court cancelled the ACPR's penalty of 11th April 2014. By a letter dated 9th November 2015, the ACPR informed Societe Generale that it would resume the proceedings before the sanctions commission. The college representative filed its brief on 18th December 2015. The hearing was held in front of the ACPR sanctions commission on 2nd May 2016. On 19th May 2016, the ACPR sanctions commissions imposed on Societe Generale a fine of EUR 800,000 and a reprimand. This matter has now been closed.

- 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. Societe Generale firmly refutes such allegations and any claim calling into question the lawfulness of these investments. The English Court decided that the trial hearing will take place in April 2017. Also, on 8th April 2014, the US Department of Justice served Societe Generale with a subpoena requesting the production of documents relating to transactions with Libyan entities and individuals, including the LIA. On 4th October 2016, the Securities and Exchange Commission served Societe Generale with a subpoena on the same subject matter. Societe Generale is cooperating with US 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 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, and discovery is underway. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in a putative class action in Canada (Ontario Superior Court in Toronto) involving similar claims.

- On 30th January 2015, the US Commodity Futures Trading Commission 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.

- Societe Generale Americas Securities, LLC ("SGAS"), along with other financial institutions, has been 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 have been consolidated in the US District Court in Manhattan. SGAS's time to respond to the complaints has not yet been set.

- 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. The litigation is pending in the US District Court in Manhattan. Motions to dismiss were denied, and discovery is underway. A separate putative class action on behalf of a class of exchange-traded fund purchasers was filed on 26th September 2016. Motions to dismiss were filed on 23rd January 2017. 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 31st May 2016, Societe Generale and certain US affiliates received a subpoena from the Civil Division of the United States Attorney's Office for the Eastern District of New York ("USAO") requesting the production of information and documents concerning residential mortgage-backed securities ("RMBS") issued by Societe Generale affiliates in New York. On 19th September 2016, the USAO served a supplemental subpoena seeking information and documents concerning collateralized debt obligations backed by RMBS securities issued by Societe Generale affiliates in New York. Societe Generale has reached a settlement with the DOJ and agreed to pay a civil penalty of USD 50 million.

- Further to an inspection conducted from 8th September to 1st December 2015 at Societe Generale's offices 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. The hearing before the enforcement commission may be held during the second semester of 2017.

3. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the group's management report and in the documents addressed to the shareholders.

This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
S.A. au capital de € 1.723.040

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

SOCIETE GENERALE
YEAR ENDED 31st DECEMBER 2016

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31st December 2016, on:

- the audit of the accompanying consolidated financial statements of Societe Generale;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at 31st December 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to note 3.1 "Financial assets and liabilities at fair value through profit or loss - 3. Net gains and losses on financial instruments at fair value through profit or loss" and note 4.2. "Income and expense from other activities" which describe the change in accounting method relating to the presentation of profit or loss and balance sheet positions relating to physical inventory of commodities as part of the market-making activity in commodity derivatives.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- For the purpose of preparing the consolidated financial statements, your group records impairment to cover the credit risks inherent to its activities and performs significant accounting estimates, related in particular to the valuation of goodwill, to the assessment of the deferred tax assets, as well as the assessment of provisions for disputes, as described in the following notes to the consolidated financial statements: 1. "Significant accounting principles – 4. Use of estimates and judgement", 2.2. "Goodwill", 6. "Income tax" and 3.8. "Impairment and provisions". We have reviewed and tested the processes implemented by management, the underlying assumptions and the valuation parameters, and we have assessed whether these accounting estimates are based on documented procedures consistent with the accounting policies disclosed in the above-mentioned notes to the consolidated financial statements.

- As detailed in note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements, your group uses internal models to measure financial instruments that are not based on observable market data. Our procedures consisted in reviewing the control procedures for the models used, assessing the underlying data and assumptions as well as their observability, and verifying that the risks generally expected from the markets were taken into account in the valuations.
- As stated in notes 3.1 "Financial assets and liabilities at fair value through profit or loss - 2. Financial instruments at fair value through profit or loss using fair value option" and 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements, your group assessed the impact of changes in its own credit risk with respect to the valuation of certain financial liabilities measured at fair value through profit or loss. We have verified the appropriateness of the data used for this purpose.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 7th March 2017

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
José-Luis Garcia	Isabelle Santenac