SOCIETE GENERALE

A French corporation with a share capital of EUR 1,009,897,173.75
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SECOND UPDATE

TO THE

2018 REGISTRATION DOCUMENT

2018 INTERIM FINANCIAL REPORT

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TABLE OF CONTENTS

SECOND UPDATE TO THE 2018 REGISTRATION DOCUMENT PER CHAPTER

1 - CHAPTER 2: GROUP MANAGEMENT REPORT 3

1.1 PRESS RELEASES AND EVENTS SUBSEQUENT TO THE SUBMISSION OF THE FIRST UPDATE TO THE 2018 REGISTRATION DOCUMENT 3
1.2 SOCIETE GENERALE GROUP MAIN ACTIVITIES 28
1.3 SIGNIFICANT NEW PRODUCTS OR SERVICES 29
1.4 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET 34
1.5 PROPERTY AND EQUIPMENT 35
1.6 FINANCIAL POLICY 36
1.7 MAJOR INVESTMENTS AND DISPOSALS 39
1.8 PENDING ACQUISITIONS AND MAJOR CONTRACTS 40
1.9 MAIN RISKS AND UNCERTAINTIES OVER THE NEXT 6 MONTHS – UPDATE OF PAGE 13 OF THE 2018 REGISTRATION DOCUMENT 40

2 - CHAPTER 3: CORPORATE GOVERNANCE 42

2.1 GENERAL MEETING OF SHAREHOLDERS HELD ON 23 MAY 2018 42
2.2 BOARD OF DIRECTORS 43
2.3 GENERAL MANAGEMENT 44

3 - CHAPTER 4: RISKS FACTORS AND CAPITAL ADEQUACY 45

3.1 REGULATORY RATIOS 45
3.2 CREDIT RISKS – UPDATE OF THE 2018 REGISTRATION DOCUMENT PAGES 192-194 49
3.3 PROVISIONING OF DOUBTFUL LOANS – UPDATE OF THE 2018 REGISTRATION DOCUMENT PAGE 199 50
3.4 CHANGE IN TRADING VAR – UPDATE OF THE 2018 REGISTRATION DOCUMENT PAGES: 202 TO 205 51
3.5 STRUCTURAL INTEREST RATE RISK – UPDATE OF PAGES 218 AND 219 OF 2018 REGISTRATION DOCUMENT 52
3.6 LIQUIDITY RISK 52
3.7 COMPLIANCE AND REPUTATIONAL RISK, LITIGATION - UPDATE OF THE PAGES 228 TO 432 OF THE 2018 REGISTRATION DOCUMENT 55

4 - CHAPTER 6: FINANCIAL INFORMATION 56

4.1 FINANCIAL INFORMATION AS AT 30 JUNE 2018 56
4.2 STATUTORY AUDITOR'S REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION FOR 2018 171

5 - CHAPTER 7: SHARE, SHARE CAPITAL AND LEGAL INFORMATION 173

5.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS 173
5.2 INTERNAL RULES OF THE BOARD OF DIRECTORS 174
5.3 LIST OF REGULATED INFORMATION PUBLISHED IN THE LAST 6 MONTHS 185

6 - CHAPTER 8: PERSON RESPONSIBLE FOR THE UPDATE OF THE REGISTRATION DOCUMENT 186

6.1 PERSON RESPONSIBLE FOR THE UPDATE OF THE REGISTRATION DOCUMENT 186
6.2 STATEMENT OF THE PERSON RESPONSIBLE 186
6.3 PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS 187

7 - CHAPTER 9: CROSS-REFERENCE TABLES 188

7.1 CROSS-REFERENCE TABLE OF 2018 REGISTRATION DOCUMENT 188
7.2 CROSS-REFERENCE TABLE OF THE INTERIM FINANCIAL REPORT 190

1 - Chapter 2: Group management report

1.1 Press releases and events subsequent to the submission of the first update to the 2018 Registration Document

1.1.1 Press release dated 23 May 2018: Annual General Meeting and Board of Directors dated 23 May 2018

See chapter 2, pages 42-43

1.1.2 Press releases of 4th June 2018

Update of the information related to litigations

Societe Generale has reached agreements in principle with the U.S. Department of Justice (“DOJ”) and the U.S. Commodity Futures Trading Commission (“CFTC”) to resolve their investigations relating to Societe Generale's IBOR submissions (“IBOR matter”), and with the DOJ and the French Parquet National Financier (“PNF”) to resolve their investigations relating to certain transactions involving Libyan counterparties (“Libyan matter”).

The PNF and DOJ agreements require judicial approval and have been submitted to the competent French and U.S. courts for hearings on June 4th and June 5th, respectively.

The monetary penalties to be paid are fully covered by the provision allocated to the IBOR and Libyan matters and booked in Societe Generale's accounts. As a result, these payments will have no impact on Societe Generale’s results.

Societe Generale cannot further comment on terms of these agreements, but will provide more details once they are made public by the relevant authorities/agencies.

Societe Generale reaches agreements with the DOJ, the CFTC and the PNF to resolve their pending IBOR and Libya-related investigations

- Societe Generale has reached agreements with the U.S. Department of Justice (“DOJ”) and the U.S. Commodity Futures Trading Commission (“CFTC”) to resolve their investigations relating to Societe Generale's IBOR submissions, and with the DOJ and the French Parquet National Financier (“PNF”) to resolve their investigations relating to certain transactions involving Libyan counterparties.The PNF and DOJ agreements have been submitted for approval to the competent French and U.S. courts for hearings on 4th June and 5th June, respectively. The Bank has been actively cooperating with the authorities to resolve these investigations.
- Societe Generale has agreed to pay penalties totaling approximately $1.3 billion to the DOJ, the CFTC and the PNF. These payments are fully covered by the provision allocated to the IBOR and Libyan matters and booked in Societe Generale's accounts. As a result, they will have no impact on Societe Generale’s results.
- The Bank has agreed to enter into a three-year deferred prosecution agreement in the IBOR and Libyan matters with the DOJ. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed. No independent compliance monitor has been imposed in connection with these settlements.
- Societe Generale has already taken extensive steps in recent years to strengthen its overall compliance and control framework, which is intended to meet the highest industry standards of compliance and ethics. As part of these resolutions, the Bank has committed to ensure that its internal policies, procedures and controls are designed to prevent and detect violations of the relevant anti-corruption, bribery, and market manipulation laws.
- These settlements are not expected to have any impact on services or activities offered by the bank to supporting its clients.

Societe Generale has reached agreements with the DOJ and the CFTC to resolve, as part of their industry-wide investigations on interbank offered rates benchmarks, the matter of Societe Generale’s submissions from 2005–2012 for setting certain London Interbank Offered Rates and the Euro Interbank Offered Rate (“IBOR matter”).

These agreements also resolve the DOJ’s investigations regarding violations of the U.S. Foreign Corrupt Practices Act (FCPA) in connection with historical conduct involving Libyan counterparties, including the Libyan Investment Authority, as well as the investigation opened by the PNF regarding violations of French anti-corruption laws in connection with the same conduct (“Libyan matter”).

As part of these settlements, Societe Generale has agreed to pay penalties totaling approximately $1.3 billion to the DOJ, CFTC, and PNF. These penalties include $275 million to the DOJ and $475 million to the CFTC in relation to the IBOR matter, and $292.8 million to the DOJ and €250.15 million ($292.8 million) to the PNF in relation to the Libyan matter.

The payment of these penalties is fully covered by the provision allocated to the IBOR and Libyan matters and booked in Societe Generale's accounts. As a result, they will have no impact on Societe Generale’s results. Following these payments, the provision for litigation will amount to approximately 1.2 billion euro equivalent.

As part of these resolutions, the Bank has committed, beyond the measures it has already taken, to further ensure that its internal policies, procedures and controls are designed to prevent and detect violations of the relevant anti-corruption, bribery, and market manipulation laws.

As part of the settlements, the Bank has agreed to enter into a three-year deferred prosecution agreement with the DOJ on the IBOR and Libyan matters. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed. No independent compliance monitor has been imposed in connection with these settlements. Additionally, SGA Societe Generale Acceptance, N.V. (“SGA”), a Group subsidiary dedicated to the issuance of investment products, has agreed to plead guilty in the United States in connection with the Libyan matter. Such a guilty plea will have no impact on SGA’s ability to perform its obligations as an issuer, and Societe Generale will continue to guarantee these obligations.

In the agreement with the PNF (“Convention Judiciaire d’Intérêt Public,” created by the Sapin II law in France), which does not involve a recognition of criminal liability, Societe Generale also committed to have the French Anti-corruption Agency (AFA) assess the quality and effectiveness of the anti-corruption measures it implemented for a two-year period.

Societe Generale received significant credit from the authorities for its cooperation with their investigations, and the Bank has agreed to continue to cooperate with them in accord with the settlement agreements.

The settlements with the PNF and DOJ, which have been submitted to French and U.S. courts for hearings on 4th and 5th June, respectively, are intended to conclude their investigations in these two matters. The agreement with the CFTC is intended to conclude its investigations in the IBOR matter. In connection with the IBOR matter, the Bank continues to defend civil proceedings in the United States, and to respond to information requests received from other authorities, including the New York Department of Financial Services.

Frédéric Oudéa, Chief Executive Officer of Societe Generale, commented: “*We regret these past misconducts, which are contrary to our values and ethical standards that led to these settlements. We are pleased to have resolved these matters in cooperation with the relevant authorities and we believe it is an important step for the Bank. Over the past years, we have already taken extensive steps, at our own initiative, to strengthen our global compliance and control framework to meet the highest standards of compliance and ethics. Anchoring a culture of responsibility, shared by all our staff members, is a priority at the heart of our strategic plan Transform to Grow. Societe Generale’s teams are fully committed to delivering on all the key objectives of the plan and act every day to serve our clients and deserve the trust of our all stakeholders*”.

Societe Generale has reinforced over many years its overall framework for ethics and compliance and has already undertaken remedial measures directly related to the two matters. The Bank has in particular:

- Developed since 2012 a series of policies and procedures designed to ensure the integrity of the IBOR contribution process, in line with the best practices across the industry.
- Reinforced since 2011 its internal instructions related to the fight against corruption and launched a comprehensive review of the framework, putting in place a team dedicated to the fight against corruption, implementing a detailed risk assessment and rolling out a new version of the Code of Conduct worldwide with a “zero-tolerance approach” and extended whistleblowing procedures. More recently, a new Anti-Corruption and Anti-Influence Peddling Code has been published taking into account the more stringent regulatory requirements, notably related to the law in France known as the “Sapin 2” law.
- Continuously reinforced its compliance setup with a significant increase in dedicated human and financial resources, the creation of a dedicated department in 2010, followed by the centralisation of all Compliance teams within this division and the establishment of a direct reporting line to one of the Bank’s Deputy CEOs. The Bank has also launched a wide-ranging, multiyear compliance transformation programme to upgrade and strengthen the Bank’s compliance capabilities worldwide which encompasses reinforced risk management, including data-driven risk assessments, strengthening controls, reviewing operations involving key risk areas, specific roadmap for each business, training and communication initiatives to foster an enhanced compliance-oriented staff culture.
- Deployed a large worldwide Culture and Conduct programme designed to ensure staff respect and act in accordance with the Bank’s values.

Statement from Societe Generale following the publication of an article in the Financial Times

Following questions from the Financial Times on Sunday 3 June in the context of the publication of an article concerning the possibility of discussions within the Board of Directors regarding a potential merger between Societe Generale and Unicredit, the Bank’s position is as follows:

“Société Générale denies any board discussion regarding a potential merger with Unicredit “

1.1.3 Press release dated 2 August, 2018: Second quarter 2018 Results – Update of the pages 30 to 49 of the 2018 Registration Document

Q2 18: SOLID PERFORMANCE BY THE GROUP'S BUSINESSES, CONTROL OF COSTS AND RISKS
Q2 18 UNDERLYING ROTE: 11.2%

HIGHLIGHTS

1.0%(1) increase in Group revenues in Q2 18 (+2.3% when adjusted for changes in Group structure and at constant exchange rates)

- **French Retail Banking**: slight decline in revenues vs. Q2 17, still impacted by the low interest rate environment, revenues expected to be slightly lower in 2018 (between -1% and -2%)
- **International Retail Banking & Financial Services**: solid performance in all geographical regions, in a buoyant interest rate environment in non-eurozone countries
- **Global Banking & Investor Solutions**: resilient revenues in Market activities and very dynamic Financing & Advisory activities, origination business at a high level

Disciplined cost management

- A year of investment in French Retail Banking
- Positive jaws effect in International Retail Banking & Financial Services
- Lower cost base in Global Banking & Investor Solutions

Low cost of risk, thanks to very disciplined risk management (14bp vs. 15bp in Q2 17)

Underlying ROTE of 11.2%

Progress on the Group's refocusing programme

KEY FINANCIAL DATA

- Q2 18 **revenues**(1): EUR 6,454m (+1.0% vs. Q2 17); H1 18: EUR 12,748m (-0.7% vs. H1 17)
- Q2 18 **operating expenses**(1): EUR 4,370m (+1.3% vs. Q2 17); H1 18: EUR 8,594m (+1.1% vs. H1 17)
- Q2 18 **Group net income**(1): EUR 1,265m (+8.6% vs. Q2 17); H1 18: EUR 2,469m (-3.2% vs. H1 17)
- Q2 18 **Group book net income**: EUR 1,156m (+9.3% vs. Q2 17); H1 18: EUR 2,006m (+11.1% vs. H1 17)
- CET1 ratio: 11.1%

Fréderic Oudéa, the Group's Chief Executive Officer, commented:

"Societe Generale posted good results and an increase in profitability in Q2 18 due to a solid performance by all the businesses, disciplined cost management and good risk control. The Group also carried out several strategic transactions contributing to the refocusing of its business model around its core franchises, with the signing of an agreement to acquire Commerzbank's Equity Markets and Commodities operations and the disposal of activities not having critical mass or insufficiently synergistic. These developments are perfectly in keeping with the implementation of the new strategic plan "Transform to Grow" to which we are fully committed, and the results demonstrate that our diversified and value-creating business choices enable the Group to engage in a profitable and sustainable growth momentum".

1. GROUP CONSOLIDATED RESULTS

In EUR m	Q2 18	Q2 17	Change		H1 18	H1 17	Change
Net banking income	**6,454**	**5,199**	***+24.1%***	***+26.1%****	**12,748**	**11,673**	***+9.2%***
Underlying net banking income(1)	*6,454*	*6,389*	*+1.0%*	*+2.3%**	*12,748*	*12,841*	*-0.7%*
Operating expenses	**(4,403)**	**(4,169)**	***+5.6%***	***+6.7%****	**(9,132)**	**(8,813)**	***+3.6%***
Underlying operating expenses(1)	*(4,370)*	*(4,314)*	*+1.3%*	*+0.0%**	*(8,594)*	*(8,500)*	*+1.1%*
Gross operating income	**2,051**	**1,030**	***+99.1%***	***x2.1****	**3,616**	**2,860**	***+26.4%***
Underlying gross operating income(1)	*2,084*	*2,075*	*+0.4%*	*+2.3%**	*4,154*	*4,341*	*-4.3%*
Net cost of risk	**(170)**	**259**	***n/s***	***n/s***	**(378)**	**(368)**	***+2.7%***
Underlying net cost of risk(1)	*(170)*	*(191)*	*-11.0%*	*-9.2%**	*(378)*	*(468)*	*-19.2%*
Operating income	**1,881**	**1,289**	***+45.9%***	***+50.3%****	**3,238**	**2,492**	***+29.9%***
Underlying operating income(1)	*1,914*	*1,884*	*+1.6%*	*+3.4%**	*3,776*	*3,873*	*-2.5%*
Net profits or losses from other assets	**(42)**	**208**	***n/s***	***n/s***	**(41)**	**245**	***n/s***
Income tax	(516)	(302)	*+70.9%*	*+74.6%**	(886)	(691)	*+28.2%*
Reported Group net income	**1,156**	**1,058**	***+9.3%***	***+14.8%****	**2,006**	**1,805**	***+11.1%***
Underlying Group net income(1)	*1,265*	*1,165*	*+8.6%*	*+13.5%**	*2,469*	*2,551*	*-3.2%*
ROE	**8.6%**	**7.7%**			**7.5%**	**6.5%**	
ROTE	**10.4%**	**9.0%**			**8.9%**	**7.5%**	
Underlying ROTE(1)	*11.2%*	*10.0%*			*11.0%*	*11.0%*	
Underlying Cost to Income(1)	*68%*	*68%*			*67%*	*66%*	

(1) Adjusted for non-economic items (in Q2 17 and H1 17), exceptional items and linearisation of IFRIC 21.

Societe Generale's Board of Directors, which met on August 1st, 2018 under the chairmanship of Lorenzo Bini Smaghi, examined the results for Q2 and H1 2018 of the Societe Generale Group.

Net banking income: EUR 6,454m (+24.1% vs. Q2 17), EUR 12,748m (+9.2% vs. H1 17)

Underlying net banking income was up +1.0% (+2.3%*) in Q2 18 at EUR 6,454 million. In H1 18, underlying net banking income totalled EUR 12,748 million (EUR 12,841 million in H1 17).

- In a still low interest rate environment, French Retail Banking's net banking income was lower (-2.1% excluding PEL/CEL provision) in Q2 18 vs. Q2 17 and in H1 18 (-1.9% excluding PEL/CEL provision) vs. H1 17.
- International Retail Banking & Financial Services' net banking income rose +5.4% (+6.1%*) in Q2 18 vs. Q2 17 and +4.0% (+5.2%*) in H1 18 vs. H1 17, driven by the growth in activities across all businesses and geographical regions.
- Global Banking & Investor Solutions' revenues were slightly higher in Q2 18 (+0.5%, +2.9%*) vs. Q2 17 and lower in H1 18 (-6.7%, -3.3%*) vs. H1 17.

In accordance with IFRS 9, the variation in the revaluation of the Group's own financial liabilities is no longer recognised in profit or loss for the period. Consequently, in 2018, the Group no longer restates its earnings for non-economic items.

Moreover, Q2 17 net banking income included the impact of the settlement with the LIA for EUR -963 million.

Operating expenses: EUR -4,403m (+5.6% vs. Q2 17), EUR -9,132m (+3.6% vs. H1 17)

Underlying operating expenses amounted to EUR -4,370 million in Q2 18 vs. EUR -4,314 million in Q2 17 (+1.3%) and EUR -8,594 million in H1 18 vs. EUR -8,500 million in H1 17 (+1.1%). In Q2 17, they included the write-back of a restructuring provision for EUR 60 million. The operating expenses momentum observed during previous quarters continued in Q2 18: ongoing transformation investments in French Retail Banking, efforts to support growth in International Retail Banking & Financial Services and rigorous cost management in Global Banking & Investor Solutions.

The provision for disputes was the subject of an additional allocation of EUR 200 million in Q2 18, recorded in operating expenses. The balance of the provision for disputes was EUR 1.43 billion at June 30th, 2018.

Gross operating income: EUR 2,051m (+99.1% vs. Q2 17), EUR 3,616m (+26.4% vs. H1 17)

Underlying gross operating income totalled EUR 2,084 million in Q2 18 (EUR 2,075 million in Q2 17) and EUR 4,154 million in H1 18 (EUR 4,341 million in H1 17).

Cost of risk(1): EUR -170m in Q2 18, EUR -378m in H1 18

The Group's underlying net cost of risk amounted to EUR -170 million in Q2 18 (EUR -191 million in Q2 17) and EUR -378 million in H1 18 (EUR -468 million in H1 17).

The commercial cost of risk (expressed as a fraction of outstanding loans) was stable at a low level of 14 basis points in Q2 18 (15 basis points in Q2 17) and lower at 16 basis points in H1 18 (19 basis points in H1 17).

- In French Retail Banking, the commercial cost of risk was significantly lower at 20 basis points in Q2 18 (30 basis points in Q2 17), due to a selective origination policy.
- Still against the backdrop of a low level of impairments, International Retail Banking & Financial Services' cost of risk amounted to 23 basis points vs. 14 basis points in Q2 17, which benefited from significant provision write-backs in Romania.
- Global Banking & Investor Solutions' cost of risk remained at a very low level of 2 basis points in Q2 18 (1 basis point in Q2 17).

The Group's commercial cost of risk is expected to range between 20 and 25 basis points in 2018.

The gross doubtful outstandings ratio stood at 3.9% at end-June 2018 (vs. 4.6% at end-June 2017). The Group's gross coverage ratio for doubtful outstandings stood at 55%(2) at end-June 2018 (stable vs. March 31st, 2018).

Operating income: EUR 1,881m (+45.9% vs. Q2 17), EUR 3,238m (+29.9% vs. H1 17)

Underlying operating income totalled EUR 1,914 million in Q2 18 (EUR 1,884 million in Q2 17) and EUR 3,776 million in H1 18 (EUR 3,873 million in H1 17).

Net profits or losses from other assets: EUR -42m in Q2 18, EUR -41m in H1 18

Net profits or losses from other assets consist principally of the capital loss recognised according to IFRS 5 on the disposal of Group activities in Bulgaria and Albania amounting to EUR -27 million.

Net income

In EUR m	Q2 18	Q2 17	H1 18	H1 17
Reported Group net income	1,156	1,058	2,006	1,805
Underlying Group net income(3)	1,265	1,165	2,469	2,551

	Q2 18	Q2 17	H1 18	H1 17
ROTE (reported)	10.4%	9.0%	8.9%	7.5%
Underlying ROTE(3)	11.2%	10.0%	11.0%	11.0%

Earnings per share amounts to EUR 2.22 in H1 18 (EUR 2.12 in H1 17)(4). The dividend provision in H1 18 amounts to EUR 1.11/share.

(1) 2018 figures established according to IFRS 9, 2017 figures established according to IAS 39, excluding general provision for disputes, figures restated for the transfer of Global Transaction and Payment Services from French Retail Banking to Global Banking & Investor Solutions.

(2) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings.

(3) Adjusted for non-economic items (in 2017), exceptional items and effect of the linearisation of IFRIC 21

(4 Excluding non-economic items (gross EPS of EUR 1.94 in H1 17)

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 59.0 billion at June 30th, 2018 (EUR 59.4 billion at December 31st, 2017). Net asset value per share was EUR 62.07 and tangible net asset value per share was EUR 53.13.

The **consolidated balance sheet** totalled EUR 1,298 billion at June 30th, 2018 (EUR 1,274 billion at January 1st, 2018(1), EUR 1,275 billion at December 31st, 2017). The net amount of customer loan outstandings, including lease financing, was EUR 406 billion at June 30th, 2018 (EUR 396 billion at January 1st, 2018(1), EUR 404 billion at December 31st, 2017) – excluding assets and securities sold under repurchase agreements. At the same time, customer deposits amounted to EUR 400 billion at June 30th, 2018, vs. EUR 395 billion at January 1st, 2018(1) and December 31st, 2017 (excluding assets and securities sold under repurchase agreements).

At June 30th, 2018, the parent company had issued EUR 20.3 billion of medium/long-term debt, having an average maturity of 4.6 years and an average spread of 14 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 2.8 billion. At June 30th, 2018, the Group had issued a total of EUR 23.1 billion of medium/long-term debt. The LCR was well above regulatory requirements at 127% at end-June 2018 vs. 125% at end-March 2018.

The Group's **risk-weighted assets** (RWA) amounted to EUR 363.1 billion at June 30th, 2018 (vs. EUR 353.3 billion at end-December 2017) according to CRR/CRD4 rules. Credit risk-weighted assets represent 81.8% of the total, at EUR 297.1 billion, up 2.6% vs. December 31st, 2017.

At June 30th, 2018, the Group's fully-loaded **Common Equity Tier 1** ratio stood at 11.1%(2) (11.4% at end-December 2017). The Tier 1 ratio stood at 13.6% at end-June 2018 and the total capital ratio amounted to 16.8%.

With a level of 21.9% of RWA and 6.7% of leveraged exposure at end-June 2018, the Group's TLAC ratio is already above the FSB's requirements for 2019. At June 30th, 2018, the Group was also above its MREL requirements of 8% of the TLOF(3) (which, at end-December 2016, represented a level of 24.36% of RWA).

The **leverage ratio** stood at 4.1% at June 30th, 2018 (4.3% at end-December 2017) and 4.2% after taking into account the decision of the General Court of the European Union and pending the Single Supervisory Mechanism agreement for the exemption of regulated savings.

The Group is rated by five rating agencies: (i) DBRS - long-term rating (senior preferred debt) "A (high)", trend raised to "positive" on May 29th, 2018, short-term rating "R-1(middle)"; (ii) FitchRatings - long-term rating "A", stable outlook, senior preferred debt rating "A+", short-term rating "F1"; (iii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iv) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (v) S&P Global Ratings - long-term rating (senior preferred debt) "A", stable outlook, short-term rating "A-1".

(1) Balances at January 1st, 2018 after first-time application of IFRS 9 except for subsidiaries in the insurance sector

(2) The phased-in ratio, including earnings for the current financial year amounts to 11.2% at end-June 2018 vs. 11.6% at end-December 2017 and 11.9% at end-June 2017

(3) TLOF: Total Liabilities and Own Funds

3. FRENCH RETAIL BANKING

In EUR m	Q2 18	Q2 17	Change	H1 18	H1 17	Change
Net banking income	**1,991**	**2,026**	***-1.7%***	**3,999**	**4,049**	***-1.2%***
Net banking income excl. PEL/CEL	*1,980*	*2,023*	*-2.1%*	*3,971*	*4,048*	*-1.9%*
Operating expenses	(1,361)	(1,352)	***+0.7%***	(2,841)	(2,772)	***+2.5%***
Gross operating income	**630**	**674**	***-6.5%***	**1,158**	**1,277**	***-9.3%***
Gross operating income excl. PEL/CEL	*619*	*671*	*-7.8%*	*1,130*	*1,276*	*-11.4%*
Net cost of risk	(93)	(129)	*-27.9%*	(227)	(258)	*-12.0%*
Operating income	537	545	*-1.5%*	931	1,019	*-8.6%*
Reported Group net income	**365**	**370**	*-1.4%*	**635**	**701**	*-9.4%*
RONE	**13.2%**	**13.7%**		**11.3%**	**13.0%**	
Underlying RONE(1)	**12.1%**	**13.1%**		**11.5%**	**13.6%**	
Underlying Cost to Income(1)	70%	68%	*n/s*	70%	67%	*n/s*

(1) Adjusted for IFRIC 21 and PEL/CEL provision

French Retail Banking posted resilient earnings in Q2 18, against the backdrop of persistently low interest rates and the transformation of the French networks.

Activity and net banking income

French Retail Banking's three brands, Societe Generale, Crédit du Nord and Boursorama, displayed a solid commercial momentum in Q2 18, particularly for their target customers.

Boursorama accelerated its client onboarding process, with nearly 242,000 new clients in the first six months of the year. It exceeded 1.5 million clients in July, strengthening its position as the leading online bank in France. This sharp acceleration should help Boursorama achieve its objective of 2 million clients at end-2019. Onboarding is carried out based on a controlled acquisition cost per client, which has declined since 2016.

The Societe Generale and Crédit du Nord networks strengthened their franchises on the Group's target customers.

In the Individual customer segment, French Retail Banking expanded its business among mass affluent and wealthy clients (number of clients up 5.1% vs. Q2 17). Private Banking in France recorded net inflows of EUR 1.3 billion and a 2.6% increase in outstandings in Q2 18 to EUR 63 billion (including Crédit du Nord's outstandings). Within the growth drivers, bancassurance posted net inflows of EUR 621 million and outstandings up 1.7% at EUR 93.5 billion, with a unit-linked product rate of 25%.

In the Business customer segment, French Retail Banking continued to develop its expertise in order to serve its customers, by supporting them in their development and offering them a comprehensive range of products and services including investment banking services. The number of business customers increased by 1.7% vs. Q2 17.

In the case of Professional customers, Societe Generale continued to strengthen its expertise/proximity-based model with 75 corners dedicated to professionals, as at June 30th, 2018. The number of professional customers in French Retail Banking increased by 1.3% vs. Q2 17.

In a low interest rate environment, the Group confirmed its selective origination strategy.

Housing loan production totalled EUR 4.4 billion in Q2 18, down 26.6% vs. Q2 17 which represented a high comparison base. Consumer loan production was particularly dynamic in Q2 18, with an increase of +13.7% vs. Q2 17.

Outstanding loans to individuals totalled EUR 109.5 billion and rose +3.2% in Q2 18 vs. Q2 17.

Corporate investment loan production was up +1.2% at EUR 2.9 billion, with an increase in average investment loan outstandings of +3.1% vs. Q2 17 to EUR 64.6 billion.

Overall, average loan outstandings rose +3.0% vs. Q2 17 to EUR 184.6 billion.

Average outstanding balance sheet deposits came to EUR 198.4 billion in Q2 18, up +2.0% vs. Q2 17, driven by sight deposits (+7.4%). As a result, the average loan/deposit ratio stood at 93% in Q2 18 (vs. 92% in Q2 17).

French Retail Banking posted net banking income (after neutralising the impact of PEL/CEL provisions) of EUR 1,980 million in Q2 18, down 2.1%, reflecting the contraction in net interest income.

Net interest income was down -9.4% vs. Q2 17, adversely affected by the re-investment of deposits in a low interest rate environment and the wave of mortgage renegotiations which resulted in high amounts of prepayment indemnities and renegotiation fees in Q2 17.

Commissions were higher in Q2 18 (+2.5% vs. Q2 17), reflecting the good performance of service commissions and stable financial commissions.

Revenues (after neutralising the impact of PEL/CEL provisions) were down 1.9% in H1 18 vs. H1 17. Revenues are expected to be slightly lower (between -1% and -2%) in 2018.

Operating expenses

French Retail Banking's operating expenses totalled EUR -1,361 million, slightly higher (+0.7%) than in Q2 17. Operating expenses were up 2.5% in H1 18 vs. H1 17.

In H1 18 and Q2 18, the cost to income ratio stood at 70% after linearisation of the IFRIC 21 charge.

The trend in operating expenses in H1 18 reflects the acceleration of digital transformation investments and the development of growth drivers, which represent more than half the increase in operating expenses, with the remainder consisting of the increase in regulatory costs and ongoing operating expenses.

As part of its transformation plan, the Group notably closed 50 branches and 1 back office in France in H1 18. The Group expects to close a further 2 back offices in H2. At the same time, the Group continued to digitalise its offering and offer its customers new functionalities, in order to improve their experience. Finally, the Group continued with the implementation of employee development and support plans in H1 18, with the rollout of new training plans and new tools.

The Group expects underlying operating expenses to increase by less than 3% in 2018.

Operating income

The net cost of risk was down 27.9% in Q2 18 vs. Q2 17. Operating income came to EUR 537 million in Q2 18 (EUR 545 million in Q2 17). In H1 18, French Retail Banking posted operating income ofEUR 931 million (EUR 1,019 million in H1 17).

Contribution to Group net income

French Retail Banking's contribution to Group net income amounted to EUR 365 million in Q2 18 (EUR 370 million in Q2 17). The return on normative equity after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision came to 12.1% (vs. 13.1% in Q2 17). In H1 18, the contribution to Group net income amounted to EUR 635 million (EUR 701 million in H1 17) and the return on normative equity after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision came to 11.5% (vs. 13.6% in H1 17).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

Net banking income totalled EUR 2,075 million in Q2 18, up +5.4% vs. Q2 17, driven by an excellent commercial momentum in all regions and businesses. Operating expenses were up +9.3% over the period, but included a EUR 60 million restructuring provision write-back in Q2 17. When restated for this item, operating expenses were 3.2% higher, generating a positive jaws effect. Gross operating income totalled EUR 973 million in Q2 18 (+1.4% vs. Q2 17). The net cost of risk, marked in Q2 17 by the receipt of an insurance payout and the sale of non-performing loan portfolios in Romania, remained low at EUR 75 million in Q2 18. The contribution to Group net income totalled EUR 541 million in Q2 18, down -4.8% vs. Q2 17, due to the base effects mentioned above and the consolidation of 80% of ALD as from June 16th, 2017. Underlying RONE stood at 18.3% in Q2 18, vs. 19.2% in Q2 17.

In H1 18, revenues totalled EUR 4,064 million, up +4.0% vs. H1 17, and gross operating income amounted to EUR 1,783 million (+3.5% vs. H1 17). The net cost of risk was slightly lower (-2.4%) than in H1 17 and the contribution to Group net income came to EUR 970 million (-2.6% vs. H1 17).

On August 1st, 2018, Societe Generale signed two agreements for the sale of its majority stakes in Express Bank (Bulgaria) and Societe Generale Albania to OTP Bank. These two transactions will take place over the next few months, subject to acceptance by the relevant banking and competition authorities, and the agreement of the third parties concerned.

In EUR m	Q2 18	Q2 17	Change		H1 18	H1 17	Change	
Net banking income	**2,075**	**1,968**	***+5.4%***	***+6.1%****	**4,064**	**3,908**	***+4.0%***	***+5.2%****
Operating expenses	(1,102)	(1,008)	*+9.3%*	*+9.5%**	(2,281)	(2,185)	*+4.4%*	*+6.2%**
Gross operating income	**973**	**960**	***+1.4%***	***+2.5%****	**1,783**	**1,723**	***+3.5%***	***+4.1%****
Net cost of risk	(75)	(59)	*+27.1%*	*+29.6%**	(166)	(170)	*-2.4%*	*+18.6%**
Operating income	898	901	*-0.3%*	*+0.8%**	1,617	1,553	*+4.1%*	*+2.8%**
Net profits or losses from other assets	0	(2)	*+100.0%*	*+100.0%**	4	33	*-87.9%*	*-88.6%**
Reported Group net income	**541**	**568**	***-4.8%***	***+1.0%****	**970**	**996**	***-2.6%***	***+1.3%****
RONE	18.9%	20.0%			17.0%	17.7%		
Underlying RONE(1)	**18.3%**	**19.2%**			**17.7%**	**18.3%**		
Underlying Cost to Income(1)	54%	53%			55%	54%		

(1) Adjusted for IFRIC 21 implementation

International Retail Banking

At end-June 2018, International Retail Banking's outstanding loans totalled EUR 91.1 billion. They rose +7.2% (+8.4%*) vs. Q2 17, still driven by buoyant activity in Europe, an excellent momentum in Africa in a buoyant economic environment and confirmation of the rebound in activity in the individual customer segment in Russia. Deposit inflow remained high: outstanding deposits rose +5.7% (+6.9%*) vs. Q2 17, to EUR 81.5 billion.

International Retail Banking revenues were 5.3% (7.8%*) higher than in Q2 17 at EUR 1,385 million, while operating expenses, which included a restructuring provision write-back in Q2 17, were up +10.5% (+12.0%*) vs. Q2 17. When restated for this item, operating expenses were up +1.9% (+3.4%*). Gross operating income came to EUR 598 million, slightly lower (-0.8%, +2.8%*) than in Q2 17. International Retail Banking's contribution to Group net income amounted to EUR 313 million in Q2 18 (-4.0% vs. Q2 17).

In H1 18, International Retail Banking's net banking income totalled EUR 2,713 million, up +4.5% (+8.3%*) vs. H1 17. The contribution to Group net income amounted to EUR 542 million vs. EUR 519 million in H1 17 (+4.4%).

In Western Europe, outstanding loans were up +12.3% vs. Q2 17, at EUR 19.2 billion. Car financing continued to enjoy a healthy momentum. Revenues totalled EUR 208 million and gross operating income EUR 115 million in Q2 18, up +16.2% vs. Q2 17. The net cost of risk amounted to EUR 31 million in Q2 18, slightly higher than in Q2 17 (+3.3%). The contribution to Group net income came to EUR 64 million, substantially higher (+23.1%) than in Q2 17.

In the Czech Republic, the Group delivered another solid commercial performance. Outstanding loans rose +5.9% (+5.2%*) vs. Q2 17 to EUR 24.7 billion, driven by loans to individual customers. Outstanding deposits climbed +5.6% (+4.8%*) year-on-year to EUR 31.2 billion. Revenues were up +5.4% (+1.9%*) vs. Q2 17 at EUR 272 million. Operating expenses, which totalled EUR 149 million in Q2 18, included a EUR 11.5 million restructuring provision and were therefore 13.7% (10.4%*) higher than in Q2 17. The contribution to Group net income amounted to EUR 66 million, up +10.0% vs. Q2 17, with a EUR 12 million write-back in the net cost of risk in Q2 18.

In Romania, outstanding loans were 1.4% (3.8%*) higher than in Q2 17 at EUR 6.7 billion, with strong growth in the individual customer segment. Outstanding deposits were stable year-on-year and slightly higher at constant exchange rates (+2.8%*) at EUR 9.5 billion. Against a backdrop of rising interest rates, net banking income was higher than in Q2 17 (+5.1%, +7.2%*) at EUR 145 million in Q2 18. Operating expenses were up +2.5% at current exchange rates (+4.4%*) and amounted to EUR 81 million in Q2 18. The net cost of risk, nil in Q2 18, was EUR 44 million higher than in Q2 17, which included insurance payouts and the sale of non-performing loan portfolios. As a result, the BRD group's contribution to Group net income was EUR 31 million, down -36.7% vs. Q2 17.

In other European countries, outstanding loans were up +7.5% (+7.9%*) and deposits were up +9.1% (+9.0%*) vs. Q2 17. In Q2 18, revenues increased by +9.0% (+8.5%*), while operating expenses were substantially higher (EUR +65 million) than in Q2 17, which benefited from a EUR 60 million restructuring provision write-back. The net cost of risk amounted to EUR 6 million, down -60.0% (-60.3%*) vs. Q2 17 in a favourable economic environment. The contribution to Group net income came to EUR 45 million, down -47.7% vs. Q2 17.

In Russia, inflation remained at a low level and the Bank of Russia's key rate was unchanged at 7.25% in Q2 18. Against this backdrop, outstanding loans were up +12.5%* at constant exchange rates (+5.0% at current exchange rates), with a healthy momentum in loans to individual customers (+12.3%*). Outstanding deposits were substantially higher (+10.7%*, +4.2%), both for individual and business customers. Net banking income for SG Russia(1) increased +9.1%* vs. Q2 17 (-6.3% at current exchange rates given the depreciation of the rouble). Operating expenses were up +3.5%* (-9.9% at current exchange rates) and the net cost of risk amounted to EUR 4 million, vs. EUR 9 million in Q2 17. Overall, SG Russia made a positive contribution to Group net income of EUR 46 million; it was EUR 39 million in Q2 17.

In Africa, Mediterranean Basin and French Overseas Territories, in a buoyant economic environment, outstanding loans were up +7.0% in Q2 18 (+9.1%* vs. Q2 17) at EUR 20.4 billion, with a healthy commercial momentum in the main African operations. Outstanding deposits were up +7.7% (+10.1%*). Net banking income came to EUR 412 million in Q2 18, an increase vs. Q2 17 (+6.2%, +9.4%*). Over the same period, operating expenses remained under control, up +0.4% at current exchange rates and up +2.9%* at constant exchange rates. The contribution to Group net income came to EUR 69 million in Q2 18, up +38.0% vs. Q2 17.

Insurance

The life insurance savings business saw outstandings increase by +3.0% in Q2 18 vs. Q2 17. The business also benefited from a stronger trend towards unit-linked products, with the share of unit-linked products in outstandings up +2 points vs. Q2 17 at 27%.

There was further growth in Personal Protection insurance (premiums up +6.5% vs. Q2 17). Likewise, Property/Casualty insurance continued to grow (premiums up +7.2% vs. Q2 17), with substantial growth internationally.

The Insurance business turned in a good financial performance in Q2 18, with net banking income up +5.8% vs. Q2 17, at EUR 220 million (+6.0%* when adjusted for changes in Group structure and at constant exchange rates). The cost to income ratio remained at a low level (35.5% in Q2 18). The business' contribution to Group net income increased by +6.7% vs. Q2 17 to EUR 95 million.

In H1 18, net banking income was up +9.9% (+6.1%*) at EUR 446 million and the contribution to Group net income was 11.9% higher at EUR 179 million.

(1) SG Russia encompasses the entities Rosbank, Delta Credit Bank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries

Financial Services to Corporates

Financial Services to Corporates also enjoyed a good commercial momentum in Q2 18.

Operational Vehicle Leasing and Fleet Management experienced a substantial increase in its vehicle fleet (+10.1% vs. the end of Q2 17).

Equipment Finance's outstanding loans were up +7.1% (+7.6%*) in Q2 18 vs. Q2 17, at EUR 17.8 billion (excluding factoring), driven by healthy new business.

Financial Services to Corporates' net banking income was up +5.6% in Q2 18 vs. Q2 17 at EUR 470 million (+1.1%*). Operating expenses increased by +6.3% vs. Q2 17, to EUR 237 million (+2.5%*). The net cost of risk amounted to EUR 18 million, up EUR 9 million vs. Q2 17. The contribution to Group net income was EUR 133 million, down -13.1% vs. Q2 17, reflecting primarily the consolidation of ALD for around 80% at the time of its stock market flotation.

In H1 18, Financial Services to Corporates' net banking income came to EUR 905 million, stable vs. H1 17 (-3.8%*), and the contribution to Group net income amounted to EUR 249 million vs. EUR 317 million in H1 17.

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EUR m	Q2 18	Q2 17	Change		H1 18	H1 17	Change	
Net banking income	**2,412**	**2,399**	***+0.5%***	***+2.9%****	**4,627**	**4,958**	***-6.7%***	***-3.3%****
Operating expenses	(1,728)	(1,751)	*-1.3%*	*+1.0%**	(3,752)	(3,760)	*-0.2%*	*+2.9%**
Gross operating income	**684**	**648**	***+5.6%***	***+8.3%****	**875**	**1,198**	***-27.0%***	***-23.0%****
Net cost of risk	(7)	(4)	*+75.0%*	*x 5.4*	20	(41)	*n/s*	*n/s*
Operating income	677	644	*+5.1%*	*+7.4%**	895	1,157	*-22.6%*	*-18.5%**
Reported Group net income	**507**	**509**	***-0.4%***	***+1.2%****	**673**	**894**	***-24.7%***	***-21.3%****
RONE	**13.6%**	**13.5%**			**9.1%**	**11.8%**		
Underlying RONE(1)	**11.7%**	**12.2%**			**11.0%**	**13.5%**		
Underlying Cost to Income(1)	76%	76%	*n/s*	*n/s*	77%	72%	*n/s*	*n/s*

(1) Adjusted for IFRIC 21 implementation

Global Banking & Investor Solutions posted revenues of EUR 2,412 million in Q2 18, slightly higher (+0.5%) than in Q2 17 (+2.9%*), reflecting the resilience of Global Markets and Investor Services and the healthy momentum in Financing activities.

In H1 18, net banking income totalled EUR 4,627 million, down -6.7% year-on-year (-3.3%*) following a decline in Q1 in market activities.

Another key event in Q2 18 was the signing of the agreement to acquire EMC (Equity Markets and Commodities). The estimated negative impact on Common Equity Tier 1 will amount to around 10 basis points as from 2019. The deal covers Investment Solutions, Flow Products and Asset Management activities, including associated market-making, sales and structuring capabilities. In line with Societe Generale's strategy, the acquisition of these activities would consolidate the bank's global leadership position in derivatives and investment solutions across all asset classes and contribute to Lyxor's expansion in Europe by strengthening its ETF franchise. Once the activities have been fully integrated, this acquisition is likely to generate additional GOI of around EUR 150 million. It will have an accretive impact on the Group's ROE as from 2020.

The Group also announced that it had signed an agreement for the disposal of its private banking activities in Belgium.

Global Markets & Investor Services

Global Markets & Investor Services' net banking income amounted to EUR 1,490 million in Q2 18, slightly lower (-0.4%) than in Q2 17 (+2.1%*), and EUR 2,862 million in H1 18, down -9.8% vs. H1 17 (-6.0%*). Despite a lacklustre start to the quarter, the franchise continued to enjoy a good level of commercial activity, with an increase in all regions, in market conditions that remained less favourable in Europe.

At EUR 580 million, the revenues of **Fixed Income, Currencies & Commodities** were down -1.0% (+2%*) in Q2 18 vs. Q2 17. Revenues amounted to EUR 1,115 million, down -18.2% in H1 18 vs. H1 17. The return of volatility, especially around the Italian elections, enabled flow activities to benefit from a good level of client activity on Rates and Commodities, which offset a less buoyant Credit market. In this environment, structured product activities posted a good level of revenues despite slightly lower demand.

The revenues of **Equities and Prime Services** were down -4.0% in Q2 18 vs. Q2 17 (-1%*) at EUR 696 million and down -7.4% in H1 18 vs. H1 17 at EUR 1,355 million. Revenues from cash and listed product activities were lower in Europe, in an environment of still lacklustre volatility and in conjunction with the implementation of MiFID 2. However, the excellent performance of flow derivatives and Financing activities together with the dynamic Prime Services franchise, helped the flow activity post higher revenues. Commercial activity and market conditions remained mixed in Europe compared to other regions in the structured products segment, which saw its revenues increase vs. Q1 18 but remain lower than last year.

Securities Services' assets under custody amounted to EUR 4,089 billion at end-June 2018, up +3.6% vs. Q2 17. Over the same period, assets under administration were up +2.5% at EUR 636 billion. Securities Services' revenues were up +15.7% in Q2 18 vs. Q2 17 at EUR 214 million. In H1 18, the increase was +12.6% vs. H1 17 at EUR 392 million. This sharp rise reflects the continued healthy commercial momentum, following on from an excellent first quarter, as well as the impact of the revaluation of Euroclear securities for EUR 33 million.

Financing & Advisory

Financing & Advisory's revenues totalled EUR 665 million, significantly higher (+5.2%) than in Q2 17 (+7.9%*) and at their highest level since 2016. Revenues amounted to EUR 1,265 million in H1 18 and were stable vs. H1 17 (+3.6%*). In Q2 18, commercial activity was buoyant for all financing activities, which enjoyed an excellent level of origination business, reflecting the franchises' commercial dynamism. Commissions were also higher, notably for Real Estate, Shipping and Natural Resources financing. Global Transaction Banking also saw a significant increase in commissions, particularly for Cash Management, in line with its development plan. These good performances were partially offset by a sluggish market in investment banking.

Asset and Wealth Management

Asset and Wealth Management revenues totalled EUR 257 million in Q2 18, down -5.2% vs. Q2 17, and EUR 500 million in H1 18, down -4.4% vs. H1 17.

Private Banking's assets under management amounted to EUR 119 billion at end-June 2018, higher (+1.6%) than in March 2018. Despite healthy transactional activity and robust inflow in France, **Private Banking** revenues continued to be impacted by the ongoing decline in international activities. Net banking income totalled EUR 205 million, down -6.0% vs. the high level in Q2 17, while the margin came to 104 basis points vs. 110 basis points in Q2 17. In H1 18, revenues totalled EUR 390 million, down -6.7% vs. H1 17.

Lyxor's assets under management came to EUR 119 billion, up +1.6% vs. Q1 18, thanks to a favourable currency and market effect, offsetting a more moderate inflow after a very active first quarter. This total represents a new high for the business. Lyxor's revenues totalled EUR 47 million in Q2 18, down -4.1% vs. a good Q2 17, reflecting a slight decline in revenues in the ETF segment and the lower generation of performance fees in Q2 18. In H1 18, revenues amounted to EUR 99 million, up +4.2% vs. H1 17.

Operating expenses

Global Banking & Investor Solutions' operating expenses were down -1.3% (+1.0%*) in Q2 18 vs. Q2 17. In H1 18, they were slightly lower (-0.2%, +2.9%*). When restated for the implementation of IFRIC 21, operating expenses were down -0.8% vs. H1 17, reflecting efforts made to control costs. The cost to income ratio stood at 76.8% in H1 18, after linearising the impact of IFRIC 21.

Operating income

Gross operating income came to EUR 684 million, up +5.6% vs. Q2 17, and EUR 875 million in H1 18, down -27.0% vs. H1 17.

In a favourable economic environment, the net cost of risk amounted to EUR -7 million vs. EUR -4 million in Q2 17, reflecting good risk management. In H1 18, there was a EUR 20 million write-back in the net cost of risk (EUR -41 million in H1 17).

Global Banking & Investor Solutions' operating income totalled EUR 677 million in Q2 18, up +5.1% vs. Q2 17, and EUR 895 million in H1 18, down -22.6%.

Net income

The division's contribution to Group net income came to EUR 507 million in Q2 18, down -0.4%. RONE amounted to 13.6% in Q2 18, up for the third consecutive quarter.

6. CORPORATE CENTRE

In EUR m	Q2 18	Q2 17	H1 18	H1 17
Net banking income	**(24)**	**(1,194)**	**58**	**(1,242)**
Net banking income (1)	*(24)*	*(970)*	*58*	*(1,043)*
Operating expenses	(212)	(58)	(258)	(96)
Gross operating income	(236)	(1,252)	(200)	(1,338)
Gross operating income (1)	*(236)*	*(1,028)*	*(200)*	*(1,139)*
Net cost of risk	5	451	(5)	101
Net profits or losses from other assets	(28)	210	(32)	207
Reported Group net income	**(257)**	**(389)**	**(272)**	**(786)**
Group net income (1)	*(257)*	*(231)*	*(272)*	*(645)*

(1) Adjusted for revaluation of own financial liabilities in Q2 17 and H1 17

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The revaluation of the Group's own financial liabilities is no longer recognised in profit or loss for the period due to the implementation of IFRS 9 as from January 1st, 2018. Consequently, earnings are no longer restated for this non-economic item.

The Corporate Centre's net banking income totalled EUR -24 million in Q2 18 vs. EUR -970(1) million in Q2 17 which included an expense of EUR -963 million for the settlement of the litigation issue with the Libyan Investment Authority.

Operating expenses included an allocation to the provision for disputes of EUR 200 million.

Societe Generale is actively pursuing its discussions with the U.S. authorities in order to reach an agreement to resolve the investigation into certain USD transactions processed by Societe Generale involving countries that are the subject of US economic sanctions. Although the timing and the financial impact of a potential agreement remain uncertain, it is possible that the pending discussions lead to an agreement in the coming weeks.

At June 30th, 2018, the provision for disputes, which includes this case, amounted to EUR 1.43 billion.

Gross operating income was EUR -236 million in Q2 18 vs. EUR -1,028(1) million in Q2 17. It was nil excluding exceptional items in H1 18.

The net cost of risk amounted to EUR 5 million in Q2 18 vs. EUR 451 million in Q2 17, which was impacted by the recognition of a write-back of EUR 750 million to cover the settlement with the LIA and by an additional allocation of EUR 300 million to the provision for disputes.

Net profits or losses from other assets include principally the capital loss recognised according to IFRS 5 on the disposal of the Group's activities in Bulgaria and Albania for EUR -27 million.

The Corporate Centre's contribution to Group net income was EUR -257 million in Q2 18 (EUR -231(1) million in Q2 17) and EUR -272 million in H1 18 (EUR -645(1) million in H1 17).

(1) Excluding non-economic items

7. CONCLUSION

Societe Generale generated Group net income of EUR 1,156 million in Q2 2018. The Group's underlying net income of EUR 1,265 million and underlying ROTE of 11.2% reflect the businesses' solid momentum, driven by the expansion of the Group's key franchises and the transformation of its activities.

In line with the "Transform to Grow" plan announced to the market in November 2017, the Group has confirmed its strategic trajectory around 5 key pillars enabling it to deliver superior, profitable and sustainable growth:

- **Growing**, with dynamic performances in each of the businesses. After a slow start to the year and in a low interest rate environment, the Group expects a slight decline in French Retail Banking revenues in 2018. International Retail Banking & Financial Services has confirmed its sustainable and profitable growth profile. The Group has also continued to develop its core franchises in Global Banking & Investor Solutions.
- **Transforming**, with major progress in French Retail Banking and the continued improvement in the Group's risk profile.
- **Maintaining** rigorous cost discipline.
- **Completing** the refocusing, with the announcement of several disposal transactions today, generating an estimated positive effect on Common Equity Tier 1 of around 15 basis points in 2018-2019. Other significant announcements are expected between now and the end of the year.
- **Establishing,** at all levels, a culture of responsibility, throughout the Group and its activities, by turning the page on the LIA and IBOR litigation issues, rolling out the Culture and Conduct programme within the Group and implementing specific business initiatives, such as the objective of contributing EUR 100 billion to energy transition financing between 2016 and 2020 (with more than 50% having already been achieved).

8. 2018 FINANCIAL CALENDAR

2018 Financial communication calendar

November 8th, 2018	Third quarter 2018 results
February 7th, 2019	Fourth quarter and FY 2018 results
May 3rd, 2019	First quarter 2019 results
August 1st, 2019	Second quarter and first half 2019 results
November 6th, 2019	Third quarter 2019 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.

These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:

- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;

- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Registration Document filed with the French Autorité des Marchés Financiers.

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

9. APPENDIX 1: FINANCIAL DATA

CONSOLIDATED INCOME STATEMENT

In M EUR	Q2 18	Q2 17	Change	H1 18	H1 17	Change
Net banking income	6,454	5,199	+24.1%	12,748	11,673	+9.2%
Operating expenses	(4,403)	(4,169)	+5.6%	(9,132)	(8,813)	+3.6%
Gross operating income	**2,051**	**1,030**	**+99.1%**	**3,616**	**2,860**	**+26.4%**
Net cost of risk	(170)	259	n/s	(378)	(368)	+2.7%
Operating income	**1,881**	**1,289**	**+45.9%**	**3,238**	**2,492**	**+29.9%**
Net profits or losses from other assets	(42)	208	n/s	(41)	245	n/s
Net income from companies accounted for by the equity method	13	13	+0.0%	29	50	-42.0%
Impairment losses on goodwill	0	0	n/s	0	1	n/s
Income tax	(516)	(302)	+70.9%	(886)	(691)	+28.2%
Net income	**1,336**	**1,208**	**+10.6%**	**2,340**	**2,097**	**+11.6%**
O.w. non-controlling interests	180	150	+20.0%	334	292	+14.4%
Group net income	**1,156**	**1,058**	**+9.3%**	**2,006**	**1,805**	**+11.1%**
Tier 1 ratio at the end of period	13.6%	14.4%				

* *When adjusted for changes in Group structure and at constant exchange rates*

GROUP NET INCOME AFTER TAX BY CORE BUSINESS

In M EUR	Q2 18	Q2 17	Change	H1 18	H1 17	Change
French Retail Banking	365	370	-1.4%	635	701	-9.4%
International Retail Banking and Financial Services	541	568	-4.8%	970	996	-2.6%
Global Banking and Investor Solutions	507	509	-0.4%	673	894	-24.7%
Core Businesses	1,413	1,447	-2.3%	2,278	2,591	-12.1%
Corporate Centre	(257)	(389)	+33.9%	(272)	(786)	+65.4%
Group	1,156	1,058	+9.3%	2,006	1,805	+11.1%

CONSOLIDATED BALANCE SHEET

(Assets - in millions of euros)	30.06.2018	01.01.2018*
Central banks	85,456	114,404
Financial assets at fair value through profit or loss	382,656	369,112
Hedging derivatives	12,024	12,718
Financial assets measured at fair value through other comprehensive income	57,335	50,468
Securities at amortised cost	11,428	11,592
Due from banks at amortised cost	63,783	53,656
Customer loans at amortised cost	427,296	417,391
Revaluation differences on portfolios hedged against interest rate risk	504	663
Investment of insurance activities	149,134	147,611
Tax assets	5,479	6,292
Other assets	67,548	60,449
Non-current assets held for sale	4,313	13
Investments accounted for using the equity method	655	659
Tangible and intangible assets	25,537	24,200
Goodwill	4,874	4,988
Total	**1,298,022**	**1,274,216**

(Liabilities - in millions of euros)	30.06.2018	01.01.2018*
Central banks	9,956	5,604
Financial liabilities at fair value through profit or loss	373,147	368,550
Hedging derivatives	6,438	6,146
Debt securities issued	101,658	103,235
Due to banks	89,783	88,621
Customer deposits	415,101	410,633
Revaluation differences on portfolios hedged against interest rate risk	5,481	6,020
Tax liabilities	1,153	1,608
Other liabilities	76,293	69,139
Non-current liabilities held for sale	4,042	
Liabilities related to insurance activities contracts	132,258	131,717
Provisions	5,356	6,345
Subordinated debts	13,993	13,647
Total liabilities	**1,234,659**	**1,211,265**
SHAREHOLDERS' EQUITY		
Shareholders' equity Group share		
Issued common stocks equity instruments and capital reserves	29,585	29,427
Retained earnings	28,542	27,698
Net income	2,006	2,806
Sub-total	**60,133**	**59,931**
Unrealised or deferred capital gains and losses	(1,174)	(1,503)
Sub-total equity Group share	**58,959**	**58,428**
Non-controlling interests	4,404	4,523
Total equity	**63,363**	**62,951**
Total	**1,298,022**	**1,274,216**

NB. Customer loans include lease financing.
(*) Balances at January 1st, 2018 after first-time application of IFRS 9, except for subsidiaries in the insurance sector.

10. APPENDIX 2: METHODOLOGY

1 – The Group's consolidated results as at June 30th, 2018 were examined by the Board of Directors on August 1st, 2018.

The limited review procedures carried out by the Statutory Auditors are in progress on the condensed interim consolidated financial statements as at June 30th, 2018.

2 – Net banking income

The pillars' net banking income is defined on page 44 of Societe Generale's 2018 Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 – Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in notes 5 and 8.2 to the Group's consolidated financial statements as at December 31st, 2017 (pages 390 et seq. and page 410 of Societe Generale's 2018 Registration Document). The term "costs" is also used to refer to Operating Expenses.

The **Cost/Income Ratio** is defined on page 44 of Societe Generale's 2018 Registration Document.

4 – IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter. i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 – Restatements and other significant items for the period – Transition from accounting data to underlying data

Non-economic items correspond to the revaluation of the Group's own financial liabilities and the debt value adjustment on derivative instruments (DVA). These two factors constitute the restated non-economic items in the analyses of the Group's results. They lead to the recognition of self-generated earnings reflecting the market's evaluation of the counterparty risk related to the Group. They are also restated in respect of the Group's earnings for prudential ratio calculations. In accordance with IFRS 9, the variation in the revaluation of the Group's own financial liabilities is no longer recognised in earnings for the period but in shareholders' equity. Consequently, the Group will no longer present published information restated for non-economic items.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for **PEL/CEL provision allocations or write-backs**. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

Details of these items, as well as the other items that are the subject of a one-off or recurring restatement (exceptional items), are provided below, given that, in the table below, the items marked with one asterisk (*) are the non-economic items and the items marked with two asterisks (**) are the exceptional items.

The reconciliation enabling the transfer from accounting data to underlying data is set out below.

In M EUR	Q2 18	Q2 17	Change	H1 18	H1 17	Change
Net Banking Income	**6,454**	**5,199**	**+24.1%**	**12,748**	**11,673**	**+9.2%**
*Reevaluation of own financial liabilities**		*(224)*			*(199)*	
*DVA**		*(3)*			*(6)*	
*LIA settlement***		*(963)*			*(963)*	
Underlying Net Banking Income	**6,454**	**6,389**	**+1.0%**	**12,748**	**12,841**	***-0.7%***
Operating expenses	**(4,403)**	**(4,169)**	**+5.6%**	**(9,132)**	**(8,813)**	**+3.6%**
IFRIC 21 linearisation	*(167)*	*(145)*		*338*	*313*	
*Provision for disputes***	*(200)*			*(200)*		
Underlying Operating expenses	**(4,370)**	**(4,314)**	**+1.3%**	**(8,594)**	**(8,500)**	**+1.1%**
Net cost of risk	**(170)**	**259**	***n/s***	**(378)**	**(368)**	***+2.7%***
*Provision for disputes***		*(300)*			*(300)*	
*LIA settlement***		*750*			*400*	
Underlying Net Cost of Risk	**(170)**	**(191)**	**-11.0%**	**(378)**	**(468)**	**-19.2%**
Net profit or losses from other assets	**(42)**	**208**	***n/s***	**(41)**	**245**	***n/s***
*Sale of Express Bank and Societe Generale Albania***	**(27)**			**(27)**		
*Change in consolidation method of Antarius***		203			203	
Underlying Net profits or losses from other assets	**(15)**	**5**	***n/s***	**(14)**	**42**	***n/s***
Group net income	**1,156**	**1,058**	***+9.3%***	**2,006**	**1,805**	***+11.1%***
Effect in Group net income of above restatements	*(109)*	*(107)*		*(463)*	*(746)*	
Underlying Group net income	**1,265**	**1,165**	***+8.6%***	**2,469**	**2,551**	***-3.2%***

* Non-economic items
** Exceptional items

6 – Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 46 and 564 of Societe Generale's 2018 Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In M EUR)	Q2 18	Q2 17	H1 18	H1 17
French Retail Banking	Net Cost of Risk	93	135	22 7	26 8
	Gross loan outstandings	186,245	178,386	185,727	179,649
	Cost of Risk in bp	**20**	**30**	**24**	**30**
International Retail Banking and Financial Services	Net Cost of Risk	75	43	16 6	15 3
	Gross loan outstandings	132,749	125,160	132,190	124,932
	Cost of Risk in bp	**23**	**14**	**25**	**24**
Global Banking and Investor Solutions	Net Cost of Risk	7	3	- 20	40
	Gross loan outstandings	149,283	164,994	148,499	163,342
	Cost of Risk in bp	**2**	**1**	**- 3**	**5**
Corporate Centre	Net Cost of Risk	- 4	-	5	-
	Gross loan outstandings	6,614	7,497	6,849	7,371
	Cost of Risk in bp	**- 24**	-	**15**	-
Group	Net Cost of Risk	170	181	37 8	46 1
	Gross loan outstandings	474,891	476,037	473,264	475,295
	Cost of Risk in bp	**14**	**15**	**16**	**19**

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 – ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 47 of Societe Generale's 2018 Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 47 of Societe Generale's Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest, net of tax payable to holders of deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

End of period	H1 18	Q1 18	2017	H1 17
Shareholders' equity Group share	**58,959**	**58,925**	**59,373**	**60,111**
Deeply subordinated notes	(9,197)	(8,362)	(8,520)	(10,059)
Undated subordinated notes	(274)	(263)	(269)	(279)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(213)	(218)	(165)	(201)
Unrealised gains/losses booked under shareholders' equity, excluding conversion reserves	130	(525)	(1,031)	(1,101)
Dividend provision	(892)	(2,136)	(1,762)	(881)
ROE equity	**48,513**	**47,421**	**47,626**	**47,591**
Average ROE equity	**47,745**	**47,523**	**48,087**	**47,834**
Average goodwill	(5,155)	(5,158)	(4,924)	(4,788)
Average intangible assets	(1,988)	(1,966)	(1,831)	(1,785)
Average ROTE equity	**40,602**	**40,399**	**41,332**	**41,261**

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EUR m	Q2 18	Q2 17	Change	H1 18	H1 17	Change
French Retail Banking	11,066	10,797	+2.5%	11,226	10,778	+4.2%
International Retail Banking and Financial Services	11,451	11,352	+0.9%	11,440	11,255	+1.6%
Global Banking and Investor Solutions	14,965	15,096	-0.9%	14,856	15,216	-2.4%
Total Core Businesses	37,483	37,425	+0.6%	37,522	37,249	+0.7%
Corporate Centre	10,484	10,539	-0.5%	10,223	10,585	-3,4%
Group	47,967	47,784	+0.4%	47,745	47,834	-0.2%

8 – Net assets and tangible net assets are defined in the methodology, page 49 of the Group's 2018 Registration Document. The items used to calculate them are presented below:

End of period	H1 18	Q1 18	2017	H1 17
Shareholders' equity Group share	**58,959**	**58,925**	**59,373**	**60,111**
Deeply subordinated notes	(9,197)	(8,362)	(8,520)	(10,059)
Undated subordinated notes	(274)	(263)	(269)	(279)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(213)	(218)	(165)	(201)
Bookvalue of own shares in trading portfolio	500	174	223	35
Net Asset Value	**49,775**	**50,256**	**50,642**	**49,608**
Goodwill	(5,140)	(5,163)	(5,154)	(5,027)
Intangibles Assets	(2,027)	(1,993)	(1,940)	(1,833)
Net Tangible Asset Value	**42,608**	**43,100**	**43,547**	**42,748**
Number of shares used to calculate NAPS**	**801,924**	**801,830**	**801,067**	**800,848**
NAPS (EUR)	**62.1**	**62.7**	**63.2**	**61.9**
Net Tangible Asset Value per share (EUR)	**53.1**	**53.8**	**54.4**	**53.4**

*** The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2018, excluding treasury shares and buybacks, but including the trading shares held by the Group.*

In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 – Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 48 of Societe Generale's 2018 Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE. As specified on page 48 of Societe Generale's 2018 Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).

The number of shares used for the calculation is as follows:

Average number of shares (thousands)	**H1 18**	**Q1 2018**	**2017**	**H1 17**
Existing shares	**807,918**	**807,918**	**807,754**	**807,714**
Deductions				
Shares allocated to cover stock option plans and free shares awarded to staff	5,059	4,704	4,961	4,713
Other own shares and treasury shares	1,252	1,765	2,198	2,645
Number of shares used to calculate EPS	**801,607**	**801,449**	**800,596**	**800,355**
Group net income	**2,006**	**850**	**2,806**	**1,805**
Interest, net of tax on deeply subordinated notes and undated subordinated notes	(223)	(102)	(466)	(254)
Capital gain net of tax on partial buybacks	0	0	0	0
Adjusted Group net income	**1,783**	**748**	**2,340**	**1,551**
EPS (in EUR)	**2.22**	**0.93**	**2.92**	**1.94**
Underlying EPS* (in EUR)	**2.80**	**1.38**	**5.03**	**2.87**

** Excluding non-economic and exceptional items and including linearisation of the IFRIC 21 effect (for H1 18, Q1 17 and H1 17).*

10 – The Societe Generale Group's **Common Equity Tier 1 capital** is calculated in accordance with applicable CRR/CRD4 rules. The fully-loaded **solvency ratios** are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

1.2 Societe Generale Group main activities

Societe Generale Group main activities

Simplified organisational chart as at June 30th, 2017

Societe Generale Group		Societe Generale Group	
Corporate Center	**International Retail Banking and Financial Services (IBFS)**	**French Retail Banking (RBDF)**	**Global Banking and Investor Solutions (GBIS)**
▶ Societe Generale* ▶ Genefinance 100% ▶ SG Financial SH 100% ▶ Sogéparticipations 100% ▶ Societe Generale SFH 100% ▶ Societe Generale SCF 100% ▶ Sogefim Holding 100% ▶ Galybet 100% ▶ Genevalmy 100% ▶ Valminvest 100% ▶ Sogemarché 100% ▶ Sogecampus 100%	▶ Sogessur 100% ▶ Sogecap 100% ▶ CGL 99.9% ▶ Temsys 80% ▶ Banque Française Ocean Indien 50% ▶ SGEF SA 100% ▶ ALD 80%	▶ Societe Generale* ▶ Crédit du Nord 100% ▶ Boursorama 100% ▶ Franfinance 100% ▶ Sogefinancement 100% ▶ Sogelease France 100% ▶ Sogeprom 100%	▶ Societe Generale* ▶ Inter Europe Conseil (IEC) 100% ▶ Lyxor Asset Management 100% ▶ CALIF 100% ▶ Descartes Trading 100% ▶ Societe Generale Capital Partenaires 100%
EUROPE		**EUROPE**	
	▶ Hanseatic Bank, *Germany* 75% ▶ Komerčni Banka A.S. *Czech Republic* 61% ▶ SG Express Bank, *Bulgaria* 99.7% ▶ SKB Banka, *Slovenia* 99.7% ▶ SG Banka SRBIJA, *Serbia* 100% ▶ BRD-Groupe SG, *Romania* 60.2% ▶ PJSC Rosbank, *Russia* 100% ▶ Fiditalia S.P.A, *Italie* 100% ▶ ALD Lease Finanz, *Germany* 100%		▶ Societe Generale Bank&Trust *Luxembourg* 100% ▶ SG Kleinwort Hambors Bank Ltd *United Kingdom* 100% ▶ SG Investments (U.K.) Ltd *United Kingdom* 100% ▶ Societe Generale International Ltd Londres *United Kingdom* 100% ▶ Societe Generale Effekten, *Germany* 100% ▶ SG Issuer, *Luxembourg* 100% ▶ SGKBB Limited *United Kingdom* 100% ▶ SGSS Spa, *Italy* 100% ▶ SG Private Banking, *Switzerland* 100% ▶ SG Private Banking, *Monaco* 100% ▶ Societe Generale* branches in : London, *United Kingdom* Milan, *Italy* Francfort, *Germany* Madrid, *Spain*
AFRICA - MEDITERRANEAN		**AFRICA - MEDITERRANEAN**	
	▶ SG Marocaine de Banques, Morocco 57.5% ▶ SG Algeria 100% ▶ Societe Generale de Banques Côte d'Ivoire 73.2%		
AMERICAS		**AMERICAS**	
			▶ Banco SG Brazil SA, *Brazil* 100% ▶ SG Americas, Inc. *United States* 100% ▶ SG Americas Securities Holdings, LLC *United States* 100% ▶ Societe Generale* branches in: New York, *United States* Montreal, *Canada*
ASIA - AUSTRALIA		**ASIA - AUSTRALIA**	
			▶ Societe Generale (China) Ltd, *China* 100% ▶ SG Securities Asia International Holdings Ltd, *Hong Kong* 100% ▶ SG Securities Korea Co, Ltd *South Korea* - ▶ SG Securities Japan Ltd, *Japan* 100% 100% ▶ Societe Generale* branches in: Seoul, *South Korea* Taipei, *Taiwan* Singapore Mumbaï, *India*

* Parent company.

Notes:

- the percentages given indicate the percentage of capital held by the Group in the subsidiary;

- the groups are listed under the geographic region where they carry out their principal activities.

1.3 Significant new products or services

Business division		New product or service
French Retail Banking	**Apple Pay** SOCIETE GENERALE Febuary 2018	Free Apple Pay mobile payment solution for in-store purchases using an iPhone 6 (or later model) or an Apple Watch (contactless). The service is available for Societe Generale Visa card holders.
	IPad Cash SOCIETE GENERALE March 2018	iPad cash till solution for restaurants. In partnership with Verifone (electronic payment terminals), Societe Generale offers its restaurateur customers a cash till solution for iPad that links directly to EPTs. The solution was developed by the startup L'Addition and allows restaurateurs digitise their business (booking, inventory and order management) and comply with the anti-fraud finacial act applicable since January 2018.
	Encryption for company cards SOCIETE GENERALE April 2018	Dynamic encryption for company cards (Gold and Classique) based on a cryptogram that changes every hour, therefore securing online purchases.
	NEW GSM/ALLIAGE GESTION INTRANET SOCIETE GENERALE April 2018	NEW GSM/ALLIAGE GESTION INTRANET on the website, mobile site and app for customers who have delegated the management of their share portfolio assets or life insurance policies to experts. Customers can connect to the intranet to consult the mandate performance, allocation, management reports and the investment strategy.
	Mon Assurance au Quotidien SOCIETE GENERALE April 2018	Insurance including coverage for the loss or theft of keys, official documents and means of payment, refunding fraudulent communication and extending manufacturer warantees. It replaces Quietis and is included in the Sobrio package or activated as required.
	Sobrio SOCIETE GENERALE April 2018	Bundled offer comprising a payment card, everyday insurance, an information statement and limit/overdraft warning notifications, and exemption from account-management fees. Access to exclusive services (account and file agregation) and rate discounts.
	Mon Compte en Bref SOCIETE GENERALE April 2018	Service comprising a weekly statement by SMS of account balance and current account activity as well as limit/overdraft warning notifications.
	Agrégation de documents SOCIETE GENERALE April 2018	With this service Sobrio, Jazz, "High Fidelity" and PRIV customers can agregate bills from 700 structures via the Societe Generale customer intranet.
	Forfait d'exonération d'agios SOCIETE GENERALE April 2018	Agios exemption option equivalent to the use of the overdraft facility for EUR 1,000 for seven consecutive days and not by a calendar month.
	SG EVOLUTION FORMULA N°6 and N°7 SOCIETE GENERALE April and July 2018	SG EVOLUTION FORMULA N°6 and N°7 allowing Societe Generale customers to invest in the European stock market and help finace the real economy. Customers' net invested capital is protected to maturity up to a 40% index decrease and an annual coupon of 3% in case of decrease up to -15%. Societe Generale is committed to holding positive impact financial assets for SMEs on its balance sheet equal to the amount of investment subscriptions for the duration of the holding period.
	SCI SOGEPIERRE Société Générale June 2018	SCI SOGEPIERRE. New real estate vehicle available for life insurance and via Sogecap captitalisation policies. Allows Societe Generale customers to diversify their savings via a unit-linked vehicle that invests in commercial and residential real estate, while benefiting from the real estate market's upside potential.

Business division		New product or service
	Pokemon card collection SOCIETE GENERALE June 2018	New limited edition designs for VPay, Visa and Visa Premier cards.
	CGA AVENIR + Crédit du Nord January 2018	CGA AVENIR +: replacing CGA Avenir, factoring solution, (allocation of EUR 200K), EUR 25K director deposit. Fwithaster and easier with interactive PDF.
	Etoile Euro Actions 03/2024 Crédit du Nord 16 January to 2 March	Euro Actions Star 03/2024 – Structured funds for Share Savings Plans (PEA) subscription and diversifcation: performance linked to the euro zone stock market, offering protection up to a certain market level. Six year minimum investment period.
	France Top 80 Stars 03/2028 Crédit du Nord 16 January to 16 March 2018	France Top 80 Stars 03/2028 – Structured EMTN to seek yield and diversify life insurance policies: performance linked to France stock market performance, offering protection up to certain market level. Ten year minimum investment period.
	Dynamic cryptogram cards Crédit du Nord April 2018	Dynamic cryptogram cards: the cryptogram on the back of the card is a screen the numbers of which change every hour to enhance the security of online purchases and combat fraud.
	Euro Actions Star 06/2024 Crédit du Nord 3 April to 1 June 2018	Euro Actions Star 06/2024 – Structured EMTN to seek yield and diversify life insurance policies: performance linked to euro zone stock market performance, offering protection up to certain market level. Ten year minimum investment period.
	Top 80 Stars 07/2028 Crédit du Nord From 15 of may to 6 of July	Top 80 Stars 07/2028 – Structured EMTN to seek yield and diversify life insurance policies: performance linked to France stock market performance, offering protection up to certain market level. Ten year minimum investment period.
	FCPR 123Corporate Crédit du Nord 24 May to 13 September	FCPR 123Corporate (partnership): Diversification investment for informed customers, invested in French unlisted SMEs operating commercial property linked to accomodation (hotels, long-term healthcare facilities (*EHPAD*), retirement homes, pharmacies, etc.)
	Website 'Our financial management offering' Crédit du Nord June 2018	"Our financial management offering": new website showcasing the Crédit du Nord group's financial management offering, replacing the SICAV/FCP website – new ergonomics and responsive web design
	Executive Master card Crédit du Nord June 2018	Executive Master card: top-of-the-line card, higher spending limit, and access to conciergerie services, airport lounge access, and superior personnal insurance
	Remote monitoring Crédit du Nord June 2018	Remote monitoring: home security and protection against intrusion, theft and fire.
	Carapass Boursorama January 2018	Carapass: connected and customised car insurance for occasionnal drivers (per kilometre pricing), developed in partnership with SG insurance
	Avatar Boursorama January 2018	Avatar: Personalised avatar for the connection portal to fight fraud and help customers quickly identify their customer page
	Chatbot 'Eliott' Boursorama January 2018	"Eliott" chatbot: answering all customers queries from all fixed or mobile terminal since January
	Wicount Boursorama Febuary 2018	Wicount : budget coach offering "savings troubleshooting" by analysing the breakdown of the customer's financial wealth (including savings held in other banks), and providing tailored advice on how to optimise their wealth and income.

Business division		New product or service
	Apple Pay Boursorama March 2018	Apple Pay: launched of this simple and highly secure mobile payment solution to Boursorama customers.
	Google Home Boursorama June 2018	Google Home: the first bank in France to offer customers the option of using the Google assistant for their daily bank account management. Boursorama customers can now check their accounts and their latest transactions by voice command, and make secure payments to third-party accounts.
International Retail Banking and Financial Services	**ALD Switch** (February 2018 ; ALD Automotive France) (Financial Services to Corporates and Insurance)	Combining flexibility and sustainability, ALD Switch is a modular leasing solution that lets clients benefit from an electric vehicle, but allows switching to a petrol/hybrid vehicle whenever necessary (up to 60 days per year)
	AUKAPAY (July 2018 : Komercni Banka) (International Retail Banking)	In cooperation with AUKA, the Norwegian number one in mobile payments, Komerční banka is testing AUKAPAY. It is a pilot version of AUKA's payment application custom tailored for the Czech subsidiary's clientèle. The application enables its users to pay each other simply based on contact, without knowing the number of the beneficiary's account. Payments to merchants for goods are equally convenient; you can even order your goods in advance, pay for them, and then collect them without waiting. The users (pilot testers) can already use AUKAPAY today at numerous shops in Czech Republic and also in the café of the headquarters of the bank itself.
	Distance selling (April 2018 ; Sogecap - France) (Financial Services to Corporates and Insurance)	Car and Home insurance online purchase, on a 24 hour/7 day basis. From quotation to subscription, a complete omnichannel customer journey (branch, phone, SG mobile app and internet banking) fully redesigned to facilitate offers contractualisation and answer clients needs.
	Remote Surveillance CDN (June 2018 : Sogecap – France) (Financial Services to Corporates and Insurance)	Expansion of the range of insurance product of Credit du Nord with the launch of remote surveillance for individuals, linked to a home insurance or standalone. An online secured space and a mobile app allow the client to remotely control the alarm system and distance surveillance.
	Electronic signature on tablet for CDN (May 2018 : Sogecap – France) (Financial Services to Corporates and Insurance)	Launch of electronic signature on tablet to accompany Credit du Nord counsellors throughout their displacement, who can enter and make their clients electronically, signed subscriptions, payments and arbitration on lif insurance contracts.
	Premier Life (July 2018 : Societe Generale Insurance – Russia) (Financial Services to Corporates and Insurance)	Launch of a long-term solution, combining high level insurance coverage, medical assistance services and savings guarantee at the end of the contract.
	E-trading Platform launch (March 2018; CMIB – Russia, Rosbank) (Financial Services to Corporates and Insurance)	A new e-trading platform with simple and user-friendly interface to make FX operations without banks' employees participation.
	Google PAY for Visa cardholders (June 2018 ; Rosbank) (International Retail Banking)	Google Pay service for Visa cardholders are available for Rosbank's client. Now the clients with Android OS smartphones could pay for purchases via all POS that accept contactless payments.
	"Rosbank Online" App and Internet Banking new releases (July 2018 ; Rosbank) (International Retail Banking)	Mobile banking app and Internet Banking platform new releases are now available for clients with new functions and digital services.

Business division		New product or service
	"Loan ONLINE" for payroll clients and bank's employees (July 2018 ; Rosbank) (International Retail Banking)	Online lending for retail customers via mobile app and internet-banking profile (payroll and employees with opened current accounts) that takes 12 min, without additional documents and scored automatically. All operations are made by customers themselves.
	New online service of pre-approved car loans (July 2018; Rusfinance Bank) (International Retail Banking)	A new digital service is available via official website of Rusfinance Bank. It reduces a time of decision making for a car loan to a few minutes.
	B2B solution from DeltaCredit Bank (March 2018; DeltaCredit Bank) (International Retail Banking)	A new platform to cooperation with partner (real estate agencies) that allow to reduce a time of decision making for a mortgage loan and gives a friendly user interface to partners attracting clients to the bank.
	Update of a service DeltaExpress (April 2018, DeltaCredit) (International Retail Banking)	Online submitting of insurance application for mortgage loan. DeltaExpress is a digital platform for mortgage clients (submitting application, pre-approve decision, downloading docs and ets.)
	CONNECT (Mach 2018 : Sub-saharan Africa) (International retail banking)	launch of a mobile banking application for the subsidiaries of Sub-Saharan Africa (Côte d'Ivoire, Senegal, Cameroon and Ghana). Simplicity, speed and convenience are the watchwords of this application.
	MOBILE APPLICATION (January 2018 : Société Générale Antilles-Guyanne) (International retail banking)	Société Générale Antilles-Guyane launches its mobile application. Now any customer can, with his smartphone or tablet, consult his/her accounts, make internal transfers, simulate a loan, etc.
	STRUCTURED PRODUCT (April 2018 : Société Générale Maroc) *(*International retail banking*)*	Within the framework of the partnership between SGPB and AFMO, Société Générale Maroc Private Banking arm has successfully launched its first structured product, reflecting wealthy Moroccan clients' substantial interest in innovative investment solutions.
Global Banking and Investor Solutions	**SGI Credit Compression Indices Europe/Global/North America** (January 2018, Global Markets)	SGI launched on January 2018 three Credit Compression Indices: a European, a Global and a North American version following the same methodology. These indices aim to capture the risk premium between High Yield and Investment Grade credit markets by taking long credit position in High Yield and short position in Investment Grade CDS replicated by indices.
	Lyxor ESG Trend Leader ETFs (February 2018, Lyxor)	The world's first broad ESG based ETFs that consider not only the current ESG scores, but whether the scores are improving or falling. Lyxor's range of 4 new ESG ETFs provide investors with access to the ESG leaders striving to stay ahead in their sector. Investors can choose from World, EMU, US or Emerging exposures.
	Lyxor Core ETF range (March 2018, Lyxor)	Lyxor's new Core ETF range covers all the main equity and fixed income building blocks. With TERs from as little as 0.04%, Lyxor now provides Europe's lowest cost Core range. And to keep it simple for investors, we have used physical replication and do not use Securities Lending.
	SG Electric Vehicle Commodity Index **Ticker: SGCOEV1E** (March 2018, Global Markets)	The electric vehicle revolution may be on the horizon. Sales of new electric cars worldwide surpassed 1 million units in 2017 – a record volume. This represents a growth in new electric car sales of 54% compared with 2016. According to the International Energy Agency, supportive policies and cost reductions are likely to lead to significant growth of this market, with the number of electric vehicles on the road around the world estimated to reach 125 million by 2030. The SG Electric Vehicle Commodity Index is designed to track the performance of liquid commodities most likely to benefit from the electric revolution in the next five years: nickel, copper, aluminium, zinc, palladium and platinum. The Index is invested in a basket of commodities. Composition and allocation of the index is systematically adjusted on a monthly basis.

Business division		New product or service
	SGI VRR US Index – Vol Roll on Rates **Ticker: SGBVVRRU** (April 2018, Global Markets)	SG launched the VRR US Index on April 2018 offering investors a positive systematic carry, a long position on USD rates volatility but rates neutral. The Index offers a combination of diversification features vs traditional and Risk Premia portfolios: a positive carry, a low correlation to traditional asset classes and risk premia in a normal regime, and a risk-off profile in stressed scenario. Such profile is achieved through a long 1y forward USD rates volatility trade position by buying 3 ATMf Straddles every week, unwound to cash in the convergence of forward volatility to spot volatility.
	Charitable Structured Product (April 2018, Private Banking)	In April 2018, Societe Generale Private Banking (“SGPB”) launched the first structured product with a charitable component, Cristal Solidarité. Designed to meet clients’ philanthropic appetite, the product subscription commits Societe Generale to donate to 3 associations. This donation relies on two mechanism: (i) An initial gift at launching proportional on the nominal subscribed and (ii) A conditional gift at maturity depending on Equity Market performance. In Q2, Cristal Solidarité was subscribed over EUR 170m and SGPB launched in Q3 a new charitable autocall: Solidarys (in offer at the moment) Gathering SG expertise in financial engineering and in investment advisory and thanks to Société Générale staff commitment, Cristal Solidarité confirms Societe Generale engagement in philanthropy.

1.4 Analysis of the consolidated balance sheet

1.4.1 Consolidated balance sheet

ASSETS

(in billions of euros)	**30.06.2018**	**01.01.2018**	**31.12.2017**
Cash, due from central banks	85.5	114.4	114.4
Financial assets at fair value through profit or loss	382.7	369.1	419.7
Hedging derivatives	12.0	12.7	13.6
Financial assets at fair value through other comprehensive income	57.3	50.5	
Avaible-for-sale assets			140.0
Securities at amortised cost	11.4	11.6	
Due from banks at amortised cost	63.8	53.7	60.9
Customer loans at amortised cost	427.3	417.4	425.2
Revaluation differences on portfolios hedged against interest rate risk	0.5	0.7	0.7
Investments of insurance companies	149.1	147.6	
Held-to-maturity financial assets			3.6
Tax assets	5.5	6.3	6.0
Other assets	67.5	60.4	60.6
Non-current assets held for sale	4.3	-	-
Investments accounted for using the equity method	0.7	0.7	0.7
Tangible and intangible fixed assets	25.5	24.2	24.8
Goodwill	4.9	5.0	5.0
Total	**1,298.0**	1,274.2	1,275.1

LIABILITIES

(in billions of euros)	**30.06.2018**	**01.01.2018**	**31.12.2017**
Due to central banks	10.0	5.6	5.6
Financial liabilities at fair value through profit or loss	373.1	368.6	368.7
Hedging derivatives	6.4	6.1	6.8
Debt securities issued	101.6	103.2	103.2
Due to banks	89.8	88.6	88.6
Customer deposits	415.1	410.6	410.6
Revaluation differences on portfolios hedged against interest rate risk	5.5	6.0	6.0
Tax liabilities	1.2	1.6	1.7
Other liabilities	76.3	69.1	69.1
Non-current liabilities held for sale	4.0	-	-
Underwriting reserves of insurance companies			131.0
Insurance contracts related liabilities	132.3	131.7	
Provisions	5.4	6.3	6.1
Subordinated debt	14.0	13.6	13.6
Shareholder's equity	59.0	58.4	59.4
Non-controlling interests	4.4	4.5	4.7
Total	**1,298.0**	1,274.2	1,275.1

At 30th June 2018, the Group's consolidated balance sheet totalled EUR 1,298.0 billion increase of EUR 23.8 billion (+1.9%) compared to 1st January 2018 (EUR 1,274.2 billion).

The impacts of the first-time application of IFRS9 are presented in *Note 1* of notes to the consolidated financial statements in paragraph 4 *"Firt-time application of IFRS9"*.

1.4.2 Main changes in the consolidated balance sheet

There are no significant change to the consolidation scope at 30 June 2018, compared with the scope applicable at the closing date of 31 December 2017.

1.4.3 Changes in major consolidated balance sheet items

Cash, due from central banks (EUR 85.5 billion at 30th June 2018) decreased by EUR 28.9 billion (-25.3%) compared to 1st January 2018.

Financial assets and liabilities at fair value through profit or loss, increased by EUR 13.6 billion (+3.7%) and EUR 4.5 billion (+1.2%) respectively, compared to 1st January 2018.

The increase in financial assets and liabilities at fair value through profit or loss is mainly attributable to a rise in our trading portfolio activities mainly related to securities purchased / sold under resale agreements and to shares and other equity instruments sold short.

Customer loans, including securities purchased under resale agreements recognised at amortised cost, increased by EUR 9.9 billion (+2.4%) compared to 1st January 2018, mainly attributable to a rise in other customer loans (short-term, housing, equipment and export loans).

Customer deposits, including securities sold under repurchase agreements recognised at amortised cost, increased by EUR 4.5 billion (+1.1%) compared to 1st January 2018 mainly due to the increase of demand, deposits and current accounts partially offset by a decrease of term deposits.

Due from banks, including securities purchased under resale agreements recognised at amortised cost, increased by EUR 10.2 billion (+19.0%) relative to 1st January 2018, explained by the growth of deposits and loans and current accounts.

Other assets and liabilities, are increased respectively by EUR 7.1 billion (+11.8%) and EUR 7.2 billion (+10.4%) compared to 1st January 2018 due to a rise of guarantee deposits and settlement accounts on securities transactions.

Group shareholders' equity amounted to EUR 59.0 billion at 30th June 2018 versus EUR 58.4 billion at 1st January 2018. This variation was attributable primarily to the following items:

- Net income group share for the financial year at 30th June 2018: EUR +2.0 billion;
- Dividend payment in respect of first semester of 2018: EUR -2.1 billion;
- Issue of one deeply subordinated note in USD and refund of one deeply subordinated note in GBP: EUR +0.4 billion.

After taking into account non-controlling interest (EUR 4.4 billion), Group shareholders' equity came to EUR 63.4 billion at 30th June 2018.

1.5 Property and equipment

The gross book value of Societe Generale Group's tangible operating fixed assets amounted to EUR 36.4 billion at 30th June 2018. This figure comprises land and buildings (EUR 5.6 billion), assets leased by specialised financing companies (EUR 25.3 billion) and other tangible assets (EUR 5.5 billion).

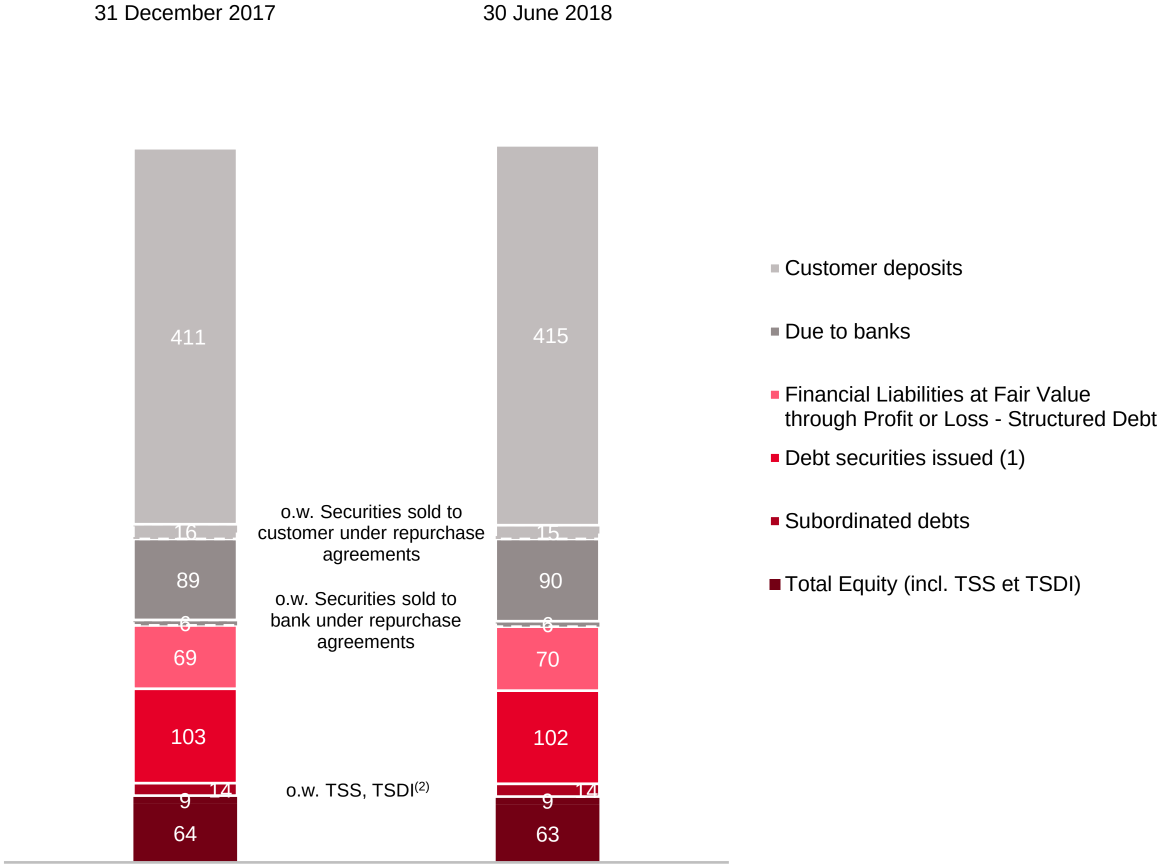
The gross book value of the Group's investment property amounted to EUR 0.4 billion at 30th June 2018.

The net book value of tangible operating assets and investment property amounted to EUR 23.5 billion, representing 1.8 % of the consolidated balance sheet at 30th June 2018. Due to the nature of Societe Generale's activities, property and equipment are not material at the Group level.

1.6 Financial policy

1.6.1 Group debt policy

GROUP FUNDING STRUCTURE



(1) o.w. SGSCF: (EUR 5.8bn), SGSFH: (EUR 11.8bn), CRH: (EUR 5.9bn), securitisation and other secured issuances: (EUR 3.2bn), conduits: (EUR 9.0bn) at end-June 2018 (and SGSCF: EUR 7.1bn, SGSFH: EUR 10.3bn, CRH: EUR 6.0bn, securitisation and other secured issuances: EUR 3.5bn, conduits: EUR 9.5bn at end-December 2017).

(2) TSS: Deeply Subordinated Notes, TSDI: Undated Subordinated notes. Notional amount excluding notably fx differences, original issue premiums/discounts, and accrued interest

The Group's funding structure is broken down as follows:

- capital including deeply subordinated and perpetual subordinated notes (representing EUR 9.6bn as of 30 June 2018 and EUR 8.9bn at end 2017),
- debt securities issued by the Group, of which:
  - dated subordinated debt (EUR 14.4bn at 30 June 2018 and EUR 14.1bn at end-2017),
  - long-term vanilla senior non-preferred debt (EUR 9.0bn at 30 June 2018 and EUR 6.6bn at end-2017),
  - long-term vanilla senior debt (EUR 23.4bn at 30 June 2018 and EUR 26.1bn at end-2017),
  - covered bonds issued through the following vehicles: SGSCF (EUR 5.8bn at 30 June 2018 and EUR 7.1bn at end-2017); SGSFH (EUR 11.8bn at 30 June 2018 and EUR 10.3bn at end-2017); CRH (EUR 5.9bn at 30 June 2018 and EUR 6.0bn at end-2017),
  - securitisations and other secured debt issues: EUR 3.2bn at 30 June 2018 and EUR 3.5bn at end-2017,
  - conduits (EUR 9.0bn at 30 June 2018 and EUR 9.5bn at end-2017),
  - financial liabilities reported at fair value through P&L, including debt securities issued reported in the trading book, and debt securities issued measured using fair value option through P&L,
- debt to customers, particularly deposits.

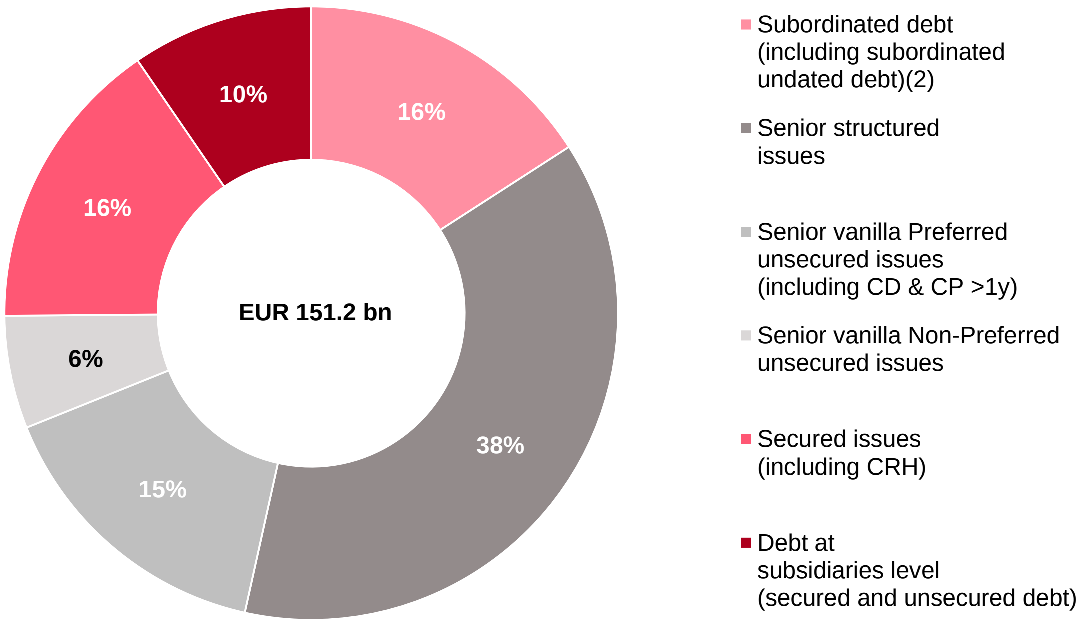
Funding resources also include funding via securities lending/borrowing transactions and securities sold under repurchase agreements measured at fair value through P&L totalling EUR 150.1bn at 30 June 2018 versus EUR 140.6bn at 31 December 2017 (see note 3.1 of the consolidated financial statements), which are not included in this graph.

The **Societe Generale Group's debt policy** is designed not only to ensure financing for the growth of the core businesses' commercial activities and debt renewal, but also to maintain repayment schedules that are compatible with the Group's ability to access the market and its future growth.

The Group's debt policy is based on 2 principles:

- firstly, maintaining an active policy of diversifying the Societe Generale Group's sources of refinancing issued in the capital market in order to guarantee its stability;
- secondly, adopting a Group refinancing structure that consistently matches the maturities of its assets and liabilities.

GROUP LONG-TERM DEBT ISSUED IN THE CAPITAL MARKET AT 30 JUNE 2018(1)

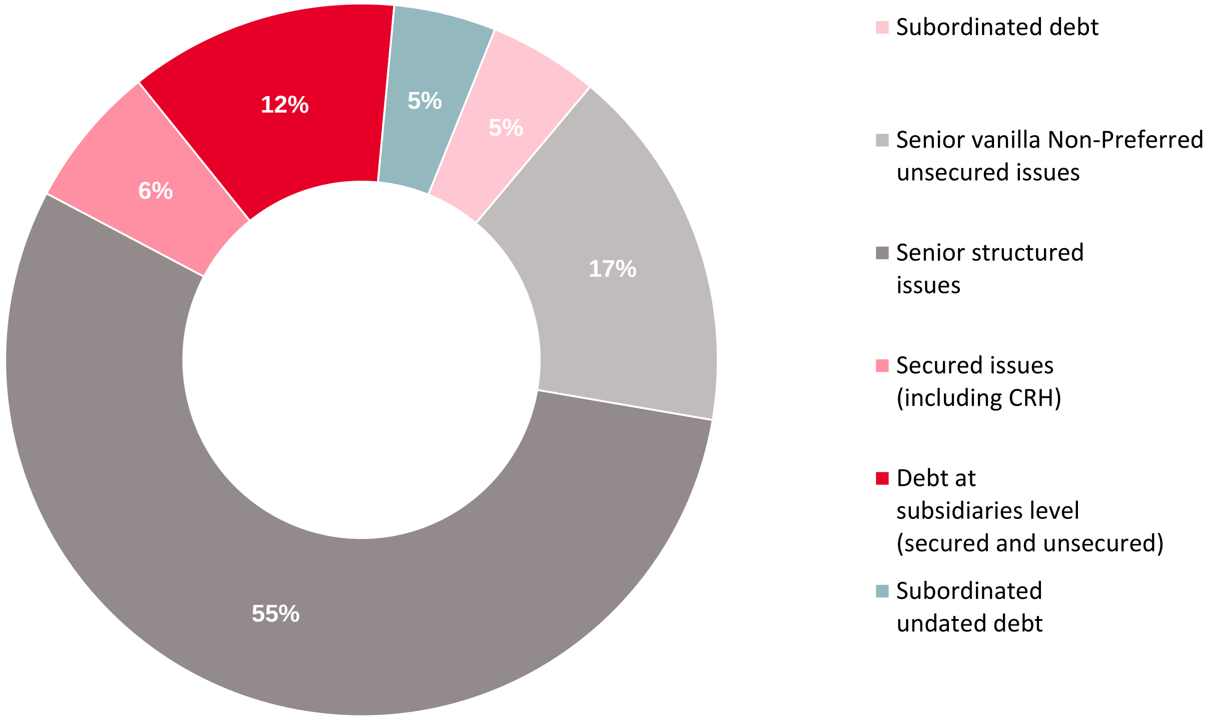


(1) Group short-term debt totalled EUR 43.7bn as of 30 June 2018, of which EUR 9.0bn issued by conduits.
(2) Of which EUR 9.7bn accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

Accordingly, the **Group's long-term financing plan**, implemented gradually and in a coordinated manner during the year based on a non-opportunistic issuance policy, is designed to maintain a surplus liquidity position over the medium and long term.

At 30 June 2018, the liquidity raised under the 2018 financing programme amounted to EUR 23.1bn in senior and subordinated debt. The liquidity raised at the parent company level amounted to EUR 20.3bn at 30 June 2018. The breakdown of refinancing sources is as follows: EUR 3.8 billion in senior vanilla non-preferred unsecured issues, EUR 12.7bn in senior structured issues, EUR 1.5bn in secured issues (SG SFH) and EUR 2.2bn in subordinated Tier 2 debt. At the subsidiary level, EUR 2.8bn had been raised at 30 June 2018.

FINANCING PROGRAMME AT END JUNE 2018: EUR 23.1bn



1.7 Major investments and disposals

The Group has maintained in 2018 a targeted acquisition and disposal policy in line with its strategy focused on its core businesses and management of its resources.

Business division	Description of investments
2018	
International Retail Banking and Financial Services	Acquisition of Reflex (flexible operational vehicle leasing in Spain).
Global Banking and Investor Solutions	Acquisition of Lumo (crowdfunding platform dedicated to renewable enegies).
2017	
International Retail Banking and Financial Services	Acquisition of BBVA Autorenting (operational vehicle leasing in Spain) and of Merrion Fleet (operational vehicle leasing in Ireland).
International Retail Banking and Financial Services	Acquisition of 50% and exclusive control of Antarius (insurance).
2016	
International Retail Banking and Financial Services	Acquisition of the Parcours Group (operational vehicle leasing in France).
Global Banking and Investor Solutions	Acquisition of the Kleinwort Benson Group (private banking in the United Kingdom and Channel Islands).

Business division	Description of disposals
2018	
NA	
2017	
International Retail Banking and Financial Services	Disposal of 20% of ALD at the time of the company's stock market listing.
International Retail Banking and Financial Services	Disposal of Splitska Banka in Croatia.
Global Banking and Investor Solutions	Disposal of the entire stake in Fortune (49%) in China.
French Retail Banking	Disposal of Onvista in Germany.
2016	
International Retail Banking and Financial Services	Disposal of 93.6% of Bank Republic in Georgia.
Corporate Centre	Disposal of the Group's stake in Visa Europe.
Corporate Centre	Disposal of the 8.6% stake in Axway.

1.8 Pending acquisitions and major contracts

Financing of the main ongoing investments

The investments currently underway will be financed using the Group's usual sources of funding.

Pending acquisitions

The Group has announced on 3 July 2018 that it has reached an agreement to acquire Commerzbank's Equity Markets and Commodities business (EMC). The transaction is subject to pre-clearance with competent tax authorities, approval by further relevant authorities and the required steps towards social partners as well as the finalization of legal documentation. The Group anticipates receiving clearance in the 2nd semester of 2018.

Ongoing disposals

On 5 June 2018, the Group, through Boursorama, has announced it has agreed to sell the entire stake of Boursorama in Self Trade Bank S.A.U, its Spanish subsidiary, to Warburg Pincus. The sale is expected to close before end of year, following completion of the necessary regulatory authorizations.

On 30 July 2018, the Group has signed an agreement with ABN-AMRO for the sale of its entire stake in SG Private Banking Belgium. The sale is expected to be closed within the next months, following completion of the necessary authorizations.

The Group has announced on 2nd August 2018 it has signed an agreement for the sale of its entire stake in SG Express Bank, in Bulgaria, to OTP. The sale is expected to be closed within the next months, following completion of the necessary regulatory and antitrust authorizations.

The Group has also announced on 2nd August 2018 it has signed an agreement for the sale of its entire stake in SG Albania, in Albania, to OTP. The sale is expected to be closed within the next months, following renunciation from minority shareholders of their preemption right and completion of the necessary regulatory and antitrust authorizations.

1.9 Main risks and uncertainties over the next 6 months – Update of page 13 of the 2018 Registration document

Societe Generale continues to be subject to the usual risks and the risks inherent in its business mentioned in Chapter 4 of the Registration Document filed on 8 March 2018, and in its updated version filed on 7 May 2018.

In a context of firming world growth, several risks continue to weigh on global economic prospects: risks of renewed financial tensions in Europe, risks of renewed turbulences (financial, social and political) in emerging economies, uncertainties related to unconventional monetary policy measures implemented in the main developed economies, the rise in terrorist risks as well as of geopolitical and protectionist tensions. More specifically, the Group could be affected by:

- renewed financial tensions in the Eurozone resulting from a return of doubts about the integrity of the monetary union, for example in the run-up to elections in a context of rising eurosceptic political forces;
- Fears regarding a possible tightening of international trade barriers, in particular in large developed economies (United States or, in the context of Brexit, United Kingdom for example).
- a sudden rise in interest rates and markets volatility (bonds, equities and commodities), which could be triggered by inflationary fears, trade tensions or poor communication from main central banks when changing their monetary policy stance;
- a sharp slowdown in economic activity in China, triggering capital flight from the country, depreciation pressures on the Chinese currency and, by contagion, on other emerging market currencies, as well as a fall in commodity prices;
- worsening geopolitical tensions in the Middle East, South China Sea, North Korea or Ukraine. Further tensions between western countries and Russia could lead to stepping up of sanctions on the latter.
- socio-political tensions in some countries dependent on oil and gas revenues and needing to adapt to reversal in commodities prices.

From a regulatory perspective, H1 2018 was marked in particular by the European legislative process around CRR2/CRD5, therefore the review of the capital adequacy directive and the CRR regulation. This is expected to continue in H2 and include the subjects MREL (Minimum Required Eligible Liabilities) and TLAC (Total Loss Absorbing Capacity). However, the transposition into European law of the agreement finalising the Basel III reforms is not yet on the agenda as regards European legislative institutions: an impact study is to be launched by the EBA and will serve to draft the future CRR3 regulation. Other current subjects concern notably the review of the systemic capital buffer for systemically important banks, the ECB's expectations in terms of provisioning the stock of non-performing loans and the review of the regime for investment firms in Europe.

2 - Chapter 3: Corporate governance

2.1 General Meeting held on 23 May 2018

2.1.1 Extract from the press release dated 23 May 2018

The combined General Meeting of shareholders of Societe Generale was held on 23 May 2018 at Paris Expo - Espace Grande Arche, La Défense, and was chaired by Mr Lorenzo Bini Smaghi.

Quorum was established at 51.27%:

- 858 shareholders attended the General Meeting;
- 917 shareholders were represented;
- 6,385 shareholders voted online;
- 2,054 shareholders voted by post;
- 9,053 shareholders, including 7,889 online, representing 0.64% of the share capital, gave proxy to the Chairman.

All the resolutions put forward by the Board of Directors were adopted, in particular:

- The 2017 annual and consolidated accounts were approved;
- The dividend per share was set at EUR 2.20. It shall be detached on 30 May 2018 and paid from 1 June 2018;
- The company Ernst & Young et Autres and the company Deloitte & Associés were renewed as Statutory auditors for the financial years 2018 to 2023;
- One director was renewed for 4 years: Mr Lorenzo Bini Smaghi;
- Two directors were appointed for 4 years: Mr Jérôme Contamine and Mrs Diane Côté;
- The compensation policy for the chief executive officers ("*dirigeants mandataires sociaux*") was approved;
- The total compensation and the benefits of any kind paid or awarded for the 2017 financial year to the chief executive officers ("dirigeants mandataires sociaux") was approved;
- A favourable opinion was issued on the compensation paid in 2017 to regulated persons;
- The share capital increase authorisations, in particular the one allowing the issuance of shares in favour of employees as part of a company or group employee savings plan, as well as the authorisation to allocate performance shares existing or to be issued, were renewed for 26 months.

2.2 Board of Directors

2.2.1 Extract from the press release dated 23 May 2018

After the General Meeting, the Board of Directors, unanimously, reappointed Mr Lorenzo Bini Smaghi as Chairman of the Board of Directors.

Following the renewal and the appointments of Directors, the Board of Directors is composed of 14 members including 2 Directors elected by the employees in March 2018 for 3 years:

- Mr Lorenzo Bini Smaghi, Chairman;
- Mr Frédéric Oudéa, Chief Executive Officer and Director;
- Mr William Connelly, Director;
- Mr Jérôme Contamine, Director;
- Mrs Diane Côté, Director;
- Mrs Kyra Hazou, Director;
- Mrs France Houssaye, Director elected by employees;
- Mr David Leroux, Director elected by employees;
- Mr Jean-Bernard Lévy, Director;
- Mr Gérard Mestrallet, Director;
- Mr Juan Maria Nin Genova, Director;
- Mrs Nathalie Rachou, Director;
- Mrs Lubomira Rochet, Director and
- Mrs Alexandra Schaapveld, Director.

42.9% of Board of Directors' members are women including 5 women appointed by the General Meeting (41.6%). The rate of independent Directors is higher than 91.6% (11/12) according to the calculation method of the AFEP-MEDEF corporate governance Code.

The Board of Directors also decided that the committees will be composed as follows from 24 May 2018:

- **Audit and Internal Control Committee**: Mrs Alexandra Schaapveld (chairwoman), Mr Jérôme Contamine, Mrs Diane Côté and Mrs Kyra Hazou;
- **Risk Committee**: Mrs Nathalie Rachou (chairwoman), Mr William Connelly, Mrs Kyra Hazou, Mr Juan Maria Nin Genova and Mrs Alexandra Schaapveld;
- **Compensation Committee**: Mr Jean Bernard Lévy (chairman), Mrs France Houssaye, Mr Gérard Mestrallet and Mr Juan Maria Nin Genova;
- **Nomination and Corporate Governance Committee**: Mr Gérard Mestrallet (chairman), Mr William Connelly, Mr Jean Bernard Lévy and Mrs Nathalie Rachou.

2.3 General Management

2.3.1 Update of pages 93 to 95 of the 2018 Registration document

Frédéric Oudéa
Chief Executive Officer

Date of birth: 3rd July 1963

Other offices held in French listed companies:
Director: Cap Gemini (since 23rd May 2018)

Diony Lebot
Deputy Chief Executive Officer

Date of birth: 15th July 1962

Other offices held in French unlisted companies:
Director: SOGECAP* (since December 2016)

* Societe Generale Group

Philippe Aymerich
Deputy Chief Executive Officer

Date of birth: 12th August 1965

Other offices held in French unlisted companies:
Chairman of the Board of Directors: Boursorama * (since 18th May 2018), Crédit du Nord* (since 18th May 2018)
Chairman of the Supervisory Board: Banque Rhône Alpes*(1) (since May 2013), Banque Laydernier*(1) (since September 2016)
Director: Franfinance* (since 8th April 2014)

* Societe Generale Group
(1) Resignation planned in October 2018

Séverin Cabannes
Deputy Chief Executive Officer

Date of birth: 21st July 1958

No other offices

Philippe Heim
Deputy Chief Executive Officer

Date of birth: 3rd April 1968

Other offices held in French unlisted companies:
Director and Chief Executive Officer: Inter Europe Conseil* (since March 2013)
Director: SOGECAP* (since 23rd May 2018),

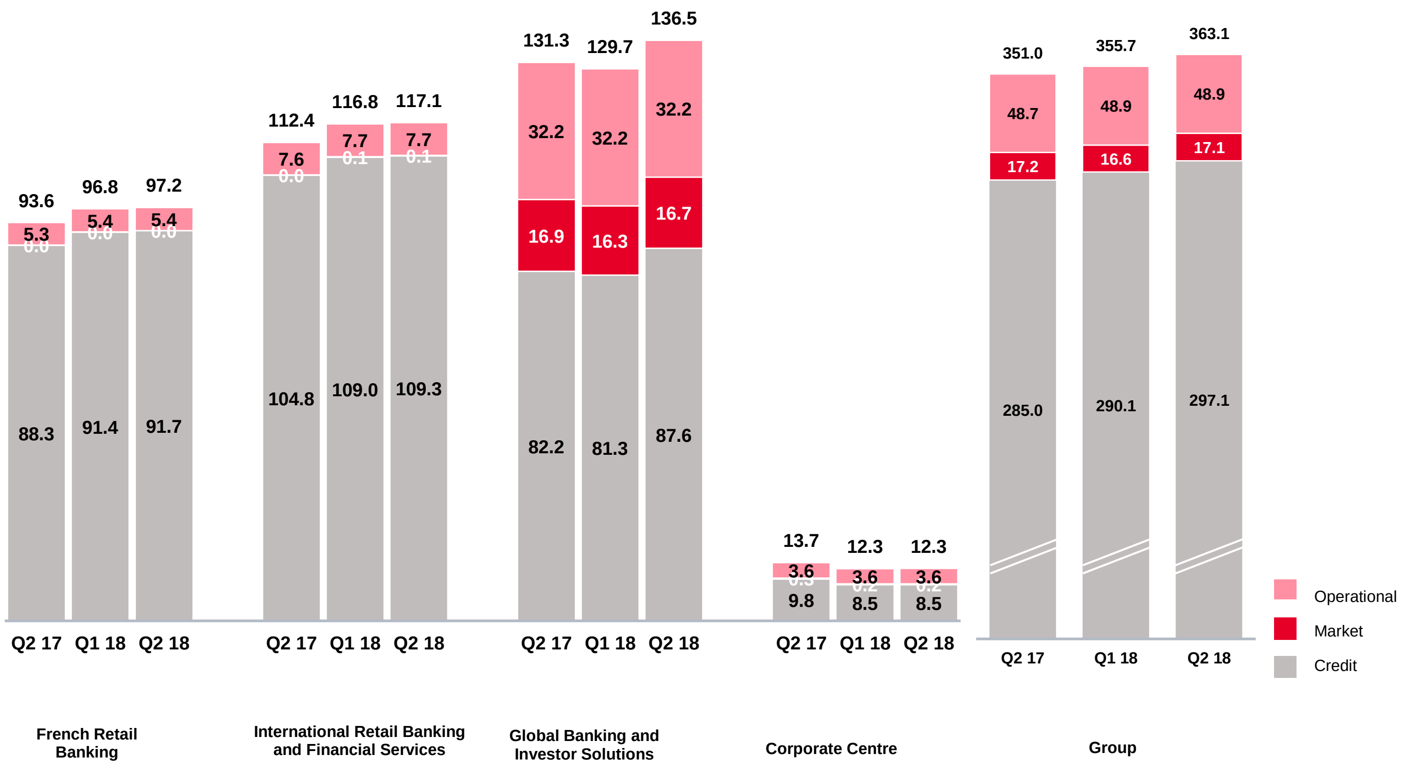
Other offices held in foreign listed companies:
Director: BRD – groupe Société Générale SA* (Romania) (since 21st June 2018)
Member of the Supervisory Board: PJSC Rosbank* (Russia) (since 27th June 2018)

* Societe Generale Group

3.1 Regulatory ratios

3.1.1 Extract from the presentation dated August 2, 2018: first half year 2018 results (and supplements) – Update of the 2018 Registration document page 166 to 177

RISK-WEIGHTED ASSETS* (CRR/CRD 4, IN EUR BN)



* Includes the entities reported under IFRS 5 until disposal

Data restated relfecting new quarterly series published on 4 April 2018

FULLY LOADED COMMON EQUITY TIER 1, TIER 1 AND TOTAL CAPITAL

In EUR bn	30/06/2018	31/12/2017
Shareholder equity Group share	**59.0**	**59.4**
Deeply subordinated notes*	**(9.2)**	(8.5)
Undated subordinated notes*	**(0.3)**	(0.3)
Dividend to be paid & interest on subordinated notes	**(1.0)**	(1.9)
Goodwill and intangible	**(6.7)**	(6.6)
Non controlling interests	**4.6**	3.5
Deductions and regulatory adjustments**	**(6.1)**	(5.4)
Common Equity Tier 1 Capital	**40.2**	**40.2**
Additional Tier 1 capital	**9.2**	8.7
Tier 1 Capital	**49.4**	**48.9**
Tier 2 capital	**11.7**	11.1
Total capital (Tier 1 + Tier 2)	**61.2**	**60.0**
Total risk-weighted assets	**363**	**353**
Common Equity Tier 1 Ratio	**11.1%**	**11.4%**
Tier 1 Ratio	**13.6%**	**13.8%**
Total Capital Ratio	**16.8%**	**17.0%**

Ratios based on the CRR/CDR4 rules as published on 26th June 2013, including Danish compromise for insurance.

* Excluding issue premiums on deeply subordinated notes and on undated subordinated notes

**Fully loaded deductions

CRR FULLY LOADED LEVERAGE RATIO (1)

In EUR bn	30/06/2018	31/12/2017
Tier 1 Capital	**49.4**	**48.9**
Total prudential balance sheet (2)	**1,158**	1,138
Adjustement related to derivative exposures	**(43)**	(61)
Adjustement related to securities financing transactions*	**(5)**	(9)
Off-balance sheet (loan and guarantee commitments)	**95**	93
Technical and prudential ajustments (Tier 1 capital prudential deductions)	**(10)**	(11)
Leverage exposure	1,195	1,150
CRR leverage ratio	**4.1%**	**4.3%**

(1) Fully loaded based on CRR rules taking into account the leverage ratio delegated act adopted in October 2014 by the European Commission.

(2) The prudential balance sheet corresponds to the IFRS balance sheet less entities accounted for through the equity method (mainly insurance subsidiaries)

* Securities financing transactions: repos, reverse repos, securities lending and borrowing and other similar transactions

3.1.2 Reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope - Update of the 2018 Registration document pages 168-169

ASSETS at 30.06.2018 (in EUR m)	**Consolidated balance sheet**	**Prudential restatements linked to insurance (1)**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Cash, due from banks	85,456	0	0	85,456
Financial assets at fair value through profit or loss	382,656	8,258	0	390,914
Hedging derivatives	12,024	36	0	12,060
Financial assets at fair value through other comprehensive income	57,335	0	0	57,335
Securities at amortised cost	11,428	0	0	11,428
Due from banks at amortised cost	63,783	0	140	63,923
of which subordinated loans to credit institutions	*131*	*0*	*0*	*131*
Customer loans at amortised cost	427,296	1,309	143	428,748
Revaluation differences on portfilios hedged against interest rate risk	504	0	0	504
Investment of insurance activities	149,134	-149,134	0	0
Tax assets	5,479	-114	0	5,365
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*2,937*	*0*	*-842*	*2,095*
of which deferred tax assets arising from temporary differences	*1,819*	*0*	*737*	*2,556*
Other assets	67,548	-2,344	51	65,255
of which defined-benefit pension fund assets	*108*	*0*	*0*	*108*
Non-current assets held for sale	4,313	0	0	4,313
Investments accounted for using the equity method	655	3,779	-68	4,366
Tangible and intangible assets	25,537	-152	0	25,385
of which intangible assets exclusive of leasing rights	*2,048*	*0*	*-133*	*1,915*
Goodwill	4,874	-325	0	4,549
TOTAL ASSETS	**1,298,022**	**-138,687**	**266**	**1,159,601**

(1) Restatement of subsidiaries excluded from the prudential reporting scope and reconsolidation of intragroup transactions related to its subsidiaries.

LIABILITIES at 30.06.2018 *(in EUR m)*	**Consolidated balance sheet**	**Prudential restatements linked to insurance (1)**	**Prudential restatements linked to consolidation methods**	**Accounting balance sheet within the prudential scope**
Due to central bank	9,956	0	0	9,956
Financial liabilities at fair value through profit or loss	373,147	2,287	0	375,434
Hedging derivatives	6,438	10	0	6,448
Due to banks	101,658	1,650	0	103,308
Customer deposits	89,783	-3,995	-119	85,669
Debt securities issued	415,101	1,394	186	416,681
Revaluation differences on portfolios hedged against interest rate risk	5,481	0	0	5,481
Tax liabilities	1,153	-204	0	949
Other Liabilities	76,293	-6,770	199	69,722
Non-current liabilities held for sale	4,042	0	0	4,042
Liabilities related to insurance activities contracts	132,258	-132,258	0	0
Provisions	5,356	-3	0	5,353
Subordinated debts	13,993	215	0	14,208
of which redeemable subordinated notes including revaluation differences on hedging items	13,411	203	0	13,614
Total debts	1,234,659	-137,674	266	1,097,251
EQUITY	0	0	0	0
Equity, Group share	58,959	-203	0	58,756
of which capital and related reserves	19,995	0	0	19,995
of which other capital instruments	8,958	0	0	8,958
of which retained earnings	3,921	0	0	3,921
of which accumulated other comprehensive income (including gains and losses accounted directly in equity)	24,080	-203	0	23,877
of which net income	2,006	0	0	2,006
Minority interests	4,404	-810	0	3,594
Total equity	63,363	-1,013	0	62,350
TOTAL LIABILITIES	**1,298,022**	**-138,687**	**266**	**1,159,601**

(1) Restatement of subsidiaries excluded from the prudential scope and reconsolidation of intragroup transactions related to its subsidiaries.

3.1.3 Subsidiaries outside the prudential reporting scope – Update of the 2018 Registration document - table 3, page 170

Company	Activity	Country
Antarius	Insurance	France
ALD RE Designated Activity Company	Insurance	Ireland
Catalyst RE International LTD	Insurance	Bermuda
Société Générale Strakhovanie Zhizni LLC	Insurance	Russia
Sogelife	Insurance	Luxembourg
Genecar - Société Générale de Courtage d'Assurance et de Réassurance	Insurance	France
Inora Life LTD	Insurance	Ireland
SG Strakhovanie LLC	Insurance	Russia
Sogecap	Insurance	France
Komercni Pojstovna A.S.	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradea Vie	Insurance	France
Société Générale RE SA	Insurance	France
Sogessur	Insurance	France
Société Générale Life Insurance Broker SA	Insurance	Luxembourg
SG Reinsurance Intermediary Brokerage, LLC	Insurance	USA
La Banque Postale Financement	Bank	France
SG Banque au Liban	Bank	Lebanon
Banque Pouyanne	Bank	France

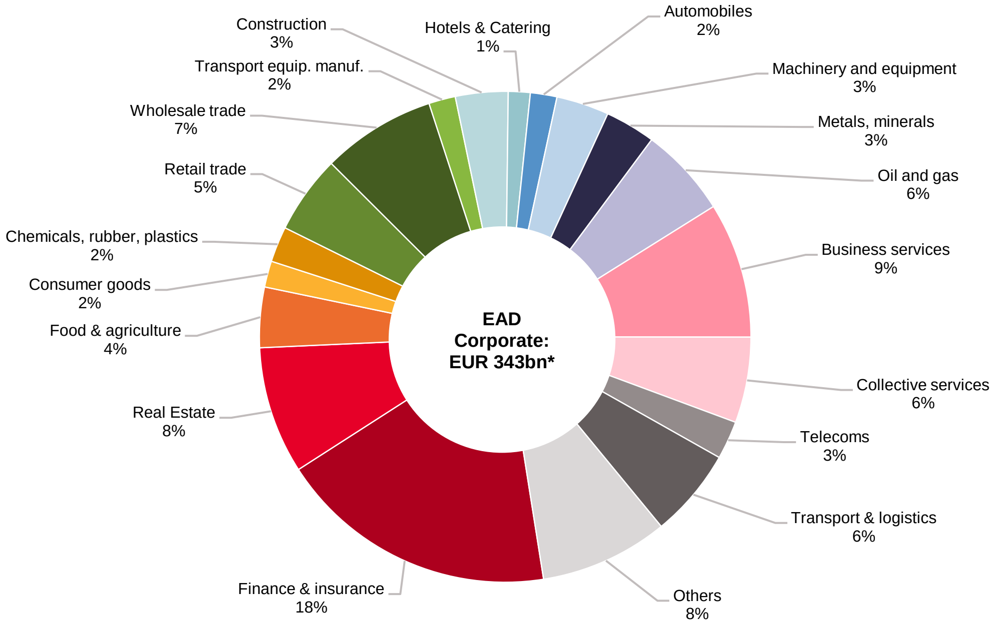
3.1.4 Prudential ratio management – Update of the 2018 Registration document pages 166 to 177

During the first half of the year, Societe Generale issued an equivalent of EUR 1 150 M of subordinated Tier 2 bonds and USD 1 250 M of Additional Tier 1 bonds.

In addition, the Group redeemed at its first call date two Additional Tier 1 bonds for respective amounts of GBP 506 M and EUR 100 M, implemented in June and July 2008, as well as five Tier 2 bonds (issuances with residual amounts of GBP 276 M, implemented in January and December 2003 and issuances with residual amounts of EUR 681 M, implemented in February and March 2008 and May 2006).

3.2 Credit risks – Update of the 2018 Registration document pages 192-194

BREAKDOWN OF SG GROUP COMMITMENTS BY SECTOR AT 30.06.2018

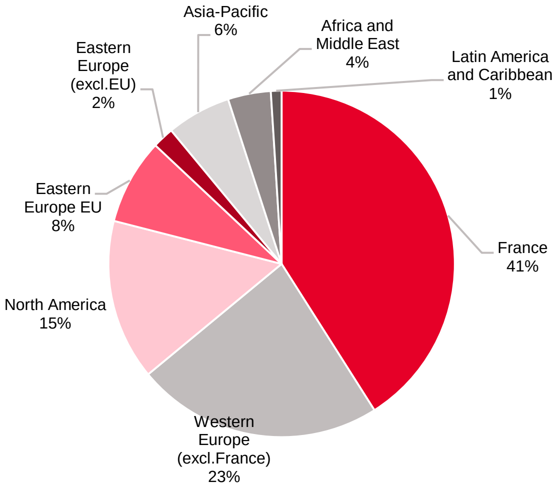


*EAD for the corporate portfolio as defined by the Basel regulations (large corporate including insurance companies, funds and hedge funds, SME, specialised financing, and factoring) based on the obligor's characteristics before taking account of the substitution effect. Total credit risk (debtor, issuer and replacement risk)

GEOGRAPHIC BREAKDOWN OF SG GROUP COMMITMENTS ANT 30.06.2018

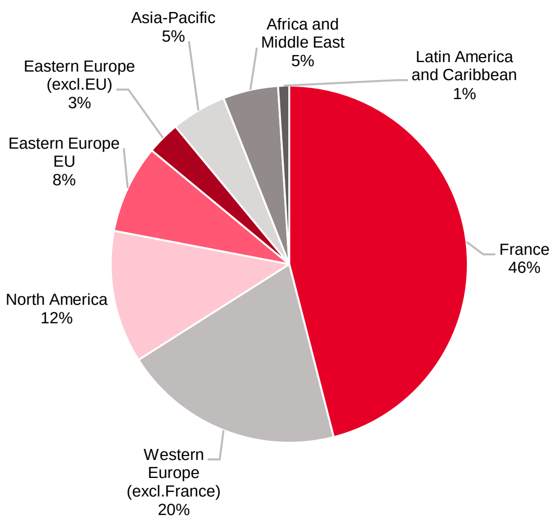
On-and off-balance sheet EAD*

All customers included: EUR 899bn



On-balance sheet EAD*

All customers included: EUR 655bn



*Total credit risk (debtor, issuer and replacement risk for all portfolios)

3.3 Provisioning of doubtful loans – Update of the 2018 Registration document page 199

NON PERFORMING LOANS

In EUR bn	30/06/2018	31/03/2018	30/06/2017
Gross book outstandings*	491.2	482.1	475.6
Doubtful loans*	19.4	20.4	22.0
Group Gross non performing loans ratio*	***3.9%***	***4.2%***	***4.6%***
Specific provisions	10.7	11.3	12.1
Portfolio-based provisions**	2.1	2.1	1.4
Group Gross doubtful loans coverage ratio* (Overall provisions / Doubtful loans)	66%	***66%***	***62%***
Stage 1 provisions**	1.0	1.0	
Stage 2 provisions**	1.1	1.2	
Stage 3 provisions	10.7	11.3	
Group Gross doubtful loans coverage ratio* (Stage 3 provisions / Doubtful loans)	***55%***	55%	

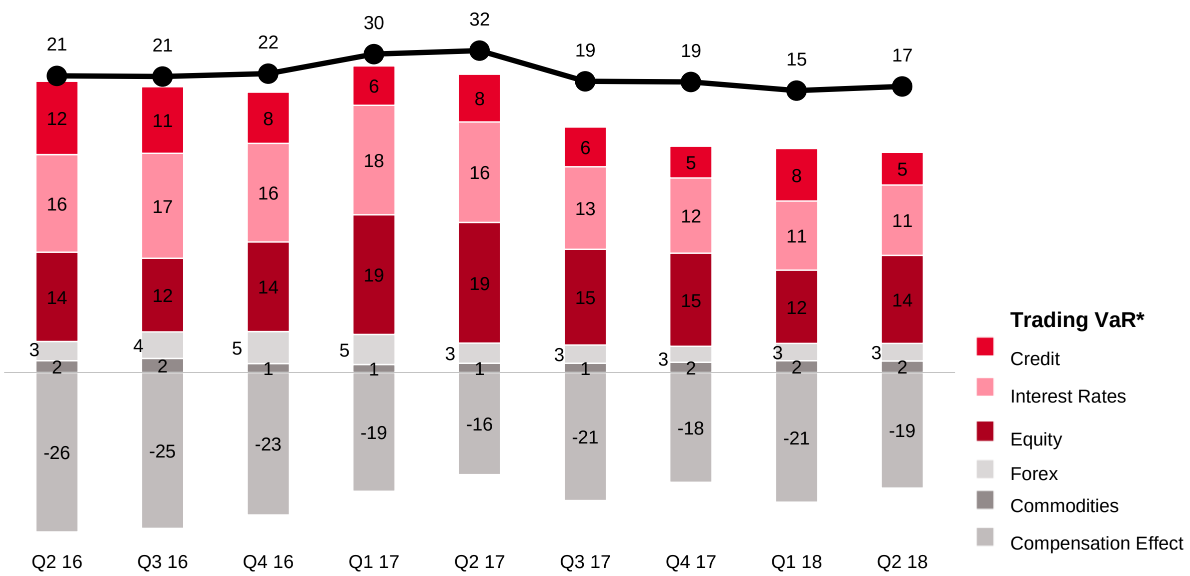
* Customer loans, deposits at banks and loans due from banks, leasing and lease assets

** As of March 31, 2018 and June 30th , 2018 portfolio-based provisions are the sum of stage 1 and stage 2 provisions.

3.4 Change in trading VaR – Update of the 2018 Registration document pages: 202 to 205

Quarterly average 99% Value at Risk (VaR), a composite indicator used for the day-to-day monitoring of the market risks incurred by the bank, on the scope of its trading activities, in millions of euros:

CHANGE IN TRADING VAR* AND STRESSED VAR**



Stressed VAR** (1 day, 99%, in EUR m)	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
Minimum	21	14	14	14	18
Maximum	52	37	37	72	59
Average	36	25	21	34	33

*Trading VaR: measurement over one year (i.e. 260 scenario) of the greatest risk obtained after elimination of 1% of the most unfavourable occurrences

**Stressed VaR : Identical approach to VaR (historical simulation with 1-day shocks and a 99% confidence interval), but over a fixed one-year historical window corresponding to a period of significant financial tension instead of a one-year rolling period

Since 1 January 2008, the scope of the credit VaR excludes hybrid CDO positions now dealt with prudentially in the banking book.

3.5 Structural interest rate risk – Update of pages 218 and 219 of 2018 Registration Document

INTEREST RISK RATE ESTIMATION

	31/03/2018	30/06/2017
Sensitivity to structural interest rate risk in % of Group regulatory capital*	<1,5%	<1,5%

* This estimate is based on a scenario of a parallel rate rise of 100bp.

MEASUREMENT OF THE ENTITIES' SENSITIVITY TO A 1% INTEREST RATE SHIFT, INDICATED BY MATURITY

	< 1 year	1-5 years	> 5years	Total
Amount of sensitivity (31.03.2018)	-46	-104	569	419
Amount of sensitivity (31.12.2017)	4	-265	-13	-275

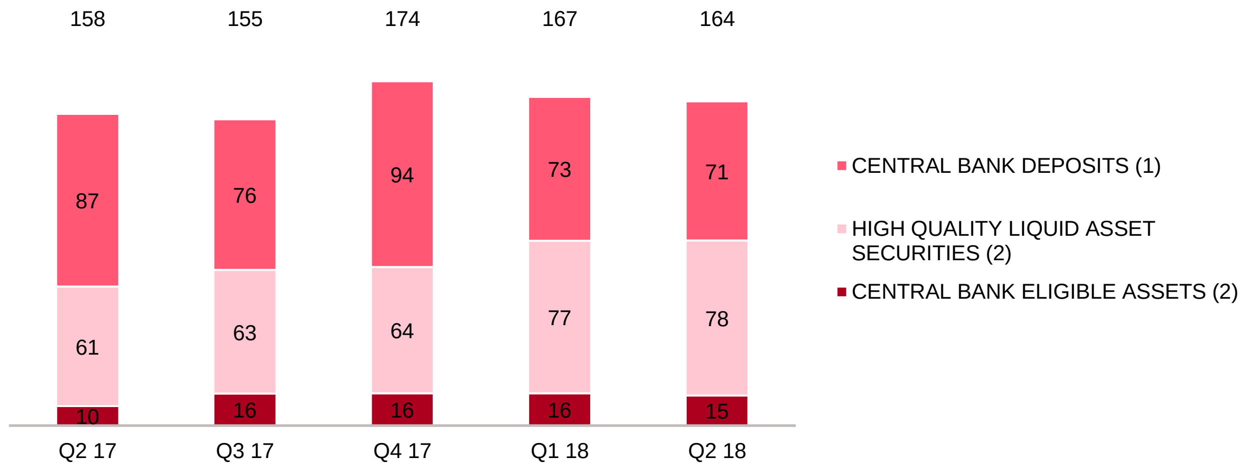
SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In EUR m)	31.03.2018	31.12.2017
Parallel increase in interest rates of 200 bp	534	490
Parallel decrease in interest rates of 200 bp	-102	-167
Parallel increase in interest rates of 100 bp	236	234
Parallel decrease in interest rates of 100 bp	-77	-112
Flattening	621	210
Steepening	20	143

3.6 Liquidity risk

3.6.1 Liquid asset buffer – Update of the 2018 Registration document page 223

LIQUID ASSET BUFFER



Liquidity Coverage Ratio at 124% on average in Q2 18

(1) Excluding mandatory reserves

(2) Unencumbered, net of haircuts

3.6.2 Balance sheet schedule – Update of the 2017 Registration document pages 224 to 227

The main lines comprising the Group's financial liabilities are presented in Note 3.13 to the consolidated financial statements, under the following template:

FINANCIAL LIABILITIES

		30st JUNE 2018				
(In EUR m)	**Note to the consolidated financial statements**	**0-3 M**	**3M-1YR**	**1-5 YRS**	**> 5 YRS**	**Total**
Due to central banks		9 951	3	2	0	9 956
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1	199 647	10 313	7 437	21 267	238 664
Due to banks	Note 3.6	48 843	12 237	23 162	5 541	89 783
Customer deposits	Note 3.6	323 762	21 837	20 158	49 344	415 101
Securitised debt payables	Note 3.6	31 045	13 948	37 225	19 440	101 658
Subordinated debt	Note 3.9	751	1 107	650	11 485	13 993

Note: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives. Consequently, the impact of the debt revaluation linked to own credit risk and interest accrued at 30st June 2018 are not scheduled.

Symmetrically, the main lines comprising the corresponding financial assets are presented below.

FINANCIAL ASSETS

		30st JUNE 2018				
(In EUR m)	**Note to the consolidated financial statements**	**0-3 M**	**3M-1YR**	**1-5 YRS**	**> 5 YRS**	**Total**
Cash, due from central banks		82 586	669	1 421	780	85 456
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	251 855	795			252 650
Financial assets at fair value through other comprehensive income	Note 3.4	48 039	9 002		294	57 335
Securities at amortised cost		4 698	2 412	3 999	319	11 428
Due from banks at amortised cost	Note 3.5	53 375	3 927	5 333	1 148	63 783
Customer loans at amortised cost	Note 3.5	93 872	60 948	170 241	71 548	396 609
Lease financing and similar agreements	Note 3.6	2 639	6 313	16 918	4 815	30 685

It should be noted that due to the nature of its activities, Société Générale holds derivative products and securities whose residual contractual maturities are not representative of its activities or risks.

By convention, the following residual maturities were used for the classification of financial assets:

1. Assets measured at fair value through profit or loss, excluding derivatives (customer-related trading assets)

– Positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than 3 months.

– Positions measured using observable data other than quoted prices (L2 accounting classification): maturity of less than 3 months.

– Positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year.

2. Financial assets at fair value through other comprehensive income

– Available-for-sale assets measured using prices quoted on active markets: maturity of less than 3 months.

– Bonds measured using observable data other than quoted prices (L2): maturity of 3 months to 1 year.

– Finally, other securities (shares held long-term in particular): maturity of more than five years.

As regards the other lines comprising the balance sheet, other assets and liabilities and their associated conventions can be broken down as follows:

OTHER LIABILITIES

	30st JUNE 2018						
(In EUR m)	Note to the consolidated financial statements	Not scheduled	0-3 M	3M-1YR	1-5 YRS	> 5 YRS	Total
Tax liabilities	Note 6		769		384		1 153
Revaluation difference on portfolios hedged against interest rate risk		5 481					5 481
Other liabilities	Note 4.4		76 293				76 293
Non-current liabilities held for sale	Note 2.3			4 042		0	4 042
Insurance contracts related liabilities	Note 4.3		14 556	9 375	36 837	71 490	132 258
Provisions	Note 8.5	5 356					5 356
Shareholders' equity		63 363					63 363

OTHER ASSETS

	30st JUNE 2018						
(In EUR m)	Note to the consolidated financial statements	Not scheduled	0-3 M	3M-1YR	1-5 YRS	> 5 YRS	Total
Revaluation differences on portfolios hedged against interest rate risk		504					504
Other assets	Note 4.4		67 548				67 548
Tax assets	Note 6	5 479					5 479
Investments accounted for using the equity method						655	655
Tangible and intangible fixed assets	Note 8.4					25 537	25 537
Goodwill	Note 2.2					4 874	4 874
Non-current assets held for sale	Note 2.5		2	4 308	1	2	4 313
Investments of insurance companies			33 637	6 057	30 105	79 335	149 134

1 Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.

2. Other assets and Other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.

3. The notional maturities of commitments in derivative instruments are presented in Note 3.13 to the consolidated financial statements.

4. Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than 5 years.

5. Provisions and shareholders' equity are not scheduled.

3.7 Compliance And Reputational Risk, Litigation - update of the pages 228 to 232 of the 2018 Registration Document

3.7.1 COMPLIANCE

Compliance Remediation Plan following settlements agreed with French and United States authorities

Societe Generale signed several agreements, on the one hand with the U.S. Department of Justice ("DOJ") and the U.S. Commodity Futures Trading Commission ("CFTC") to resolve their investigations relating to Societe Generale's IBOR submissions, and on the other hand with the DOJ and the French Parquet National Financier ("PNF") to resolve their investigations relating to certain transactions involving Libyan counterparties.

The Bank signed a three-year deferred prosecution agreement in the IBOR and Libyan matters with the DOJ. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed. No independent compliance monitor has been imposed in connection with these settlements.

Societe Generale has already taken extensive steps in recent years to strengthen its overall compliance and control framework, which is intended to meet the highest industry standards of compliance and ethics. As part of these resolutions, the Bank has committed to ensure that its internal policies, procedures and controls are put in place to prevent and detect violations of the relevant anti-corruption, bribery, and market manipulation laws.

A Remediation Program has been launched under the responsibility of the Group Head of Compliance.

3.7.2 LITIGATION

The information pertaining to risks and litigation ins included in Note 9 to the Consolidated Financial Statements, p. 158 to 163.

4.1 Financial information as at 30 June 2018

CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS 58

CONSOLIDATED BALANCE SHEET - ASSETS ....
CONSOLIDATED BALANCE SHEET - LIABILITIES ....
CONSOLIDATED INCOME STATEMENT ....
STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES ....
CHANGES IN SHAREHOLDERS' EQUITY ....
CASH FLOW STATEMENT ....

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 65

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES ....
NOTE 2 - CONSOLIDATION ....
NOTE 2.1 - CONSOLIDATION SCOPE ....
NOTE 2.2 - GOODWILL ....
NOTE 2.3 - NON-CURRENT ASSETS HELD FOR SALE AND RELATED DEBT ....
NOTE 3 - FINANCIAL INSTRUMENTS ....
NOTE 3.1 - FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ....
NOTE 3.2 - FINANCIAL DERIVATIVES ....
NOTE 3.3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ....
NOTE 3.4 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ....
NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES ....
NOTE 3.6 - DEBTS ....
NOTE 3.7 - INTEREST INCOME AND EXPENSE ....
NOTE 3.8 - IMPAIRMENT AND PROVISIONS ....
NOTE 3.9 - FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST ....
NOTE 4 - OTHER ACTIVITIES ....
NOTE 4.1 - FEE INCOME AND EXPENSE ....
NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES ....
NOTE 4.3 - INSURANCE ACTIVITIES ....
NOTE 4.4 - OTHER ASSETS AND LIABILITIES ....
NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS ....
NOTE 6 - INCOME TAX ....
NOTE 7 - SHAREHOLDERS' EQUITY ....
NOTE 7.1 - ORDINARY SHARES ISSUES BY SOCIETE GENERALE S.A. ....
NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS ....
NOTE 8 - ADDITIONAL DISCLOSURES ....
NOTE 8.1 - SEGMENT REPORTING ....
NOTE 8.2 - OTHER OPERATING EXPENSES ....
NOTE 8.3 - PROVISIONS ....
NOTE 9 - INFORMATION ON RISKS AND LITIGATION ....
NOTE 10 - RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS ....

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET - ASSETS

(In millions of euros)		30.06.2018	01.01.2018	31.12.2017
Cash, due from central banks		85,456	114,404	114,404
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	382,656	369,112	419,680
Hedging derivatives	Notes 3.2 and 3.4	12,024	12,718	13,641
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	57,335	50,468	
Available-for-sale financial assets				139,998
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	11,428	11,592	
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	63,783	53,656	60,866
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	427,296	417,391	425,231
Revaluation differences on portfolios hedged against interest rate risk		504	663	663
Investments of insurance activities	Note 4.3	149,134	147,611	
Held-to-maturity financial assets				3,563
Tax assets		5,479	6,292	6,001
Other assets	Note 4.4	67,548	60,449	60,562
Non-current assets held for sale	Note 2.3	4,313	13	13
Investments accounted for using the equity method		655	659	700
Tangible and intangible fixed assets		25,537	24,200	24,818
Goodwill	Note 2.2	4,874	4,988	4,988
Total		**1,298,022**	**1,274,216**	**1,275,128**

CONSOLIDATED BALANCE SHEET - LIABILITIES

(In millions of euros)		30.06.2018	01.01.2018	31.12.2017
Due to central banks		9,956	5,604	5,604
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	373,147	368,550	368,705
Hedging derivatives	Note 3.2 and 3.4	6,438	6,146	6,750
Debt securities issued	Notes 3.6 and 3.9	101,658	103,235	103,235
Due to banks	Notes 3.6 and 3.9	89,783	88,621	88,621
Customer deposits	Notes 3.6 and 3.9	415,101	410,633	410,633
Revaluation differences on portfolios hedged against interest rate risk		5,481	6,020	6,020
Tax liabilities		1,153	1,608	1,662
Other liabilities	Note 4.4	76,293	69,139	69,139
Non-current liabilities held for sale	Note 2.3	4,042	-	-
Underwriting reserves of insurance companies				130,958
Insurance contracts related liabilities	Note 4.3	132,258	131,717	
Provisions	Note 8.3	5,356	6,345	6,117
Subordinated debts	Note 3.9	13,993	13,647	13,647
Total liabilities		**1,234,659**	**1,211,265**	**1,211,091**
Shareholders' equity				
Shareholders' equity, Group share				
Issued common stocks, equity instruments and capital reserves		29,585	29,427	29,427
Retained earnings		28,542	27,698	27,791
Net income		2,006	2,806	2,806
Sub-total		**60,133**	**59,931**	**60,024**
Unrealised or deferred capital gains and losses		(1,174)	(1,503)	(651)
Sub-total equity, Group share		**58,959**	**58,428**	**59,373**
Non-controlling interests		4,404	4,523	4,664
Total equity		**63,363**	**62,951**	**64,037**
Total		**1,298,022**	**1,274,216**	**1,275,128**

CONSOLIDATED INCOME STATEMENT

(In millions of euros)		1st half of 2018 [1]	2017	1st half of 2017
Interest and similar income	Note 3.7	10,919	23,679	12,125
Interest and similar expense	Note 3.7	(5,467)	(13,263)	(6,870)
Fee income	Note 4.1	4,489	10,504	5,338
Fee expense	Note 4.1	(1,787)	(3,681)	(1,885)
Net gains and losses on financial transactions		2,878	5,826	3,037
o/w net gains and losses on financial instruments at fair value through profit or loss		*2,856*	*5,113*	*2,669*
o/w net gains and losses on available-for-sale financial assets			*713*	*368*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	*Note 3.3*	*24*		
o/w net gains and losses from the derecognition of financial assets at amortised cost		*(2)*		
Net income from insurance activities	Note 4.3	859		
Income from other activities	Note 4.2	5,325	22,045	12,298
Expenses from other activities	Note 4.2	(4,468)	(21,156)	(12,370)
Net banking income		**12,748**	**23,954**	**11,673**
Personnel expenses	Note 5	(4,785)	(9,749)	(4,742)
Other operating expenses	Note 8.2	(3,860)	(7,083)	(3,590)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(487)	(1,006)	(481)
Gross operating income		**3,616**	**6,116**	**2,860**
Cost of risk	Note 3.8	(378)	(1,349)	(368)
Operating income		**3,238**	**4,767**	**2,492**
Net income from investments accounted for using the equity method		29	92	50
Net income/expense from other assets		(41)	278	245
Value adjustments on goodwill		-	1	1
Earnings before tax		**3,226**	**5,138**	**2,788**
Income tax	Note 6	(886)	(1,708)	(691)
Consolidated net income		**2,340**	**3,430**	**2,097**
Non-controlling interests		334	624	292
Net income, Group share		**2,006**	**2,806**	**1,805**
Earnings per ordinary share	Note 7.2	**2.22**	**2.92**	**1.94**
Diluted earnings per ordinary share	Note 7.2	**2.22**	**2.92**	**1.94**

(1) The presentation of the Group's consolidated income statement is modified as from 2018 following the transition to IFRS 9:

- *income and expenses from insurance activities are grouped on a specific line item within the "Net banking income" (see Note 1, paragraph 4);*
- *the line item "Cost of risk" is now exclusively dedicated to credit risk (see Note 3.8);*
- *fair value changes of financial liabilities designated to be measured at fair value through profit or loss (using the fair value option) attributable to changes in own credit risk are now recorded under "Unrealised or deferred gains and losses" (see Note 3.1).*

STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Net income	**2,340**	**3,430**	**2,097**
Unrealised or deferred gains and losses that will be reclassified subsequently into income	**128**	**(2,371)**	**(1,525)**
Translation differences	346	(2,088)	(1,339)
Revaluation of debt instruments at fair value through other comprehensive income	(129)		
Revaluation differences	*(121)*		
Reclassified into income	*(8)*		
Revaluation of available-for-sale financial assets(1)	(4)	(218)	(146)
Revaluation differences	*(4)*	*69*	*10*
Reclassified into income	-	*(287)*	*(156)*
Revaluation of hedging derivatives	(130)	(100)	(43)
Revaluation differences	*(164)*	*(94)*	*(39)*
Reclassified into income	*34*	*(6)*	*(4)*
Unrealised gains and losses of entities accounted for using the equity method	1	(20)	(20)
Others	9	-	-
Tax related	35	55	23
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	**146**	**19**	**39**
Actuarial gains and losses on defined benefit plans	57	42	57
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	141		
Revaluation of equity instruments at fair value through other comprehensive income	1		
Unrealised gains and losses of entities accounted for using the equity method	(3)	-	-
Tax related	(50)	(23)	(18)
Total unrealised or deferred gains and losses	**274**	**(2,352)**	**(1,486)**
Net income and unrealised or deferred gains and losses	**2,614**	**1,078**	**611**
o/w Group share	*2,334*	*504*	*347*
o/w non-controlling interests	*280*	*574*	*264*

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.

CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves						
(In millions of euros)	**Issued common stocks**	**Issuing premium and capital reserves**	**Elimination of treasury stock**	**Other equity instruments**	**Total**	**Retained earnings**	**Net income, Group share**
Shareholders' equity at 1 January 2017	**1,010**	**20,277**	**(371)**	**9,680**	**30,596**	**29,687**	**-**
Increase in common stock					-		
Elimination of treasury stock			66		66	(22)	
Issuance / Redemption of equity instruments				(651)	(651)	67	
Equity component of share-based payment plans		24			24		
1st half of 2017 dividends paid					-	(2,118)	
Effect of acquisitions and disposals on equity investment with no effect on entity control					-	447	
Sub-total of changes linked to relations with shareholders	**-**	**24**	**66**	**(651)**	**(561)**	**(1,626)**	
Unrealised or deferred gains and losses					-	38	
1st half of 2017 Net income for the period					-		1,805
Change in equity of associates and joint ventures accounted for using the equity method					-		
Other changes					-	(2)	
Sub-total	**-**	**-**	**-**	**-**	**-**	***36***	***1,805***
Shareholders' equity at 30 June 2017	**1,010**	**20,301**	**(305)**	**9,029**	**30,035**	**28,097**	**1,805**
Increase in common stock		8			8		
Elimination of treasury stock			(188)		(188)	(7)	
Issuance / Redemption of equity instruments				(463)	(463)	131	
Equity component of share-based payment plans		35			35		
2nd half of 2017 dividends paid					-	(382)	
Effect of acquisitions and disposals on non-controlling interests					-	(28)	
Sub-total of changes linked to relations with shareholders	**-**	***43***	***(188)***	***(463)***	***(608)***	***(286)***	
Unrealised or deferred gains and losses					-	(19)	
2nd half of 2017 Net income for the period					-		1,001
Change in equity of associates and joint ventures accounted for using the equity method					-		
Other changes					-	(1)	
Sub-total	**-**	**-**	**-**	**-**	**-**	**(20)**	**1,001**
Shareholders' equity at 31 December 2017	**1,010**	**20,344**	**(493)**	**8,566**	**29,427**	**27,791**	**2,806**
Appropriation of net income						2,806	(2,806)
IFRS 9 First time application (see Note 1)						(93)	
Shareholders' equity at 1 January 2018	**1,010**	**20,344**	**(493)**	**8,566**	**29,427**	**30,504**	**-**
Increase in common stock					-		
Elimination of treasury stock (see Note 7.1)			(257)		(257)	(37)	
Issuance / Redemption of equity instruments (see Note 7.1)				392	392	116	
Equity component of share-based payment plans		24			24		
1st half of 2018 dividends paid (see Note 7.2)					-	(2,075)	
Effect of acquisitions and disposals on non-controlling interests					-	40	
Sub-total of changes linked to relations with shareholders	**-**	***24***	***(257)***	***392***	***159***	***(1,956)***	**-**
Unrealised or deferred gains and losses					-		
1st half of 2018 Net income for the period					-		2,006
Change in equity of associates and joint ventures accounted for using the equity method					-		
Other changes					-	(7)	
Sub-total	**-**	**-**	**-**	**-**	**-**	***(7)***	***2,006***
Shareholders' equity at 30 June 2018	**1,010**	**20,368**	**(750)**	**8,958**	**29,586**	**28,541**	**2,006**

Unrealised or deferred gains and losses				Non-controlling interests				
that will be reclassified subsequently into income	that will not be reclassified subsequently into income	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
1,670	**-**	**1,670**	**61,953**	**2,920**	**800**	**33**	**3,753**	**65,706**
			-				-	-
			44				-	44
			(584)				-	(584)
			24				-	24
			(2,118)	(271)			(271)	(2,389)
			447	640			640	1,087
-	-	-	***(2,187)***	***369***	-	-	***369***	***(1,818)***
(1,483)	-	(1,483)	(1,445)			(28)	(28)	(1,473)
			1,805	292			292	2,097
(13)	-	(13)	(13)				-	(13)
			(2)				-	(2)
(1,496)	-	***(1,496)***	***345***	***292***		***(28)***	***264***	***609***
174		**174**	**60,111**	**3,581**	**800**	**5**	**4,386**	**64,497**
			8				-	8
			(195)				-	(195)
			(332)				-	(332)
			35				-	35
			(382)	(5)			(5)	(387)
			(28)	(26)			(26)	(54)
			(894)	**(31)**	**-**	**-**	**(31)**	***(925)***
(824)	-	(824)	(843)	(1)		(21)	(22)	(865)
			1,001	332			332	1,333
(1)	-	(1)	(1)				-	(1)
			(1)	(1)			(1)	(2)
(825)	-	***(825)***	***156***	***330***	-	***(21)***	***309***	***465***
(651)	**-**	**(651)**	**59,373**	**3,880**	**800**	**(16)**	**4,664**	**64,037**
(393)	(459)	(852)	(945)	(112)		(29)	(141)	(1,086)
(1,044)	**(459)**	**(1,503)**	**58,428**	**3,768**	**800**	**(45)**	**4,523**	**62,951**
			-				-	-
			(294)				-	(294)
			508				-	508
			24				-	24
			(2,075)	(397)			(397)	(2,472)
			40	(4)			(4)	36
-	***-***	***-***	***(1,797)***	***(401)***	***-***	***-***	***(401)***	***(2,198)***
183	148	331	331			(55)	(55)	276
			2,006	334			334	2,340
	(2)	(2)	(2)	3			2	-
			(7)				-	(7)
183	***146***	***329***	***2,328***	***337***	***-***	***(55)***	***282***	***2,610***
(861)	**(313)**	**(1,174)**	**58,959**	**3,704**	**800**	**(100)**	**4,404**	**63,363**

CASH FLOW STATEMENT

(In millions of euros)	1st half of 2018	2017	1st half of 2017*
Net income (I)	**2,340**	**3,430**	**2,097**
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	2,248	4,283	2,051
Net allocation to provisions	230	108	(1,299)
Net income/loss from investments accounted for using the equity method	(27)	(92)	(50)
Change in deferred taxes	315	673	15
Net income from the sale of long-term assets and subsidiaries	(48)	(110)	(51)
Other changes	1,034	4,367	3,095
Non-cash items included in net income and others adjustments not including income on financial instruments at fair value through profit or loss (II)	**3,752**	**9,229**	**3,761**
Income on financial instruments at fair value through profit or loss	6,148	(5,113)	(2,669)
Interbank transactions	(6,633)	5,200	1,397
Customer transactions	6,513	(4,996)	(8,268)
Transactions related to other financial assets and liabilities	(32,486)	22,876	24,774
Transactions related to other non-financial assets and liabilities	1,385	(2,228)	(907)
Net increase/decrease in cash related to operating assets and liabilities (III)	**(25,073)**	**15,739**	**14,327**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	**(18,981)**	**28,398**	**20,185**
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	(5,052)	(280)	(526)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(3,546)	(5,928)	(1,676)
Net cash inflow (outflow) related to investment activities (B)	**(8,598)**	**(6,208)**	**(2,202)**
Cash flow from/to shareholders	(2,443)	(3,836)	(3,172)
Other net cash flows arising from financing activities	190	(331)	(145)
Net cash inflow (outflow) related to financing activities (C)	**(2,253)**	**(4,167)**	**(3,317)**
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C)	**(29,832)**	**18,023**	**14,666**
Cash, due from central banks (assets)	114,404	96,186	96,186
Due to central banks (liabilities)	(5,604)	(5,238)	(5,238)
Current accounts with banks (see Notes 3.5 and 4.3)	22,159	24,639	24,639
Demand deposits and current accounts with banks (see Note 3.6)	(11,686)	(14,337)	(14,337)
Cash and cash equivalents at the start of the year	**119,273**	**101,250**	**101,250**
Cash, due from central banks (assets)	85,456	114,404	112,396
Due to central banks (liabilities)	(9,956)	(5,604)	(7,339)
Current accounts with banks (see Notes 3.5 and 4.3)	27,155	22,159	24,624
Demand deposits and current accounts with banks (see Note 3.6)	(13,214)	(11,686)	(13,765)
Cash and cash equivalents at the end of the year	**89,441**	**119,273**	**115,916**
Net inflow (outflow) in cash and cash equivalents	**(29,832)**	**18,023**	**14,666**

** Amounts restated compared to the 30 June 2017 consolidated financial statements, following a change in the balance sheet presentation of premiums to be received / to be paid on options*

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING PRINCIPLES

1. INTRODUCTION

ACCOUNTING STANDARDS

The condensed interim consolidated financial statements for the Societe Generale Group ("the Group") for the six-month period ending 30 June 2018 were prepared and are presented in accordance with IAS (International Accounting Standard) 34 "Interim Financial Reporting".

These notes should be read in conjunction with the audited consolidated financial statements for the year ending 31 December 2017 included in the Registration document for the year 2017.

The most significant change made to the accounting principles is the application of IFRS 9 "Financial Instruments" as from 1 January 2018.

As the Group's activities are neither seasonal nor cyclical in nature, its first half results were not affected by these factors.

FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the condensed financial statements used to present the data for financial year 2018 is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017. The presentation of the comparative data relative to financial year 2017 has not been modified and complies with the provisions of ANC Recommendation No. 2013-04 of 7 November 2013.

The disclosures provided in the notes to the interim consolidated financial statements relate to events and transactions that are significant to an understanding of the changes in financial position and performance of the Group during the first half of 2018. The disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Societe Generale Group, its activities and the circumstances in which it conducted its operations over the period.

PRESENTATION CURRENCY

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

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

2. NEW ACCOUNTING STANDARDS APPLIED BY THE GROUP AS OF 1 JANUARY 2018

IFRS 9 "Financial Instruments" (see paragraph 4)

IFRS 15 "Revenue from Contracts with Customers" and subsequent clarifications

Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (see paragraph 4)

Annual improvements (2014-2016)

Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

Amendments to IAS 40 "Transfers of Investment Property"

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (see paragraph 4)

IFRS 9 « FINANCIAL INSTRUMENTS », SUBSEQUENT AMENDMENTS AND AMENDMENTS TO IFRS 4 RELATED TO THE APPLICATION OF IFRS 9 BY INSURANCE COMPANIES

The impacts of the first-time application of IFRS 9 are presented in paragraph 4 *"First-time application of IFRS 9" "Financial Instruments"* below.

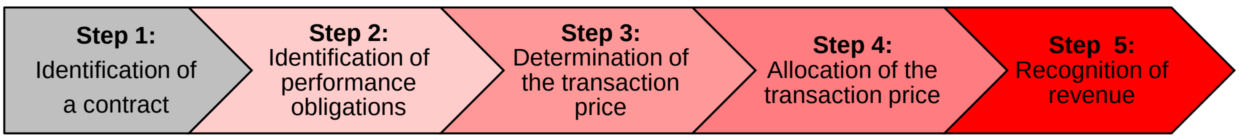
The application of the other standards, amendments, improvements and interpretations presented below has no material impact on the net income and shareholders' equity of the Group.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" AND SUBSEQUENT CLARIFICATIONS

This standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and their interpretations and sets out the new requirements for recognising revenues earned from all types of contracts entered into with customers, with the exception of leases, insurance contracts, contracts in financial instruments and guarantees.

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

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



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

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

The Group has performed a review of the accounting treatments applied in prior periods for the recognition of revenues generated by contracts with customers and has assessed that they comply with the treatments provided by IFRS 15.

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

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 30 June 2018. They are required to be applied from annual periods beginning on 1 January 2019 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as at 30 June 2018.

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

2019

- IFRS 16 "Leases" [Adopted by EU] (see paragraph 5)
- IFRIC 23 "Uncertainty over Income Tax Treatments"
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Annual improvements (2015-2017 cycle)
- Amendments to IAS 19 "Plan amendments, curtailments and settlements"

2021

- IFRS 17 "Insurance contracts"

IFRS 16 "LEASES"

IFRS 16 is presented in paragraph 5 "Preparation for the first-time-application of IFRS 16 Leases" below.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

Issued by IASB on 7 June 2017

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

AMENDMENTS TO IAS 28 "LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES"

Issued by IASB on 12 October 2017

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

ANNUAL IMPROVEMENTS (2015-2017)

Issued by IASB on 12 December 2017

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

AMENDMENTS TO IAS 19 "PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT"

Issued by IASB on 7 February 2018

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

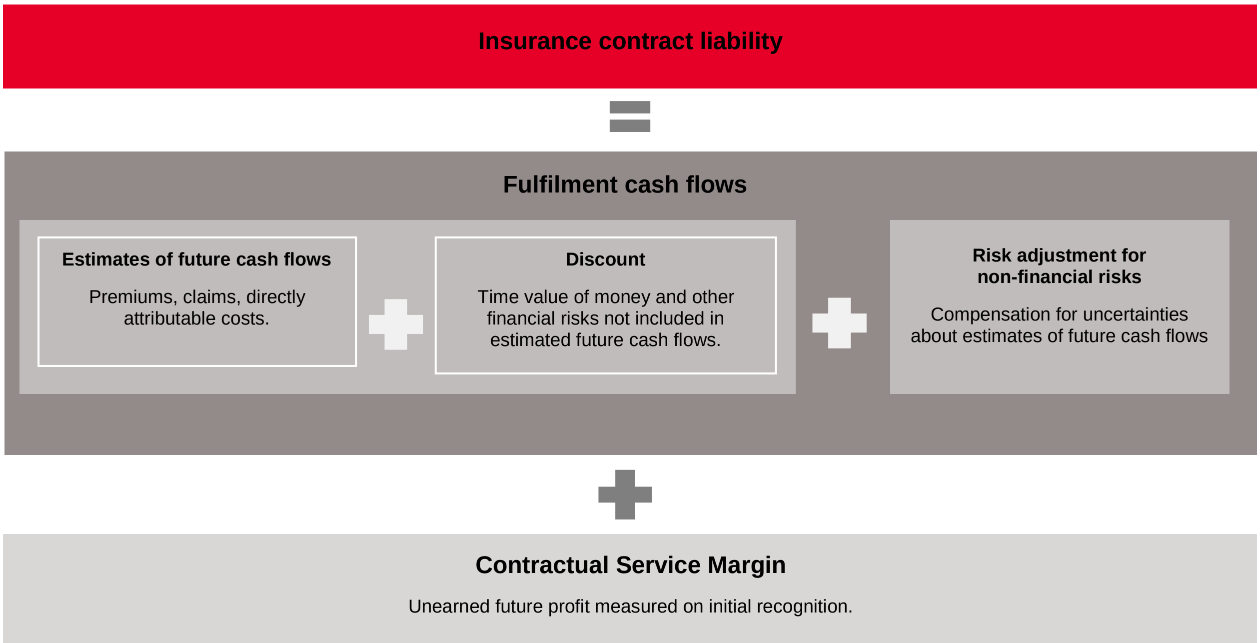
IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017

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

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

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



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

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

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

A simplified measurement (premium allocation approach) is also allowed by the standard under conditions for short-term contracts (12 months or less) and contracts for which the result of premium allocation approach is closed to the general approach.

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

- contracts that are subject to similar risks and managed together;
- the year during which contracts are issued; and
- at initial recognition, contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and the remaining contracts.

4. FIRST APPLICATION OF IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 replaces IAS 39, defining a new set of rules for measuring and classifying financial assets and liabilities, establishing a new methodology for the credit impairment of financial assets and for determining loss allowances for loan and guarantee commitments, and introducing changes in the treatment of hedging transactions, with the exception of macro-hedging transactions which will be covered by a separate standard currently under review by the IASB.

As from 1 January 2018, the Group applies IFRS 9 as adopted by the European Union on 22 November 2016. The Group did not early apply the provisions of IFRS 9 to previous reporting periods. Consequently, the accounting principles applicable to financial instruments have been amended and the disclosures presented in the notes to the consolidated financial statements have been updated, in accordance with the amendments to IFRS 7 issued with IFRS 9.

In accordance with the recommendations provided by the market authorities (ESMA and AMF), the Group elected to early apply, at 1 January 2018, the amendment to IFRS 9 “Prepayment Features with Negative Compensation”, issued by the IASB on 12 October 2017 and adopted by the European Union on 22 March 2018.

IFRS 9 ACCOUNTING PRINCIPLES

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Under IFRS 9, financial assets are classified among three categories (Amortised cost, Fair value through profit or loss, and Fair value through other comprehensive income), based on their contractual cash flow characteristics and the entity’s business model for managing these assets.

IFRS 9 carries forward the rules for classifying and measuring financial liabilities as they appear in IAS 39, without modification. The only exception applies to financial liabilities designated to be measured at fair value through profit or loss (using the fair value option), in which case the portion of the fair value changes attributable to changes in own credit risk is recorded under “*Unrealised or deferred gains and losses*” without subsequent reclassification into profit or loss (changes attributable to other factors will continue to be recognised in profit or loss). The scope of financial liabilities designated by the Group to be measured at fair value through profit or loss is not modified by IFRS 9. IFRS 9 also details how to recognise modifications of the terms of financial liabilities that do not result in derecognition.

The principles for the classification and measurement of financial instruments are detailed in Note 3.

CREDIT RISK

IFRS 9 has replaced the incurred loss model provided for in IAS 39 with an expected credit loss (ECL) model. Under this model, impairments and provisions for credit risk are recorded at the initial recognition of the financial assets and of loan and guarantee commitments without waiting for the occurrence of objective evidence of impairment (trigger event).

The application scope and accounting principles for recognising impairment and provisions for credit risk are detailed in Note 3.8.

HEDGE ACCOUNTING

In accordance with the transitional measures provided by IFRS 9, the Group has elected to continue recognising hedging transactions under IAS 39 as adopted by the European Union.

However, additional disclosures will also be provided in the notes to the 31 December 2018 consolidated financial statements pursuant to amendments to IFRS 7.

TRANSITION REQUIREMENTS

The first-time application of IFRS 9 at 1 January 2018 is retrospective in terms of “Classification and measurement” and “Credit risk”; however, the transitional provisions of IFRS 9 provide the option, taken by the Group, of not restating comparative data for previous financial years.

Consequently, for financial instruments, the data for financial year 2017 which are presented in comparison with the data for financial year 2018 comply with the provisions of IAS 39 as adopted by the European Union.

Differences in the measurement of financial assets and liabilities resulting from the first-time application of IFRS 9 at 1 January 2018 are recorded directly in equity at that date.

As permitted by the amendment to IFRS 4 "Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts", as adopted by the European Union on 3 November 2017, the Group has elected to defer the application of IFRS 9 and continue applying IAS 39, as adopted by the European Union, for its insurance subsidiaries (see Note 4.3).

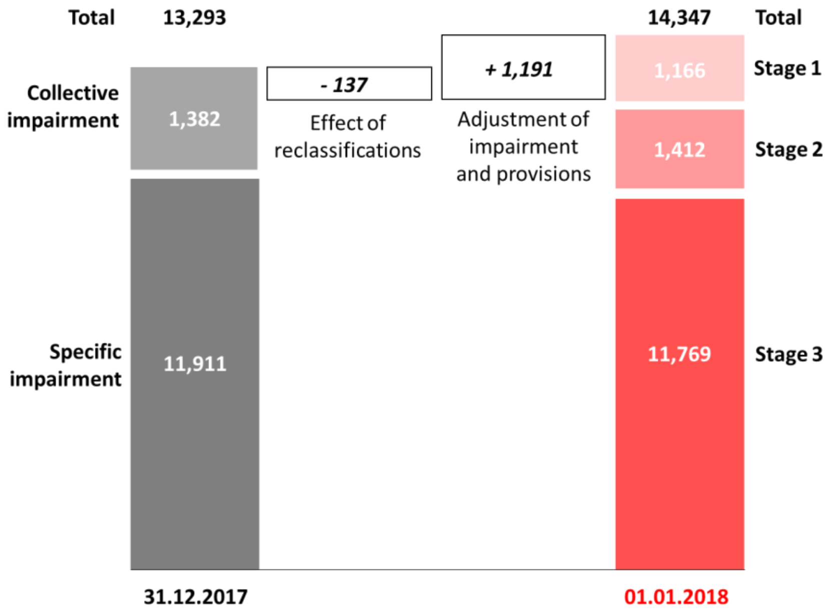
According to ANC's Recommendation No. 2017-02 of 2 June 2017, a separate line was added to the income statement under *Net banking income* for clarification purposes. The following table present the 1st half of 2018 data prior to this reclassification:

(In millions of euros)	**1st half of 2018 before reclassification**	**2017**	**1st half of 2017**
Interest and similar income	11,987	23,679	12,125
Interest and similar expense	(6,626)	(13,263)	(6,870)
Fee income	5,333	10,504	5,338
Fee expense	(1,928)	(3,681)	(1,885)
Net gains and losses from financial transactions	2,925	5,826	3,037
o/w net gains and losses on financial instruments at fair value through profit or loss	*2,767*	*5,113*	*2,669*
o/w net gains and losses on available-for-sale financial assets	*136*	*713*	*368*
o/w net gains and losses on financial instruments at fair value through other comprehensive income	*24*		
o/w net gains and losses from the derecognition of financial assets at amortised cost	*(2)*		
Income from other activities	12,045	22,045	12,298
Expenses from other activities	(10,988)	(21,156)	(12,370)
Net banking income	**12,748**	**23,954**	**11,673**

IMPACTS ON IMPAIRMENT AND PROVISIONS

ADJUSTMENT OF CREDIT RISK IMPAIRMENT AND PROVISIONS AT FIRST TIME APPLICATION

The following diagram presents the adjustments recorded on credit risk impairment and provisions between the situation as at 31 December 2017 established in compliance with IAS 39 and the situation as at 1 January 2018, established in compliance with IFRS 9.



The increase of impairment and provisions for credit risk is mainly due to the transition from a model based on the recognition of incurred losses to a model based on the recognition of expected losses.

There is a direct match between specific impairment and provisions under IAS 39 and Stage 3 impairment and provisions under IFRS 9 with the exception of impairment on financial assets that are measured at fair value through profit or loss either because they do not satisfy the SPPI criteria under IFRS 9 (reclassified outstandings: EUR 643 million) or they have been reclassified in the trading portfolio regarding their business model (reclassified outstandings: EUR 644 million). Indeed, the definition of default exposure remains unchanged between the two standards. After an in-depth analysis of methods used to estimate future recoverable cash flows, we found that a large portion of cash flow estimates already include a prospective feature. In cases where the loss assessment method was based on a statistical method, the link between credit losses and macro-economic variables is not relevant.

Moreover, no outstanding has been classified as purchased or originated credit-impaired assets.

However, impairments on groups of homogeneous assets have been replaced by expected credit loss impairments at one year or at maturity:

- outstandings on counterparties with a weakened financial situation since the initial recognition of those financial assets but without any objective evidence of impairment identified individually (watchlist outstanding) have been partly included in the Stage 2 category with expected credit loss impairment calculated at maturity;
- outstandings on counterparties of economic sectors considered as in crisis following loss triggering events on outstandings on geographical sectors or on countries for which a deterioration of the credit risk has been observed, have been allocated to Stage 1 (expected credit loss impairment at one year) and Stage 2 categories (expected credit loss impairment at maturity) depending on their individual credit risk and taking into account the deterioration of the sector or country between the granting date of the loan and the reporting date.

As a result, the net increase related to the transition to IFRS 9 is limited to EUR 1,054 million and is mainly due to one year expected credit loss impairments and provisions.

BREAKDOWN OF IMPAIRMENT AND PROVISIONS BY ITEM OF THE BALANCE SHEET

	Balance as of 31.12.2017 IAS 39 / IAS 37			Reclassification effects	Adjustment of credit risk impairment / provisions IFRS 9	Balance as of 01.01.2018 IFRS 9			
(In millions of euros)	Specific assessment	Collective assessment	Total			Stage 1	Stage 2	Stage 3	Total
Impairment of financial assets	**11,565**	**1,311**	**12,876**	**(137)**	**925**	**997**	**1,244**	**11,423**	**13,664**
Impairment of financial assets at amortised cost	11,460	1,311	12,771	(47)	925	992	1,244	11,413	13,649
Customer loans at amortised cost	*11,214*	*1,311*	*12,525*	*(52)*	*888*	*982*	*1,217*	*11,162*	*13,361*
Due from banks at amortised cost	*25*		*25*		*4*	*4*		*25*	*29*
Securities at amortised cost				*5*	*6*	*6*		*5*	*11*
Held-to-maturity financial assets									
Other assets	*221*		*221*		*27*		*27*	*221*	*248*
Impairment of financial assets at fair value through other comprehensive income	105	-	105	(90)	-	5	-	10	15
Available-for-sale financial assets	*105*		*105*	*(105)*					
Financial assets at fair value through other comprehensive income				*15*		*5*		*10*	*15*
Provision for credit risk on commitments	**346**	**71**	**417**	**-**	**266**	**169**	**168**	**346**	**683**
Total impairment / provisions	**11,911**	**1,382**	**13,293**	**(137)**	**1,191**	**1,166**	**1,412**	**11,769**	**14,347**

IMPACT ON BALANCE SHEET

RECONCILIATION OF THE ASSET SIDE BETWEEN IAS 39 AND IFRS 9

To determine the classification under IFRS 9 of financial assets recognised on balance sheet as at 31 December 2017, the Group performed a detailed analysis of:

- the characteristics of contractual cash flows based on facts and circumstances at the date of initial recognition of the instruments;
- the business models of its financial assets based on facts and circumstances at 1 January 2018.

Moreover, the Group implemented a new expected credit loss model to estimate impairment on financial assets measured at amortised cost or at fair value through other comprehensive income and on receivables classified among O*ther assets* (operating lease receivable and sundry debtors in particular) and to estimate provisions on financial guarantee and loan commitments.

The carrying amount of investments accounted for using the equity method has been adjusted according to IFRS 9 impacts on the financial assets held by those entities.

The following tables reconcile the asset side of the balance sheet as at 31 December 2017, prepared in compliance with IAS 39, and the asset side of the balance sheet as at 1 January 2018, prepared in compliance with IFRS 9.

(In millions of euros)	**Balances at 31.12.2017 IAS 39**	Reclassifications: of investments of insurance activities	of available -for-sale financial assets	of held-to-maturity financial assets	of non-SPPI loans and receivables	of loans and receivables regarding their business model	Others	**Reclassified balances**
		A	**B**	**C**	**D**	**E**	**F**	
Cash, due from central banks	114,404	-	-	-	-	-	-	114,404
Financial assets at fair value through profit or loss	419,680	(54,598)	2,422	-	643	644	537	369,328
Hedging derivatives	13,641	(420)	-	-	-	-	(503)	12,718
Financial assets at fair value through other comprehensive income	N/A	-	49,874	485	-	80	-	50,439
Available-for-sale financial assets	139,998	(84,731)	(55,267)	-			-	-
Securities at amortised cost	N/A	-	2,971	3,078	-		5,650	11,699
Due from banks at amortised cost	60,866	(7,103)	-	-	(5)	(80)	(18)	53,660
Customer loans at amortised cost	425,231	(141)	-	-	(638)	(644)	(5,580)	418,228
Revaluation differences on portfolios hedged against interest rate risk	663	-	-	-	-	-	-	663
Investments of insurance activities	N/A	147,611	-	-	-	-	-	147,611
Held-to-maturity financial assets	3,563	-	-	(3,563)	-		-	-
Tax assets	6,001	-	-	-	-	-	-	6,001
Other assets	60,562	-	-	-	-	-	(86)	60,476
Non-current assets held for sale	13	-	-	-	-	-	-	13
Investments accounted for using the equity method	700	-	-	-	-	-	-	700
Tangible and intangible fixed assets	24,818	(618)	-	-	-	-	-	24,200
Goodwill	4,988	-	-	-	-	-	-	4,988
Total	**1,275,128**	**-**	**-**	**-**	**-**	**-**	**-**	**1,275,128**

(In millions of euros)	**Reclassified balances**	Value adjustments: Reclassification effects	Depreciations for credit risk	Change in deferred taxes	**Balances at 01.01.2018 IFRS 9 (1)**
		G	**H**	**I**	
Cash, due from central banks	114,404	-	-	-	114,404
Financial assets at fair value through profit or loss	369,328	(216)	-	-	369,112
Hedging derivatives	12,718	-	-	-	12,718
Financial assets at fair value through other comprehensive income	50,439	29	-	-	50,468
Available-for-sale financial assets	-	-	-	-	-
Securities at amortised cost	11,699	(100)	(7)	-	11,592
Due from banks at amortised cost	53,660	-	(4)	-	53,656
Customer loans at amortised cost	418,228	50	(887)	-	417,391
Revaluation differences on portfolios hedged against interest rate risk	663	-	-	-	663
Investments of insurance activities	147,611	-	-	-	147,611
Held-to-maturity financial assets	-	-	-	-	-
Tax assets	6,001	-	-	291	6,292
Other assets	60,476	-	(27)	-	60,449
Non-current assets held for sale	13	-	-	-	13
Investments accounted for using the equity method	700	(45)	-	4	659
Tangible and intangible fixed assets	24,200	-	-	-	24,200
Goodwill	4,988	-	-	-	4,988
Total	**1,275,128**	**(282)**	**(925)**	**295**	**1,274,216**

(1) Except for insurance subsidiaries (see Note 4.3)

DESCRIPTION OF RECLASSIFICATIONS

Identification of insurance investments *(column A)*

Following the decision of the Group to defer the application of IFRS 9 for its insurance subsidiaries, all financial assets and real-estate investments hold by those entities have been grouped in a specific line of the balance sheet (*Investments of insurance activities*) in which financial assets remain recorded in compliance with IAS 39.

Reclassification of available-for-sale and held-to-maturity financial assets *(columns B and C)*

Applying IFRS 9 causes the disappearance of the accounting categories *Available-for-sale financial assets* and *Held-to-maturity financial assets*. Consequently, except for instruments grouped in the line *Investments of insurance activities*, instruments previously included in those categories have been reclassified in the new IFRS 9 accounting categories according to the characteristics of their contractual cash flows and their business model.

As of 31 December 2017, except for investments of insurance activities, available-for-sale financial assets included debt securities (bonds and equivalent securities) for EUR 53,464 million and equity securities (shares and equivalent securities) for EUR 1,803 million.

- Debt securities are mainly held as part of the cash management activities for the Bank's own account and as part of the management of HQLA (High Quality Liquid Assets) portfolios included in the liquidity buffer. Those securities, whose contractual cash flows are SPPI, are primarily classified as *Financial assets at fair value through other comprehensive income* for EUR 49,584 million in compliance with their business model which implies regular sales of assets from liquidity buffer portfolios. The business model implying collecting contractual cash flows is only marginally applied by some subsidiaries for their HQLA portfolios which have therefore been classified as *Securities at amortised cost* for EUR 2,971 million;
- The other debt securities belong mainly to residual portfolios of securitisation assets managed in run-off which have therefore been classified as *Financial assets at fair value through profit or loss* for EUR 895 million;
- Equity securities have been classified by default as *Financial assets at fair value through profit or loss* for EUR 1,513 million. The option to measure shares at fair value through other comprehensive income without later reclassification through profit or loss has been chosen in a very few cases by the Group (EUR 290 million).

Financial assets previously classified as *Held-to-maturity financial assets* included exclusively debt securities with SPPI contractual cash flows. Those securities are held for the management of the Group liquidity buffer which implies collecting their contractual cash flows. Consequently, they have been classified as *Securities at amortised cost* for EUR 3,078 million. Marginally, some long-term securities have been classified as *Financial assets at fair value through other comprehensive income* considering their specific business model which can imply selling assets (EUR 485 million).

Marginal amount of non-SPPI loans and receivables *(column D)*

The amount of loans and receivables that have been reclassified among *Financial assets at fair value through profit or loss* due to the non-SPPI characteristics of their contractual cash flows is limited: EUR 643 million. Those instruments are mainly loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate.

Limited impact of reclassifications related to the business model *(column E)*

Loans and receivables to customers reclassified as *Financial assets at fair value through profit or loss* for EUR 644 million include mainly:

- the portion of syndicated loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term on the secondary market; and

- residual outstandings of CDO (Collateralised Debt Obligations) tranches and ABS (Asset Backed Securities) tranches presented among loans and receivables since their reclassification in 2008 and that are intended to be sold through an organised and pre-determined disposal program.

Other reclassifications *(column F)*

Hedging derivative instruments, for which the hedged financial asset has been reclassified as *Financial assets at fair value through profit or loss,* have been de-designated and reclassified as trading instruments for an amount of EUR 503 million on the asset side. Moreover, bonds which were considered to be loans and receivables under IAS 39 as those instruments are unquoted, have been reclassified as *Securities at amortised cost* for an amount of EUR 5,612 million.

DESCRIPTION OF VALUE ADJUSTMENTS

Limited effects of reclassifications *(column G)*

The balance sheet value of financial assets, which have been reclassified according to IFRS 9, has been adjusted based on their new measurement method. Those adjustments include EUR 137 million of credit risk impairment reversal on financial assets reclassified as *Financial assets at fair value through profit or loss*.

Increase in credit risk impairment *(column H)*

The application of the new accounting model for credit risk causes an adjustment of impairment related to financial assets measured at amortised cost (increase of EUR 925 million). This adjustment concerns mainly loans to customers. The analysis of those adjustments is presented in section “Impact on impairment and provisions”.

Tax effects *(column I)*

The tax effects of those adjustments has changed the amounts of deferred tax assets and liabilities in the Group balance sheet.

RECONCILIATION OF THE LIABILITY SIDE BETWEEN IAS 39 AND IFRS 9

The following table reconciles the liability side of the balance sheet as at 31 December 2017 prepared in compliance with IAS 39 and the liability side of the balance sheet as at 1 January 2018 prepared in compliance with IFRS 9.

		Reclassifications			Value adjustments			
(In millions of euros)	**Balances at 31.12.2017 IAS 39**	of insurance liabilities	of own credit adjustment	Others	Reclassifications effects	Depreciations and provisions for credit risks	Change in deferred taxes	**Balances at 01.01.2018 IFRS 9 (1)**
		A	**B**	**C**	**D**	**E**	**F**	
Due to central banks	5,604	-	-	-	-	-	-	5,604
Financial liabilities at fair value through profit or loss	368,705	(759)	-	604	-	-	-	368,550
Hedging derivatives	6,750	-	-	(604)	-	-	-	6,146
Debt securities issued	103,235	-	-	-	-	-	-	103,235
Due to banks	88,621	-	-	-	-	-	-	88,621
Customer deposits	410,633	-	-	-	-	-	-	410,633
Revaluation differences on portfolios hedged against interest rate risk	6,020	-	-	-	-	-	-	6,020
Tax liabilities	1,662	-	-	-	-	-	(54)	1,608
Other liabilities	69,139	-	-	-	-	-	-	69,139
Non-current liabilities held for sale	-	-	-	-	-	-	-	-
Underwriting reserves of insurance companies	130,958	(130,958)	-	-	-	-	-	-
Liabilities related to insurance companies	N/A	131,717	-	-	-	-	-	131,717
Provisions	6,117	-	-	-	(38)	266	-	6,345
Subordinated debt	13,647	-	-	-	-	-	-	13,647
Total liabilities	**1,211,091**	**-**	**-**	**-**	**(38)**	**266**	**(54)**	**1,211,265**
SHAREHOLDERS' EQUITY	-	-	-	-	-	-	-	-
Shareholders' equity, Group share	-	-	-	-	-	-	-	-
Issued common stocks, equity instruments and capital reserves	29,427	-	-	-	-	-	-	29,427
Retained earnings	27,791	-	724	-	113	(1,031)	101	27,698
Net income	2,806	-	-	-	-	-	-	2,806
Sub-total	**60,024**	**-**	**724**	**-**	**113**	**(1,031)**	**101**	**59,931**
Unrealised or deferred capital gains and losses	(651)	-	(724)	-	(329)	5	196	(1,503)
Sub-total equity, Group share	**59,373**	**-**	**-**	**-**	**(216)**	**(1,026)**	**297**	**58,428**
Non-controlling interests	4,664	-	-	-	(28)	(165)	52	4,523
Total equity	**64,037**	**-**	**-**	**-**	**(244)**	**(1,191)**	**349**	**62,951**
Total	**1,275,128**	**-**	**-**	**-**	**(282)**	**(925)**	**295**	**1,274,216**

(1) Except for insurance subsidiaries (see Note 4.3)

DESCRIPTION OF RECLASSIFICATIONS

Identification of liabilities related to insurance contracts *(column A)*

Following the decision of the Group to defer the application of IFRS 9 for its insurance subsidiaries, liabilities related to insurance contracts (underwriting reserves of insurance companies and derivatives instruments) have been grouped in a specific line of the balance sheet (*Insurance contracts related to liabilities*).

OCA (Own Credit Adjustment) *(column B)*

Revaluation differences on financial liabilities designated at fair value through profit or loss using the fair value option, and related to the Group's own credit risk (also called OCA) are now recorded among *Unrealised or deferred capital gains and losses*, without subsequent reclassification in profit or loss. The cumulated differences as at 31 December 2017 amount to EUR - 724 million.

Other reclassifications *(column C)*

Hedging derivative instruments for which the hedged financial asset has been reclassified as *Financial assets at fair value through profit or loss* have been de-designated and reclassified as trading instruments for an amount of EUR 604 million on the liability side.

DESCRIPTION OF VALUE ADJUSTMENTS

Limited increase in provisions for credit risk *(column E)*

The application of the new accounting model for credit risk causes an adjustment of provisions on guarantee and loan commitments for an amount of EUR 266 million in addition to an adjustment of impairment on the asset side. The analysis of those adjustments is presented in the section "*Impact on impairment and provisions*".

Tax effects (*column F*)

The tax effects of those adjustments has changed the amounts of deferred tax assets and liabilities in the Group's balance sheet.

Equity *(columns D, E and F)*

The value adjustments recorded as at 1 January 2018 on Group assets and liabilities in compliance with IFRS 9 have been recorded with a corresponding entry in equity. Those adjustments are mainly due to the application of the new accounting model for credit risk (EUR -1,191 million).

Moreover, adjustments of impairment on debt financial assets at fair value through other comprehensive income have been reclassified from *Unrealised or deferred capital gains and losses* to *Retained earnings* (EUR 5 million).

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

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

ACCOUNTING TREATMENTS PROVIDED BY IFRS 16

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

	Income statement	Fixed assets	Liabilities	Off balance sheet rights and obligations
IAS 17	Lease payments in Other operating expenses	_ _ _	_ _ _	€ € €
IFRS 16	Interest expense in NBI + Amortisation expense		€ € €	_ _ _

The Group, as lessee, currently records its leases as operating leases and recognises lease payments as income according to the straight line method over the term of the lease, in compliance with IAS 17.

Most lease payments (nearly 80%) concern property leases concluded for the rental of retail spaces (branch offices in the retail banking networks in France or abroad) and office buildings (used by some departments belonging to Group headquarters in France and local headquarters of the main overseas subsidiaries, and in some locations on the main international financial markets: London, New York, Hong Kong). In France, commercial leases are generally enforceable for a term of 9 years, with an initial 3-year non-cancellation period.

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

ORGANISATION OF THE IFRS 16 STANDARD IMPLEMENTATION PROGRAMME

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

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

Since the beginning of 2017, the Group has:

- collected data on leases for real estate assets and begun collecting data on contracts covering IT equipment and auto leases in order to establish a Group lease database;
- developed an in-house calculation and operation tool for the lease database, which can be used to generate the data required to recognise leases in the financial statements in accordance with IFRS 16.

At this point in the implementation of IFRS 16, the quantified impacts of its application on the Group's financial statements cannot be reasonably estimated.

6. USE OF ESTIMATES AND JUDGMENT

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

In order to make these assumptions and estimates, the Management uses the information available at the date of preparation of the consolidated financial statements and can exercise its judgment. By their 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.

These estimates are notably used in the fair value measurement of financial instruments and the measurement of asset impairment, provisions recognised as liabilities in the balance sheet (in particular, provisions for disputes in a complex legal setting), deferred tax assets recognised in the balance sheet and goodwill, as well as the assessment of controls for determining the scope of consolidated entities (especially for structured entities).

For the application of IFRS 9, the Group has expanded the use of estimates and judgement in analysing the contractual cash flow characteristics of financial assets, assessing the increase in credit risk observed since the initial recognition of financial assets, and measuring the amount of expected credit losses on these same financial assets.

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

NOTE 2 - CONSOLIDATION

NOTE 2.1 - CONSOLIDATION SCOPE

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

There is no significant change to the consolidation scope at 30 June 2018, compared with the scope applicable at the closing date of 31 December 2017.

NOTE 2.2 - GOODWILL

The table below shows the changes in the net values of goodwill recorded by the Cash-Generating Units (CGUs) in the first half of 2018:

(In millions of euros)	**Net book value at 31.12.2017**	**Acquisitions and other increases**	**Disposals and other decreases[(1)]**	**Transfers[(2)]**	**Net book value at 30.06.2018**
French Retail Banking	**815**			**(18)**	**797**
Societe Generale Network	304			(18)	286
Crédit du Nord	511				511
International Retail Banking & Financial Services	**3,209**	**9**	**(123)**		**3,095**
Europe	1,787		(123)		1,664
Russia	-				-
Africa, Mediterranean Basin and Overseas [(3)]	231				231
Insurance	335				335
Equipment and Vendor Finance	335				335
Auto Leasing Financial Services	521	9			530
Global Banking and Investor Solutions	**964**			**18**	**982**
Global Markets and Investor Services	501				501
Financing and Advisory	39			18	57
Asset and Wealth Management	424				424
TOTAL	**4,988**	**9**	**(123)**	**-**	**4,874**

(1) The goodwill for the Albanian and Bulgarian retail banks (Banka SG Albania and SG Express Bank) has been reclassified to "Non-current assets held for sale" (See Note 2.3).

(2) Since 1st January 2018, the activity Global Transaction and Payment Services has been transferred from French Retail Banking to Global Banking and Investor Solutions.

(3) The CGU "Africa, Asia, Mediterranean Basin and Overseas" has been renamed "Africa, Mediterranean Basin and Overseas" without consequences on the amount of goodwill.

NOTE 2.3 - 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 through 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 if assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified 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 that their net carrying value, an impairment is then recognized in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In millions of euros)	30.06.2018	31.12.2017
Assets	**4,313**	**13**
Fixed assets and Goodwill	144	6
Financial assets	3,458	7
Financial assets at fair value through profit or loss	*68*	*7*
Financial assets at fair value through equity	*522*	-
Due from banks	*97*	-
Customer loans	*2,771*	-
Other assets	711	-
Liabilities	**4,042**	**-**
Allowances	15	-
Financial liabilities	3,974	-
Financial liabilities at fair value through profit or loss	*1*	-
Due to banks	*208*	-
Customer deposits	*3,765*	-
Other liabilities	53	-

The *Non-current assets held for sale* and *Non-current liabilities held for sale* items mainly encompass the assets and liabilities of the Group's Albanian and Bulgarian retail banking arms (SG Albania and SG Express Bank respectively).

The principle applied whereby some non-current assets held for sale (mostly goodwill and fixed assets) are assessed at their lowest accounting value and lowest net fair value for the disposal costs means that all or part of any expected capital loss from the sale of an asset group can be allocated as soon as these assets are reclassified under *Non-current assets held for sale*. In this context, the impairment cost recognised by the Group at 30 June 2018 was limited to EUR -27 million under *Net gains or losses from other assets*.

On 30 July 2018, the Group reached an agreement to sell Societe Generale Private Banking NV/SA. The contribution of this entity to the Group's balance sheet is limited (EUR 515 million among *Customer loans at amortised cost* and EUR 993 million among *Customer deposits*). The sale will not lead to any loss in the Group's consolidated statements. As at 30 June 2018, it was not highly probable that the sale could occur within twelve months; negotiations have been subsequently accelerated until succeeding at the late end of July. Accordingly, in the interim consolidated financial statements for the six-month period ending 30 June 2018, the entity's assets and liabilities remain presented in their original categories.

NOTE 3 - FINANCIAL INSTRUMENTS

MAKING IT SIMPLE	
	The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.). In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments. However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

CLASSIFICATION OF FINANCIAL ASSETS

At initial recognition, financial instruments are classified in the Group balance sheet in one of three categories (amortised cost, fair value through profit or loss, and fair value through other comprehensive income) that determine their accounting treatment and subsequent measurement method. Classification is based on their contractual cash flow characteristics and the entity's business model for managing the assets.

Cash flow characteristics	+ Business model	= Accounting classification
SPPI (**S**olely **P**ayments of **P**rincipal and **I**nterest) • **Basic debt financial assets**	**Collecting contractual cash**	**Amortised cost**
	Collecting contractual cash flows and selling	**Fair *value* through OCI** with subsequent recycling in the income statement
	Trading portfolio	**Fair value through profit or loss**
	+ Fair value option *(to eliminate or reduce an accounting mismatch)*	**Fair value through profit or loss**
NON -SPPI • **Complex debt financial assets** • **Equity financial assets** • **Derivatives**	**Regardless of the business model**	**Fair value through profit or loss**
	+ Fair value through OCI option *without subsequent recycling in the income statement(non-trading equity financial assets)*	**Fair value through OCI** without subsequent recycling in the income statement

The accounting principles for classifying financial assets require the entity to analyse the contractual cash flows generated by the financial instruments and to analyse the business model for managing the financial instruments.

Analysis of contractual cash flow characteristics

The aim of the analysis of contractual cash flow characteristics is to limit the option of recognising revenues from financial assets using the effective interest method exclusively to instruments whose characteristics are similar to those of a basic lending arrangement, meaning their associated cash flows are highly predictable. All other financial instruments that do not share these characteristics are measured at fair value through profit or loss, regardless of the business model used to manage them.

Contractual inflows that represent Solely Payments of Principal and Interest (SPPI) are consistent with a basic lending arrangement.

In a basic lending arrangement, interest predominantly consists of a consideration for the time value of money and for credit risk. Interest may also include a consideration for liquidity risk, administrative costs, and a commercial profit margin. Negative interest is not inconsistent with this definition.

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

Derivatives qualifying as hedging instruments for accounting purposes are recorded on a separate line in the balance sheet (see Note 3.2).

The Group can make the irrevocable decision to classify and measure an investment in an equity instrument that is not held for trading purposes at fair value through other comprehensive income. Subsequently, the profit or loss accumulated in other comprehensive income will never be reclassified to profit or loss (only dividends from those investments will be recognised as income).

Guarantee deposits paid, trade receivables and operating lease receivables are presented among *Other assets* (see Note 4.4).

Analysis of the business model

The business model represents how the financial instruments are managed in order to generate cash flows and income.

The Group uses several business models in the course of exercising its different business lines. Business models are assessed on how groups of financial instruments are managed together to achieve a particular business objective. The business model is not assessed on an instrument-by-instrument basis, but at a portfolio level, considering relevant evidence such as:

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

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

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

Fair value option

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

CLASSIFICATION OF FINANCIAL LIABILITIES

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

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

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

Guarantee deposits received and trade payables are presented among *Other liabilities* (see Note 4.4).

RECLASSIFICATION OF FINANCIAL ASSETS

Reclassification of financial assets is only required in the exceptional event that the Group changes the business model used to manage these assets.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

INITIAL RECOGNITION

Financial assets are recognised on the balance sheet:

- at the settlement/delivery date for securities;
- at the trade date for derivatives;
- at the disbursement date for loans.

For instruments measured at fair value, changes in fair value between the trade date and the settlement-delivery date are recorded under profit or loss or under other comprehensive income, depending on the accounting classification of the financial assets in question. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Group.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or 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 recognition of the sales margin is then generally deferred in the income statement. For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal 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.

ANALYSIS OF CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

The Group has established procedures for determining if financial assets pass the SPPI test at initial recognition (allocation of loans, acquisition of securities, etc.).

All contractual terms shall be analysed, particularly those that could change the timing or amount of contractual cash flows. A contractual term that permits the borrower or the lender to prepay or to return the debt instrument to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount primarily represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. Such compensation can be either positive or negative which is not inconsistent with SPPI cash flows.

The prepayment compensation is considered as reasonable especially when:

- the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding), or is limited by competitive market practices;
- the amount is equal to the difference between contractual interest that should have been received until the maturity of the loan and the interest that would be obtained by the reinvestment of the prepaid amount at a rate that reflects the relevant benchmark interest rate.

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

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

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

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

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

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

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

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

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

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

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

COMPARATIVE DATA

The comparative data for balance sheet items and commitments associated with financial instruments presented throughout Note 3 are the balances at 1 January 2018. These amounts constitute the balances at 31 December 2017, corrected for reclassifications and value adjustments resulting from the first-time application of IFRS 9.

The comparative data at 31 December 2017, and the accounting policies applicable to these comparative data, are available in the consolidated financial statements for financial year 2017, presented in the chapter 6 of the 2018 Registration Document of the Societe Generale Group.

Furthermore, the Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. As of 1 January 2018, the financial assets and liabilities of these subsidiaries, and the related income, are presented on separate lines in the balance sheet (*Investments of insurance activities* and *Insurance contracts related liabilities*) and in the income statement (*Net income from insurance activities*). Consequently, the data for financial year 2018 presented in Note 3 exclude the financial instruments of insurance subsidiaries (the data for insurance subsidiaries are presented in Note 4.3).

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

OVERVIEW OF IFRS 9 TRANSITION (see comments in Note 1)

(In millions of euros)	Balance at 31.12.2017 IAS 39	Reclassifications: of investments and liabilities related to insurance activities	Reclassifications: of available-for-sale financial assets	Reclassifications: of non-SPPI loans and receivables	Reclassifications: of loans and receivables regarding the business model	Reclassifications: Other	Value adjustments	Balance at 01.01.2018 IFRS 9
Financial assets at fair value through profit or loss								
Trading portfolio	342,616	(699)	737	-	644	586	(47)	343,837
Financial assets mandatorily at fair value through profit or loss	N/A	-	1,685	19,992	-	61	(169)	21,569
Financial assets at fair value through profit or loss using the fair value option	77,064	(53,899)	-	(19,349)	-	(110)	-	3,706
Total	**419,680**	**(54,598)**	**2,422**	**643**	**644**	**537**	**(216)**	**369,112**
Financial liabilities at fair value through profit or loss								
Trading portfolio	288,689	(759)	-	-	-	604	-	288,534
Financial liabilities at fair value through profit or loss using the fair value option	80,016	-	-	-	-	-	-	80,016
Total	**368,705**	**(759)**	**-**	**-**	**-**	**604**	**-**	**368,550**

OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.06.2018		01.01.2018	
(In millions of euros)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading portfolio	356,760	295,002	343,837	288,534
Financial assets mandatorily at fair value through profit or loss	22,800		21,569	
Financial instruments using fair value option through profit or loss	3,096	78,145	3,706	80,016
Total	**382,656**	**373,147**	**369,112**	**368,550**
o/w securities purchased/sold under resale/repurchase agreements	*124,552*	*103,402*	*101,414*	*105,737*

1. TRADING PORTFOLIO

ACCOUNTING PRINCIPLES

The trading book contains financial assets and liabilities held or accrued for the purpose of capital markets activities.

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

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

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

TRADING ACTIVITIES

Financial assets held for trading are:

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

Global market activities

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

It is also applied for managing syndicated loan commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term (within 6 to 12 months) on the secondary market, as well as for loans originated by the Group through originate-to-distribute activities and that are expected to be sold shortly.

Financial assets held in run-off portfolios are also monitored based on their fair value. Although those portfolios are not related to market activities, those assets are presented amongst the trading portfolio and are measured at fair value through profit or loss.

These financial assets include tranches of CDOs (Collateralised Debt Obligations) or ABS (Asset-Backed Securities) in which the Group still holds residual lines subject to gradual disposals. In 2008, these financial assets had been reclassified to *Loans and receivables* and were transferred to *Financial assets at fair value through profit or loss* at 1 January 2018 as a result of the first-time application of IFRS 9.

The trading portfolio includes all the financial assets held for trading purposes regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst *Financial assets measured mandatorily at fair value through profit or loss* (see section 2 below).

ASSETS

(In millions of euros)	**30.06.2018**	**01.01.2018**
Bonds and other debt securities	34,760	28,006
Shares and other equity securities	65,287	80,059
Loans and securities purchased under resale agreements	126,390	101,110
Trading derivatives (1)	130,006	134,291
Other trading assets	317	371
Total	**356,760**	**343,837**
o/w securities lent	*15,890*	*15,807*

(1) See Note 3.2 Financial derivatives

LIABILITIES

(In millions of euros)	30.06.2018	01.01.2018
Amounts payable on borrowed securities	46,662	34,844
Bonds and other debt instruments sold short	8,805	5,416
Shares and other equity instruments sold short	1,331	1,002
Borrowings,securities sold under repurchase agreements	102,282	104,090
Trading derivatives [1]	134,483	142,369
Other trading liabilities	1,439	813
Total	**295,002**	**288,534**

(1) See Note 3.2 Financial derivatives

2. FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments).
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under *Financial assets at fair value through profit or loss* and changes in the fair value of these instruments (excluding interest income) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*.

BREAKDOWN OF FINANCIAL ASSETS MEASURED MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

(In millions of euros)	30.06.2018	01.01.2018
Bonds and other debt securities	157	159
Shares and other equity securities	1,813	1,560
Loans and securities purchased under resale agreements	20,830	19,850
Total	**22,800**	**21,569**

The loans and receivables recorded in the balance sheet under *Financial assets at fair value through profit or loss* are mainly loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate.

Until 31 December 2017, almost all these loans were classified as *Financial assets measured at fair value option through profit or loss* in order to eliminate or significantly reduce accounting mismatches with hedging derivatives that were not accounted for as hedging instruments, or in order to avoid the separate recognition of embedded derivatives.

At 1 January 2018, only EUR 643 million had been reclassified from *Loans and receivables* into *Financial assets mandatorily measured at fair value through profit or loss*.

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

ACCOUNTING PRINCIPLES

In addition to financial assets and liabilities held for trading, and financial assets measured mandatorily at fair value through profit or loss, the same headings in the financial statements include non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*.

For financial assets, this option may only be used to eliminate or significantly reduce accounting mismatches that would otherwise arise from applying different accounting treatments to certain financial assets and liabilities.

For financial liabilities, this option may only be used in the following cases:

- to eliminate or reduce discrepancies in the accounting treatment of certain financial assets and liabilities;
- when it applies to a hybrid financial instrument with one or more embedded derivatives, which should be recognised separately;
- when a group of financial assets and/or liabilities is managed together and its performance is measured at fair value.

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

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 millions of euros)	30.06.2018	01.01.2018
Bonds and other debt securities	1,046	1,045
Loans and securities purchased under resale agreements	1,511	2,119
Other financial assets	-	-
Separate assets for employee benefits plans	539	542
Total	**3,096**	**3,706**

LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale group.

Changes in fair value attributable to own credit risk generated a gain of EUR 141 million at 30 June 2018, which was recognised in other comprehensive income. Up to this date, the total gains and losses attributable to own credit risk amounted to EUR -583 million (see “Statement of net income and unrealised or deferred gains and losses” and “Changes in shareholders’ equity”).

At 31 December 2017, changes in fair value attributable to own credit risk were recognised in the income statement.

The revaluation differences attributable to the Group’s issuer credit risk are determined using valuation models taking into account the Societe Generale group’s most recent financing terms and conditions on the markets and the residual maturity of the related liabilities.

At 30 June 2018, the difference between the fair value of financial liabilities measured using the fair value option through profit or loss (EUR 78,145 million versus EUR 80,016 million at 31 December 2017) and their amount redeemable at maturity (EUR 78,483 million versus EUR 79,597 million at 31 December 2017) stood at EUR -338 million (EUR 419 million at 31 December 2017).

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 its 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*, for 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 of the underlying (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 or shares in Group subsidiaries as their underlying instrument 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 qualified as equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and are not subject to any subsequent reevaluation. 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 contract that also includes a non-derivative host instrument.

Where the host contract is a financial asset, the entire hybrid contract is measured at fair value through profit or loss because its contractual cash flows do not pass the SPPI test.

Where the host contract is a financial liability and is not measured at fair value through profit or loss, the embedded derivative is separated from the host contract if:

- at acquisition, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; and
- it would meet the definition of a derivative.

Once separated, the derivative is recognised at fair value in the balance sheet under *Financial assets* or *Financial liabilities at fair value through profit or loss* under the aforementioned conditions. The host contract is classified as a financial liability and measured in accordance with its accounting category.

1. TRADING DERIVATIVES

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 have subsequently defaulted 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

	30.06.2018		01.01.2018	
(In millions of euros)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate instruments	81,906	81,779	89,508	92,183
Foreign exchange instruments	18,309	18,725	16,553	17,797
Equities & index instruments	21,456	24,074	19,959	22,732
Commodities instruments	6,356	6,681	5,948	6,070
Credit derivatives	1,789	2,309	2,245	2,562
Other forward financial instruments	190	915	78	1,025
Total	**130,006**	**134,483**	**134,291**	**142,369**

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

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

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 hedged item.

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 and similar income / expense* symmetrically 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. In this case, revaluation differences are recorded in net income.

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 and similar income / expense* 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.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest and similar income / 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

	30.06.2018		01.01.2018	
(In millions of euros)	Assets	Liabilities	Assets	Liabilities
Fair value hedge				
Interest rate instruments	11,774	6,160	12,403	5,974
Foreign exchange instruments	30	3	53	4
Equity and index instruments	1	9	-	-
Cash flow hedge				
Interest rate instruments	32	177	49	103
Foreign exchange instruments	185	76	204	61
Equity and index instruments	2	13	9	4
Total	**12,024**	**6,438**	**12,718**	**6,146**

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

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

NOTE 3.3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

OVERVIEW OF IFRS 9 TRANSITION (see comments on Note 1)

(In millions of euros)	Balance at 31.12.2017 IAS 39	Reclassifications: of available-for-sale financial assets	Reclassifications: of held-to-maturity financial assets	Reclassifications: of loans and receivables regarding the business model	Value adjustments	Balances at 01.01.2018 IFRS 9
Bonds and other debt securities	N/A	49,584	485	80	29	50,178
Loans and securities purchased under resale agreements	N/A	-	-	-	-	-
Sub-total debt instruments	**N/A**	**49,584**	**485**	**80**	**29**	**50,178**
Shares and other equity securities	N/A	290	-	-	-	290
Total financial assets at fair value through other comprehensive income	**N/A**	**49,874**	**485**	**80**	**29**	**50,468**

OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In millions of euros)	30.06.2018	01.01.2018
Bonds and other debt securities	57,043	50,178
Loans and securities purchased under resale agreements	-	-
Sub-total debt instruments	**57,043**	**50,178**
Shares and other equity securities	292	290
Total	**57,335**	**50,468**
o/w securities lent	*622*	*27*

1. DEBT INSTRUMENTS

ACCOUNTING PRINCIPLES

Debt instruments (loans and receivables, bonds and bond equivalents) are classified as *Financial assets at fair value through other comprehensive income* where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a Collect and Sell business model.

Accrued or earned income on debt instruments is recorded in profit or loss based on the effective interest rate, under *Interest and similar income*.

At the reporting date, these instruments are measured at fair value, and changes in fair value, excluding income, are recorded under *Unrealised or deferred gains and losses*, except for foreign exchange differences on money market instruments denominated in local currencies, which are recorded in profit or loss. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding entry to *Unrealised or deferred gains and losses.* The applicable impairment rules are described in Note 3.8.

BUSINESS MODEL “HOLD TO COLLECT AND SALE “

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

Cash management

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

CHANGES OF THE CARRYING AMOUNT

(In millions of euros)	2018
Balance on 1st January	**50,178**
Acquisitions	23,184
Disposals / redemptions	(15,793)
Transfers further to redeployment towards (or from) another accounting category	-
Change in scope and others	(757)
Changes in fair value during the period	(265)
Change in related receivables	18
Translation differences	478
Balance on 30th June	**57,043**

BREAKDOWN OF UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

(In millions of euros)	30.06.2018
Unrealised gains	567
Unrealised losses	(229)
Total	**338**

2. EQUITY INSTRUMENTS

ACCOUNTING PRINCIPLES

Equity instruments (shares and share equivalents) that are not held for trading purposes can be initially designated by the Group to be measured at fair value through other comprehensive income. This option, made instrument by instrument, is irrevocable.

These equity instruments are then measured at fair value and changes in fair value, excluding dividends, are recognised under *Unrealised or deferred gains and losses* with no subsequent reclassification to profit or loss. If the instruments are sold, the associated unrealised or deferred gains and losses are reclassified to *Retained earnings* at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, are recorded in the income statement under *Net gains or losses on financial assets at fair value through other comprehensive income.*

The Group has chosen only in a very few cases to designate equity instruments to be measured at fair value through other comprehensive income.

3. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In millions of euros)	1st half of 2018
Realised gains and losses on sale of debt instruments	3
Dividends incomes on financial assets at fair value through other comprehensive income	21
Total	**24**

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

MAKING IT SIMPLE

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

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

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

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

ACCOUNTING PRINCIPLES

DEFINITION OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

FAIR VALUE HIERARCHY

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if 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 the 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).

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

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

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

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

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

The main L3 complex derivatives are:

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

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE

	30.06.2018				01.01.2018			
(In millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	**90,038**	**136,202**	**514**	**226,754**	**97,222**	**112,077**	**247**	**209,546**
Bonds and other debt securities	31,603	2,844	313	34,760	25,225	2,612	169	28,006
Shares and other equity securities	58,435	6,851	1	65,287	71,997	8,061	1	80,059
Loans and securities purchased under resale agreements	-	126,190	200	126,390	-	101,033	77	101,110
Other trading assets	-	317	-	317	-	371	-	371
Trading derivatives	**136**	**126,546**	**3,325**	**130,006**	**38**	**131,670**	**2,583**	**134,291**
Interest rate instruments	21	79,459	2,426	81,906	19	87,663	1,826	89,508
Foreign exchange instruments	-	18,099	210	18,309	16	16,411	126	16,553
Equity and index instruments	-	21,021	435	21,456	-	19,535	424	19,959
Commodity instruments	-	6,288	68	6,356	-	5,888	60	5,948
Credit derivatives	-	1,610	179	1,789	-	2,108	137	2,245
Other forward financial instruments	115	68	7	190	3	65	10	78
Financial assets measured mandatorily at fair value through profit or loss	**139**	**19,463**	**3,198**	**22,800**	**151**	**18,782**	**2,636**	**21,569**
Bonds and other debt securities	23	45	89	157	2	67	90	159
Shares and other equity securities	116	257	1,440	1,813	149	200	1,211	1,560
Loans and securities purchased under resale agreements	-	19,161	1,669	20,830	-	18,515	1,335	19,850
Financial assets measured using fair value option through profit or loss	**861**	**2,026**	**209**	**3,096**	**848**	**2,667**	**191**	**3,706**
Bonds and other debt securities	861	185	-	1,046	848	197	-	1,045
Loans and securities purchased under resale agreements	-	1,302	209	1,511	-	1,928	191	2,119
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	539	-	539	-	542	-	542
Hedging derivatives	**-**	**12,024**	**-**	**12,024**	**-**	**12,718**	**-**	**12,718**
Interest rate instruments	-	11,806	-	11,806	-	12,452	-	12,452
Foreign exchange instruments	-	215	-	215	-	257	-	257
Equity and index instruments	-	3	-	3	-	9	-	9
Financial assets measured at fair value through other comprehensive income	**48,039**	**9,002**	**294**	**57,335**	**48,045**	**2,130**	**293**	**50,468**
Bonds and other debt securities	48,039	9,002	2	57,043	48,045	2,130	3	50,178
Shares and other equity securities	-	-	292	292	-	-	290	290
Loans and receivables	-	-	-	-	-	-	-	-
Total financial assets at fair value	**139,213**	**305,262**	**7,540**	**452,015**	**146,304**	**280,044**	**5,950**	**432,298**

2. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

	30.06.2018				01.01.2018			
(In millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	**10,186**	**150,331**	**2**	**160,519**	**6,755**	**139,410**	**-**	**146,165**
Amounts payable on borrowed securities	51	46,611	-	46,662	337	34,507	-	34,844
Bonds and other debt instruments sold short	8,804	1	-	8,805	5,416	-	-	5,416
Shares and other equity instruments sold short	1,331	-	-	1,331	1,002	-	-	1,002
Borrowings and securities sold under repurchase agreements	-	102,280	2	102,282	-	104,090	-	104,090
Other trading liabilities	-	1,439	-	1,439	-	813	-	813
Trading derivatives	**614**	**129,700**	**4,169**	**134,483**	**16**	**137,181**	**5,172**	**142,369**
Interest rate instruments	14	78,907	2,858	81,779	-	88,366	3,817	92,183
Foreign exchange instruments	501	18,083	141	18,725	1	17,742	54	17,797
Equity and index instruments	-	23,257	817	24,074	-	21,844	888	22,732
Commodity instruments	-	6,644	37	6,681	-	6,048	22	6,070
Credit derivatives	-	1,993	316	2,309	-	2,171	391	2,562
Other forward financial instruments	99	816	-	915	15	1,010	-	1,025
Financial liabilities measured using fair value option through profit or loss	**354**	**38,749**	**39,042**	**78,145**	**334**	**41,008**	**38,674**	**80,016**
Hedging derivatives	**-**	**6,438**	**-**	**6,438**	**-**	**6,146**	**-**	**6,146**
Interest rate instruments	-	6,337	-	6,337	-	6,077	-	6,077
Foreign exchange instruments	-	79	-	79	-	65	-	65
Equity and index instruments	-	22	-	22	-	4	-	4
Total financial liabilities at fair value	**11,154**	**325,218**	**43,213**	**379,585**	**7,105**	**323,745**	**43,846**	**374,696**

3. VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In millions of euros)	Balance at 01.01.2018	Acquisitions	Disposals / redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 30.06.2018
Trading portfolio	**247**	**557**	**(317)**	**-**	**-**	**(1)**	**28**	**-**	**514**
Bonds and other debt securities	169	199	(71)	-	-	(8)	24	-	313
Shares and other equity securities	1	-	-	-	-	-	-	-	1
Loans and securities purchased under resale agreements	77	358	(246)	-	-	7	4	-	200
Other trading assets	-	-	-	-	-	-	-	-	-
Trading derivatives	**2,583**	**54**	**(4)**	**(72)**	**361**	**329**	**74**	**-**	**3,325**
Interest rate instruments	1,826	-	-	(56)	357	262	37	-	2,426
Foreign exchange instruments	126	20	(4)	(1)	1	39	29	-	210
Equity and index instruments	424	23	-	(15)	3	(8)	8	-	435
Commodity instruments	60	11	-	-	-	(3)	-	-	68
Credit derivatives	137	-	-	-	-	42	-	-	179
Other forward financial instruments	10	-	-	-	-	(4)	-	-	7
Financial assets measured mandatorily at fair value through profit or loss	**2,636**	**741**	**(159)**	**(58)**	**23**	**(22)**	**43**	**(6)**	**3,198**
Bonds and other debt securities	90	3	(1)	-	-	-	-	(3)	89
Shares and other equity securities	1,211	138	(158)	(40)	23	252	5	9	1,440
Loans and securities purchased under resale agreements	1,335	600	-	(18)	-	(274)	38	(12)	1,669
Financial assets measured using fair value option through profit or loss	**191**	**-**	**-**	**-**	**-**	**6**	**-**	**12**	**209**
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans, receivables and securities purchased under resale agreements	191	-	-	-	-	6	-	(12)	209
Other financial assets	-	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate instruments	-	-	-	-	-	-	-	-	-
Foreign exchange instruments	-	-	-	-	-	-	-	-	-
Equity and index instruments	-	-	-	-	-	-	-	-	-
Other forward financial instruments	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value option through other comprehensive income	**293**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**294**
Debt instruments	3	-	-	-	-	-	-	(1)	2
Equity instruments	290	-	-	-	-	-	-	2	292
Loans and receivables	-	-	-	-	-	-	-	-	-
Total financial assets at fair value	**5,950**	**1,352**	**(480)**	**(130)**	**384**	**312**	**145**	**7**	**7,540**

FINANCIAL LIABILITIES AT FAIR VALUE

(In millions of euros)	Balance at 01.01.2018	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Balance at 30.06.2018
Trading portfolio	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**2**
Amounts payable on borrowed securities	-	-	-	-	-	-	-	-
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-
Borrowings and securities sold under repurchase agreements	-	2	-	-	-	-	-	2
Other trading liabilities	-	-	-	-	-	-	-	-
Trading derivatives	**5,172**	**332**	**(26)**	**(304)**	**547**	**(1,647)**	**95**	**4,169**
Interest rate instruments	3,817	31	-	(192)	539	(1,416)	79	2,858
Foreign exchange instruments	54	29	-	(1)	3	55	1	141
Equity and index instruments	888	270	(26)	(111)	5	(225)	16	817
Commodity instruments	22	2	-	-	-	13	-	37
Credit derivatives	391	-	-	-	-	(74)	(1)	316
Other forward financial instruments	-	-	-	-	-	-	-	-
Financial liabilities measured using fair value option through profit or loss	**38,674**	**11,257**	**(8,616)**	**(1,086)**	**468**	**(2,379)**	**724**	**39,042**
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate instruments	-	-	-	-	-	-	-	-
Foreign exchange instruments	-	-	-	-	-	-	-	-
Equity and index instruments	-	-	-	-	-	-	-	-
Other forward financial instruments	-	-	-	-	-	-	-	-
Total financial liabilities at fair value	**43,846**	**11,591**	**(8,642)**	**(1,390)**	**1,015**	**(4,026)**	**819**	**43,213**

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 do 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 & Scholes formula for certain options, and using valuation parameters that reflect current market conditions at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the inputs used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Market Activities, 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 the 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.

The CVA is determined on the basis of the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of 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 long 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).

CUSTOMER LOANS

The fair value of loans and receivables is calculated, in the absence of an actively traded market for these loans, by discounting the expected cash flows to present value at a discount rate based on interest rates prevailing on the market at the reporting date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

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 millions of euros) Cash instruments and derivatives [1]	Value in balance sheet: Assets	Value in balance sheet: Liabilities	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min & max
Equities/funds	904	29,054	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	4.4% ; 76.3%
					Equity dividends	0.0% ; 19.8%
					Correlations	-100.0% ;100.0%
					Hedge fund volatilities	8.3% ; 20.0%
					Mutual fund volatilities	1.5% ; 53.3%
Rates and Forex	4,923	13,806	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-10.89% ; 90%
			Forex derivatives	Forex option pricing models	Forex volatilities	1.0% ; 29.0%
			Interest rate derivatives whose notional is indexed to prepayment behaviour on European underlying assets	Prepayment modelling	Constant prepayment rates	0.0% ; 45%
			Inflation instruments and derivatives	Inflation pricing models	Correlations	64.4% ; 88.9%
Credit	179	316	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	68	37	Derivatives on commodities baskets	Models on commodities options	Commodities correlations	5.70% ; 97.64%
Long term equity investments	1,466	-	Securities held for strategic purposes	Net Book Value / Recent transactions	Non applicable	-
TOTAL	**7,540**	**43,213**				

(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 30 June 2018 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

	30.06.2018		31.12.2017	
(In millions of euros)	Negative impact	Positive impact	Negative impact	Positive impact
Shares and other equity instruments and derivatives	**(12)**	**89**	**(5)**	**88**
Equity volatilities	0	18	0	18
Dividends	0	6	0	6
Correlations	(12)	57	(5)	59
Hedge Fund volatility	0	0	0	0
Mutual Fund volatility	0	8	0	6
Rates or Forex instruments and derivatives	**(7)**	**46**	**(6)**	**50**
Correlations between exchange rates and/or interest rates	(4)	43	(4)	45
Forex volatilities	(2)	2	(1)	2
Constant prepayment rates	0	0	0	0
Inflation / inflation correlations	(1)	1	(1)	2
Credit instruments and derivatives	**(6)**	**18**	**(2)**	**6**
Time to default correlations	(4)	8	(1)	1
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	(2)	10	0	4
Credit spreads	0	0	(1)	1
Commodity derivatives	**0**	**1**	**0**	**1**
Commodities correlations	0	1	0	1
Long term securities valued using internal models	**NA**	**NA**	**NA**	**NA**

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 millions of euros)	2018	2017
Deferred margin at 1st January	**1,281**	**1,142**
Deferred margin on new transactions during the period	450	880
Margin recorded in the income statement during the period	(380)	(741)
o/w amortisation	*(200)*	*(316)*
switch to observable inputs	*(18)*	*(50)*
disposed, expired or terminated	*(162)*	*(375)*
Deferred margin at end of the period	**1,351**	**1,281**

NOTE 3.5 - LOANS, RECEIVABLES AND SECURITIES AT AMORTISED COST

OVERVIEW OF IFRS 9 TRANSITION (See comments on Note 1)

		Reclassifications						Value adjustment		
(In millions of euros)	**Balance at 31.12.2017 IAS 39**	of insurance activities investments	of available-for-sale financial assets	of held-to-maturity financial assets	of non-SPPI loans and receivables	of loans and receivables regarding the business model	Others	Reclassification effects	Recognition of credit risk impairment based on IFRS 9	**Balance at 01.01.2018 IFRS 9**
Securities at amortised cost	N/A	-	2,971	3,078	-	-	5,650	(100)	(7)	11,592
Due from banks at amortised cost	60,866	(7,103)	-	-	(5)	(80)	(18)	-	(4)	53,656
Customer loans at amortised cost	425,231	(141)	-	-	(638)	(644)	(5,580)	50	(887)	417,391
Total	**486,097**	**(7,244)**	**2,971**	**3,078**	**(643)**	**(724)**	**52**	**(50)**	**(898)**	**482,639**

OVERVIEW

	30.06.2018		01.01.2018	
(In millions of euros)	**Carrying amount**	o/w impairment	**Carrying amount**	o/w impairment
Due from banks	63,783	(29)	53,656	(29)
Customer loans	427,296	(12,651)	417,391	(13,361)
Securities	11,428	(10)	11,592	(11)
Total	**502,507**	**(12,690)**	**482,639**	**(13,401)**

ACCOUNTING PRINCIPLES

Loans, receivables and debt securities are measured at amortised cost where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under “Hold to Collect” business model.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, and their accrued or earned income is recorded in the income statement under *Interest and similar income*. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding impairment of amortised cost under balance sheet assets. The applicable impairment rules are described in Note 3.8.

Loans issued by the Group may be subject to renegotiations for commercial reasons, where the borrowing customer is not experiencing financial difficulties or insolvency. Such efforts are undertaken for customers for which the Group agrees to renegotiate their debt in the interest of preserving or developing a business relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Renegotiated loans are derecognised at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet at this same date. The new loans are subject to the SPPI test to determine how they are classified in the balance sheet. If a loan qualifies as SPPI, the renegotiation fees received are included in the effective interest rate of the new instrument.

Customer loans at amortised cost 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 Note 4.2).

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, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease. 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.

BUSINESS MODEL “HOLD TO COLLECT “

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

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

- the financial asset is sold following an increase in the asset’s credit risk; or
- the sale of the financial asset occurs close to its maturity and the proceeds from the sale are similar to the amount to be collected from the remaining contractual cash flows.

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

Financing activities

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

1. DUE FROM BANKS

(In millions of euros)	30.06.2018	01.01.2018
Current accounts	26,065	21,066
Deposits and loans	19,603	15,842
Subordinated and participating loans	131	133
Securities purchased under resale agreements	17,904	16,523
Related receivables	86	94
Due from banks before impairment	**63,789**	**53,658**
Credit loss impairment	(29)	(29)
Revaluation of hedged items	23	27
Net due from banks	**63,783**	**53,656**

2. CUSTOMER LOANS

(In millions of euros)	30.06.2018	01.01.2018
Overdrafts	22,136	20,239
Other customer loans	363,413	356,662
Lease financing agreements	31,482	30,310
Related receivables	1,798	2,183
Securities purchased under resale agreements	20,771	21,004
Customer loans before impairment	**439,600**	**430,398**
Credit loss impairment	(12,651)	(13,361)
Revaluation of hedged items	347	354
Customer loans	**427,296**	**417,391**

BREAKDOWN OF OTHER CUSTOMER LOANS

(In millions of euros)	30.06.2018	01.01.2018
Trade notes	9,777	10,173
Short-term loans	113,862	108,005
Export loans	11,382	10,395
Equipment loans	54,566	53,983
Housing loans	126,185	124,324
Loans secured by notes and securities	86	89
Other loans	47,555	49,693
Other customer loans	**363,413**	**356,662**

3. SECURITIES

(In millions of euros)	30.06.2018	01.01.2018
Government securities	5,932	5,623
Negociable certificates, bonds and other debt securities	5,411	5,851
Related receivables	83	109
Securities before impairment	**11,426**	**11,583**
Impairment	(10)	(11)
Revaluation of hedged items	12	20
Securities	**11,428**	**11,592**

NOTE 3.6 - DEBTS

The balance sheet value of financial liabilities at amortised cost was not impacted by the first-time application of IFRS 9.

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 according to the type of instrument and counterparty, under *Due to banks, Customer deposits, Debt securities issued or Subordinated debt.*

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 at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised over the lifetime of the instruments concerned. Accrued or paid expenses are recorded in profit or loss under *Interest and similar expense*.

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 8.3).

1. DUE TO BANKS

(In millions of euros)	30.06.2018	31.12.2017
Demand deposits and current accounts	13,214	11,686
Overnight deposits and borrowings and others	2,805	2,145
Term deposits	67,247	68,265
Related payables	127	127
Revaluation of hedged items	131	147
Securities sold under repurchase agreements	6,259	6,251
Total	**89,783**	**88,621**

2. CUSTOMER DEPOSITS

(In millions of euros)	30.06.2018	31.12.2017
Regulated savings accounts	93,880	92,023
Demand	*68,625*	*66,515*
Term	*25,255*	*25,508*
Other demand deposits (1)	226,704	216,102
Other term deposits (1)	78,118	85,454
Related payables	820	381
Revaluation of hedged items	234	268
Total customer deposits	**399,756**	**394,228**
Securities sold to customers under repurchase agreements	15,345	16,405
Total	**415,101**	**410,633**

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

3. DEBT SECURITIES ISSUED

(In millions of euros)	30.06.2018	31.12.2017
Term savings certificates	664	515
Bond borrowings	22,726	22,470
Interbank certificates and negotiable debt instruments	76,989	78,485
Related payables	476	770
Revaluation of hedged items	803	995
Total	**101,658**	**103,235**
o/w floating-rate securities	*30,251*	*30,762*

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

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

ACCOUNTING PRINCIPLES

Interest income and expense are recorded in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income).

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

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is measured at the effective interest rate applied to the net carrying amount of the financial asset.

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

(In millions of euros)	1st half of 2018 (1) Income	Expense	Net	2017 Income	Expense	Net	1st half of 2017 Income	Expense	Net
Financial instruments at amortised cost	**6,658**	**(3,226)**	**3,432**	**13,830**	**(8,829)**	**5,001**	**6,977**	**(4,421)**	**2,556**
Central banks	289	(73)	216	389	(217)	172	153	(94)	59
Bonds and other debt securities	144	(909)	(765)		(1,902)	(1,902)		(967)	(967)
Due from/to banks (2)	402	(494)	(92)	1,219	(1,158)	61	591	(550)	41
Customer loans and deposits	5,518	(1,348)	4,170	11,698	(4,847)	6,851	5,965	(2,419)	3,546
Subordinated debt	-	(279)	(279)	-	(581)	(581)	-	(291)	(291)
Securities lending/borrowing	5	(5)	-	14	(20)	(6)	9	(14)	(5)
Securities purchased/sold under resale/repurchase agreements and borrowings secured by notes and securities	300	(118)	182	510	(104)	406	259	(86)	173
Financial instruments at fair value through profit or loss	**233**	**-**	**233**						
Hedging derivatives	**3,206**	**(2,241)**	**965**	**6,164**	**(4,434)**	**1,730**	**3,268**	**(2,449)**	**819**
Financial instruments at fair value through other comprehensive income	**269**	**-**	**269**						
Available-for-sale financial assets				**2,424**	**-**	**2,424**	**1,220**	**-**	**1,220**
Held-to-maturity financial assets				**141**	**-**	**141**	**90**	**-**	**90**
Lease financing agreements	**553**	**-**	**553**	**1,120**	**-**	**1,120**	**570**	**-**	**570**
Real estate lease financing agreements	97	-	97	199	-	199	102	-	102
Non-real estate lease financing agreements	456	-	456	921	-	921	468	-	468
Total Interest income and expense	**10,919**	**(5,467)**	**5,452**	**23,679**	**(13,263)**	**10,416**	**12,125**	**(6,870)**	**5,255**
o/w interest income from impaired financial assets	*181*	-	-	*519*	-	-	*341*	-	-

(1) As of the financial year 2018, income and expense for the Group's insurance business will be shown on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1, paragraph 4).

(2) In 2016, the European Central Bank (ECB) initiated a programme of Targeted Longer-Term Refinancing Operations (TLTRO) whereby participating banks' interest rates are linked to their lending performance. Banks whose stock of loans increased by at least 2.5 % over the benchmark period (January 2016 – January 2018) will enjoy lower interest rates over the entire term of the operation, the rate in question being equal to the Eurosystem's deposit facility rate. During the second quarter of 2018, having ascertained that the lending targets were met, the ECB notified the eligible banks that the reduced interest rate would apply. For Societe Generale group, this rate reduction has led to an adjustment of the accounting value of its debt to the ECB and to the recognition of a profit equal to the difference between the discounted value (computed at the initial interest rate) of the updated contractual cash-flows following the rate reduction and the accounting value of the debt prior to the rate change. This profit amounts to EUR 60 million and is recorded under Interest expense in the first half of 2018.

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. 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.

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. The bank is remunerated for bearing this risk by a portion of the contractual interest that it receives on those assets ; this is known as the credit margin.

This potential loss, or expected credit loss, is recognised in profit or loss without waiting for the occurrence of a default event on a specific counterparty.

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Group, is recognised in profit or loss together with interest income. On the balance sheet, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairments are written-back in case of a subsequent decrease of credit risk.

Potential losses recognised in profit or loss represent initially the credit losses expected by the Group over the year to come. Subsequently, the amount is increased by the expected loss at maturity of the instrument in case of significant increase of risk.

For financial assets measured at fair value through profit or loss (including instruments held by global markets activities), their fair value already includes the expected credit loss, as assessed by the market participant, over the residual lifetime of the instrument.

ACCOUNTING PRINCIPLES

Debt instruments classified as financial assets at amortised cost or as financial assets at fair value through other comprehensive income, operating lease receivables, customer receivables and income to be received included amongst *Other assets*, and also loan commitments and guarantees given, are systematically subject to impairment or a loss allowance for expected credit losses. These impairments and loss allowances are recognised when the loans are granted, the commitments undertaken or the debt securities purchased, without waiting for objective evidence of impairment to occur.

To determine the amount of impairment or loss allowances to be recorded at each reporting date, these exposures are classified into one of three categories based on the increase in credit risk observed since initial recognition. An impairment or loss allowance shall be recognised for the exposures in each category as follows:

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

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

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are underperforming/credit-impaired on acquisition. Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within 12 months (12-month expected credit loss), based on past data and the current situation. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring within the next 12 months.

Purchased or originated credit-impaired assets are subject to a specific accounting treatment, which consists in recognising the change in estimated recoverable cash flows on the instrument, discounted at the initial effective interest rate and adjusted for credit risk.

To identify Stage 2 exposures, the Group assesses the significant increase in credit risk by examining all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.). The credit rating in force is the main criterion for determining if a given exposure should be transferred to Stage 2. In the event the credit rating has been significantly downgraded since initial recognition, a loss allowance equal to lifetime expected credit loss is recorded. Significant increases in credit risk are assessed on a portfolio basis according to default probability curves defined to calculate loss allowances under IFRS 9. The thresholds for significant increases in credit risk are reviewed once a year. In addition, if a counterparty is deemed to be sensitive at the reporting date (placed on the watch list), a loss allowance is recorded for all contracts with that counterparty at the reporting date. Exposures originated after the counterparty is placed on the Watch List are classified in Stage 1. Finally, a rebuttable presumption of a significant increase in credit risk is made where payment on an asset is more than 30 days past due.

To identify Stage 3 exposures (doubtful outstandings), the Group determines whether or not there is objective evidence of impairment (default event):

- a significant deterioration in the counterparty's financial situation creates a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group;
- 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;
- payments more than 90 days past due (with the exception of restructured loans during the probation period, which are deemed subject to impairment as of the first missed payment), whether or not a collection procedure is instigated;

- or, even in the absence of missed payments, the existence of probable credit risk or litigious proceedings (bankruptcy, court-ordered settlement or compulsory liquidation).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the group's exposures.

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Group expects to incur over the life of the exposures (lifetime expected credit loss), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to maturity.

Irrespective of the stage in which the exposures are classified, cash flows are discounted using the initial effective interest rate of the financial asset. The amount of impairment is included in the net carrying amount of the credit impaired financial asset. Impairment allocations/reversals are recorded in profit or loss under *Cost of risk*.

For operating leases and trade receivables, the Group uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses at initial recognition, regardless of any changes in the counterparty's credit risk.

Loans issued by the Group may be subject to restructuring with the aim of securing the collection of the principal and interest by adjusting the contractual terms of the loan (e.g. reduced interest rate, rescheduled loan payments, partial debt forgiveness or additional collateral). Assets may only qualify for restructuring where the borrower is experiencing financial difficulties or insolvency (whether the borrower has already become insolvent or is certain to become insolvent if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recorded in the balance sheet and their amortised cost prior to impairment is adjusted for a discount representing the negative difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost prior to impairment less any partial debt forgiveness. This discount, representing earnings foregone, is booked to *Cost of risk* in the income statement. As a result, the associated interest income is still subsequently recognised at the initial effective interest rate of the loans. Post-restructuring, these assets are systematically classified in Stage 3 for impairment (credit-impaired exposures), as the borrowers are deemed to be in default. Stage 3 classification is maintained for at least one year, or longer if the Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in stage 3, the assessment of the significant increase of credit risk will be performed by comparing the credit risk level at the closing date and the level at the initial recognition date of the loan before restructuring.

Where they no longer pass the SPPI test, restructured loans are derecognised and the new loans, contractualised under the restructured terms and conditions, replace the derecognised loans in the balance sheet at that same date. The new loans are classified as *Financial assets measured mandatorily at fair value through profit or loss*.

ESTIMATION OF EXPECTED CREDIT LOSSES

The methodology for calculating Stage 1 and 2 expected credit losses is based on the Basel framework, which served as the basis for determining the methods for setting calculation inputs (probability of default and loss given default for exposures under the A-IRB and F-IRB approaches, and the provisioning rate for exposures under the standardised method). Group portfolios have been segmented to ensure that they are consistent in terms of risk characteristics and to ensure better correlation with global and local macroeconomic variables. This segmentation factors in all specific characteristics associated with the Group's activities. This new segmentation is consistent or equivalent to the segmentation defined in the Basel framework in order to ensure the uniqueness of past data on defaults and losses.

The forward-looking expected credit loss approach (12-month/lifetime) is based first and foremost on the incorporation of economic forecasts in probability of default. The main macroeconomic variables used are French GDP growth, United States of America GDP growth, and GDP growth in emerging and developed countries. For entities in the international network, the main variable used is the economic growth of the entity's country of establishment.

IFRS 9 expected credit losses are calculated using the probabilised average of 3 macroeconomic scenarios, established by Group economists for all entities of the Group (base scenarios and current stress scenarios, plus an optimistic scenario). The probabilities used are based on past observations, spanning a 25-year period, of differences in outcome between the base scenario and the actual scenario (positive and negative differences). The method is not based on expert opinion; rather it is intended to be replicated over time and updated each quarter. The method is supplemented with a sector adjustment that increases or decreases expected credit loss in an effort to better anticipate defaults or recoveries in certain cyclical sectors. Lastly, on an ancillary basis, loss allowances based on expert opinions that increase or decrease expected credit loss have been retained to factor in future risks which cannot be modelled (mainly legislative or regulatory changes). These inputs are updated at each reporting date.

RECONCILIATION OF IMPAIRMENT AND PROVISIONS BETWEEN IAS 39 AND IFRS 9

The impacts of the IFRS 9 transition on impairments and provisions for credit risk are presented in Note 1.

OVERVIEW OF IMPAIRMENT AND PROVISIONS

(In millions of euros)	**30.06.2018**	**01.01.2018**
Impairment of financial assets at fair value through other comprehensive income	**14**	**15**
Impairment of financial assets at amortised cost	**12,847**	**13,649**
Loans and receivables at amortised cost	*12,690*	*13,401*
Other assets at amortised cost (1)	*157*	*248*
Provisions on Financing commitments	253	281
Provisions on Guarantee commitments	374	402
Total credit loss impairment	**627**	**683**

(1) o/w EUR 131 million of impairment on operating lease receivables as at 30 June 2018, measured using the simplified approach (vs. EUR 132 million as at 1 January 2018); those receivables are presented among miscellaneous receivables (see Note 4.4).

1. IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(In millions of euros)	Asset impairments at 01.01.2018	Allocations	Write-backs available	Net allocations	Write-backs used	Currency and scope effects	Asset impairments at 30.06.2018
Financial assets at Fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	5	3	(2)	**1**		-	**6**
Impairment on under-performing outstandings (Stage 2)	-	-	-	**-**		-	**-**
Impairment on doubtful outstandings (Stage 3)	10	-	-	**-**	(1)	(1)	**8**
Total	**15**	**3**	**(2)**	**1**	**(1)**	**(1)**	**14**
Financial assets at amortised cost							
Impairment on performing outstandings (Stage 1)	992	413	(419)	**(6)**		(20)	**966**
Impairment on under-performing outstandings (Stage 2)	1,244	614	(694)	**(80)**		(41)	**1,123**
Impairment on doubtful outstandings (Stage 3)	11,413	2,559	(2,068)	**491**	(832)	(314)	**10,758**
Total	**13,649**	**3,586**	**(3,181)**	**405**	**(832)**	**(375)**	**12,847**
o/w Lease financing and similar agreements							
Impairment on performing outstandings (Stage 1)	80	23	(29)	**(6)**		-	**74**
Impairment of under-performing outstandings (Stage 2)	101	39	(51)	**(12)**		(1)	**88**
Impairment of doubtful outstandings (Stage 3)	661	200	(186)	**14**	(43)	2	**634**
Total	**842**	**262**	**(266)**	**(4)**	**(43)**	**1**	**796**

VARIATION OF DEPRECIATIONS ACCORDING TO CHANGES IN THE CARRYING AMOUNT OF FINANCIAL ASSETS

(In millions of euros)	Amount at 01.01.2018	Production & Acquisition	Derecognition (among which debt waivers) and repayments	Transfer between stages of impairment	Other variations	Amount at 30.06.2018
Financial assets at Fair value through other comprehensive income						
Impairment on performing outstandings (Stage 1)	5				1	**6**
Impairment on under-performing outstandings (Stage 2)						**-**
Impairment on doubtful outstandings (Stage 3)	10				(2)	**8**
Total	**15**	**-**	**-**	**-**	**(1)**	**14**
Financial assets at amortised cost						
Impairment on performing outstandings (Stage 1)	992	295	(340)	(138)	157	**966**
Impairment on under-performing outstandings (Stage 2)	1,244	172	(372)	125	(46)	**1,123**
Impairment on doubtful outstandings (Stage 3)	11,413	723	(2,372)	175	819	**10,758**
Total	**13,649**	**1,190**	**(3,084)**	**162**	**930**	**12,847**
Of which lease financing and similar agreements						
Impairment on performing outstandings (Stage 1)	80	14	(19)	(8)	7	**74**
Impairment on under-performing outstandings (Stage 2)	101	5	(32)	12	2	**88**
Impairment on doubtful outstandings (Stage 3)	661	4	(247)	5	211	**634**
Total	**842**	**23**	**(298)**	**9**	**220**	**796**

2. PROVISIONS

BREAKDOWN OF PROVISIONS

(In millions of euros)	Amount at 01.01.2018	Allocations	Write-backs available	Net impairment losses	Write-backs used	Currency and scope effects	Amount at 30.06.2018
Financing commitments							
Provisions on performing outstandings (Stage 1)	117	55	(69)	**(14)**		(1)	**102**
Provisions on under-performing outstandings (Stage 2)	107	75	(93)	**(18)**		6	**95**
Provisions on doubtful outstandings (Stage 3)	57	34	(82)	**(48)**		47	**56**
Total	**281**	**164**	**(244)**	**(80)**	**-**	**52**	**253**
Guarantee commitments							
Provisions on performing outstandings (Stage 1)	52	25	(23)	**2**		(1)	**53**
Provisions on under-performing outstandings (Stage 2)	61	20	(24)	**(4)**		15	**72**
Provisions on doubtful outstandings (Stage 3)	289	58	(51)	**7**		(47)	**249**
Total	**402**	**103**	**(98)**	**5**	**-**	**(33)**	**374**

VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

(In millions of euros)	Amount at 01.01.2018	Production	Derecognition	Transfer between stages of impairment	Other variations	Amount at 30.06.2018
Financing commitments						
Provisions on performing outstandings (Stage 1)	117	29	(59)	(6)	21	102
Provisions on under-performing outstandings (Stage 2)	107	10	(54)	12	20	**95**
Provisions on doubtful outstandings (Stage 3)	57	10	(38)	1	26	**56**
Total	**281**	**49**	**(151)**	**7**	**67**	**253**
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	52	9	(14)	(5)	11	**53**
Provisions on under-performing outstandings (Stage 2)	61	4	(15)	5	17	**72**
Provisions on doubtful outstandings (Stage 3)	289	5	(59)	5	9	**249**
Total	**402**	**18**	**(88)**	**5**	**37**	**374**

3. COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk only includes net reversals of impairments and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceed to a write off by recognising a loss on the bad loan and a reversal of impairment in *Cost of risk* when a debt is forgiven or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a certificate issued as proof that the debt is uncollectable is delivered by the relevant authority or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case). According to this policy, the Group doesn't proceeds to partial write off of its bad loans.

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly if the latter's fortune improve. In case of recoveries on an exposure previously written-off, such recoveries are recognised as *Amounts recovered on bad loans* on the year of collection.

(In millions of euros)	**1st half of 2018 (1)**	**2017**	**1st half of 2017**
Credit risk	(378)	(918)	(461)
Net allocation to impairment losses	(406)	(1,034)	(487)
On financial assets at fair value through other comprehensive income	*(1)*		
On financial assets at amortised cost	*(405)*		
Net allocations to provisions	75	9	(86)
On financing commitments	*80*		
On guarantee commitments	*(5)*		
Losses not covered on bad loans	(130)	(151)	(57)
Amounts recovered on bad loans	83	258	169
Other risks		(431)	93
Total	**(378)**	**(1,349)**	**(368)**

(1) As from financial year 2018, Cost of risk only includes profit or loss items related to the recognition of credit risk, within the meaning of IFRS 9, including the share related to investments of insurance companies (changes in loss allowances and impairments covering credit losses, losses on irrecoverable loans and amounts recovered on previously impaired loans). As a result, changes in provisions for disputes that were previously recorded under Cost of risk now impact, depending on the type of dispute, Personnel expenses, Other administrative expenses, Interest and similar income, Interest and similar expense or Income tax.

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 described in Note 3.4 should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

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

1. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	30.06.2018	
(In millions of euros)	**Carrying amount**	**Fair value**
Due from banks	63,783	63,821
Customer loans	427,296	428,971
Securities	11,428	11,854
Total	**502,507**	**504,646**

2. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	30.06.2018	
(In millions of euros)	**Carrying amount**	**Fair value**
Due to banks	89,783	89,664
Customer deposits	415,101	415,299
Debt securities issued	101,658	102,397
Subordinated debts	13,993	14,073
Total	**620,535**	**621,433**

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 4 - OTHER ACTIVITIES

The first-time application of IFRS 15 has no impact on the accounting principles applicable to *Fee income and expense* and *Income and expense from other activities*.

NOTE 4.1 - FEE INCOME AND EXPENSE

	1st half of 2018 [1]			2017			1st half of 2017		
(In millions of euros)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Transactions with banks	**70**	**(89)**	**(19)**	**133**	**(168)**	**(35)**	**67**	**(81)**	**(14)**
Transactions with customers	**1,557**	**-**	**1,557**	**2,971**	**-**	**2,971**	**1,489**	**-**	**1,489**
Financial instruments operations	**1,164**	**(1,171)**	**(7)**	**2,416**	**(2,240)**	**176**	**1,288**	**(1,164)**	**124**
Securities transactions	259	(479)	(220)	596	(959)	(363)	321	(453)	(132)
Primary market transactions	81		81	208		208	104		104
Foreign exchange transactions and financial derivatives	824	(692)	132	1,612	(1,281)	331	863	(711)	152
Loan and guarantee commitments	**373**	**(39)**	**334**	**748**	**(62)**	**686**	**374**	**(34)**	**340**
Services	**1,180**	**-**	**1,180**	**3,934**	**-**	**3,934**	**1,972**	**-**	**1,972**
Asset management fees	313		313	1,427		1,427	699		699
Payment instruments fees	412		412	813		813	395		395
Insurance products fees	114		114	820		820	412		412
Underwriting fees of UCITS	40		40	176		176	86		86
Other services	301		301	698		698	380		380
Others	**145**	**(488)**	**(343)**	**302**	**(1,211)**	**(909)**	**148**	**(606)**	**(458)**
Total	**4,489**	**(1,787)**	**2,702**	**10,504**	**(3,681)**	**6,823**	**5,338**	**(1,885)**	**3,453**

(1) As of the financial year 2018, income and expense for the Group's insurance business will be shown on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1, paragraph 4).

NOTE 4.2 - INCOME AND EXPENSE FROM OTHER ACTIVITIES

	1st half of 2018			2017			1st half of 2017		
(In millions of euros)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Real estate development	33	(1)	32	93	(4)	89	42	(2)	40
Real estate leasing	22	(13)	9	67	(68)	(1)	30	(40)	(10)
Equipment leasing	4,960	(3,283)	1,677	9,158	(6,447)	2,711	4,363	(3,086)	1,277
Other activities(1)	310	(1,171)	(861)	12,727	(14,637)	(1,910)	7,863	(9,242)	(1,379)
o/w insurance activities				*12,346*	*(12,052)*	*294*	*6,629*	*(6,461)*	*168*
Total	**5,325**	**(4,468)**	**857**	**22,045**	**(21,156)**	**889**	**12,298**	**(12,370)**	**(72)**

(1) As of the financial year 2018, income and expense for the Group's insurance business will be shown on a separate line of the income statement entitled "Net income from insurance activities" (see Note 1, paragraph 4).

NOTE 4.3 – INSURANCE ACTIVITIES

MAKING IT SIMPLE

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

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

The rules for measuring and accounting for risks associated with insurance contracts are specific to the Insurance sector. Equally, the income and expense disclosed in this note for the Group's insurance business are shown in line with the sector's standard format (classification on the basis of function).

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 4 (Applying IFRS 9, "Financial Instruments", with IFRS 4, Insurance Contracts) allow entities having insurance as their primary activity to delay the application of IFRS 9 until 1 January 2021, meaning they may continue applying the current standard, IAS 39. The European Commission also extended the deferral option to allow financial conglomerates falling within the scope of Directive 2002/87/EC to elect that all their entities operating in the insurance sector within the meaning of that Directive will defer the effective date of IFRS 9 until 1 January 2021.

The Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. The Group has made the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments measured at fair value through profit or loss by both sectors involved in such transfers.

Starting in financial year 2018, insurance activities are presented on separate lines in the consolidated financial statements for clarification purposes: *Investments of insurance activities* under balance sheet assets, *Insurance contracts related liabilities* under balance sheet liabilities, and *Net income from insurance activities* under *Net banking income* in the income statement.

The main subsidiaries concerned are Sogecap, Antarius, Sogelife, Oradea Vie, Komercni Pojistovna A.S. and Sogessur.

1. INSURANCE CONTRACTS RELATED LIABILITIES

ACCOUNTING PRINCIPLES

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 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.

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.

In life insurance products:

- Underwriting reserves of life insurance contracts invested in EUR-denominated vehicles with profit-sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing.
- Underwriting reserves of life insurance contracts invested in unit-linked vehicles or with a significant insurance clause (mortality, invalidity, etc.) are measured at the inventory date according to the realisation value of the assets underlying these contracts.

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 approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios.

A liability adequacy test is also carried out quarterly using a stochastic model based on parameter assumptions consistent with those used for the MCEV (Market Consistent Embedded Value). This test takes into account all of the future cash flows from policies, including management charges, fees and policy options and guarantees.

CLASSIFICATION OF FINANCIAL LIABILITIES

At initial recognition, financial liabilities resulting from the Group's insurance activities are classified in the following accounting categories:

- financial liabilities measured at fair value through profit or loss: financial liabilities held for trading, including by default derivative liabilities that do not qualify as hedging instruments, as well as non-derivative financial liabilities initially designated by the Group at fair value through profit or loss (fair value option). These financial liabilities mainly comprise investment contracts without discretionary profit-sharing clauses and with no insurance component, that do not meet the definition of an insurance contract under IFRS 4 (unit-linked insurance contracts only) and are thus governed by IAS 39;
- financial liabilities measured at amortised cost: other non-derivative financial liabilities, which are measured at amortised cost.

These financial liabilities are recorded in the balance sheet under *Debts* and *Financial liabilities measured at fair value through profit or loss,* except for derivative liabilities and revaluation differences on portfolios hedged against interest rate risk, which are recorded under *Insurance contracts related liabilities.*

BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

(In millions of euros)	30.06.2018	01.01.2018
Underwriting reserves of insurance companies	131,654	130,958
Financial liabilities of insurance activities	604	759
Total	**132,258**	**131,717**

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In millions of euros)	30.06.2018	01.01.2018
Underwriting reserves for unit-linked policies	30,681	29,643
Life insurance underwriting reserves	89,798	89,563
Non-life insurance underwriting reserves	1,354	1,332
Deferred profit-sharing booked in liabilities	9,821	10,420
Total	**131,654**	**130,958**
Attributable to reinsurers	(685)	(731)
Underwriting reserves of insurance companies (including provisions for deferred profit-sharing) net of the share attributable to reinsurers	**130,969**	**130,227**

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

(In millions of euros)	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1 January 2018 (except provisions for deferred profit-sharing)	**29,643**	**89,563**	**1,332**
Allocation to insurance reserves	795	879	18
Revaluation of unit-linked policies	(103)	-	-
Charges deducted from unit-linked policies	-	-	-
Transfers and allocation adjustments	614	(620)	-
New customers	14	-	-
Profit-sharing	59	57	-
Others	(341)	(81)	4
Reserves at 30 June 2018 (except provisions for deferred profit-sharing)	**30,681**	**89,798**	**1,354**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 30 June 2018. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. The result of the test at 30 June 2018 was positive.

UNDERWRITING RESERVES BY REMAINING MATURITY

(In millions of euros)	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	30.06.2018
Underwriting reserves of insurance companies	13,951	9,375	36,837	71,491	**131,654**

2. INVESTMENTS OF INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES

CLASSIFICATION OF FINANCIAL ASSETS

At initial recognition, financial assets of Group's insurance activities are classified under the following accounting categories:

- *Financial assets measured at fair value through profit or loss*: financial instruments held for trading (see definition in Note 3.1), including by default derivative assets that do not qualify as hedging instruments, as well as non-derivative financial assets initially designated by the Group at fair value through profit or loss (fair value option). In particular, the Group measures at fair value by option financial assets held to guarantee the unit-linked policies to ensure that their accounting treatment matches that of the corresponding insurance liabilities.
- *Loans and receivables*: non-derivative fixed- or determinable-income financial assets that are not quoted on an active market and are not held for trading purposes or held for sale from the time of their acquisition or issuance, nor initially designated at fair value through profit or loss (fair value option). They are measured at amortised cost and may be subject to impairment for credit risk where there is objective evidence of impairment on an individual or collective basis.
- *Held-to-maturity financial assets*: non-derivative fixed- or determinable-income assets with a fixed maturity which are quoted on an active market and which the Group has the intention and ability to hold to maturity. They are measured at amortised cost and may be subject to impairment, if applicable, where there is objective evidence of impairment on an individual basis. Amortised cost includes premiums, discounts and transaction costs.
- *Available-for-sale financial assets*: non-derivative financial assets held for an indefinite period and which the Group may sell at any time. By default, these are financial assets which are not classified in one of the three above categories. These instruments are measured at fair value through other comprehensive income under Unrealised or deferred gains and losses. Accrued or earned income on debt securities is recorded in profit or loss based on the effective interest rate, while income from equity securities is recorded under Dividend income. Finally, where there is objective evidence of impairment on an individual basis, the unrealised loss previously accumulated in other comprehensive income is reclassified to profit or loss under *Net income from insurance activities*.

All these categories are presented in the balance sheet under *Investments of insurance activities,* which also includes investment property held by insurance entities and hedging derivatives measured as required by the accounting principles presented in Note 3.2.

For debt instruments, objective evidence of impairment on an individual basis includes:

- a significant deterioration in the counterparty's financial situation creating a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group;
- concessions 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;
- payments more than 90 days past due (with the exception of restructured loans during the probation period, which are deemed subject to impairment as of the first missed payment), whether or not a collection procedure is instigated;

- or, even in the absence of missed payments, the existence of probable credit risk or litigious proceedings (bankruptcy, court-ordered settlement or company liquidation.

Furthermore, for financial assets classified as *Loans and receivables*, where there is no objective evidence of impairment on an individual basis, the Group creates portfolios of assets presenting similar credit risk characteristics and subjects the entire portfolio to an impairment test. In a portfolio of homogeneous assets, 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.

Finally for equity instruments classified as *Available-for-sale financial assets*, a significant or prolonged decrease in fair value below their purchase price constitutes objective evidence of impairment.

The accounting principles governing fair value, initial recognition of financial instruments, derecognition of financial instruments, derivatives, interest income and expense, transferred financial assets and clearing of financial instruments are identical to those described in Note 3 “Financial instruments”.

OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

(In millions of euros)	**30.06.2018**	**01.01.2018**
Financial assets at fair value through profit or loss (trading portfolio)	1,705	1,765
Debt instruments	*200*	*200*
Equity instruments	*38*	*38*
Trading derivatives	*1,467*	*1,527*
Other assets	-	-
Financial assets at fair value through profit or loss (fair value option)	57,288	55,414
Bonds and other debt instruments	*27,387*	*27,174*
Shares and other equity instruments	*29,644*	*27,986*
Loans and securities purchased under resale agreement	*257*	*254*
Hedging derivatives	419	438
Available-for-sale financial assets	86,300	86,509
Debt instruments	*72,520*	*72,973*
Equity instruments	*13,780*	*13,536*
Due from banks(2)	8,973	9,195
Customer loans	132	141
Held-to-maturity financial assets	-	-
Revaluation differences on portfolios hedged against interest rate risk	-	-
Real estate investments	613	618
Total investments of insurance activities before elimination of intercompany transactions	**155,430**	**154,080**
Elimination of intercompany transactions	(6,296)	(6,469)
Total investments of insurance activities after elimination of intercompany transactions (1)	**149,134**	**147,611**

(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.

(2) o/w EUR 1,090 million of current accounts at 30 June 2018 (after elimination of intercompany transactions) vs. EUR 1,093 million at 1 January 2018.

The following tables show the carrying amounts after eliminating intercompany transactions.

ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying value of the financial assets included in *Net investments from insurance activities*, whereby those assets whose contractual conditions give rise to cash-flows on set dates which are solely payments of principal and interest (basic instruments) are placed in a separate category which excludes trading assets and assets measured using the fair value option through profit or loss.

	30.06.2018		
(In millions of euros)	**Basic instruments except trading transactions and fair value option**	**Other instruments**	**Total**
Available-for-sale financial assets	68,010	16,587	84,597
Due from banks	3,835	3,258	7,093
Customer loans	132	-	132

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	30.06.2018			
(In millions of euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio	38	424	-	462
Financial assets at fair value through profit or loss using the fair value option	50,479	5,007	343	55,829
Hedging derivatives	-	409	-	409
Available-for-sale financial assets	79,034	5,487	76	84,597
Total financial assets at fair value	**129,551**	**11,327**	**419**	**141,297**

	31.12.2017			
(In millions of euros)	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading portfolio	38	661	-	699
Financial assets at fair value through profit or loss using the fair value option	49,805	3,764	331	53,900
Hedging derivatives	-	420	-	420
Available-for-sale financial assets	79,841	4,814	76	84,731
Total financial assets at fair value	**129,684**	**9,659**	**407**	**139,750**

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In millions of euros)	2018
Balance as of 1 January	**84,731**
Acquisitions	4,769
Disposals / redemptions	(3,987)
Transfers to held-to-maturity financial assets	(76)
Change in scope and others	(202)
Gains and losses on changes in fair value recognised directly in equity during the period	(613)
Change in impairment on debt instruments recognised in profit and loss	-
o/w allocations	-
o/w reversals	-
Impairment losses on equity instruments recognised in profit and loss	(36)
Translation differences	11
Balance as of 30 June	**84,597**

UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	30.06.2018		
(In millions of euros)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**444**	**(37)**	**407**
On equity instruments available-for-sale	*1,611*	*(87)*	*1,524*
On debt instruments available-for-sale and assets reclassified as loans and receivables	*7,193*	*(385)*	*6,808*
Deferred profit-sharing	*(8,360)*	*435*	*(7,925)*

	31.12.2017		
(In millions of euros)	**Capital gains**	**Capital losses**	**Net revaluation**
Unrealised gains and losses of insurance companies	**438**	**(27)**	**411**
On available-for-sale equity instruments	*1,537*	*(38)*	*1,499*
On available-for-sale debt instruments and assets reclassified as loans and receivables	*7,748*	*(327)*	*7,421*
Deferred profit-sharing	*(8,847)*	*338*	*(8,509)*

3. NET INCOME FROM INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES

INCOME AND EXPENSE RELATED TO INSURANCE CONTRACTS

Income and expense related to insurance contracts issued by Group insurance companies, associated fee income and expense, and income and expense related to investments of insurance companies are recorded under *Net income from insurance activities* in the income statement.

Other income and expense are recorded under the appropriate headings.

Changes in the provision for deferred profit-sharing are recorded under *Net income from insurance activities* in the income statement or under *Unrealised or deferred gains and losses* under the appropriate headings for the underlying assets in question.

The following table shows the breakdown of income and expense from insurance activities and associated investments on a separate line under *Net Banking Income: Net income from insurance activities* (after eliminating intercompany transactions).

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Net premiums	6,515	11,480	5,872
Net income from investments	1,157	3,368	1,770
Cost of benefits (including changes in reserves) (1)	(6,921)	(12,771)	(6,620)
Other net technical income (expense)	108	2	3
Net income from insurance activities	**859**	**2,079**	**1,025**
Funding costs	(3)	(4)	(2)
Net banking income of insurance companies	**856**	**2,075**	**1,023**

(1) o/w EUR 1,188 million in respect of profit-sharing.

NET INCOME FROM INVESTMENTS

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Dividend income on equity instruments	133	393	149
Interest income	1,018	2,047	1,017
On available-for-sale financial assets	*848*	*1,711*	*853*
On loans and receivables	*143*	*273*	*136*
Other net interest income	*27*	*63*	*28*
Net gains and losses on financial instruments at fair value through profit or loss	(11)	864	473
Net gains and losses on available-for-sale financial instruments	6	61	131
Capital gains and losses on sale of debt instruments	-	*(51)*	*34*
Capital gains and losses on sale of equity instruments	*42*	*167*	*135*
Impairment values on equity instruments	*(36)*	*(55)*	*(38)*
Net gains and losses on real estate investments	11	3	-
Total net income from investments	**1,157**	**3,368**	**1,770**

4. MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risk:

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

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

Risk management techniques are based on the following:

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

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy as long-term performance objectives. 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 Investment and Risk Department of the insurance business line.

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

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

The following table shows the carrying amounts after eliminating intercompany transactions.

BREAKDOWN OF INVESTMENTS BY RATING OF BASIC INSTRUMENTS

	30.06.2018			
(In millions of euros)	**Available-for-sale financial assets**	**Due from banks**	**Customer loans**	**Total**
AAA	4,185	562	-	4,747
AA+ / AA / AA-	37,984	430	-	38,414
A+ / A / A-	12,941	1,177	-	14,118
BBB+ / BBB / BBB-	11,912	923	-	12,835
BB+ / BB / BB-	531	93	-	624
B+ / B / B-	75	-	-	75
CCC+ / CCC / CCC-	-	-	-	-
CC+ / CC / CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	382	650	132	1,164
Total before impairment	**68,010**	**3,835**	**132**	**71,977**
Impairment	**-**	**-**	**-**	**-**
Carrying amount	**68,010**	**3,835**	**132**	**71,977**

The rating scale is the scale used for Solvency 2 purposes, which calls for the second highest rating determined by the rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings) to be used. The ratings in question apply to issues or, where these are not available, to issuers.

NOTE 4.4 - OTHER ASSETS AND LIABILITIES

1. OTHER ASSETS

Other assets are impacted by the transition to IFRS 9 due to the implementation of the simplified impairment model for operating leases (see Note 3.8).

(In millions of euros)	30.06.2018	01.01.2018	31.12.2017
Guarantee deposits paid (1)	45,077	40,978	40,984
Settlement accounts on securities transactions	9,237	7,436	7,436
Prepaid expenses	1,067	989	989
Miscellaneous receivables (2)	10,919	9,920	10,378
Miscellaneous receivables - insurance	1,443	1,411	1,033
Gross amount	**67,743**	**60,734**	**60,820**
Impairment (3)	(195)	(285)	(258)
Net amount	**67,548**	**60,449**	**60,562**

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

(2) Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received.

(3) Impairments on other assets are related to:

- *credit risk on operating lease receivables for an amount of EUR 131 million as of 30 June 2018 and EUR 132 million as of 1 January 2018;*
- *credit risk on assets acquired by adjudication and sundry debtors for an amount of EUR 26 million as of 30 June 2018 and EUR 116 million as of 1 January 2018;*
- *other risks for an amount of EUR 38 million as of 30 June 2018 and EUR 37 million as of 1 January 2018.*

2. OTHER LIABILITIES

The balance sheet value of other liabilities was not impacted by the first-time application of IFRS 9.

(In millions of euros)	30.06.2018	31.12.2017
Guarantee deposits received (1)	41,072	39,117
Settlement accounts on securities transactions	10,691	6,816
Expenses payable on employee benefits	2,086	2,542
Deferred income	1,748	1,633
Miscellaneous payables (2)	14,723	13,314
Miscellaneous payables - insurance	5,973	5,717
Total	**76,293**	**69,139**

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

(2) Miscellaneous payables primarily include trade payables, fee expense and expense from other activities to be paid.

NOTE 5 - PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

1. PERSONNEL EXPENSES

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Employee compensation	(3,418)	(7,018)	(3,411)
Social security charges and payroll taxes	(820)	(1,605)	(796)
Net pension expenses - defined contribution plans	(337)	(713)	(341)
Net pension expenses - defined benefit plans	(62)	(112)	(57)
Employee profit-sharing and incentives	(148)	(301)	(137)
Total	**(4,785)**	**(9,749)**	**(4,742)**
Including net expenses from share based payments	*(111)*	*(129)*	*(71)*

2. DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In millions of euros)	Provisions at 31.12.2017	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 30.06.2018
Provisions for employee benefits	**2,100**	136	(152)	**(16)**	(4)	(29)	3	**2,054**

DESCRIPTION OF THE 2018 SHARE-BASED PAYMENT PLANS

2018 SOCIETE GENERALE FREE SHARES PLAN (1)

Shareholders’ agreement	18.05.2016
Board of Directors' decision	14.03.2018
Number of free shares granted	861,544
Number of free shares outstanding at 30.06.2018	860,335
Vesting period	14.03.2018 - 31.03.2021
Performance conditions (2)	yes
Fair value (% of the share price at grant date)	86.9%
Method of valuation	Arbitrage

(1) Excluding shares awarded within the framework of the specific retention and remuneration policy concerning employees working within activities considered as having a significant impact on the Group’s risk profile and as defined by Directive CRD4 in effect since 1 January 2014 (i.e. regulated staff).

(2) The performance conditions are based on Net income, Group share.

2018 SOCIETE GENERALE PERFORMANCE SHARES PLAN (1)

Date of General Meeting	18.05.2016	
Date of Board Meeting	14.03.2018	
Total number of shares granted	815,735	
Vesting date		
Sub-plan 1	1st instalment	31.03.2020
	2nd instalment	31.03.2021
Sub-plan 2	1st instalment	31.03.2022
	2nd instalment	29.03.2024
Sub-plan 3		31.03.2023
Holding period end date		
Sub-plan 1	1st instalment	01.10.2020
	2nd instalment	01.10.2021
Sub-plan 2	1st instalment	01.04.2023
	2nd instalment	31.03.2025
Sub-plan 3		01.10.2023
Performance conditions (2)	yes	
Fair value (*in EUR*) (3)		
Sub-plan 1	1st instalment	40.39
	2nd instalment	38.59
Sub-plan 2	1st instalment	26.40
	2nd instalment	24.43
Sub-plan 3		39.17

(1) Under the annual employee plan and awards in the context of the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers and Executive Committee members).

(2) The performance conditions are based on Net income, Group share.

(3) The fair value is calculated using the arbitrage method of valuation.

NOTE 6 - INCOME TAX

1. INCOME TAX

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Current taxes	(571)	(1,035)	(676)
Deferred taxes	(315)	(673)	(15)
Total	**(886)**	**(1,708)**	**(691)**

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

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	**3,197**	**5,045**	**2,737**
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%	34.43%
Permanent differences(1)	4.23%	12.87%	4.52%
Differential on securities with tax exemption or taxed at reduced rate	(0.79)%	(2.23)%	(3.31)%
Tax rate differential on profits taxed outside France	(10.19)%	(10.48)%	(10.26)%
Impact of non-deductible losses and use of tax losses carried forward	0.04%	(0.69)%	(0.13)%
Group effective tax rate	**27.72%**	**33.90%**	25.25%

In France, the standard corporate income tax rate is 33.33%. In addition, a national contribution payment based on pretax earnings (contribution sociale) was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21 December 2017, includes a gradual reduction in the French tax rate. Between now and 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

Deferred taxes in French companies are determined by applying the tax rate in effect at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% in 2018 and 25.83% from 2022,
- for income taxed at the reduced rate, the rate is between 4.13% in 2018 and 3.10% from 2022.

The US tax reform enacted end of December 2017 introduced a new tax on services and interest payments to non-US related parties ("Base Erosion Anti-abuse Tax"). Societe Generale remains attentive to guidance that is still expected from the US authorities.

2. PROVISIONS FOR TAX ADJUSTMENTS

(In millions of euros)	**Provisions at 31.12.2017**	**Allocations**	**Available write-backs**	**Net allocation**	**Used write-backs**	**Currency and scope effects**	**Provisions at 30.06.2018**
Provisions for tax adjustments	**162**	8	(52)	**(44)**	-	(1)	**117**

NOTE 7 - SHAREHOLDERS' EQUITY

NOTE 7.1 - TREASURY SHARES AND SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

1. ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	**30.06.2018**	**31.12.2017**
Ordinary shares	807,917,739	807,917,739
Including treasury stock with voting rights[(1)]	*5,994,034*	*6,850,304*
Including shares held by employees	*52,983,091*	*49,830,060*

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

At 30 June 2018, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,009,897,173.75 and was made up of 807,917,739 shares with a nominal value of EUR 1.25.

2. TREASURY STOCK

At 30 June 2018, the Group held 18,456,091 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 2.28% 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 750 million, including EUR 500 million in shares held for trading purposes

THE CHANGE IN TREASURY STOCK OVER THE 1ST HALF OF 2018 BREAKS DOWN AS FOLLOWS:

(In millions of euros)	**Liquidity contract**	**Trading activities**	**Treasury stock and active management of shareholders' equity**	**Total**
Disposals net of purchases	(9)	(279)	31	**(257)**
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	(12)	(25)	**(37)**

3. EQUITY INSTRUMENTS ISSUED

At 30 June 2018, the equity instruments issued by the Group corresponded to a total of EUR 8,958 million. The change in the first half of year 2018 reflects the repayment of the deeply subordinated note in GBP for a total of EUR 643 million and the issue of a deeply subordinated note in US dollars, for a total of EUR 1,035 million.

NOTE 7.2 - EARNINGS PER SHARE AND DIVIDENDS

1. EARNINGS PER SHARE

(In millions of euros)	1st half of 2018	2017	1st half of 2017
Net income, Group share	2,006	2,806	1,805
Net attributable income to subordinated notes	(218)	(466)	(254)
Issuance fees relating to subordinated notes	(5)	-	-
Net income attributable to ordinary shareholders	**1,783**	**2,340**	**1,551**
Weighted average number of ordinary shares outstanding(1)	801,607,044	800,596,132	800,355,055
Earnings per ordinary share (in euros)	**2.22**	**2.92**	**1.94**
Average number of ordinary shares used in the dilution calculation	-	50	83
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	801,607,044	800,596,182	800,355,138
Diluted earnings per ordinary share (in euros)	**2.22**	**2.92**	**1.94**

(1) Excluding treasury shares.

2. DIVIDENDS PAID

Dividends paid by the Group for the first half of 2018 amounted to EUR 2,472 million and are detailed in the following table:

	1st half of 2018			2017		
(In millions of euros)	**Group Share**	**Non-controlling interests**	**Total**	**Group Share**	**Non-controlling interests**	**Total**
Ordinary shares	(1,764)	(364)	(2,128)	(1,762)	(243)	(2,005)
o/w paid in shares	-	-	-	-	-	-
o/w paid in cash	*(1,764)*	*(364)*	*(2,128)*	*(1,762)*	*(243)*	*(2,005)*
Other equity instruments	(311)	(33)	(344)	(738)	(33)	(771)
Total	**(2,075)**	**(397)**	**(2,472)**	**(2,500)**	**(276)**	**(2,776)**

NOTE 8 - ADDITIONAL DISCLOSURES

NOTE 8.1 - SEGMENT REPORTING

(In millions of euros)	Societe Generale Group			French Retail Banking			Corporate Centre (1)		
	1st half of 2018	2017	1st half of 2017	1st half of 2018	2017*	1st half of 2017*	1st half of 2018	2017*	1st half of 2017*
Net banking income	12,748	23,954	11,673	3,999	8,014	4,049	58	(1,147)	(1,242)
Operating Expenses(2)	(9,132)	(17,838)	(8,813)	(2,841)	(5,939)	(2,772)	(258)	(374)	(96)
Gross operating income	**3,616**	**6,116**	**2,860**	**1,158**	**2,075**	**1,277**	**(200)**	**(1,521)**	**(1,338)**
Cost of risk	(378)	(1,349)	(368)	(227)	(547)	(258)	(5)	(400)	101
Operating income	**3,238**	**4,767**	**2,492**	**931**	**1,528**	**1,019**	**(205)**	**(1,921)**	**(1,237)**
Net income from companies accounted for by the equity method	29	92	50	16	33	20	2	17	11
Net income / expense from other assets	(41)	278	245	2	9	5	(32)	237	207
Value adjustments on goodwill	-	1	1	-	-	-	-	-	-
Earnings before tax	**3,226**	**5,138**	**2,788**	**949**	**1,570**	**1,044**	**(235)**	**(1,667)**	**(1,019)**
Income tax	(886)	(1,708)	(691)	(314)	(511)	(343)	45	52	314
Net income before non-controlling interests	**2,340**	**3,430**	**2,097**	**635**	**1,059**	**701**	**(190)**	**(1,615)**	**(705)**
Non-controlling interests	334	624	292	-	-	-	82	170	81
Net income, Group share	**2,006**	**2,806**	**1,805**	**635**	**1,059**	**701**	**(272)**	**(1,785)**	**(786)**

	International Retail Banking & Financial Services											
	International Retail Banking			Financial Services to Corporates			Insurance			Total		
(In millions of euros)	1st half of 2018	2017*	1st half of 2017*	1st half of 2018	2017*	1st half of 2017*	1st half of 2018	2017*	1st half of 2017*	1st half of 2018	2017*	1st half of 2017*
Net banking income	2,713	5,278	2,597	905	1,804	905	446	832	406	4,064	7,914	3,908
Operating Expenses	(1,634)	(3,171)	(1,569)	(470)	(925)	(453)	(177)	(308)	(163)	(2,281)	(4,404)	(2,185)
Gross operating income	**1,079**	**2,107**	**1,028**	**435**	**879**	**452**	**269**	**524**	**243**	**1,783**	**3,510**	**1,723**
Cost of risk	(138)	(349)	(148)	(28)	(51)	(22)	-	-	-	(166)	(400)	(170)
Operating income	**941**	**1,758**	**880**	**407**	**828**	**430**	**269**	**524**	**243**	**1,617**	**3,110**	**1,553**
Net income from companies accounted for by the equity method	7	26	6	1	16	12	-	(1)	-	8	41	18
Net income / expense from other assets	4	36	33	-	-	-	-	-	-	4	36	33
Value adjustments on goodwill	-	1	1	-	-	-	-	-	-	-	1	1
Earnings before tax	**952**	**1,821**	**920**	**408**	**844**	**442**	**269**	**523**	**243**	**1,629**	**3,188**	**1,605**
Income tax	(221)	(418)	(214)	(108)	(224)	(115)	(89)	(178)	(82)	(418)	(820)	(411)
Net income before non-controlling interests	**731**	**1,403**	**706**	**300**	**620**	**327**	**180**	**345**	**161**	**1,211**	**2,368**	**1,194**
Non-controlling interests	189	361	187	51	66	10	1	2	1	241	429	198
Net income, Group share	**542**	**1,042**	**519**	**249**	**554**	**317**	**179**	**343**	**160**	**970**	**1,939**	**996**

	Global Banking and Investor Solutions											
	Global Markets and Investors Services			**Financing and Advisory**			**Asset and Wealth Management**			**Total**		
(In millions of euros)	**1st half of 2018**	**2017***	**1st half of 2017***	**1st half of 2018**	**2017***	**1st half of 2017***	**1st half of 2018**	**2017***	**1st half of 2017***	**1st half of 2018**	**2017***	**1st half of 2017***
Net banking income	2,862	5,678	3,174	1,265	2,495	1,261	500	1,000	523	4,627	9,173	4,958
Operating Expenses	(2,390)	(4,434)	(2,393)	(909)	(1,767)	(906)	(453)	(920)	(461)	(3,752)	(7,121)	(3,760)
Gross operating income	**472**	**1,244**	**781**	**356**	**728**	**355**	**47**	**80**	**62**	**875**	**2,052**	**1,198**
Cost of risk	(2)	(34)	(40)	33	30	3	(11)	2	(4)	20	(2)	(41)
Operating income	**470**	**1,210**	**741**	**389**	**758**	**358**	**36**	**82**	**58**	**895**	**2,050**	**1,157**
Net income from companies accounted for by the equity method	4	5	3	-	(4)	(3)	(1)	-	1	3	1	1
Net income / expense from other assets	(1)	-	-	-	(4)	-	(14)	-	-	(15)	(4)	-
Value adjustments on goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Earnings before tax	**473**	**1,215**	**744**	**389**	**750**	**355**	**21**	**82**	**59**	**883**	**2,047**	**1,158**
Income tax	(125)	(322)	(201)	(68)	(84)	(33)	(6)	(23)	(17)	(199)	(429)	(251)
Net income before non-controlling interests	**348**	**893**	**543**	**321**	**666**	**322**	**15**	**59**	**42**	**684**	**1,618**	**907**
Non-controlling interests	9	21	12	1	2	-	1	2	1	11	25	13
Net income, Group share	**339**	**872**	**531**	**320**	**664**	**322**	**14**	**57**	**41**	**673**	**1,593**	**894**

** The amounts have been restated compared to the 2017 consolidated financial statements considering the new organization of the Group. The restatements are due to the transfer of Global Transaction and Payment Services business from French Retail Banking to Global Banking and Investor Solutions, to the modification of analytical split of results of the Insurance business distributed through French Retail Banking and Private Banking, and to a change in the allocation of overhead costs.*

(1) Income and expense not directly related to business line activities are recorded in the Corporate Centre income.

The Net banking income includes the revaluation differences for debts related to own credit risk (EUR -199 million at 30 June 2017 and EUR -53 million at 31 December 2017) and compensation of EUR 963 million for the transaction agreement between Societe Generale and the Libyan Investment Authority (at 30 June 2017 and 31 December 2017).

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

	Societe Generale Group			French Retail Banking			Corporate Centre (2)		
(In millions of euros)	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017
Segment assets	1,298,022	1,274,216	1,275,128	215,454	213,708	226,346	109,501	117,011	116,737
Segment liabilities(1)	1,234,659	1,211,265	1,211,091	210,685	211,709	230,110	87,352	91,854	92,515

	International Retail Banking & Financial Services											
	International Retail Banking			Financial Services to Corporates			Insurance			Total		
(In millions of euros)	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017
Segment assets	127,578	115,992	116,749	40,700	39,542	39,645	151,177	149,784	149,785	319,455	305,318	306,179
Segment liabilities(1)	95,130	91,854	91,853	11,917	12,055	12,106	142,630	141,721	141,676	249,677	245,630	245,635

	Global Banking and Investor Solutions											
	Global Markets and Investors Services			Financing and Advisory			Asset and Wealth Management			Total		
(In millions of euros)	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017	30.06.2018	01.01.2018*	31.12.2017
Segment assets	493,495	492,804	494,111	122,496	110,810	97,179	37,621	34,564	34,576	653,612	638,178	625,866
Segment liabilities(1)	628,345	594,024	593,419	33,937	42,699	24,063	24,663	25,350	25,349	686,945	662,072	642,831

** Amounts restated compared to the 31 December 2017 consolidated financial statements, following :*

- the first time application of IFRS9;

- the relocation of Global Transaction and Payment Services from French Retail Banking to Financing and Advisory.

(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.

NOTE 8.2 - OTHER OPERATING EXPENSES

(In millions of euros)	**1st half of 2018**	**2017**	**1st half of 2017**
Rentals	(384)	(839)	(542)
Taxes and levies	(740)	(919)	(755)
Data & Telecom	(1,168)	(2,265)	(1,095)
Consulting fees	(633)	(1,340)	(657)
Other	(935)	(1,720)	(541)
Total	**(3,860)**	**(7,083)**	**(3,590)**

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

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

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

The Single Resolution Fund (SRF), established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the 1st half of 2018, the Group's contributions to the SRF and the National Resolution Fund (NRF) were as follows:

- Cash contributions (85%) for a total of EUR 425 million, of which EUR 387 million related to the SRF and EUR 38 million related to the NRF, which is non tax-deductible in France and has been recorded in the income statement in *Other administrative expenses,* among *Taxes and Levies*;
- Irrevocable payment commitments (15%) backed by a cash collateral for EUR 70 million related to the SRF, recorded as an asset in the balance sheet, among *Other assets*.

NOTE 8.3 - PROVISIONS

BREAKDOWN OF PROVISIONS

(in millions of euros)	**Provisions at 01.01.2018**	**Allocations**	**Write-backs available**	**Net allocation**	**Write-backs used**	**Currency and others**	**Provisions at 30.06.2018**
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	683	268	(343)	**(75)**	-	19	**627**
Provisions for employee benefits (see Note 5.2)	2,100	136	(152)	**(16)**	(4)	(26)	**2,054**
Provisions for tax adjustments (see Note 6)	162	8	(52)	**(44)**	-	(1)	**117**
Provisions for disputes	2,387	229	(4)	**225**	(1,186)	108	**1,534**
Provisions for mortgage savings plans and accounts commitments	193	2	(33)	**(31)**	(4)	-	**158**
Other provisions	820	67	(36)	**31**	(2)	17	**866**
Total	**6,345**	**710**	**(620)**	**90**	(1,196)	**117**	**5,356**

1. DETAIL OF PROVISIONS FOR DISPUTES

Each quarter the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is provided in 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 amount to EUR 2,318 million as at 30 June 2018, after a use following the settlement agreement with the US Department of Justice, the Commodity Futures Trading Commission and the “Parquet National Financier” in the IBOR and Lybian matters, and an additional allocation of EUR 200 million to reflect the progress of risks on some matters.

2. OTHER PROVISIONS

Other provisions include provisions for restructuring, provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

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.

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 8.3 to the consolidated financial statements.

- Beginning in 2006, Societe Generale, along with numerous other banks, financial institutions, and brokers, received requests for information from the US Internal Revenue Service, the Securities and Exchange Commission (“SEC”) and the Antitrust Division of the U.S. Department of Justice (“DOJ”), focused on alleged noncompliance with various laws and regulations relating to the provision to governmental entities of Guaranteed Investment Contracts (“GICs”) and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale has cooperated with the US authorities.

- On 24th October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5th October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as damages to the bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, the Supreme Court has departed from its traditional line of case law regarding the compensation of victims of criminal offences against property and remanded the case to the Versailles Court of Appeal for it to rule on the amount of damages. On 23rd September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and recently confirmed that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carryforwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d’état) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. A hearing took place on 18th June 2018 before the Investigation Committee of the Criminal Case Review Court, following a request filed in May 2015 by J. Kerviel against his criminal sentence. The Investigation Committee will give its decision on 20th September 2018.

- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3rd April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15th May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time barred. Goldas and Societe Generale filed permission to appeal the judgment to the Supreme Court. On 16th February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

- Societe Generale Algeria ("SGA") and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries. The defendants are accused of having failed to make complete or accurate statements to the Algerian authorities on capital transfers in connection with exports or imports made by clients of SGA. The events were discovered during investigations by the Algerian authorities, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, fourteen cases have ended in favour of SGA and nine remain pending, seven of which before the Supreme Court.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – Echange d'Images Chèques), which has contributed to the improvement of cheque payments' security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20th September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million.

  However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. On 21st December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22 January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision.

- Societe Generale Private Banking (Suisse), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. ("SIBL"), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16th February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers. The Official Stanford Investors Committee ("OSIC") was permitted to intervene and filed a complaint against Societe Generale Private Banking (Suisse) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Suisse) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5th June 2014. Societe Generale Private Banking (Suisse) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21st April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

On 7th November 2017, the District Court denied the plaintiffs' motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20 April 2018.

On 22nd December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Suisse) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Suisse) has opposed this motion.

- On 7th March 2014, the Libyan Investment Authority ("LIA") brought proceedings against Societe Generale before the High Court of England regarding the conditions pursuant to which LIA entered into certain investments with the Societe Generale Group. LIA alleges that Societe Generale and other parties who participated in the conclusion of the investments notably committed acts amounting to corruption. On 3rd May 2017, Societe Generale and the Libyan Investment Authority reached a settlement agreement with a GBP 813.26 million payment, putting an end to the dispute.

- On 4 June 2018, Societe Generale announced that it had reached agreements with (i) the U.S. Department of Justice ("DOJ") and the U.S. Commodity Futures Trading Commission ("CFTC") in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates and the Euro Interbank Offered Rate (the "IBOR matter"), and (ii) the DOJ and the French *Parquet National Financier* ("PNF") in connection with investigations regarding certain transactions involving Libyan counterparties, including the Libyan Investment Authority ("LIA") and the bank's third-party intermediary (the "Libyan matter").

On 24 May 2018, Societe Generale entered into a "*Convention Judiciaire d'Intérêt Public*" ("CJIP") with the PNF, approved by the French court on 4 June 2018, to end its preliminary investigation in respect of the Libyan matter. On 5 June 2018, Societe Generale entered into a three-year deferred prosecution agreement ("DPA") with the DOJ in respect of the IBOR and Libyan matters. Societe Generale Acceptance N.V. ("SGA"), a subsidiary of Societe Generale dedicated to the issuance of investment products, entered a guilty plea in connection with the resolution of the Libyan matter. Also, on 4 June 2018, Societe Generale consented to an order from the CFTC in respect of the IBOR matter.

As part of the settlements, Societe Generale paid penalties totalling approximately USD1.3 billion to the DOJ, CFTC, and PNF. These penalties include (i) USD 275 million to the DOJ and USD 475 million to the CFTC in respect of the IBOR matter, and (ii) USD 292.8 million to the DOJ and EUR 250.15 million (USD 292.8 million) to the PNF in relation to the Libyan matter. The payment of the penalties was fully covered by the existing provision allocated to the IBOR and Libyan matters and previously booked in Societe Generale's accounts. As a result, these payments did not have an impact on the Bank's results for the second quarter.

In connection with the CJIP, which does not involve a recognition of criminal liability, Societe Generale agreed to have the French Anti-Corruption Agency (Agence Française Anticorruption) assess its anti-corruption programme for two years.

In connection with the DPA, Societe Generale agreed to implement a compliance and ethics program designed to prevent and detect violations of the Foreign Corrupt Practices Act and other applicable anti-corruption laws, anti-fraud and commodities laws throughout the Bank's operations. These actions are in addition to extensive steps undertaken at Societe Generale's own initiative to strengthen its global compliance and control framework in order to meet the highest standards of compliance and ethics. No independent compliance monitor has been imposed in connection with the DPA. The charges against Societe Generale will be dismissed if the Bank abides by the terms of the agreement, to which the Bank is fully committed.

Societe Generale received credit from the DOJ, CFTC and PNF for its cooperation with their investigations and the Bank has agreed to continue to cooperate with them pursuant to the settlement agreements.

In connection with the IBOR matter, the Bank continues to defend civil proceedings in the United States (as described below) and to respond to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services ("NYDFS").

In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

As to US Dollar Libor, the District Court has dismissed all claims against Societe Generale in two of the putative class actions and in all of the individual actions. The District Court has permitted plaintiffs in certain of the individual actions to seek leave to amend their complaints. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit. Two other putative class actions are effectively stayed pending resolution of these appeals. Societe Generale was voluntarily dismissed from a fifth putative class action.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange Act claims to proceed to discovery. The plaintiff's deadline to move for class certification in that action is 15th February 2019.

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- On 10th December 2012, the French Supreme Administrative Court (Conseil d'État) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale. The Court of Luxembourg should hand down its decision before the end of 2018.

  Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which was supposed to implement the decision rendered by the Court of Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016.

- Societe Generale continues to cooperate with the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Attorney's Office for the Southern District of New York, the New York County District Attorney's Office, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, and the NYDFS (collectively, the "US Authorities") in connection with an investigation relating to certain U.S. dollar transactions processed by Societe Generale involving countries, persons and entities that are subject to economic sanctions under U.S. law.

  Societe Generale is in discussions with the US Authorities in order to reach an agreement to resolve this matter. Any such agreement would include a requirement that Societe Generale pay a monetary fine and may impose additional sanctions or penalties. It is not currently possible to know the outcome of these discussions, nor the date when they could be concluded. It is possible, without it being certain, that the pending discussions lead to an agreement in the next weeks. The amount of any prospective fine or the other sanctions that may be imposed on Societe Generale cannot be determined with certainty and could be significant.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the Commodity Exchange Act ("CEA") in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016. Discovery is currently stayed by court orders. Societe Generale and certain subsidiaries, along with other financial institutions, have also been named as defendants in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.

- On 30th January 2015, the CFTC served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals done since 1st January 2009. Societe Generale cooperated with the authorities and produced documents in 2015. There has been no contact with the CFTC since that time.

- SG Americas Securities, LLC ("SGAS"), along with other financial institutions, was named as a defendant in several putative class actions alleging violations of US antitrust laws and the CEA in connection with its activities as a US Primary Dealer, buying and selling US Treasury securities. The cases were consolidated in the US District Court in Manhattan, and lead plaintiffs' counsel appointed. An amended consolidated complaint was filed on 15th November 2017, and SGAS was not named as a defendant. By order dated February 15, 2018, SGAS was dropped as a defendant in an individual "opt out" action alleging similar causes of action. There are no actions pending against SGAS in this matter.

- Societe Generale, along with several other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action is brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was preliminarily approved by the Court. A final approval hearing was held on 23 May 2018, and a decision is pending. Separate putative class actions on behalf of putative classes of indirect purchasers are also pending. A motion to dismiss those cases was granted by order dated 15 March 2018. On 5 April 2018, plaintiffs filed a motion for leave to file an amended complaint in those actions. That motion is pending.

- Further to an inspection conducted from 8th September to 1st December 2015 within the Societe Generale Group in order to review the Group's suspicious transaction reporting policies and procedures, the ACPR gave Societe Generale notice on 26th July 2016 of the opening of enforcement proceedings against it. On 19th July 2017, the ACPR enforcement commission issued a reprimand against Societe Generale and ordered it to pay a fine of EUR 5 million.

- The NYDFS has indicated to Societe Generale New York branch ("SGNY") that it is considering taking enforcement action against the bank concerning SGNY's Bank Secrecy Act and Anti Money Laundering compliance program. SGNY is in discussion with the NYDFS in an attempt to resolve this matter consensually. The timing as to when the discussions will be concluded and the final terms of any resolution are uncertain at this time.

NOTE 10 - RISK MANAGEMENT LINKED WITH FINANCIAL INSTRUMENTS

The scope and principles of impairments and provisions for credit risk were changed on 1 January 2018 following the first application of IFRS 9. The terms and conditions are detailed in Note 3.8.

The presentation and the content of the information presented here after, as disclosure to condensed interim financial statements, may be adapted in the notes of the consolidated statements for 2018.

Theses information are presented only in the notes to the consolidated financial statements and are consequently not disclosed in chapter 4 of the second update to the 2018 Registration document.

1.1 ANALYSIS OF GROSS OUTSTANDINGS AND PROVISIONS FOR CREDIT RISK

The following tables detail the provisioned outstandings (balance sheet and off-balance sheet) subject to impairment and provisions in accordance with the new model for estimating expected credit losses introduced by IFRS 9 and the impairment and provisions by stage.

The scope of these tables includes:

- Securities (excluding securities received under repurchase agreements), customer loans and due from banks measured at amortised cost or at fair value through other comprehensive income;
- Operational and finance lease;
- Financing and guarantee commitments.

Nota Bene: the oustandings of ex-Newedge brokerage activities outside France are excluded from the figures provided in tables 1 and 2.
There are no exclusions in tables 3 and 4.

Table 1: Basel portfolio breakdown of provisioned outstandings

	30.06.2018				01.01.2018			
(In millions of euros)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Sovereign	153,295	1,031	366	**154,692**	160,645	968	374	**161, 988**
Institution	51,198	129	80	**51,406**	58,799	250	94	**59,143**
Corporates	335,982	14,571	9,754	**360,307**	326,850	15,238	11,220	**353,308**
Retail	186,097	15,928	10,320	**212,345**	183,299	16,350	10,660	**210,309**
Others	18,737	46	48	**18,831**	18,927	-	46	**18,973**
Total	**745,309**	**31,705**	**20,568**	**797,581**	**748,521**	**32,806**	**22,394**	**803,720**

Table 2: Geographical breakdown of provisioned outstandings

(In millions of euros)	30.06.2018				01.01.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	322,595	20,830	11,143	**354,568**	341,405	21,139	11,836	**374,381**
Western Europe (excl. France)	156,466	2,776	2,278	**161,520**	159,547	3,002	2,479	**165,028**
Eastern Europe EU	22,711	1,939	1,031	**25,681**	25,379	2,396	1,361	**29 136**
Eastern Europe (excl. EU)	55,798	1,765	1,871	**59,434**	56,354	1,788	2,056	**60,198**
North America	105,437	993	807	**107,237**	87,530	1,000	1,037	**89,566**
Latin America and Caribbean	5,992	1,254	330	**7,576**	5,294	1,141	318	**6,754**
Asia Pacific	38,476	167	300	**38,943**	38,508	229	327	**39,064**
Africa and Middle East	37,834	1,981	2,808	**42,623**	34,503	2,111	2,980	**39,594**
Total	**745,309**	**31,705**	**20,568**	**797,581**	**748,521**	**32,806**	**22,394**	**803,720**

Table 3: Basel portfolio breakdown of provisions and impairment for credit risk

(In millions of euros)	30.06.2018				01.01.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	11	1	69	**81**	12	0	70	**82**
Institution	13	8	15	**36**	11	4	25	**40**
Corporates	614	695	5,415	**6,724**	644	750	5,851	**7,245**
Retail	488	586	5,564	**6,638**	498	658	5,815	**6,971**
Others	0	0	9	**9**	0	0	9	**9**
Total	**1,126**	**1,290**	**11,072**	**13,488**	**1,165**	**1,412**	**11,770**	**14,347**

Table 4: Geographical breakdown of provisions and impairment for credit risk

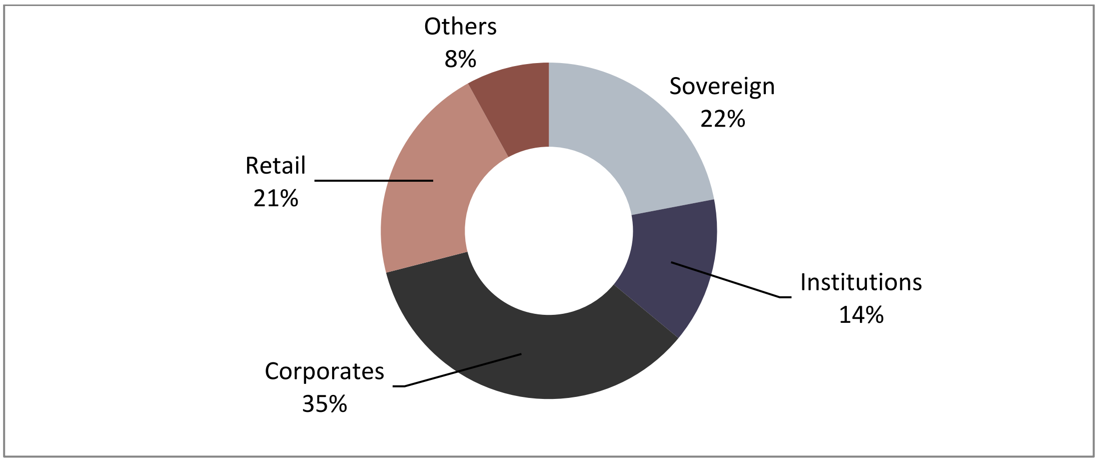
(In millions of euros)	30.06.2018				01.01.2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	439	790	5,631	**6,860**	483	824	5,765	**7,072**
Western Europe (excl. France)	182	115	1,227	**1, 524**	168	149	1,285	**1,602**
Eastern Europe EU	127	132	697	**956**	141	178	901	**1,220**
Eastern Europe (excl. EU)	157	77	1,314	**1,548**	153	80	1,532	**1,765**
North America	39	32	145	**217**	41	27	185	**253**
Latin America and Caribbean	3	1	83	**87**	8	4	100	**112**
Asia Pacific	13	1	160	**173**	13	2	154	**169**
Africa and Middle East	165	141	1,815	**2,121**	157	148	1,848	**2,153**
Total	**1,126**	**1,290**	**11,072**	**13,488**	**1,165**	**1,412**	**11,770**	**14,347**

1.2 EXPOSURES ANALYSIS

The measurement used for credit exposures in this section is EAD – Exposure At Default (on- and off-balance sheet). Under the Standard Approach, EAD is calculated net of collateral and provisions.

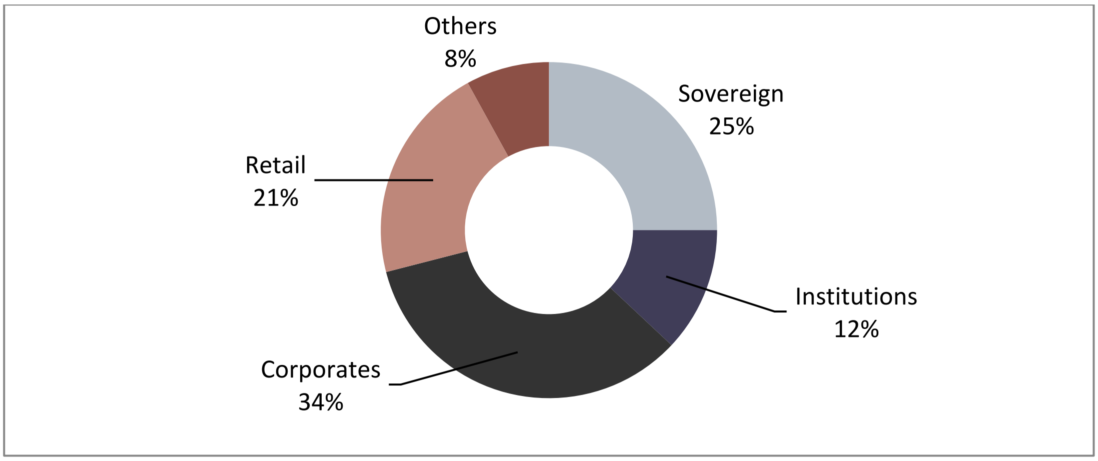
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 30 JUNE 2018

On- and off-balance sheet exposures (EUR 899 billion in EAD)



CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2017

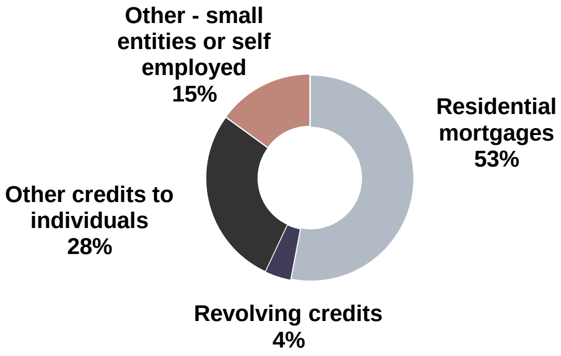
On and off-balance sheet exposures (EUR 872 billion in EAD)



(1) Institutions: Basel classification bank and public sector portfolios.

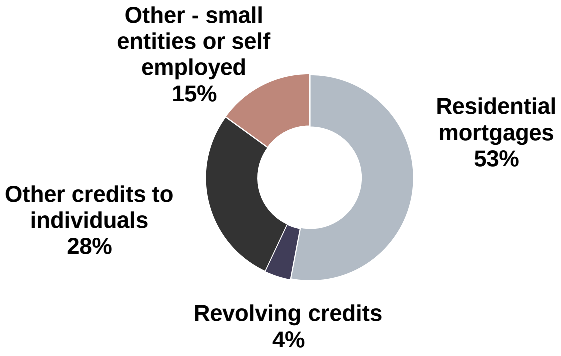
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 30 JUNE 2018

On- and off-balance sheet exposures (EUR 188 billion in EAD)

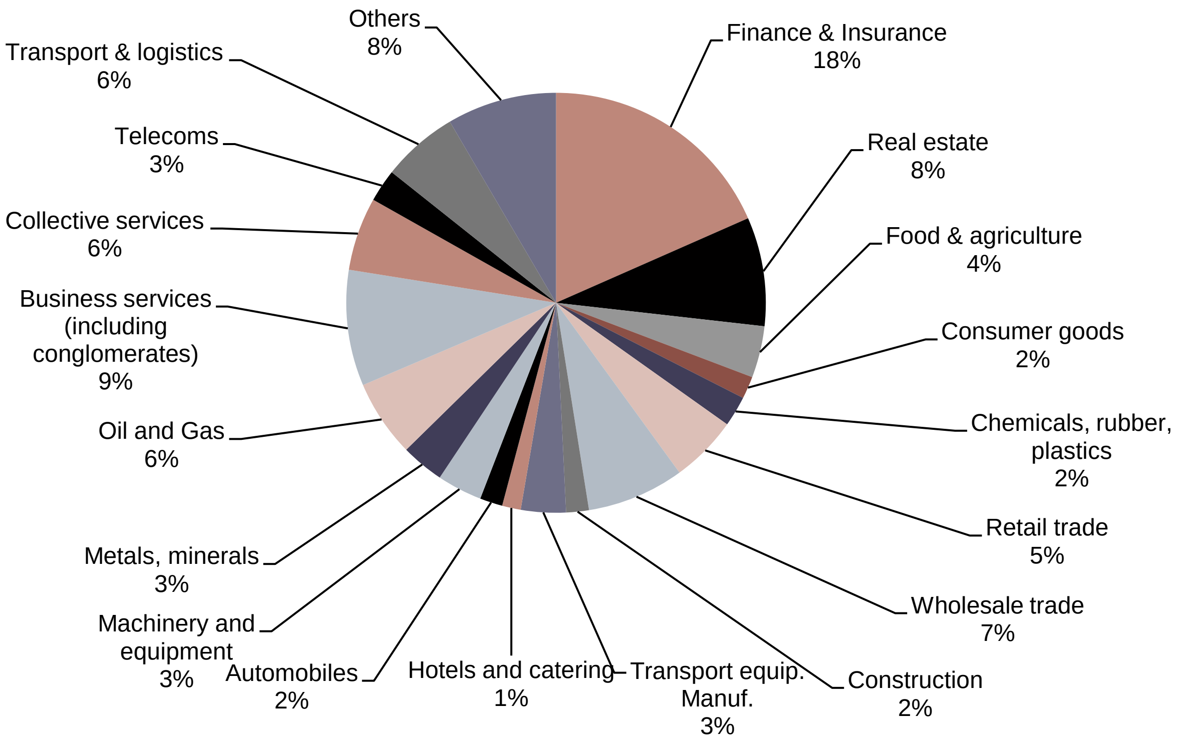


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2017

On-and off-balance sheet exposures (EUR 184 billion in EAD)



SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO) AT 30 JUNE 2018

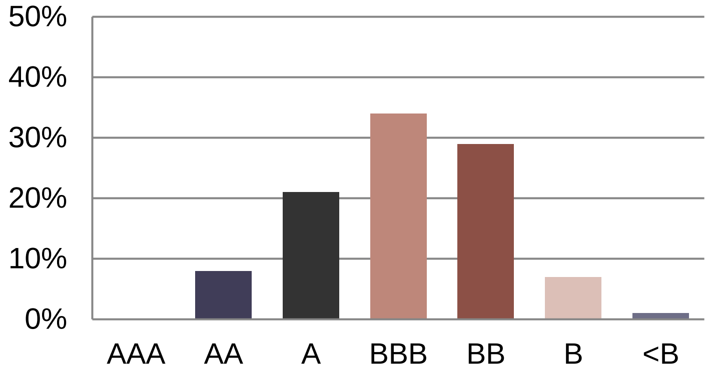


EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialist financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

At 30 June 2018, the Corporate portfolio amounted to EUR 343 billion (on- and off-balance sheet exposures measured in EAD). Only the Finance and Insurance sector accounts for more than 10% of the portfolio. The Group's exposure to its ten largest Corporate counterparties accounts for 6% of this portfolio.

CORPORATE AND BANK COUNTERPARTY EXPOSURE

Breakdown of risk by internal rating for corporate clients at 30 june 2018 (as % of EAD)

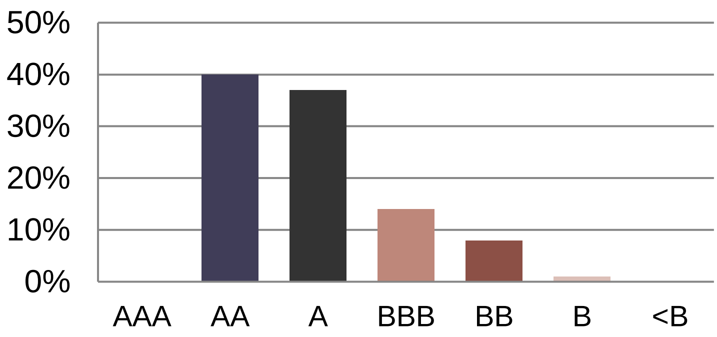


The scope includes performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialised financing) for the entire Corporate client portfolio, all divisions combined, and represents EAD of EUR 261 billion (out of total EAD for the Basel Corporate client portfolio of EUR 318 billion, standard method included).

The breakdown by rating of the Group's Corporate exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

At 30 June 2018, the majority of the portfolio (64% of Corporate clients) had an investment grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB-. Transactions with non-investment grade counterparties were very often backed by guarantees and collateral in order to mitigate the risk incurred.

Breakdown of risk by internal rating for banking clients at 30 june 2018 (as % of EAD)



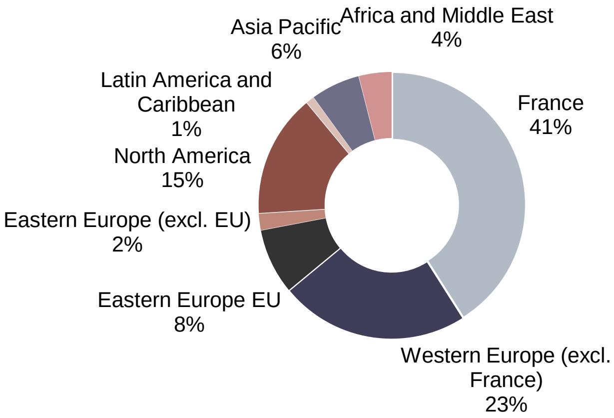
The scope includes performing loans recorded under the IRB method for the entire Bank client portfolio, all divisions combined, and represents EAD of EUR 66 billion (out of total EAD for the Basel Bank client portfolio of EUR 121 billion, standard method included). The breakdown by rating of Societe Generale group's bank counterparty exposure demonstrates the sound quality of the portfolio.

It is based on an internal counterparty rating system, presented above as its Standard & Poor's equivalent.

At 30 June 2018, exposure on banking clients was concentrated in investment grade counterparties (91% of exposure), as well as in developed countries (92%).

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 30 JUNE 2018 (ALL CLIENT TYPES INCLUDED)

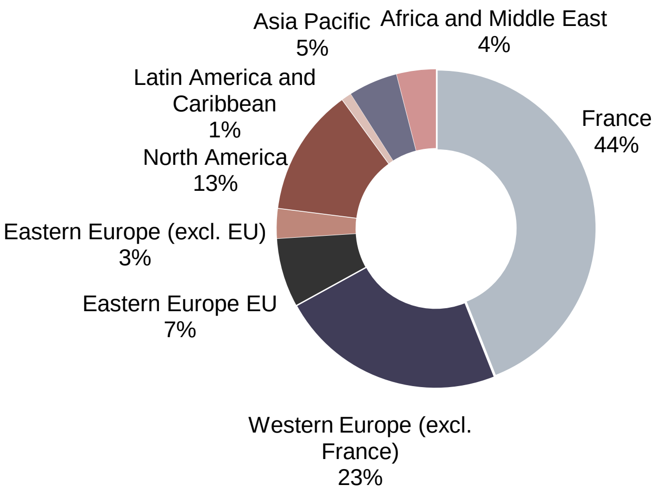
On-and off-balance sheet exposures: EUR 899 BN



At 30 June 2018, 89 % of the Group’s on- and off-balance sheet exposure was concentrated in the major industrialised countries. Almost half of the overall amount of outstanding loans was to French customers (26% exposure to non-retail portfolio and 15% to retail portfolio).

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31 DECEMBER 2017 (ALL CLIENT TYPES INCLUDED)

On-and off-balance sheet exposures: EUR 872 BN



4.2 Statutory Auditor's Review Report on the Half-yearly Financial Information for 2018

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S.A. au capital de € 1.723.040
572 028 041 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

SOCIETE GENERALE

Société Anonyme

17, cours Valmy
92972 Paris-La Défense

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Société Générale, for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are under the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1.Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to notes 1 « Significant accounting principles », 3 « Financial instruments » and 10 « Risk management linked with financial instruments » to the condensed half-yearly consolidated financial statements which set out the impact of the first application of IFRS 9 « Financial instruments ».

2.Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Paris-La Défense, August 3, 2018

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	DELOITTE & ASSOCIÉS
Micha Missakian	Jean-Marc Mickeler

5.1 Breakdown of capital and voting rights

At 30 June 2018 [2]

Breakdown of capital and voting rights [1]	Number of shares	% of capital	number of voting rights [3]	% of voting rights [3]	% of voting rights exercisable at GM [3]
Group Employee Share Ownership Plan	52,983,091	6.56%	101,015,657	11.48%	11.56%
Float	744,541,460	92.16%	768,593,485	87.34%	88.44%
o/w shareholders with more than 1,5% of the capital or voting rights [4]	113,125,727	14.00%	118,821,447	13.50%	13.60%
Blackrock, Inc	*49,980,100*	*6.19%*	*49,980,100*	*5.68%*	*5.72%*
The Capital Group Companies, Inc [5]	*42,546,000*	*5.27%*	*42,546,000*	*4.83%*	*4.87%*
CDC	*20,599,627*	*2.55%*	*26,295,347*	*2.99%*	*3.01%*
Share buybacks	6,228,034	0.77%	6,228,034	0.71%	0.00%
Treasury stock [6]	4,165,154	0.52%	4,165,154	0.47%	0.00%
Total	**807,917,739**	**100%**	**880,002,330**	**100%**	**873,774,296**

(1) Including double voting rights (article 14 of Societe Generale's by-laws).

(2) At 30 June 2018, the share of European institutional shareholders in the capital is estimated at 49,12 %.

(3) In accordance with article 223-11 of the AMF's General Regulations, the calculation of the total voting rights includes voting rights associated with share buybacks and treasury shares, these shares do not give the right to vote at annual General Meetings,

(4) Societe Generale’s By-laws stipulate that shareholders are obliged to notify the Company whenever their holding of share capital or voting rights exceeds an additional 0.5% beyond an initial notification threshold of 1.5%.

(5) During the first half of year 2018, The Capital Group Companies, Inc., acting as investment adviser on behalf of funds, reported to the AMF (French Financial Markets Authority) that it had crossed upwards and downwards the 5% threshold of Societe Generale’s voting rights. In its last declaration, the Capital Group Companies, Inc. stated that it had crossed downwards, on 25 July 2018, the 5% threshold of Societe Generale’s share capital and held 39,868,503 Societe Generale shares, representing the same number of voting rights, i.e. 4.93% of the share capital and 4.53% of the voting rights of Societe Generale.

(6) Société Générale reported to the AMF (French Financial Markets Authority) that it had crossed upwards, on 15 May 2018, the 5% threshold of Societe Generale’s share capital and held 47,420,538 Societe Generale’s shares, i.e. 5.87% of its share capital, distributed as follows: (i) effective holding of 12,670,921 shares (i.e. 1.57% of the share capital) and (ii) assimilated holding of 34,749,617 shares (i.e. 4.30% of the share capital).

5.2 Internal rules of the Board of Directors

INTERNAL RULES OF THE BOARD OF DIRECTORS*

(Updated on 1st August 2018)

<u>Preamble</u>:

The Board of Directors collectively represents all shareholders and acts in the Company's interest. Each Director, regardless of the manner in which he/she was appointed, must act in all circumstances in the Company's corporate interest.

Societe Generale applies the AFEP-MEDEF Corporate Governance Code for listed companies. As a credit institution, Societe Generale is subject to the provisions of the French Commercial Code, the French Monetary and Financial Code and more generally the regulatory texts applicable to the banking sector.

The purpose of these Internal Rules is to define the Board of Directors' organisation and operating procedures and to specify the rights and obligations of its members.

The Board of Directors ensures that Societe Generale has a solid governance system including, in particular, a clear organisation ensuring a well-defined, transparent and coherent sharing of responsibilities, effective procedures for the detection, management, monitoring and reporting of risks to which the Company is or could be exposed, an adequate internal control system, sound administrative and accounting procedures and compensation policies and practices enabling and promoting sound and effective risk management.

<u>Article 1: Powers of the Board of Directors</u>

1.1 - The Board of Directors shall deliberate on any issue falling within its legal or regulatory powers and devote sufficient time to perform its missions.

1.2 - The Board of Directors is competent, the enumeration is not to be regarded as exhaustive, in the following areas:

a) Strategic directions and operations

The Board of Directors:

- approves the Group's strategic directions, ensures their implementation and reviews them at least once a year; these directions include the values and the code of conduct of the Group as well as the main thrusts of the policy followed with respect to social and environmental responsibility, human resources, information systems and organisation;
- approves the plans for strategic operations, in particular acquisitions or disposals, which may have a significant impact on the Group's earnings, its balance sheet structure or its risk profile.

This prior approval process concerns:

- organic growth transactions of a unit amount higher than EUR 250 million and not already approved as part of the annual budget or the strategic plan;
- external growth transactions of a unit amount higher than 3% of the Group's consolidated shareholders' equity or higher than 1.50% of the Group's consolidated shareholders' equity if these transactions do not fall within the development priorities approved in the strategic plan;
- disposal transactions of a unit amount higher than 1.50% of the Group's consolidated shareholders' equity;
- partnership transactions with a compensation (*soulte*) of an amount higher than 1.50% of the Group's consolidated shareholders' equity;
- transactions substantially degrading the Group's risk profile.

* This document does not form part of Societe Generale's By-laws.

The Chairman shall assess, on a case-by-case basis, the appropriateness of a referral to the Board of Directors to deliberate on a transaction that does not fall under the aforementioned circumstances.

During each Board of Directors' meeting, an update is made on the transactions concluded since the previous meeting as well as on the main projects in progress and likely to be concluded before the next Board of Directors' meeting.

b) Financial statements and communication

The Board of Directors:

- ensures the accuracy and truthfulness of the annual and consolidated annual accounts and the quality of the information provided to the shareholders and the market;
- approves the management report;
- controls the publication and communication process, the quality and reliability of the information to be published and communicated.

c) Risk management

The Board of Directors:

- approves the global strategy and the appetite in terms of risks of any kind and controls the related implementation. To this end, it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the Company is or could be exposed, including the risks created by the economic environment; ensures, in particular, the adequacy and effectiveness of the risk management systems, controls the risk exposure from its activities and approves the overall risk limits; ensures the effectiveness of the corrective measures taken in the event of a default.

d) Governance

The Board of Directors:

- appoints the Chairman, the Chief Executive Officer and, upon the latter's proposal, the Deputy Chief Executive Officer(s); it determines any possible limitations on the powers of the Chief Executive Officer and the Deputy Chief Executive Officer(s);
- reviews the governance system, periodically assesses its effectiveness and ensures that corrective measures to remedy potential shortcomings have been taken;
- ensures, in particular, compliance with the banking regulations with respect to internal control;
- determines the orientations and controls the implementation by the Effective Senior Managers[1] of the oversight systems in order to ensure effective and prudent management of the institution, in particular the avoidance of conflicts of interest;
- deliberates on changes to the Group's management structures prior to their implementation and is informed of the main changes to its organisation;
- deliberates at least once a year, on its operation and that of its Committees, on the skills, aptitudes and availability of its members (see Articles 2 and 3) as well as on the conclusions of the periodic assessment thereof;
- reviews once a year the succession plan for the chief executive officers (*dirigeants mandataires sociaux*);
- gives, where appropriate, its prior consent to the dismissal of the Chief Risk Officer, after the Risk Committee and the Nomination and Corporate Governance Committee have been consulted;
- prepares the Report on corporate governance submitted to the General Meeting of Shareholders.

1 Persons designated as such with the European Central Bank (ECB) and the French Prudential Supervisory and Resolution Authority (ACPR) pursuant to banking regulations. For Societe Generale, these are the Chief Executive Officer and the Deputy Chief Executive Officers.

e) *Compensation and wage policy*

The Board of Directors:

- distributes the attendance fees in accordance with Article 15 of these Internal Rules;
- establishes the compensation policy principles applicable in the Group, in particular regarding the categories of staff whose activities have a significant impact on the Group's risk profile, and ensures that the internal control systems enable to verify that these principles comply with the regulations and professional standards and are consistent with the objectives for risk control;
- sets the compensation of the chief executive officers (*dirigeants mandataires sociaux*), in particular their fixed and variable compensation, including benefits in kind, allocations of performance shares or any compensation instruments, as well as post-employment benefits
- deliberates once a year on the Company's policy regarding professional and wage equality between men and women.

f) *Preventive recovery plan*

The Board of Directors:

- establishes the preventive recovery plan that is communicated to the European Central Bank and deliberates on any similar plan requested by foreign supervisory authorities.

Article 2: Skills/Aptitudes of the members of the Board of Directors

2.1 - The members of the Board of Directors shall have at all times the good repute, knowledge, skills and experience necessary for the performance of their duties and, collectively, the knowledge, skills and experience necessary to understand the Company's activities, including the main risks to which it is exposed.

2.2 - Each Director continually ensures to improve his/her knowledge of the Company and its sector of activity.

Article 3: Availability of the members of the Board of Directors

3.1 - The members of the Board of Directors shall devote sufficient time to the performance of their functions.

Under the conditions defined by the legislation in force, they may hold, within any legal entity, only one executive directorship and two non-executive directorships or only four non-executive directorships. For the purpose of this rule, directorships held within the same group are considered to be a single directorship. The European Central Bank may authorise a member of the Board of Directors to hold an additional non-executive directorship.

3.2 - Any Director holding an executive directorship in the Group must obtain the opinion of the Board of Directors before accepting a mandate in a listed company; the Director must comply with the procedure set out in Article 14 "Conflicts of interest."

3.3 - The Director shall promptly inform the Chairman of any change in the number of directorships held, including his/her participation in a committee of a Board, as well as any change in professional responsibility.

He/she undertakes to let the Board of Directors decide whether he/she should continue to serve as a Director in the event of a significant change in his/her professional responsibilities or mandates.

He/she undertakes to resign from his/her directorship when he/she no longer considers himself/herself able to perform his/her duties within the Board of Directors and the Committees of which he/she is a member.

3.4 - The Directors, under the conditions defined by the By-laws, may participate in meetings of the Board or of the Committees by videoconference or telecommunication means enabling their identification and guaranteeing their effective participation.

3.5 - The Registration Document reports on the attendance of Directors at meetings of the Board of Directors and the Committees.

3.6 - The Directors shall attend the General Meetings of Shareholders.

Article 4: Ethics of the members of the Board of Directors

4.1 - The Director keeps, in all circumstances, his/her independence of analysis, judgement, decision and action.

He/she undertakes not to seek or accept any benefit likely to compromise his/her independence.

4.2 - Each Director must comply with the provisions of the rules on market abuse (regulation (EU) n° 596/2014 dated 16 April 2014 and its delegated and implementing regulations supplementing it and defining technical standards; French Monetary and Financial Code; General Regulations, position-recommendation and instruction of the French Financial Markets Authority) in particular the ones relating to the communication and the use of inside information with regard to Societe Generale shares, debt securities and derivatives instruments or other financial instruments related to the Societe Generale share (hereinafter, Financial instruments). He/she must also comply with these same rules for Financial instruments of his/her subsidiaries or listed investments or companies on which he/she may hold inside information received as a result of his/her participation in the Board of Directors of Societe Generale.

4.3 - Directors shall abstain from intervening on the market of Societe Generale Financial instruments during the 30 calendar days preceding the publication of Societe Generale's quarterly, half-yearly and annual results as well as on the day of the said publication.

They shall refrain from carrying out speculative or leveraged transactions on Societe Generale Financial instruments or those of a listed company controlled directly or indirectly by Societe Generale within the meaning of Article L. 233-3 of the French Commercial Code.

They shall inform the Secretary of the Board of Directors of any difficulty they may encounter in enforcing the above.

4.4 - In accordance with the regulations in force, Directors and persons closely associated with them must report to the French Financial Markets Authority (AMF) the transactions carried out on Societe Generale Financial instruments.

A copy of this statement is also sent to the Secretary of the Board of Directors.

4.5 - Directors must hold in registered form all Societe Generale shares they have under the obligation provided for in Article 16 of these Internal Rules.

Article 5: The Chairman of the Board of Directors

5.1 - The Chairman convenes and chairs the Board of Directors meetings. He/she sets the timetable and agenda of the meetings. He/she organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He/she chairs the General Meetings of Shareholders.

5.2 - The Chairman ensures the proper functioning of the Company's bodies and the implementation of the best corporate governance practices, in particular as regards the Committees set up within the Board of Directors, which he/she may attend without the right to vote. He/she may submit questions for the consideration of these Committees.

5.3 – He/she receives all information relevant to his/her missions. He/she is regularly informed by the Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers, of significant events relating to the life of the Group. He/she may request the disclosure of any information or document that may inform the Board of Directors. For the same purpose, he/she may hear the Statutory Auditors and, after having informed the Chief Executive Officer, any Group senior manager.

5.4 – He/she ensures that the Directors are in a position to fulfil their missions and ensures that they are properly informed.

5.5 – He/she is the only person authorised to speak on behalf of the Board of Directors, except in exceptional circumstances or with a specific mandate entrusted to another Director.

5.6 – He/she devotes his/her best efforts to promote in all circumstances the values and the image of the Company. In consultation with the General Management, he/she may represent the Group in its high-level relations, in particular with major clients, regulators, major shareholders and public authorities, both domestically and internationally.

5.7 - He/she has the material resources necessary for the performance of his/her missions.

5.8 - The Chairman has no executive responsibilities, these responsibilities being exercised by the General Management which proposes and applies the Company's strategy, within the limits defined by law and in compliance with the corporate governance rules and directions set by the Board of Directors.

Article 6: Meetings of the Board of Directors

6.1 - The Board of Directors shall hold at least eight meetings per year.

6.2 - The Directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunication enabling their identification and guaranteeing their effective participation shall be deemed present for the calculation of the quorum and the majority. To this end, the means chosen shall transmit at least the voice of the participants and comply with technical characteristics enabling the continuous and simultaneous transmission of the deliberations.

This provision does not apply when the Board of Directors is convened to carry out the work for establishing and adopting the annual and consolidated annual accounts and the Management Report.

6.3 – Convening notices, which may be transmitted by the Secretary of the Board of Directors, are sent by letter, fax, e-mail or by any other means, including verbally.

6.4 - Upon decision of the Chairman, the Deputy Chief Executive Officers or other Group senior managers or, where relevant, external persons whose attendance is useful to the deliberations may attend all or part of the meetings of the Board of Directors.

Article 7: Information provided to the Board of Directors

7.1 - The Chairman or the Chief Executive Officer shall provide each Director with all information and documents necessary for the performance of his/her missions; he/she is provided with computer equipment enabling easy access to them.

7.2 - Effective Senior Managers shall inform the Board of Directors of all significant risks, risk management policies and changes made to them.

7.3 - If necessary, in the event of changes in the risks affecting or likely to affect the Company, the Chief Risk Officer may report directly to the Board of Directors.

7.4 - Meetings of the Board of Directors and the Committees are preceded by the on-line publication or availability in due course of a file on the agenda items that require special analysis and prior reflection whenever the respect of confidentiality so permits.

Moreover, between meetings, Directors shall receive all useful information, including critical information, about events or transactions significant for the Company. In particular, they shall receive press releases issued by the Company.

Article 8: Training of Directors

8.1 - The Company devotes the necessary human and financial resources to the training of the Directors and, especially, the Directors representing the employees.

8.2 – Training sessions on the specificities of the banking activity are organised each year.

Each Director may, on his/her appointment or throughout his/her term of office, benefit from any training that he/she deems necessary for the performance of the mandate.

8.3 - These training sessions shall be organised by the Company which shall bear their costs.

Article 9: Committees of the Board of Directors

9.1 - In certain areas, the Board of Directors' deliberations are prepared by specialised Committees composed of Directors appointed by the Board of Directors, which examine matters within their remit and submit their opinions and proposals to the Board of Directors.

9.2 - These Committees are composed of members of the Board of Directors who do not hold any executive function within the Company and who have suitable knowledge for the performance of the missions of the Committee in which they participate.

These Committees may decide, as necessary, to involve other Directors, without the right to vote, in their meetings.

9.3 - They shall have the necessary means to perform their missions and act under the responsibility of the Board of Directors.

9.4 - In the performance of their respective duties, they may request the communication of any relevant information, hear the Chief Executive Officer, the Deputy Chief Executive Officers as well as the Group's senior managers and, after having informed the Chairman, request the carrying out of external technical studies, at the Company's expense. They shall report on the information obtained and the opinions collected.

9.5 - There are four standing Committees:

- the Audit and Internal Control Committee;
- the Risk Committee;
- the Compensation Committee; and
- the Nomination and Corporate Governance Committee.

9.6 - Upon decision of the Chairmen of the relevant Committees, joint meetings between Committees may be arranged on topics of common interest. These meetings are co-chaired by the Chairmen of the Committees.

9.7 - The Board of Directors may create one or more "ad hoc" Committees.

9.8 - The Risk Committee, the Compensation Committee and the Nomination and Corporate Governance Committee may perform their missions for Group companies on a consolidated or sub-consolidated basis.

9.9 - Each Committee shall be chaired by a Chairman appointed by the Board of Directors based on a proposal from the Nomination and Corporate Governance Committee.

The Secretariat of each Committee is provided by a person designated by the Secretary of the Board of Directors.

9.10 - The Chairman of each Committee shall report to the Board of Directors on the Committee's work. A written report of the Committees' work shall be regularly circulated to the Board of Directors.

Each Committee shall submit its annual work programme to the Board of Directors.

9.11 - Each Committee shall give an opinion to the Board of Directors on the part of the Registration Document dealing with the issues falling within its scope of activity and prepare an annual activity report, submitted to the Board of Directors' approval, to be inserted in the Registration Document.

Article 10: The Audit and Internal Control Committee

10.1 - The Audit and Internal Control Committee's mission is to monitor issues concerning the preparation and control of accounting and financial information as well as the monitoring of the effectiveness of internal control, measurement, monitoring and risk control systems.

10.2 - In particular, it is responsible for:

a) ensuring the monitoring of the process for the production of the financial information, particularly reviewing the quality and reliability of existing systems, making proposals for their improvement and ensuring that corrective actions have been implemented in the event of a malfunction in the process; where appropriate, it makes recommendations to ensure their integrity;

b) analysing the draft accounts to be submitted to the Board of Directors in order to, in particular, verify the clarity of the information provided and assess the relevance and consistency of the accounting methods adopted for drawing up annual accounts and consolidated annual accounts;

c) conducting the procedure for selecting the Statutory Auditors and issuing a recommendation to the Board of Directors, developed in accordance with the provisions of Article 16 of the regulation (EU) n° 537/2014 dated 16 April 2014, concerning their appointment or renewal as well as their remuneration;

d) ensuring the independence of the Statutory Auditors in accordance with the regulations in force;

e) approving, in accordance with Article L. 823-19 of the French Commercial Code and the policy adopted by the Board of Directors, the provision of services other than the certification of accounts referred to in Article L. 822-11-2 of the said Code after analysing the risks to the Statutory Auditor's independence and the safeguard measures applied by the latter;

f) reviewing the work programme of the Statutory Auditors and, more generally, monitoring the control of the accounts by the Statutory Auditors in accordance with the regulations in force;

g) ensuring the monitoring of the effectiveness of internal control, risk management and internal audit systems, with regard to the procedures for the preparation and processing of the accounting and financial information. To this end, the Committee is responsible in particular for:

   - reviews the Group's permanent control quarterly dashboard;
   - reviewing the internal control and risk control of the business segments, divisions and main subsidiaries;
   - reviewing the Group's periodic monitoring programme and giving its opinion on the organisation and functioning of the internal control departments;
   - reviewing the follow-up letters from the banking and markets supervisors and issuing an opinion on draft replies to these letters;

h) reviewing the reports prepared in order to comply with the regulations in terms of internal control.

10.3 - It regularly reports to the Board of Directors on the performance of its missions, including the outcomes of the mission of certification of the accounts, how this mission contributed to the integrity of the financial information and the role it played in this process. It informs the Board of Directors without delay of any difficulty encountered.

10.4 - The Statutory Auditors shall be invited to the meetings of the Audit and Internal Control Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

10.5 - The Audit and Internal Control Committee or its Chairman also hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers in charge of drawing up the accounts, internal control, risk control, compliance control and periodic control.

10.6 - The Audit and Internal Control Committee is composed of at least three Directors appointed by the Board of Directors, who have the appropriate financial, accounting, or statutory audit skills. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Article 11: The Risk Committee

11.1 - The Risk Committee advises the Board of Directors on the overall strategy and the appetite regarding all kinds of risks, both current and future, and assists it when it controls the implementation of this strategy.

11.2 - In particular, it is responsible for:

a) preparing the debates of the Board of Directors on documents relating to risk appetite;

b) reviewing the risk control procedures and is consulted for the setting of overall risk limits;

c) undertaking a regular review of the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and communicating its conclusions to the Board of Directors;

d) issuing an opinion on the Group's global provisioning policy, as well as on specific provisions for significant amounts;

e) reviewing the reports prepared to comply with the banking regulations on risks;

f) reviewing the policy concerning risk control and the monitoring of off-balance sheet commitments, especially in the light of the memoranda prepared to this end by the Finance Division, the Risk Division and the Statutory Auditors;

g) reviewing, as part of its mission, whether the prices for the products and services mentioned in books II and III of the French Monetary and Financial Code and offered to clients are consistent with the Company's risk strategy. When these prices do not correctly reflect the risks, it informs the Board of Directors accordingly and gives its opinion on the action plan to remedy the situation;

h) without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided for by the compensation policy and practices are consistent with the Company's situation with regard to the risks to which it is exposed, its capital and its liquidity, as well as the probability and timing of expected benefits;

i) reviewing the risks associated with the Group's implementation of the guidelines on social and environmental responsibility and the indicators relating to the Conduct as part of the "Culture and Conduct" programme;

j) reviewing the enterprise risk management related to the Company's operations in the United States. When acting as US Risk Committee, the Risk Committee is composed of its members and those of the Audit and Internal Control Committee. However, following a decision of the Board of Directors, the members of the Audit and Internal Control Committee, other than its Chairman, may be exempted from participating if they are not members of the Risk Committee.[2]

11.3 - It has all information on the Company's risk situation. It may use the services of the Chief Risk Officer or external experts.

11.4 - The Statutory Auditors are invited to the meetings of the Risk Committee, unless the Committee decides otherwise. They may also be consulted outside these meetings.

The Risk Committee or its Chairman hear the heads of the internal control functions (risk, compliance, internal audit) as well as the Chief Financial Officer and, as necessary, the managers responsible for drawing up the accounts, internal control, risk control, compliance control and periodic control.

11.5 - The Risk Committee is composed of at least three Directors appointed by the Board of Directors who have knowledge, skills and expertise concerning risks. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code.

Article 12: The Compensation Committee

12.1 - The Compensation Committee prepares the decisions that the Board of Directors adopts concerning compensation, especially those related to the chief executive officers (*dirigeants mandataires sociaux*) as well as those that have an impact on the risk and the management of risks in the Company.

2 In accordance with the requirements of the U.S. Federal Reserve's Enhanced Prudential Standards Rules, the Risk Committee will hold quarterly meetings to review the Company's operations in the United States. The Risk Committee's obligations in this regard include the review of the enterprise risk management related to the Company's operations in the United States. As such, the Risk Committee must:

a) receive regular reports from the US-based Chief Risk Officer of the Company;
b) review the risk management system for the Company's combined operations in the United States; and
c) review the Company's liquidity risk in the United States.

12.2 - It conducts an annual review of:

a) the principles of the Company's compensation policy;
b) the compensation, allowances and benefits of any kind granted to the Company's executive officers (*mandataires sociaux*) as well as the Effective Senior Managers, if they are different;
c) the compensation policy for regulated employees within the meaning of the banking regulations.

12.3 - It controls the compensation of the Chief Risk Officer and the Chief Compliance Officer.

12.4 - It receives all information necessary for its mission and in particular the annual report sent to the European Central Bank.

12.5 - It may be assisted by the internal control services or by external experts.

12.6 - In particular, the Committee:

a) proposes to the Board of Directors, in compliance with the regulations applicable to credit institutions, the principles given by the AFEP-MEDEF Corporate Governance Code and professional standards, the principles of the compensation policy for the chief executive officers (*dirigeants mandataires sociaux*), and especially the criteria for the determination, the structure and the amount of this compensation, including allowances and benefits in kind, insurance or pension benefits, and compensation of any kind received from all the Group companies; it ensures their application;
b) prepares the annual performance assessment of the chief executive officers (*dirigeants mandataires sociaux*);
c) proposes to the Board of Directors the policy for performance shares;
d) prepares the decisions of the Board of Directors concerning the employee savings plan.

12.7 - It is composed of at least three Directors and includes a Director elected by the employees. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Code[3]. Its composition enables it to exercise a competent and independent judgement on the compensation policies and practices with regard to the management of risks, the equity and the liquidities of the Company.

Article 13: The Nomination and Corporate Governance Committee

13.1 - The Nomination and Corporate Governance Committee:

a) is responsible for making proposals to the Board of Directors for the appointment of Directors and Committees members as well as on the succession of the executive officers (*mandataires sociaux*), especially in the event of an unforeseeable vacancy, after having carried out necessary studies. To this end, it prepares the selection criteria to be submitted to the Board of Directors, proposes to the Board of Directors an objective to be achieved concerning the balanced representation of women and men on the Board of Directors and develops a policy designed to achieve this objective[4];

b) periodically reviews the structure, size, composition and effectiveness of the Board of Directors' work and submits to the Board of Directors any recommendation relevant to the carrying out of the annual assessment of the Board of Directors and its members;

c) periodically reviews the Board of Directors' policies concerning the selection and appointment of the Effective Senior Managers, the Deputy Chief Executive Officers and the Heads of risk, compliance, audit and finance functions; it makes recommendations in this area;

d) is informed in advance of the appointment of the Heads of risk, compliance, audit and finance functions. It is also informed of the appointment of the Heads of Business Units or of Service Units. It is informed of the succession plan for these senior officers (*dirigeants*);

3 For the calculation of the rate of independents within the committees, the AFEP-MEDEF Code does not take employees into account.

4 The objective and policy of the credit institutions, as well as the terms of implementation, are made public in accordance with paragraph 2 (c) of Article 435 of regulation (EU) n° 575/2013 dated 26 June 2013.

e) prepares the review by the Board of Directors of corporate governance issues as well as the Board of Directors' work on matters relating to Corporate culture. It proposes to the Board of Directors the presentation of the Board of Directors in the Registration Document and in particular the list of independent Directors.

13.2 - It is composed of at least three Directors. At least two thirds of the Committee's members are independent within the meaning of the AFEP-MEDEF Corporate Governance Code. The Chief Executive Officer is involved, as necessary, in the Committee's work.

Article 14: Conflicts of interest

14.1 - The Director shall inform the Secretary of the Board of Directors of any conflict of interest, including potential ones, in which he/she may be directly or indirectly involved. He/she shall refrain from taking part in the debates and decision-making on related matters.

14.2 - The Chairman is in charge of managing conflict of interest situations of the members of the Board of Directors. Where appropriate, he/she refers the matter to the Nomination and Corporate Governance Committee. Regarding conflicts which could affect him/her personally, he/she refers to the Chairman of the Nomination and Corporate Governance Committee.

If necessary, the Chairman may invite a Director having a conflict of interest not to attend the deliberation.

14.3 - The Director shall inform the Chairman and the Chairman of the Nomination and Corporate Governance Committee of his/her intention to accept a new mandate, including his/her participation in a committee, in a listed company that does not belong to a group of which he/she is an executive officer, in order to enable the Board of Directors, based on the Committee's proposal, to decide where appropriate that such an appointment would be inconsistent with the directorship in Societe Generale.

14.4 – The Director shall inform the Chairman of the Board of Directors of any conviction for fraud, of any incrimination and/or public sanction, and of any prohibition to manage or administer that may have been pronounced against him/her, as well as any bankruptcy, sequestration or liquidation proceedings to which he/she may have been associated.

14.5 - Each Director shall make a sworn statement as to the existence or otherwise of the situations referred to in 14.1 and 14.3: i) upon taking up his/her office, ii) each year in response to the request made by the Secretary of the Board of Directors upon the preparation of the Registration Document, iii) at any time if the Secretary of the Board of Directors requests it and iv) within 10 working days following the occurrence of any event that renders the previous statement made by him/her in whole or in part inaccurate.

Article 15: Attendance fees

15.1 - The overall amount of attendance fees is set by the General Meeting. The Board of Directors may decide to only partially use it. It may decide to allocate a budget for specific tasks or temporary workload increases for some members of the Board of Directors or of Committees.

15.2 - The Chairman and the Chief Executive Officer, when he/she is also a Director, do not receive attendance fees.

15.3 - As from 1 May 2018, the amount of allocated attendance fees is reduced by a sum equal to EUR 200,000 to be distributed between the members of the Risk Committee and the members of the Audit and Internal Control Committee gathered as the US Risk Committee. This amount is distributed in equal portions, except for the Chairman of the Risk Committee who has two portions.

The balance is then reduced by a lump sum of EUR 130,000 distributed between the Chairman of the Audit and Internal Control Committee and the Chairman of the Risk Committee.

15.4 - The balance is divided into 50% fixed, 50% variable. The number of fixed portions per Director is 6. Additional fixed portions are allocated:

- Chairman of the Audit and Internal Control Committee or of the Risk Committee: 4 portions;
- Chairman of the Nomination and Corporate Governance Committee or of the Compensation Committee: 3 portions;
- Member of the Nomination and Corporate Governance Committee or of the Compensation Committee: 0.5 portion;
- Member of the Audit and Internal Control Committee or of the Risk Committee: 1 portion.

The additional fixed portions may be reduced in proportion to the actual attendance when the attendance over the year is below 80%.

15.5 – The variable portion of attendance fees is divided up at the end of the year, in proportion to the number of meetings or working meetings of the Board of Directors and of each of the Committees which each Director has attended.

Article 16: Shares held in a personal capacity

16.1 - Each Director appointed by the General Meeting (whether in his/her own name or as a permanent representative of a legal entity) must hold the equivalent of at least 1,000 shares. Each Director has a six-month time frame to hold the 600 shares provided for by the By-laws and an additional six-month time frame to increase his/her holding to 1,000 shares.

16.2 - Each Director shall refrain from hedging his/her shares.

Article 17: Reimbursement of expenses

17.1 - Directors' travel, accommodation, meals and mission expenses pertaining to the meetings of the Board of Directors or of the Committees of the Board of Directors, the General Meeting of Shareholders or any other meetings related to the work of the Board of Directors or the Committees, are paid for or reimbursed by Societe Generale, upon submission of receipts.

At least once a year, the Nomination and Corporate Governance Committee considers these and, as necessary, makes proposals or recommendations.

17.2 – As to the Chairman, the Company also pays the expenses necessary for the performance of his/her duties.

17.3 - The Secretary of the Board of Directors receives and verifies the relevant supportive documents and ensures that the sums due are paid or reimbursed.

Article 18: Secret

18.1 - Each Director is bound by a strict professional secrecy with regard to the confidential information he/she receives, the discussions in which he/she participates, the decisions taken as long as they are not made public as well as with regard to the views expressed by each of them.

18.2 - He/she obliges himself/herself to a duty of care and a duty to alert.

5.3 List of regulated information published in the last 6 months

PRESS RELEASES PUBLISHED UNDER REGULATED INFORMATION

- 14.03.2018 - Changes within the General Management of the Group
- 19.03.2018 - Update of the information related to litigations
- 20.04.2018 - Societe Generale Remuneration Policies and Practices Report 2017
- 03.05.2018 - Renewal of the Group's management team and new appointments
- 23.05.2018 - Annual General Meeting and Board of Directors dated 23 May 2018
- 04.06.2018 - Update of the information related to litigations
- 04.06.2018 - Societe Generale reaches agreements with the DOJ, the CFTC and the PNF to resolve their pending IBOR and Libya-related investigations
- 04.06.2018 - Statement from Societe Generale following the publication of an article in the Financial Times

REGISTRATIONS DOCUMENTS AND UPDATES - ANNUAL FINANCIAL REPORT

- 08.03.2018 - Availability of the 2018 Registration Document
- 08.03.2018 - Availability of the annual financial report
- 14.03.2018 - Registration Document (financial year 2017) filed under number D18-0112
- 07.05.2018 - First update to the 2018 Registration document
- 07.05.2018 - Availability of the third update to the 2018 Registration Document filed on 7 May 2018

FINANCIAL INFORMATION

- 08.02.2018 - 4th quarter and full-year 2017 results
- 04.05.2018 - 1st quarter 2018 Results

MONTHLY DECLARATIONS ON THE TOTAL NUMBER OF VOTING RIGHTS AND SHARES

- 7 declaration forms

DESCRIPTION OF THE BUYBACK PROGRAMMES AND STATEMENT ON THE LIQUIDITY AGREEMENT

- 17.05.2018 - Description of the share buyback programme
- 03.07.2018 - Half-year statement on the liquidity agreement

REPORT ON CORPORATE GOVERNANCE

- 08.03.2018 - Availability of the report on corporate governance

COMMUNIQUES FOR ACCESS TO OR CONSULTATION OF THE INFORMATION RELATIVE TO SHAREHOLDERS GENERAL MEETINGS

- 19.04.2018 - Availability or consultation of the information relating to the Combined General Meeting of shareholders of 23 May 2018

6 - Chapter 8: Person responsible for the update of the Registration Document

6.1 Person responsible for the update of the Registration Document

Mr. Frédéric OUDÉA, Chief Executive Officer of Societe Generale.

6.2 Statement of the person responsible

I hereby certify that, after taking all reasonable measures for this purpose, the information contained in this update of the 2018 Registration Document is, to the best of my knowledge, in accordance with the facts and that it contains no omission likely to affect its meaning.

I certify that, to the best of my knowledge, the condensed consolidated accounts for the first half year have been prepared in accordance with applicable accounting standards and are a fair reflection of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation scope, and that the interim management report comprising the sections listed in the cross-reference table in section 7.2 of this update presents a fair review of the important events which have occurred during the first six months of the financial year, their impact on the accounts, the major related parties transactions and a description of the main risks and uncertainties for the remaining six months of the financial year.

I have received a completion letter from the Statutory Auditors stating that they have audited the information about the financial position and accounts contained in this update, and that they have read the 2018 Registration Document and its update A-02 in their entirety.

Paris, on 3 August 2018

Mr. Frédéric OUDÉA

Chief Executive Officer of Societe Generale

6.3 Persons responsible for the audit of the accounts

STATUTORY AUDITORS

Name: Société Ernst & Young et Autres
represented by Mr. Micha Missakian

Address: 1-2, place des Saisons
92400 Courbevoie – Paris-La Défense 1 (France)

Date of appointment: 22 May 2012

Date of renewal: 23 May 2018

Duration of current term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31 December 2023

Name: Société Deloitte & Associés
represented by Mr. Jean-Marc Mickeler

Address: 6, place de la Pyramide
92908 Paris-La Défense Cedex (France)

Date of first appointment: 18 April 2003

Dates of the last renewal: 23 May 2018

Duration of current term of office: six financial years

End of current term of office: at the close of the Ordinary General Meeting called to approve the accounts for the year ended 31 December 2023

Ernst & Young et Autres and Deloitte & Associés are registered as Statutory auditors with the Compagnie régionale des Commissaires aux comptes de Versailles.

7 - Chapter 9: Cross-reference tables

7.1 Cross-reference table of the update

Subject		Page numbers in the Registration Document	1st update	2nd update
1.	PERSONS RESPONSIBLE	556	63	186
2.	STATUTORY AUDITORS	557	64	187
3.	SELECTED FINANCIAL INFORMATION			
3.1.	Selected historical financial information on the issuer for each financial year	Key figures, p. 9	3-22	
3.2.	Selected financial information for interim periods	NA		6-27
4.	RISK FACTORS	138-235	33-37	45-55
5.	INFORMATION ABOUT THE ISSUER			
5.1.	History and development of the Company	8; 539		
5.2.	Investments	66-67		39-40
6.	OVERVIEW OF ACTIVITIES	28-29		
6.1.	Principal activities	9; 50-58	7-24	6-41
6.2.	Principal markets	9-12; 14-26; 28-29; 406-409		
6.3.	Exceptional events	NA		
6.4.	Dependence of the issuer on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	NA		
6.5.	The basis for statements made by the issuer regarding its competitive position	Summary	Summary	18-19
7.	ORGANISATIONAL STRUCTURE			
7.1.	Brief description of the Group	9; 28-29		28
7.2.	List of major subsidiaries	32-49; 414-442; 508-520		28; 81
8.	REAL ESTATE PROPERTIES, PLANT AND EQUIPMENT			
8.1.	Material tangible fixed assets (existing or planned)	67; 412		35
8.2.	Environmental issues that may affect the issuer's use of the tangible fixed assets	238-298	38-56	
9.	OPERATING AND FINANCIAL REVIEW			
9.1.	Financial condition	59-65		9; 34-38
9.2.	Operating results	30-49	3-22	6-27
10.	CAPITAL RESOURCES			
10.1.	Information on the issuer's capital resources	302-307; 402-404		62-63; 173
10.2.	Sources and amounts of the issuer's cash flow	308		64
10.3.	Information on the issuer's borrowing requirements and funding structure	62-65	23-24	36-38
10.4.	Information regarding any restrictions for the use of capital resources that have materially affected, or could materially affect, the issuer's operations	540		
10.5.	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3 and 8.1	63-65; 67		
11.	RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	NA		
12.	TREND INFORMATION	13		40-41
13.	PROFIT FORECASTS OR ESTIMATES	NA		
14.	ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT			
14.1.	Board of Directors and General Management	72-98; 132	25-30	42-44
14.2.	Conflicts of interest involving administrative, management and supervisory bodies and General Management	132		

Subject		Page numbers in the Registration Document	1st update	2nd update
15.	REMUNERATION AND BENEFITS			
15.1.	Amount of remuneration paid and benefits in kind	99-128	27-32	
15.2.	Total amounts set aside or accrued by the issuer to provide pension, retirement or similar benefits	391		
16.	BOARD AND MANAGEMENT PRACTICES			
16.1.	Date of expiration of the current term of office	77-83; 93-95		
16.2.	Members of the administrative bodies' service contracts with the issuer	NA		
16.3.	Information about the issuer's Audit Committee and Remuneration Committee	86-88; 90		
16.4.	Statement as to whether or not the issuer complies with the corporate governance regime	73		
17.	EMPLOYEES			
17.1.	Headcount	14; 242-249		
17.2.	Shareholdings and stock options awarded to executive officers	77-83; 93-95; 99-128	56	146-147
17.3.	Any arrangements for involving employees in the issuer's capital	250	56	
18.	MAJOR SHAREHOLDERS			
18.1.	Shareholders owning more than 5% of capital or voting rights	535-536		173
18.2.	Different voting rights held by the major shareholders	535-536; 540		173
18.3.	Control of the issuer	535-536; 538		
18.4.	Any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	NA		
19.	RELATED-PARTY TRANSACTIONS	133-135; 391; 508-520		
20.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES			
20.1.	Historical financial information	123; 125; 147; 151-154; 166-167; 176; 179-183; 191-194; 198-202; 204-206; 217-218; 220-222; 301-447; 454-523; 561		
20.2.	Pro-forma financial information	NA		
20.3.	Financial statements	123; 125; 147; 151-154; 166-167; 176; 179-183; 191-194; 198-202; 204-206; 217-218; 220-222; 301-447; 454-523		
20.4.	Verification of annual historical financial information	448-453; 524-529		
20.5.	Date of the most recent financial information	302; 454		56
20.6.	Interim financial information	NA	3-22; 57-61	6-27; 56-170
20.7.	Dividend policy	533-534		42
20.8.	Legal and arbitration proceedings	232; 444-447; 521-523	36-37	3-5; 55; 158-163
20.9.	Significant change in the financial or commercial situation	66		
21.	ADDITIONAL INFORMATION			
21.1.	Share capital	130-131; 535-540	62	173
21.2.	Memorandum and Articles of Association	541-545		174-184
22.	MATERIAL CONTRACTS	67		40
23.	THIRD-PARTY INFORMATION AND STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST	NA		
24.	DOCUMENTS AVAILABLE TO THE PUBLIC	540		
25.	INFORMATION ON EQUITY INTERESTS	28-29; 414-442; 508-520		

7.2 Cross-reference table of the interim financial report

Pursuant to Article 212-13 of the French Financial Markets Authority's General Regulation, this update comprises the information of the interim financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the French Financial Markets Authority's General Regulation.

Interim financial report	**Page No.**
Financial statements as at 30 June 2018	56-170
Interim management report	3-41
Important events which have occurred during the first six months of the financial year and their impact on the accounts	3-40
Description of the main risks and uncertainties for the remaining six months of the financial year	40-41
Major related-party transactions	NA
Statement of the person responsible	186
Statutory auditors' report on the financial information for the first half-year 2018	171-172