10 FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS

(In millions of euros)		IFRS December 31, 2008	IFRS December 31, 2007
Cash, due from central banks	Note 5	13,745	11,302
Financial assets measured at fair value through profit and loss	Note 6	488,415	489,959
Hedging derivatives	Note 7	6,246	3,709
Available-for-sale financial assets	Note 8	81,723	87,808
Due from banks	Note 9	71,192	73,065
Customers loans	Note 10	354,613	305,173
Lease financing and similar agreements	Note 12	28,512	27,038
Revaluation differences on portfolios hedged against interest rate risk		2,311	(202)
Held-to-maturity financial assets	Note 13	2,172	1,624
Tax assets	Note 14	4,674	3,933
Other assets	Note 15	51,469	35,000
Non current assets held for sale	Note 16	37	14,229
Deferred profit sharing	Note 32	3,024	-
Investments in subsidiaries and affiliates accounted for by the equity method		185	747
Tangible and intangible fixed assets	Note 17	15,155	13,186
Goodwill	Note 18	6,530	5,191
Total		**1,130,003**	**1,071,762**

LIABILITIES

(In millions of euros)		IFRS December 31, 2008	IFRS December 31, 2007
Due to central banks		6,503	3,004
Financial liabilities measured at fair value through profit and loss	Note 6	412,432	340,751
Hedging derivatives	Note 7	9,250	3,858
Due to banks	Note 19	115,270	131,877
Customer deposits	Note 20	282,514	270,662
Securitized debt payables	Note 21	120,374	138,069
Revaluation differences on portfolios hedged against interest rate risk		583	(337)
Tax liabilities	Note 14	981	2,400
Other liabilities	Note 22	57,817	46,052
Non current liabilities held for sale	Note 16	35	15,080
Underwriting reserves of insurance companies	Note 32	67,147	68,928
Provisions	Note 24	2,291	8,684
Subordinated debt	Note 26	13,919	11,459
Total liabilities		**1,089,116**	**1,040,487**
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Common stock		726	583
Equity instruments and associated reserves		17,727	7,514
Retained earnings		17,775	17,551
Net income		2,010	947
Sub-total		**38,238**	**26,595**
Unrealized or deferred capital gains or losses		(2,153)	646
Sub-total equity, Group share		**36,085**	**27,241**
Minority interests		**4,802**	**4,034**
Total equity		**40,887**	**31,275**
Total		**1,130,003**	**1,071,762**

CONSOLIDATED INCOME STATEMENT

(In millions of euros)		IFRS 2008	IFRS 2007
Interest and similar income	Note 33	40,188	38,093
Interest and similar expense	Note 33	(32,240)	(35,591)
Dividend income		466	400
Fee income	Note 34	10,505	10,745
Fee expense	Note 34	(3,090)	(3,217)
Net gains or losses on financial transactions		4,770	10,252
o/w net gains or losses on financial instruments at fair value through profit and loss	*Note 35*	*4,677*	*9,307*
o/w net gains or losses on available-for-sale financial assets	*Note 36*	*93*	*945*
Income from other activities	Note 37	15,383	16,084
Expenses from other activities	Note 37	(14,116)	(14,843)
Net banking income		**21,866**	**21,923**
Personnel expenses	Note 38	(8,616)	(8,172)
Other operating expenses		(6,040)	(5,348)
Amortization, depreciation and impairment of tangible and intangible fixed assets		(872)	(785)
Gross operating income		**6,338**	**7,618**
Cost of risk	Note 40	(2,655)	(905)
Operating income excluding net loss on unauthorized and concealed trading activities		**3,683**	**6,713**
Net loss on unauthorized and concealed trading activities	Note 41	-	(4,911)
Operating income including net loss on unauthorized and concealed trading activities		**3,683**	**1,802**
Net income from companies accounted for by the equity method		(8)	44
Net income/expense from other assets (1)		633	40
Impairment losses on goodwill	Note 18	(300)	-
Earnings before tax		**4,008**	**1,886**
Income tax	Note 42	(1,235)	(282)
Consolidated net income		**2,773**	**1,604**
Minority interests		763	657
Net income, Group share		**2,010**	**947**
Earnings per share	**Note 43**	**3.38**	**1.84 ***
Diluted earnings per share	**Note 43**	**3.36**	**1.82 ***

** Amounts adjusted with respect to the published financial statements.*

(1) When creating Newedge, a gain of EUR 602 million was realized on the sale of 50% of the Fimat shares owned by the Group.

CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Capital and associated reserves: Common stock	Capital and associated reserves: Equity instruments and associated reserves	Capital and associated reserves: Elimination of treasury stock	Consolidated reserves: Retained earnings	Unrealized or deferred capital gains or losses: Translation reserves	Unrealized or deferred capital gains or losses: Change in fair value of assets available for sale	Unrealized or deferred capital gains or losses: Change in fair value of hedging derivatives	Unrealized or deferred capital gains or losses: Tax impact	Shareholders' equity, Group share	Minority interests (see note 27)	Unrealized or deferred capital gains or losses, minority interests	Shareholders' equity, minority interests	Total consolidated shareholders' equity
Shareholders' equity at December 31, 2006	**577**	**8,154**	**(1,860)**	**19,994**	**48**	**2,355**	**28**	**(242)**	**29,054**	**4,166**	**212**	**4,378**	**33,432**
Increase in common stock	6	530							536			-	536
Elimination of treasury stock			(1,604)	46					(1,558)			-	(1,558)
Issuance of equity instruments		2,081		44					2,125			-	2,125
Equity component of share-based payment plans		213							213			-	213
2007 Dividends paid				(2,397)					(2,397)	(299)		(299)	(2,696)
Effect of acquisitions and disposals on minority interests				(127)					(127)	(599)		(599)	(726)
Sub-total of changes linked to relations with shareholders	***6***	***2,824***	***(1,604)***	***(2,434)***					***(1,208)***	***(898)***		***(898)***	***(2,106)***
Change in value of financial instruments and fixed assets having an impact on equity						(214)	73		(141)		(15)	(15)	(156)
Change in value of financial instruments and fixed assets recognized in income						(941)			(941)		(12)	(12)	(953)
Tax impact on change in value on financial instruments and fixed assets having an impact on equity or recognized in income								90	90				90
2007 Net income for the period				947					947	657		657	1,604
Sub-total				***947***		***(1,155)***	***73***	***90***	***(45)***	***657***	***(27)***	***630***	***585***
Change in equity of associates and joint ventures accounted for by the equity method												-	-
Translation differences and other changes				(9)	(551)				(560)		(76)	(76)	(636)
Sub-total				***(9)***	***(551)***				***(560)***		***(76)***	***(76)***	***(636)***
Shareholders' equity at December 31, 2007	**583**	**10,978**	**(3,464)**	**18,498**	**(503)**	**1,200**	**101**	**(152)**	**27,241**	**3,925**	**109**	**4,034**	**31,275**
Increase in common stock (see note 27)	143	4,474							4,617				4,617
Elimination of treasury stock (1)			1,974	(9)					1,965				1,965
Issuance of equity instruments (see note 27)		3,576		95					3,671				3,671
Equity component of share-based payment plans (2)		189							189				189
2008 Dividends paid (see note 27)				(581)					(581)	(340)		(340)	(921)
Effect of acquisitions and disposals on minority interests (3)(4)				(224)					(224)	495		495	271
Sub-total of changes linked to relations with shareholders	***143***	***8,239***	***1,974***	***(719)***					***9,637***	***155***	***-***	***155***	***9,792***
Change in value of financial instruments and fixed assets having an impact on equity						(2,950)	306		(2,644)		(60)	(60)	(2,704)
Change in value of financial instruments and fixed assets recognized in income						(340)			(340)		6	6	(334)
Tax impact on change in value on financial instruments and fixed assets having an impact on equity or recognized in income								797	797				797
2008 Net income for the period				2,010					2,010	763		763	2,773
Sub-total				***2,010***		***(3,290)***	***306***	***797***	***(177)***	***763***	***(54)***	***709***	***532***
Change in equity of associates and joint ventures accounted for by the equity method													
Translation differences and other changes (5)				(4)	(612)				(616)		(96)	(96)	(712)
Sub-total				***(4)***	***(612)***				***(616)***		***(96)***	***(96)***	***(712)***
Shareholders' equity at December 31, 2008 (6)	**726**	**19,217**	**(1,490)**	**19,785**	**(1,115)**	**(2,090)**	**407**	**645**	**36,085**	**4,843**	**(41)**	**4,802**	**40,887**

(1) At December 31, 2008, the Group held 23,331,979 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 4.02% of the capital of Societe Generale. The amount deducted by the Group from its net book value for equity instruments (shares and derivatives) came to EUR 1,490 million, including EUR 203 million for shares held for trading purposes.

The change in treasury stock over 2008 breaks down as follows:

(In millions of euros)	**Transaction-related activities**	**Buybacks and active management of Shareholders' equity**	**Total**
Cancellation of 10,000,000 shares		1,218	1,218
Purchases net of disposals	595	161	756
	595	**1,379**	**1,974**
Capital gains net of tax on treasury shares and treasury share derivatives, booked under shareholders' equity	6	(21)	(15)
Related dividends, removed from consolidated results	(2)	8	6
	4	**(13)**	**(9)**

(2) Share-based payments settled in equity instruments in 2008 amounted to EUR 189 million, including EUR 39 million for the stock option plans, EUR 85 million for the free shares attribution plan and EUR 65 million for Global Employee Share Ownership Plan.

(3) In compliance with the accounting principles indicated in note 1, transactions relative to minority interests were treated for accounting purposes as equity transactions. Accordingly:

- *capital gains and losses on the disposal of fully-consolidated subsidiaries which do not lead to a loss of exclusive control are booked under shareholders' equity;*
- *additional goodwill linked to buyback commitments afforded to minority shareholders in fully-consolidated subsidiaries and minority interest buybacks following the acquisition of exclusive control is booked under shareholders' equity.*

In the balance sheet, net income attributable to the minority interests of shareholders holding a put option on their Group shares was allocated to consolidated reserves.

Adjustment details as at December 31, 2008:

Gains on sales cancellation	0
Minority interests buybacks not subject to any put options	(242)
Transactions and variation of value on put options granted to minority shareholders	(7)
Net income attributable to the minority interests of shareholders holding a put option on their Group shares allocated to consolidated reserves	25
Total	(224)

(4) Movements booked in the amount of EUR 495 million under minority interest reserves correspond to:

- *EUR 511 million to the global intregration of Rosbank after the exercise of the call option on 30% +2 shares of Rosbank's capital;*
- *EUR (75) million in the acquisition of the 7.57% of Rosbank's minority shareholders, result of the obligatory offer to minority shareholders launched after Societe Generale took up its majority stake in Rosbank;*
- *EUR 58 million in the decrease of the interest rate of SG Group in Boursorama with the term of two third of the put options sold to Hodéfi for CaixaBank acquisition;*
- *EUR 13 million in capital increase by SG Maroc;*
- *EUR 21 million in capital increase by UIB;*
- *EUR (25) million in the reclassification of net income attributable to the minority interests of shareholders with a put option on their Group shares from minority interest reserves to consolidated reserves.*

(5) The variation in Group translation differences for 2008 amounted to EUR (612) million.

This variation was mainly due to the decrease of the Rouble against the Euro (EUR (228) million), the Pound sterling (EUR (223) million), the Norwegian krone (EUR (73) million), the Korean Won (EUR (71) million), the Romanian Leu (EUR (62) million), the Real (EUR (51) million) and to the increase of the US Dollar against the Euro (EUR 85 million).

The variation in translation differences attributable to Minority Interests amounted to EUR (96) million. This was mainly due to the revaluation of the Euro against US Dollar (EUR 20 million), and to the decrease of the Rouble against the Euro (EUR (52) million), the Romanian Leu (EUR (49) million) and the Czech Koruna (EUR (12) million).

(6) Revaluation at fair value of available for sale assets amounting to EUR (2,090) million at December 31, 2008 is decomposed as follows:

- *unrealized gains: EUR 2,159 million;*
- *unrealized losses on assets reclassified in Loans and Receivables: EUR (902) million (will be recycled to Profits and Losses all along the residual life of the related Loans and Receivables);*
- *unrealized losses on the portfolios of the insurance subsidiaries: EUR (2,597) million, neutralized by the profit-sharing recordings at the level of EUR 2,075 million (see note 32);*
- *unrealized losses on the portfolios of the other entities: EUR (2,825) million, concerning the major part debt securities (unrealized losses on equity securities amounts to EUR (45) million). For these debt securities, according to the Group accounting principles, the absence of risk event on the credit issuers led to maintain in stockholders' equity unrealized losses (see note 1).*

CASH FLOW STATEMENT

(In millions of euros)	December 31, 2008	December 31, 2007
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES		
Net income (I)	**2,773**	**1,604**
Amortization expense on tangible fixed assets and intangible assets	2,665	2,383
Depreciation and net allocation to provisions	(16)	5,120
Allocation to provisions for the loss linked to the closing of unauthorized and concealed trading activities positions	(6,382)	6,382
Net income/loss from companies accounted for by the equity method	8	(44)
Deferred taxes	768	(2,219)
Net income from the sale of long term available for sale assets and subsidiaries	(1,018)	(954)
Change in deferred income	(134)	(338)
Change in prepaid expenses	(25)	181
Change in accrued income	164	(575)
Change in accrued expenses	308	90
Other changes	5,602	1,457
Non-monetary items included in net income and others adjustments (not including income on financial instruments measured at fair value through P&L) (II)	**1,940**	**11,483**
Income on financial instruments measured at fair value through P&L [1] (III)	**(4,677)**	**(9,307)**
Interbank transactions [2]	(16,449)	(457)
Customers transactions [3]	(43,820)	(35,792)
Transactions related to other financial assets and liabilities [4]	55,695	44,573
Transactions related to other non financial assets and liabilities	(5,150)	(996)
Net increase / decrease in cash related to operating assets and liabilities (IV)	**(9,724)**	**7,328**
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III) + (IV)	**(9,688)**	**11,108**
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES		
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	(811)	438
Tangible and intangible fixed assets	(3,293)	(3,546)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)	**(4,104)**	**(3,108)**
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES		
Cash flow from / to shareholders [5]	9,235	(2,182)
Other net cash flows arising from financing activities	1,644	6
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)	**10,879**	**(2,176)**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	**(2,913)**	**5,824**
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at start of the year		
Net balance of cash accounts and accounts with central banks	8,320	5,175
Net balance of accounts, demand deposits and loans with banks	6,368	3,689
Cash and cash equivalents at end of the year [6]		
Net balance of cash accounts and accounts with central banks	7,242	8,320
Net balance of accounts, demand deposits and loans with banks	4,533	6,368
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS	**(2,913)**	**5,824**

(1) Income on financial instruments measured at fair value through P&L includes realized and unrealized income.

(2) O/w EUR (6,115) million reclassified into "Due from banks" (see note 9).

(3) O/w EUR (22,331) million reclassified into "Customer loans" (see note 10).

(4) O/w EUR 24,264 million reclassified from Trading portfolio (see note 6), EUR 4,344 million reclassified from Available-for-sale portfolio (see note 8) and EUR (890) million reclassified into Available-for-sale portfolio (see note 8).

(5) O/w several capital increases for EUR 155 million with EUR 5,788 million of issuing premiums net of the EUR 109 million expenses after tax linked to the capital increase using preferred subscription rights, i.e. net amount of EUR 4,474 million and three super subordinated loans issued in May (EUR 1,000 million), June (GBP 700 million) and December (EUR 1,700 million) (see Note 27).

(6) Including EUR 1,477 million related to Rosbank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 17, 2009.

Note 1

Significant accounting principles

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ending December 31, 2008 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date (these standards are available on European Commission Website at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

The standards comprise IFRS 1 to 8 and International Accounting Standards (IAS) 1 to 41, as well as the interpretations of these standards adopted by the European Union as at December 31, 2008.

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

The consolidated financial statements are presented in euros.

IFRS AND IFRIC INTERPRETATIONS APPLIED BY THE GROUP AS OF JANUARY 1, 2008

• Amendments to IAS 39 and IFRS 7 "Reclassification of financial assets"

The European Union adopted on October 15, 2008 amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and to IFRS 7 "Financial instruments: Disclosures".

The amendment to IAS 39 introduces the possibility of reclassification of some non-derivatives financial instruments if specified criteria are met:

- reclassification out of the "financial assets at fair value through profit and loss" to other categories;
- reclassification out of the "available for sales financial assets" to the "loans and receivables".

The amendment to IFRS 7 requires new disclosures concerning these reclassifications.

The Group decided to use the possibility of reclassification proposed by the amendment of IAS 39 from October 1, 2008. The consequence of these amendments is disclosed in the note 11.

IASB (International Accounting Standards Board) published on November 27, 2008 a second amendment relating to reclassification of financial assets not yet adopted by the European Union on December 31, 2008. This additional amendment explains conditions for a possible retrospective reclassification on July 1, 2008. It will have no effect on the reclassification made by the Group on October 1, 2008.

The main valuation and presentation rules used in drawing up the consolidated financial statements are shown below. These accounting methods and principles were applied consistently in 2007 and 2008.

USE OF ESTIMATES

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

In order to make assumptions and estimates, the Management uses information available at the date of preparation of the financial statement and can exercise its judgment.

By nature, valuations based on estimates include, especially in the context of the financial crisis that grew up over 2008, risks and uncertainties relating to their occurrence in the future. Consequently actual future results may differ from these estimates and have a significant impact on the financial statements.

The use of estimates principally concern the following valuations:

- fair value in the balance sheet of financial instruments non quoted in an active market which are classified as *Financial assets and liabilities measured at fair value through profit and loss, Hedging derivatives* or *Available-for-sale financial assets* (described in notes 1 and 3) and fair value of unlisted instruments for which this information shall be disclosed in the notes to the financial statements;
- the amount of impairment of financial assets (*Loans and receivables, Available-for-sale financial assets, Held-to-maturity financial assets*), lease financing and similar agreements, tangible or intangible fixed assets and goodwill (described in notes 1, 4 and 17);
- provisions recognized under liabilities, including provisions for employee benefits or underwriting reserves of insurance companies as well as the deferred profit-sharing on the asset side of the balance-sheet (described in notes 1, 23, 24, 25 and 32);

- initial value of goodwill determined for each business combination (described in notes 1 and 2).

1. Consolidation principles

The consolidated financial statements of Societe Generale include the financial statements of the Parent Company and of the main French and foreign companies making up the Group. Since the financial statements of foreign subsidiaries are prepared in accordance with accepted accounting principles in their respective countries, any necessary restatements and adjustments are made prior to consolidation so that they comply with the accounting principles used by the Societe Generale Group.

CONSOLIDATION METHODS

The consolidated financial statements comprise the financial statements of Societe Generale, including the bank's foreign branches, and all significant subsidiaries over which Societe Generale exercises control. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro-forma statements for a twelve-month period ended December 31. All significant balances, profits and transactions between Group companies are eliminated.

When determining voting rights for the purpose of establishing the Group's degree of control over a company and the appropriate consolidation methods, potential voting rights are taken into account where they can be freely exercised or converted at the time the assessment is made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

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

The following consolidation methods are used:

• Full consolidation

This method is applied to companies over which Societe Generale exercises sole control. Sole control over a subsidiary is defined as the power to govern the financial and operating policies of the said subsidiary so as to obtain benefits from its activities. It is exercised:

- either by directly or indirectly holding the majority of voting rights in the subsidiary;
- or by holding the power to appoint or remove the majority of the members of the subsidiary's governing, management or supervisory bodies, or to command the majority of the voting rights at meetings of these bodies;
- or by the power to exert a controlling influence over the subsidiary by virtue of an agreement or provisions in the company's charter or by laws.

• Proportionate consolidation

Companies over which the Group exercises joint control are consolidated by the proportionate method.

Joint control exists when control over a subsidiary run jointly by a limited number of partners or shareholders is shared in such a way that the financial and operating policies of the said subsidiary are determined by mutual agreement.

A contractual agreement must require the consent of all controlling partners or shareholders as regards the economic activity of the said subsidiary and any strategic decisions.

• Equity method

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is the power to influence the financial and operating policies of a subsidiary without exercising control over the said subsidiary. In particular, significant influence can result from Societe Generale being represented on the board of directors or supervisory board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of a subsidiary when it holds directly or indirectly at least 20% of the voting rights in this subsidiary.

SPECIFIC TREATMENT FOR SPECIAL PURPOSE VEHICLES (SPV)

Independent legal entities ("special purpose vehicles") set up specifically to manage a transaction or group of similar transactions are consolidated whenever they are substantially controlled by the Group, even in cases where the Group holds none of the capital in the entities.

Control of a special purpose vehicle is generally considered to exist if any one of the following criteria applies:

- The SPV's activities are being conducted on behalf of the Group so that the Group obtains benefits from the SPV's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the SPV, whether or not this control has been delegated through an autopilot mechanism.
- The Group has the ability to obtain the majority of the benefits of the SPV.
- The Group retains the majority of the risks of the SPV.

In consolidating SPVs considered to be substantially controlled by the Group, the shares of said entities not held by the Group are recognized as debt in the balance sheet.

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

The balance sheet items of consolidated companies reporting in foreign currencies are translated at the official exchange rates prevailing at year-end. Income statement items of these companies are translated at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are included in shareholders' equity under *Unrealized or deferred capital gains or losses – Translation differences*. Gains and losses on transactions used to hedge net investments in foreign consolidated entities or their income in foreign currencies, along with gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders' equity under the same heading.

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

TREATMENT OF ACQUISITIONS AND GOODWILL

The Group uses the purchase method to record its business combinations. The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired company plus all costs directly attributable to the business combination.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are valued individually at their fair value regardless of their purpose. The analysis and professional appraisals required for this initial valuation must be carried out within 12 months of the date of acquisition as must any corrections to the value based on new information.

All excess of the price paid over the assessed fair value of the proportion of net assets acquired is booked on the assets side of the consolidated balance sheet under *Goodwill*. Any deficit is immediately recognized in the income statement.

Goodwill is carried in the balance sheet at its historical cost denominated in the subsidiary's reporting currency, translated into euros at the official exchange rate at the closing date for the period.

In case of increase in Group stakes in entities over which it already exercises sole control: the difference between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired is henceforth booked under the Group's *consolidated reserves*. Also, any reduction in the Group's stake in an entity over which it keeps sole control is treated as an equity transaction in the accounts. The impact of this retrospective change in accounting treatment with respect to previous comparable financial years is indicated in the note on changes in shareholders' equity.

Goodwill is reviewed regularly by the Group and tested for impairment of value whenever there is any indication that its value may have diminished, and at least once a year. At the acquisition date, each item of goodwill is attributed to one or more cash-generating units expected to derive benefits from the acquisition. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating units.

If the recoverable amount of the cash-generating units is less than their carrying amount, an irreversible impairment is booked to the consolidated income statement for the period under *Impairment losses on goodwill*.

COMMITMENTS TO BUY OUT MINORITY SHAREHOLDERS IN FULLY CONSOLIDATED SUBSIDIARIES

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

The commitments are booked in the accounts as follows:

- In accordance with IAS 32, the Group booked a financial liability for put options granted to minority shareholders of the subsidiaries over which it exercises sole control. This liability is initially recognized at the present value of the estimated exercise price of the put options under *Other liabilities*.
- The obligation to recognize a liability even though the put options have not been exercised means that, in order to be consistent, the Group has followed the same accounting treatment as that applied to transactions on minority interests. As a result, the counterpart of this liability is a write-down in value of the minority interests underlying the options with any balance deducted from the Group's *consolidated reserves*.
- Subsequent variations in this liability linked to changes in the exercise price of the options and the carrying value of minority interests are booked in full in the Group's *consolidated reserves*.
- If the stake is bought, the liability is settled by the cash payment linked to the acquisition of minority interests in the subsidiary in question. However if, when the commitment

reaches its term, the purchase has not occurred, the liability is written off against the minority interests and the Group's *consolidated reserves*.

- Whilst the options have not been exercised, the results linked to minority interests with a put option are recorded under *Minority interests* on the Group's *consolidated income statement*.

SEGMENT REPORTING

The Group is managed on a matrix basis that takes account of its different business lines and the geographical breakdown of its activities. Segment information is therefore presented under both criteria, broken down primarily by business line and secondly by geographical region.

The Group includes in the results of each subdivision all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Center, also includes the yield on capital allocated to it, based on the estimated rate of return on Group capital. On the other hand, the yield on the sub-division's book capital is reassigned to the Corporate Center. Transactions between subdivisions are carried out under identical terms and conditions to those applying to non-Group customers.

The Group is organized into five core business lines:

- French Retail Banking Network which includes the domestic networks of Societe Generale and those of Crédit du Nord;
- International Retail Banking (BHFM);
- Financial Services Divison (DSFS) which includes vendor finance, leasing, consumer credit, life and non-life insurance;
- Global Investment Management and Services (GIMS) including Asset Management, Private Banking and Boursorama, and Securities Services and Online Savings, including Newedge and other securities and employee savings services;
- Corporate and Investment Banking (SGCIB) which covers, on the one hand, Corporate Banking and Fixed Income (structured finance, debt, forex and treasury activities, commodity finance and trading, commercial banking) and, on the other hand, Equity and Advisory activities.

In addition, the Corporate Center acts as the central funding department for the Group's five core businesses.

Segment income is presented taking into account internal transactions in the Group, while segment assets and liabilities are presented after elimination of internal transactions within the Group. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Center.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A fixed asset or group of assets and liabilities is deemed to be "held for sale" if its carrying value will primarily be recovered via a sale and not through its continuing use. For this classification to apply, the asset must be immediately available for sale and its sale must be highly probable. Assets and liabilities falling under this category are reclassified as *Non-current assets held for sale* and *Liabilities* directly associated with non-current assets classified as held for sale, with no netting.

Any negative differences between the fair value less cost to sell of non-current assets and groups of assets held for sale and their net carrying value is recognized as an impairment loss in profit or loss. Moreover, non-current assets classified as held for sale are no longer depreciated.

An operation is classified as discontinued at the date the Group has actually disposed of the operation, or when the operation meets the criteria to be classified as held for sale. Discontinued operations are recognized as a single item in the income statement for the period, at their net income for the period up to the date of sale, combined with any net gains or losses on their disposal or on the fair value less cost to sell of the assets and liabilities making up the discontinued operations. Similarly, cash flows generated by discontinued operations are booked as a separate item in the statement of cash flow for the period.

2. Accounting policies and valuation methods

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCIES

At period-end, monetary assets and liabilities denominated in foreign currencies are converted into euros (the Group's functional currency) at the prevailing spot exchange rate. Realized or unrealized foreign exchange losses or gains are recognized in the income statement.

Forward foreign exchange transactions are recognized at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates applying at the end of the period. Unrealized gains and losses are recognized in the income statement.

Non-monetary financial assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio, are converted into euros at the exchange rate applying at the end of the period. Currency differences arising on these financial assets are booked to shareholders' equity and are only recorded in the income statement when sold or impaired or where the currency risk is fair value hedged. In particular, non-monetary assets funded by a liability denominated in the same currency are converted at the spot rate applying at the end of the period by booking the impact of exchange rate fluctuations to income subject to a fair value hedge relationship existing between the two financial instruments.

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The first choice in determining the fair value of a financial instrument is the quoted price in an active market. If the instrument is not traded in an active market, fair value is determined using valuation techniques.

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

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and between various market participants mentioned above, or on the fact that the latest transactions dealt on an arm's length basis are not recent enough. When the financial instrument is traded in several markets to which the Group has immediate access, the fair value is the price at which a transaction would occur in the most advantageous active market. Where no price is quoted for a particular instrument but its components are quoted, the fair value is the sum of the various quoted components incorporating bid or asking prices for the net position as appropriate.

If the market for a financial instrument is not or is no longer considered as active, its fair value is established using a valuation technique (in-house valuation models). Depending on the instrument under consideration, these may use data derived from recent transactions concluded on an arm's length basis, from the fair value of substantially similar instruments, from discounted cash flow or option pricing models, or from valuation parameters.

If market participants frequently use some valuation techniques and if those techniques have proved that they provide a reliable estimation of prices applied on real market transactions, then the Group can use those techniques. To use own hypothesis for future cash flows and discount rates, correctly adjusted for the risks that any market participant would take into account, is permitted. Such adjustments are made in a reasonable and appropriate manner after examining the available information. Notably, own hypothesis consider counterparty risk, non-performance risk, liquidity risk and model risk, if necessary.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price. If the valuation parameters used are observable market data, the fair value is taken as the market price, and any difference between the transaction price and the price given by the in-house valuation model, i.e. the sales margin, is immediately recognized in the income statement. However, if valuation parameters are not observable or the valuation models are not recognized by the market, the fair value of the financial instrument at the time of the transaction is deemed to be the transaction price and the sales margin is then generally recognized in the income statement over the lifetime of the instrument, except for some complex financial instruments for which it is recognized at maturity or in the event of early sale. Where substantial volumes of issued instruments are traded on a secondary market with quoted prices, the sales margin is recognized in the income statement in accordance with the method used to determine the instruments price. When valuation parameters become observable, any portion of the sales margin that has not yet been booked is recognized in the income statement at that time.

FINANCIAL ASSETS AND LIABILITIES

Purchases and sales of non-derivative financial assets at fair value through profit or loss, financial assets held-to-maturity and available-for-sale financial assets (see below) are recognized in the balance sheet on the settlement date while derivatives are recognized on the trade date. Changes in fair value between the trade and settlement dates are booked in the income statement or to shareholders' equity depending on the relevant accounting category. Loans and receivables are recorded in the balance sheet on the date they are paid or on the maturity date of the invoiced services.

When initially recognized, financial assets and liabilities are measured at fair value including transaction costs (except for financial instruments recognized at fair value through profit or loss) and are classified under one of the following categories.

- **Loans and receivables**

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and neither held for trading purposes nor intended for sale from the time they are originated or contributed. Loans and receivables are recognized in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterpart. Thereafter, they are valued at amortized cost using the effective interest method and an impairment loss may be recorded if appropriate.

- **Financial assets and liabilities at fair value through profit and loss**

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognized in the balance sheet under *Financial assets or liabilities at fair value through profit and loss*. Changes in fair value are recorded in the income statement for the period as *Net gains or losses on financial instruments at fair value through profit and loss*.

This category also includes non-derivative financial assets and liabilities designated by the Group upon initial recognition to be carried at fair value through profit or loss in accordance with the option available under IAS 39, specified in the amendment to the standard published in June 2005. The Group's aim in using the fair value option is:

- first to eliminate or significantly reduce discrepancies in the accounting treatment of certain financial assets and liabilities.

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

  The Group also books at fair value through profit or loss the financial assets held to guarantee unit-linked policies of its life insurance subsidiaries to ensure their financial treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities have to be recognized according to local accounting principles. The revaluations of underwriting reserves on unit-linked policies, which are directly linked to revaluations of the financial assets underlying their policies, are therefore recognized in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through the income statement so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies;
- second so that the Group can book certain compound financial instruments at fair value thereby avoiding the need to separate out embedded derivatives that would otherwise have to be booked separately. This approach is notably used for valuation of the convertible bonds held by the Group.

- **Held-to-maturity financial assets**

These are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are valued after acquisition at their amortized cost and may be subject to impairment as appropriate. The amortized cost includes premiums and discounts as well as transaction costs and they are recognized in the balance sheet under *Held-to-maturity financial assets*.

- **Available-for-sale financial assets**

These are non-derivative financial assets held for an indeterminate period which the Group may sell at any time. By default, these are any assets that do not fall into one of the above three categories. These financial assets are recognized in the balance sheet under *Available-for-sale financial assets* and measured at their fair value at the balance sheet date. Interest accrued or paid on fixed-income securities is recognized in the income statement using the effective interest rate method under *Interest and similar income – Transactions on financial instruments*. Changes in fair value other than income are recorded in shareholders' equity under *Unrealized or deferred gains or losses*. The Group only records these changes in fair value in the income statement when assets are sold or impaired, in which case they are reported as *Net gains or losses on available-for-sale financial assets*. Depreciations regarding equity securities recognized as *Available-for-sale financial assets* are irreversible. Dividend income earned on these securities is booked in the income statement under *Dividend income*.

RECLASSIFICATION OF FINANCIAL ASSETS

When initially recognized, financial assets may not be later reclassified into *Financial assets at fair value through profit and loss*.

A financial asset, initially recognized as *Financial assets at fair value through profit and loss* may be reclassified out of its category when it fulfills the following conditions:

- if a financial asset with fixed or determinable payments, initially held for trading purposes, is no more, after acquisition, negotiable on a active market and the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset, may be reclassified into the *Loans and receivables* category, provided that the eligibility criteria to this category are met.
- if rare circumstances generate a change of the holding purpose of non-derivative debt or equity financial assets held for trading, then these assets may be reclassified into *Available-for-sale financial assets* or into *Held-to-maturity financial assets*, provided in that latter case, that the eligibility criteria to this category are met.

In any case, financial derivatives and financial assets measured using fair value option shall not be reclassified out of *Financial assets at fair value through profit and loss*.

A financial asset initially recognized as *Available-for-sale financial assets* may be reclassified into *Held-to-maturity financial assets,* provided that the eligibility criteria to this category are met. Furthermore if a financial asset with fixed or determinable payments initially recognized as *Available-for-sale financial assets* is subsequently no longer negotiable on a active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset, may be reclassified into *Loans and receivables* provided that the eligibility criteria to this category are met.

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

DEBT

Group borrowings that are not classified as financial liabilities recognized through profit or loss are initially recognized at cost, measured as the fair value of the amount borrowed net of transaction fees. These liabilities are valued at period end and at amortized cost using the effective interest rate method, and are recognized in the balance sheet under *Due to banks, Customer deposits* or *Securitized debt payables.*

- **Amounts due to banks, customer deposits**

Amounts due to banks and customer deposits are classified according to their initial duration and type: demand (demand deposits and current accounts) and time deposits and borrowings in the case of banks and regulated savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

Interest accrued on these accounts is recorded as *Related payables* and in the income statement.

- **Securitized debt payables**

These liabilities are classified by type of security: loan notes, interbank market certificates, negotiable debt instruments, bonds and other debt securities excluding subordinated notes which are classified under *Subordinated debt.*

Interest accrued is recorded as *Related payables* and as an expense in the income statement. Bond issuance and redemption premiums are amortized at the effective interest rate over the life of the related borrowings. The resulting charge is recognized under *Interest expenses* in the income statement.

SUBORDINATED DEBT

This item includes all dated or undated borrowings, whether or not in the form of securitized debt, which in the case of liquidation of the borrowing company may only be redeemed after all other creditors have been paid. Interest accrued and payable in respect of long-term subordinated debt, if any, is booked as *Related payables* and as an expense in the income statement.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Group derecognizes 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 the ownership of the asset.

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, it derecognizes it and, where necessary, books 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 recognize it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognized in its entirety, a gain or loss on disposal is recorded in the income statement for the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealized profit or loss previously recognized directly in equity.

The Group only derecognizes 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.

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

All financial derivatives are recognized at fair value in the balance sheet as financial assets or financial liabilities. Changes in the fair value of financial derivatives, except those designated as cash flow hedges (see below), are recognized in the income statement for the period.

Derivatives are divided into two categories:

- **Trading financial derivatives**

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked 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 or losses on financial instruments at fair value through profit or loss.*

Changes in the fair value of financial derivatives, which involve counterparties who have been later in default, are recorded under *Net gains or losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. On this termination date, receivables and debts on theses counterparties are recognized at fair value in the balance sheet. Any further impairment on these receivables is recognized under *Cost of risk* in the income statement.

- **Derivative hedging instruments**

To designate an instrument as a derivative hedging instrument, the Group must document the hedging relationship at the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure its effectiveness. The derivative designated as a hedging instrument must be highly effective in offsetting the variation in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the balance sheet under *Derivative hedging instruments.*

Depending on the risk hedged, the Group designates the derivative as a fair value hedge, cash flow hedge, or currency risk hedge for a net foreign investment.

Fair value hedge

In a fair value hedge, the book value of the hedged item is adjusted for gains or losses attributable to the hedged risk which are reported under *Net gains or losses on financial instruments at fair value through profit and loss.* As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. As regards interest rate derivatives, accrued interest income or expenses are booked to the income statement under *Interest income and expense – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

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

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the income statement under *Net gains or losses on financial instruments at fair value through profit and loss.*

Amounts directly recognized in equity under cash flow hedge accounting are reclassified in *Interest income and expenses* in the income statement at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the income statement under *Interest income and expenses – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

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

Hedging of a net investment in a foreign operation

As with the cash flow hedge, the effective portion of the changes in the fair value of the hedging derivative designated for accounting purposes as hedging a net investment is recognized in equity under *Unrealized or deferred capital gains or losses* while the ineffective portion is recognized in the income statement.

Macro-fair value hedge

In this type of hedge, interest rate derivatives are used to globally hedge 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 carrying out of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment for financial derivatives designated as a macro-fair value hedge is similar to that for other fair value hedging instruments. Changes in 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.

Embedded derivatives

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

IMPAIRMENT OF FINANCIAL ASSETS

- **Financial assets valued at amortized cost**

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. In spite of the existence of guarantee, the criteria of assessment of an objective evidence of credit risk include the existence of unpaid installments overdue by over three months (over six months for real estate loans and over nine months for loans to local authorities) or independently of the existence of any unpaid amount, the existence an objective evidence of credit risk counterparty or when the counterparty subject to judiciary proceedings.

If there is objective evidence that loans or other receivables, or financial assets classified as *Held-to-maturity financial assets* are impaired, a depreciation is booked for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees, discounted at the financial assets' original effective interest rate. This depreciation is booked to *Cost of risk* in the income statement and the value of the financial asset is reduced by a depreciation amount. Allocations to and reversals of depreciations are recorded under *Cost of risk.* The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under *Interest and similar income* in the income statement.

Where a loan is restructured, the Group books a loss in *Cost of risk* representing the changes in the terms of the loan if the present value of expected recoverable future cash flows, discounted at the loan's original effective interest rate, is less than the amortized cost of the loan.

In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, be it significant or not, the Group includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment.

In a homogenous portfolio, as soon as a credit risk is incurred on a group of financial instruments, a depreciation is recognized without waiting for the risk to individually affect one or more receivables. Homogeneous portfolios thus depreciated can include:

- receivables on counterparties which have encountered financial difficulties since these receivables have been initially recognized without any objective evidence of impairment that has not yet been identified at the individual level (sensitive amounts); or
- receivables on counterparties linked to economic sectors considered as being in crisis further to the occurrence of losses events; or
- receivables on geographical sectors or countries on which a deterioration of credit risk has been assessed.

The amount of depreciation on a group of homogeneous assets is notably determined on the basis of historical loss for assets with credit risk characteristics similar to those in the portfolio, or using hypothetical extreme loss scenarios or, if necessary, *ad-hoc* studies. These factors are then adjusted to reflect any relevant current economic conditions. Allocations to and reversals of such depreciations are recorded under *Cost of risk.*

- **Available-for-sale financial assets**

Impairment loss on an *Available-for-sale financial asset* is recognized through profit or loss if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, the need to book a long-term impairment is analyzed as soon as a significant or prolonged decline of their price below their acquisition cost is observed. The significance of the decline of quoted prices is considered taking into account the circumstances of this decline such as the length of the periods for which the security price has decline and the range of the decline. For this purpose, a significant decrease (over 20%) in the average price of a security over 12 months compared to its acquisition cost is an objective evidence of impairment provided that the decline of the fair value of the security is still significant on the balance sheet date; an impairment loss is then recorded through profit and loss on the basis of the last quoted price of the security if the Group estimates that the cost of its investment may not be recovered.

For unlisted equity instruments, a qualitative analysis of their long-term impairment is carried out using the valuation methods described in note 3.

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

When a decline in the fair value of an *Available-for-sale financial asset* has been recognized directly in the shareholders' equity account under *Unrealized or deferred capital gains or losses* and subsequent objective evidence of impairment emerges, the Group recognizes the total accumulated unrealized loss previously booked to shareholders' equity in the income statement under *Cost of risk* for debt instruments and under *Net gains or losses on available-for-sale financial assets* for equity securities.

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

Impairment losses recognized through profit and loss on an equity instrument classified as available for sale are only reversed through profit and loss when the instrument is sold. Once a shareholders' equity instrument has been recognized as impaired, any further loss of value is booked as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit and loss if they subsequently recover in value.

LEASE FINANCING AND SIMILAR AGREEMENTS

Leases are classified as finance leases if they substantially transfer all the risks and rewards incident to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

Lease finance receivables are recognized in the balance sheet under *Lease financing and similar agreements* and 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.

Interest included in the lease payments is booked under *Interest and similar income* in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, the present value of this reduction is booked as a loss under *Expenses from the other activities* in the income statement and as a reduction of receivables on lease financing on the assets side of the balance sheet. Fixed assets arising from operating lease activities are presented in the balance sheet under *Tangible and intangible fixed assets*. In the case of buildings, they are booked under *Investment property*. Lease payments are recognized in the income statement on a straight-line basis over the life of the lease under *Income from other activities.* The accounting treatment of income invoiced for maintenance services provided in connection with leasing activities aims to show a constant margin on these products in relation to the expenses incurred, over the life of the lease.

TANGIBLE AND INTANGIBLE FIXED ASSETS

Operating and investment fixed assets are carried at their purchase price on the assets side of the balance sheet. Borrowing expenses incurred to fund a lengthy construction period for the fixed assets are included in the acquisition cost, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets.

Software developed internally is recorded on the assets side of the balance sheet in the amount of the direct cost of development. This includes external expenditure on hardware and services and personnel expenses which can be directly attributed to the production of the asset and its preparation for use.

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount.

Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the asset considered as a whole, these components are depreciated over their own useful life through profit and loss under *Amortization, depreciation and impairment of tangible and intangible fixed assets*. The Group has applied this approach to its operating and investment property, breaking down its assets into at least the following components with their corresponding depreciation periods:

Infrastructure	Major structures	50 years
	Doors and windows, roofing	20 years
	Façades	30 years
Technical installations	Elevators	10 to 30 years
	Electrical installations	
	Electricity generators	
	Air conditioning, extractors	
	Technical wiring	
	Security and surveillance installations	
	Plumbing	
	Fire safety equipment	
Fixtures and fittings	Finishings, surroundings	10 years

Depreciation periods for fixed assets other than buildings depend on their useful life which are usually estimated within the following ranges:

Plant and equipment	5 years
Transport	4 years
Furniture	10-20 years
Office equipment	5-10 years
IT equipment	3-5 years
Software, developed or acquired	3-5 years
Concessions, patents, licenses, etc.	5-20 years

Fixed assets are tested for impairment whenever there is any indication that their value may have diminished and, for intangible assets with indefinite useful life, at least once a year. Evidence of a loss in value is assessed at every balance sheet date. Impairment tests are carried out on assets grouped by cash-generating unit. Where a loss is established, an impairment loss is booked to the income statement under *Amortization, depreciation and impairment of tangible and intangible fixed assets*. It may be reversed when the factors that prompted impairment have changed or no longer exist. This impairment loss will reduce the depreciable amount of the asset and so also affect its future depreciation schedule.

Realized capital gains or losses on operating fixed assets are recognized under *Net income from other assets*, while profits or losses on investment real estate are booked as *Net banking income* under *Income from other activities*.

PROVISIONS

Provisions, other than those for credit risk or employee benefits, represent liabilities whose timing or amount cannot be precisely determined. Provisions may be booked where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least equivalent value in exchange.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions are booked through profit and loss under the items corresponding to the future expense.

COMMITMENTS UNDER “CONTRATS ÉPARGNE-LOGEMENT” (MORTGAGE SAVINGS AGREEMENTS)

The *comptes d’épargne-logement* (CEL or mortgage savings accounts) and *plans d’épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of July 10, 1965 and combine an initial deposits phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. Under the current regulation, this last phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are booked at amortized cost.

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

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

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

During the savings phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of savings and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observed past behavior of customers.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of the amount of balance sheet loans at the date of calculation and the historical observed past behavior of customers.

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

LOAN COMMITMENTS

The Group initially recognizes at fair value loan commitments that are not considered as financial derivatives. Thereafter, these commitments are provisioned as necessary in accordance with the accounting principles for *Provisions*.

FINANCIAL GUARANTEES ISSUED

When considered as financial non derivative instruments, financial guarantees issued by the Group are initially recognized in the balance sheet at fair value. Thereafter, they are measured at the higher of the amount of the obligation and the amount initially recognized less, when appropriate, the cumulative amortization of a guarantee commission. Where there is objective evidence of a loss of value, a provision for the financial guarantees given is booked to balance sheet liabilities.

LIABILITIES/SHAREHOLDERS' EQUITY DISTINCTION

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to remunerate the holders of the security in cash.

- **Perpetual subordinated notes (TSDI)**

Given their terms, perpetual subordinated notes (TSDI) issued by the Group and that do not include any discretionary features governing the payment of interest, as well as shares issued by a Group subsidiary in order to fund its property leasing activities are classified as debt instruments. These perpetual subordinated notes (TSDI) are then classified under *Subordinated debt*.

On the contrary, perpetual subordinated notes (TSDI) issued by the Group and that include some discretionary features governing the payment of interest are classified as equity and recorded under *Equity instruments and associated reserves*.

- **Preferred shares**

Due to the discretionary nature of the decision to pay dividends to shareholders, preferred shares issued by the Group are classified as equity and recognized under *Minority interests*. Remuneration paid to preferred shareholders is recorded under minority interests in the income statement.

- **Deeply subordinated notes**

Given the discretionary nature of the decision to pay interest in order to remunerate the deeply subordinated notes issued by the Group, these notes have been classified as equity and recognized under *Equity instruments and associated reserves*.

TREASURY SHARES

Societe Generale shares held by the Group and shares in subsidiaries over which the Group exercises sole control are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Financial derivatives that have Societe Generale shares as their underlying instrument as well as shares in subsidiaries over which the Group exercises sole control 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 initially recognized as equity. Premiums paid or received on these financial derivatives classified as equity instruments are booked directly to equity. Changes in the fair value of the derivatives are not recorded.

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

INTEREST INCOME AND EXPENSE

Interest income and expense are booked to the income statement for all financial instruments valued at amortized cost using the effective interest rate method.

The effective interest rate is taken to be the rate that discounts future cash inflows and outflows over the expected life of the instrument in order to establish the book value of the financial asset or liability. To calculate the effective interest rate, the Group estimates future cash flows as the product of all the contractual provisions of the financial instrument without taking account of possible future loan losses. This calculation includes commissions paid or received between the parties where these may be assimilated to interest, transaction costs and all types of premiums and discounts.

When a financial asset or group of similar financial assets has been impaired following an impairment of value, subsequent interest income is booked through profit or loss under *Interest and similar income* based on the effective interest rate used to discount the future cash flows when measuring the loss of value. Moreover, except for those related to employee benefits, provisions booked as balance sheet liabilities generate interest expenses that are calculated using the same interest rate as is used to discount the expected outflow of resources.

NET FEES FOR SERVICES

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

Fees for continuous services, such as some payment services, custody fees, or telephone subscriptions are booked as income over the lifetime of the service. Fees for one-off services, such as fund movements, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided under *Fees paid for services provided and other.*

In syndication deals, underwriting fees and participation fees proportional to the share of the issue placed are booked to income at the end of the syndication period provided that the effective interest rate for the share of the issue retained on the Group's balance sheet is comparable to that applying to the other members of the syndicate. Arrangement fees are booked to income when the placement is legally complete. These fees are recognized in the income statement under *Fee income – Primary market transactions.*

PERSONNEL EXPENSES

The *Personnel expenses* account includes all expenses related to personnel, notably the cost of the legal employee profit-sharing and incentive plans for the year as well as the costs of the various Group pension and retirement schemes and expenses arising from the application of IFRS 2 "Share-based payments".

EMPLOYEE BENEFITS

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

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

• Post-employment benefits

Pension plans may be defined contribution or defined benefit.

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

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

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

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

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains or losses. They are amortized in the income statement according to the "corridor" method: i.e. over the expected average remaining working lives of the employees participating in the plan, as soon as they exceed the greater of:

- 10% of the present value of the defined benefit obligation (before deducting plan assets);
- 10% of the fair value of the assets at the end of the previous financial year.

Where a new or amended plan comes into force, the cost of past services is spread over the remaining period until vesting.

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

- the additional entitlements vested by each employee (current service cost);
- the financial expense resulting from the discount rate;
- the expected return on plan assets (gross return);
- the amortization of actuarial gains and losses and past service cost;
- the settlement or curtailment of plans.

• Long-term benefits

These are benefits paid to employees more than 12 months after the end of the period in which they provided the related services. Long-term benefits are measured in the same way as post-employment benefits, except for the treatment of actuarial gains and losses and past service costs which are booked immediately to income.

PAYMENTS BASED ON SOCIETE GENERALE SHARES OR SHARES ISSUED BY A CONSOLIDATED ENTITY

Share-based payments include:

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

Share-based payments systematically give rise to a personnel expense booked to *Personnel expenses* under the terms set out below.

- **Global Employee Share Ownership Plan**

Every year the Group carries out a capital increase reserved for current and former employees as part of the Global Employee Share Ownership Plan. New shares are offered at a discount with an obligatory five-year holding period. The resultant benefit to the employees is booked by the Group as an expense for the year under *Personnel expenses – Employee profit-sharing and incentives.* This benefit is measured as the difference between the fair value of each security acquired and the acquisition price paid by the employee, multiplied by the number of shares subscribed. The fair value of the acquired securities is measured taking account of the associated legal obligatory holding period using market parameters (notably the borrowing rate) applicable to market participants which benefits from these not negotiable shares to estimate the free disposal ability.

- **Other share based payments**

The Group can award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment based on the increase in Societe Generale share price (SAR).

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, nor for the beneficiaries to exercise their options.

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

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these options, measured at the assignment date, is spread over the vesting period and booked to *Equity instruments and associated reserves* under shareholders' equity. At each accounting date, the number of options expected to be exercised is revised and the overall cost of the plan as originally determined is adjusted. Expenses booked to *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock options granted by unlisted companies or compensation indexed on Societe Generale shares), the fair value of the options is booked as an expense over the vesting period of the options against a corresponding liabilities entry booked in the balance sheet under *Other liabilities – Accrued social charges*. This payables item is then remeasured at fair value against income until settled.

COST OF RISK

The *Cost of risk* account is limited to allocations, net of reversals, to depreciation for counterparty risks and provisions for legal disputes. Net allocations to provisions are classified by type of risk in the corresponding accounts in the income statement.

NET LOSS ON UNAUTHORIZED AND CONCEALED TRADING ACTIVITIES

On January 19 and 20, 2008, the Societe Generale Group has uncovered unauthorized and concealed trading activities of an exceptional scale involving directional positions taken during 2007 and the beginning of 2008 by a trader responsible for trading on plain vanilla derivatives instruments based on European stock market indices. The identification and analysis of these positions on January 19 and 20, 2008 prompted the Group to close them as quickly as possible while respecting the market integrity.

For the information of the shareholders and the public, the Group considered that the application of IAS 10 "Events After the Balance Sheet Date" and IAS 39 "Financial Instruments: Recognition and Measurement" for the accounting of transactions relating to the unauthorized activities and their unwinding was inconsistent with the objective of the financial statements described in the framework of IFRS standards. For the purpose of a fair presentation of its financial situation, it was more appropriate to record all the financial consequences of the unwinding of these unauthorized activities under a separate caption of the consolidated income statement for the 2007 financial year entitled *Net loss on unauthorized and concealed trading activities*. To this end and in accordance with the provisions of paragraphs 17 and 18 of IAS 1 "Presentation of Financial Statements" the Group decided to depart from the provisions of IAS10 "Events After the Balance Sheet Date" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", by booking the estimated consolidated income for the 2007 financial year a provision for the total cost of the unauthorized activities. This treatment has been submitted to the banking supervisory body (Secrétariat Général de la Commission bancaire) and to the market authority (Autorité des Marchés Financiers) to confirm its acceptability regarding the regulatory framework.

The provision recorded in consolidated income for the 2007 financial year has been reversed in consolidated income for the

2008 financial year. At the same time, the cost related to the unwinding of these activities was recorded as an expense.

The consequences of the accounting treatment so applied are disclosed in the note 41.

INCOME TAX

- **Current taxes**

Current tax is based on taxable profits of each consolidated taxable entity and determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under *Income tax* in the consolidated income statement.

- **Deferred tax**

Deferred taxes are recognized whenever the Group identifies a timing difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. These deferred taxes are adjusted in case of changes to tax rates. This amount is not discounted to the present value.

Deferred tax assets can result from deductible temporary differences or from carryforward of tax losses. These deferred tax assets are recorded if it is probable that the entity is likely to be able to apply them within a set time. These temporary differences or carryforward of tax losses can also be utilized against future taxable profit.

Current and deferred taxes are booked in the income statement under *Income tax.* But the deferred taxes related to gains or losses booked under *Unrealized or deferred capital gains or losses* are also booked under the same caption of shareholders' equity.

INSURANCE ACTIVITIES

- **Financial assets and liabilities**

The financial assets and liabilities of the Group's insurance companies are recognized and measured according to the rules governing financial instruments explained above.

- **Underwriting reserves of insurance companies**

Underwriting reserves correspond to the commitments of insurance companies with respect to insured persons and the beneficiaries of policies. In accordance with IFRS 4 on insurance contracts, life and non-life underwriting reserves continue to be measured under the same local regulations.

Underwriting reserves for unit-linked policies are valued at the balance sheet date on the basis of the market value of the assets underlying these policies. Life insurance underwriting reserves mainly comprise mathematical reserves, which correspond to the difference between the current value of commitments made respectively by the insurer and insured persons, and reserves for outstanding losses.

Non-life insurance underwriting reserves comprise provisions for unearned premiums (share of premium income relating to following financial years) and for outstanding losses.

Under the principles defined in IFRS 4, an allocation to a provision for deferred profit-sharing is booked in respect of insurance contracts that provide discretionary profit-sharing. This provision is calculated to reflect the potential rights of policyholders to unrealized capital gains on financial instruments measured at fair value or their potential liability for unrealized losses.

A deferred profit-sharing asset is booked if its utilization against future profit-sharing is highly likely. The recoverability of that asset is tested according to a deterministic model that considers the recommendations issued by the French National Accounting Standards Board, the CNC and also through the liability adequacy test.

The liability adequacy test is carried out semi-annually with a stochastic model based on parameters hypothesis consistent with those used for the MCEV (Market Consistent Embedded Value).

3. Presentation of financial statements

CNC RECOMMENDED FORMAT FOR BANKS' SUMMARY FINANCIAL STATEMENTS

As the IFRS accounting framework does not specify a standard model, the format used for the financial statements is consistent with the format proposed by the French National Accounting Standards Board, the CNC, under Recommendation 2004 R 03 of October 27, 2004.

In order to provide a more relevant information to understand the financial performance of the Group in 2007, the loss before income taxes of the closing of the directional positions on unauthorized and concealed trading activities discovered on January 19 and 20, 2008 is presented under a separate caption of the consolidated income statement entitled *Net loss on unauthorized and concealed trading activities*.

RULE ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

A financial asset and liability are offset and a net balance presented in the balance sheet when the Group is entitled to do so by law and intends either to settle the net amount or to realize the asset and settle the liability at the same time.

The Group recognizes in the balance sheet the net value of agreements to repurchase securities given and received where they fulfill the following conditions:

- the counterparty to the agreements is the same legal entity;
- they have the same certain maturity date from the start of the transaction;
- they are agreed in the context of a framework agreement that grants permanent entitlement, enforceable against third parties, to offset amounts for same-day settlement;
- they are settled through a clearing system that guarantees delivery of securities against payment of the corresponding cash sums.

The Group recognizes in its balance sheet for their net amount the fair value of options on indexes traded on organized markets and whose underlyings are securities within a single legal entity, provided these options meet the following criteria:

- the market where they are traded requires a settlement on a net basis;
- they are managed according to the same strategy;
- they are traded on the same organized market;
- the settlement of options via the physical delivery of underlying assets is not possible on these organized markets;
- they have the same characteristics (offsetting of call options with other call options on the one hand and offsetting of put options with other put options on the other);
- they share the same underlying, currency and maturity date.

CASH AND CASH EQUIVALENTS

In the cash flow statement, *Cash and cash equivalents* includes cash accounts, demand deposits, loans and borrowings due to and from central banks and other credit establishments.

EARNINGS PER SHARE

Earnings per share are measured by dividing the net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, except for treasury shares. The net profit attributable to ordinary shareholders takes account of dividend rights of preferred shareholders. Diluted earnings per share takes into account the potential dilution of shareholders' interests assuming the issue of all the additional ordinary shares envisaged under stock options plans. This dilutive effect is determined using the share buyback method.

4. Accounting standards and interpretations to be applied by the Group in the future

Some accounting standards and interpretations have been published by the IASB as of December 31, 2008. Some have been adopted and others have not been yet adopted by the European Union. These accounting standards and interpretations are required to be applied from January 1, 2009 but they will not be applied earlier by the Group as of December 31, 2008.

ACCOUNTING STANDARDS, AMENDMENTS OR INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

Accounting standards or Interpretations	Adoption dates by the European Union	Effective dates: annual periods beginning on or after
IFRS 8 “Operating segment”	November 21, 2007	January 1, 2009
IAS 1 (revised) “Presentation of financial statements”	December 17, 2008	January 1, 2009
Amendment to IAS 23 “Borrowing costs”	December 10, 2008	January 1, 2009
Amendment to IFRS 2 “Vesting conditions and cancellations”	December 16, 2008	January 1, 2009
IFRIC 13 “Customer loyalty programmes”	December 16, 2008	January 1, 2009
IFRIC 14 “The limit on a defined benefit asset, minimum funding requirements and their interaction”	December 16, 2008	January 1, 2009

- **IFRS 8 “Operating segment”**

This standard will modify segment reporting definition and disclosure of related information.

- **IAS 1 “Presentation of financial statements” (revised)**

This revised norm sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

- **Amendment to IAS 23 “Borrowing costs”**

This amendment eliminates the option to expense immediately borrowing costs and mandatory requiring their capitalization when they are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of this amendment by the Group will consequently have no effect on its net income or shareholders’ equity. The Group already used this allowed alternative treatment that is required to be applied by this amendment.

- **Amendment to IFRS 2 “Vesting conditions and cancellations”**

This amendment to IFRS 2 clarifies the definition of vesting conditions and the accounting treatment of cancellations to a share-based payment. In the future, it should have no effect on net income or shareholders’ equity of the Group.

- **IFRIC 13 “Customer loyalty programmes”**

This interpretation explains the accounting treatment for loyalty programmes. The current accounting treatment is similar to this interpretation. In the future, it will consequently have no effect on net income or shareholders’ equity of the Group.

- **IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”**

This interpretation clarifies the accounting treatment for the effect of any statutory or contractual funding requirements when a surplus in a pension plan can be recognized. In the future, it should have no effect on net income or shareholders’ equity of the Group.

AMENDMENTS OR INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION ON DECEMBER 31, 2008

Amendments or Interpretations	Adoption dates by the European Union	Effective dates: annual periods beginning on or after
Improvements to IFRSs	May 22, 2008	January 1, 2009
IFRIC 12 “Service concession arrangements”	November 30, 2006	January 1, 2008
IFRIC 15 “Agreements for the construction of real estate”	July 3, 2008	January 1, 2009
IFRIC 16 “Hedges of a net investment in a foreign operation”	July 3, 2008	October 1, 2008
IFRIC 17 “Distribution of non-cash assets to owners”	November 27, 2008	July 1, 2009
IFRS 3 (revised) “Business combinations” and IAS 27 (revised) “Consolidated and separate financial statements”	January 10, 2008	July 1, 2009
Amendments to IAS 32 and IAS 1 “Puttable financial instruments and obligations arising on liquidation”	February 14, 2008	January 1, 2009
Amendments to IFRS 1 and IAS 27 “Cost of an investment in a subsidiary, jointly controlled entity or associate”	May 22, 2008	January 1, 2009
Amendment to IAS 39 “Eligible Hedged Items”	July 31, 2008	July 1, 2009
IFRS 1 (revised) “First-time adoption of financial reporting standards”	November 27, 2008	July 1, 2009

- **Improvements to IFRSs**

As part of the annual Improvements to International Financial Reporting Standards, the IASB has published 35 minor amendments to 20 accounting standards. These amendments have been adopted by the European Union on January 23, 2009. They are required to be applied from January 1, 2009, except for the amendments to IFRS 5 "Non-current Assets Held for Sale and Discounted Operations", which are required to be applied from July 1, 2009.

- **IFRIC 12 "Service Concession Arrangements"**

This interpretation explains the concession accounting treatment. This interpretation does not apply to Group operations and will consequently have no effect on net income or shareholders' equity of the Group.

- **IFRIC 15 "Agreements for the Construction of Real Estate"**

The interpretation clarifies the accounting treatment for the recognition of revenue among real Estate developers for sales of units, such as apartments or houses.

- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"**

The interpretation clarifies the accounting treatment for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. It should have no effect on net income or shareholders' equity of the Group.

- **IFRIC 17 "Distribution of Non-cash Assets to Owners"**

The interpretation provides guidance on the measurement and on the accounting treatment of distribution of non-cash assets to owners.

- **IFRS 3 (revised) "Business Combinations" and IAS 27 (revised) "Consolidated and Separate Financial Statements"**

These revised standards will modify the accounting treatment for acquisitions and disposals of consolidated subsidiaries.

- **Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation"**

These amendments, adopted by the European Union on January 22, 2009, explain the accounting classification of puttable financial instruments and obligations arising on liquidation.

- **Amendments to IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"**

These amendments, adopted by the European Union on January 23, 2009, will have to be applied by IFRS first-time adopters only.

- **Amendment to IAS 39 "Eligible Hedged Items"**

The amendment provides additional guidance on two particular situations in relation to hedge accounting under IAS 39: the identification of inflation as a hedged risk and how to consider the time value of an option in a hedge relationship.

- **IFRS 1 (revised) "First-time adoption of Financial Reporting Standards"**

This revision of IFRS 1 improves the structure of the standard and makes it clearer and easier but its technical content remains unchanged.

Note 2

Changes in consolidation scope and business combinations

1. Consolidation scope

As at December 31, 2008, the Group's consolidation scope includes 873 companies:

- ***730*** fully consolidated companies;
- ***102*** proportionately consolidated companies;
- ***41*** companies accounted for by the equity method.

The consolidation scope includes entities that have a significant impact on the Group's consolidated financial statements. It means companies whose balance sheet exceeds 0.02% of the Group's one, for full or proportionate consolidation, or companies in which the equity held by the Group exceeds 0.10% of the consolidated Group's total equity. These criteria do not apply to sub-consolidated subsidiaries.

The main changes to the consolidation scope at December 31, 2008, compared with the scope applicable for the accounts at December 31, 2007 were as follows:

- In the first half of 2008:
  - Newedge, company resulting from the merger between Fimat and Calyon Financial brokerage activities, is now proportionately consolidated.
  - On December 20, 2007, the Group exercised its call options on 30% +2 shares of Rosbank company. On the 13th of February, we held 50% +1 share. Following this event and according to the Russian law, the Group had to launch a takeover bid. Then since May 12 – official end of the offer, Societe Generale holds 57.57% of the Company and since January 1, Rosbank is fully consolidated – so far it was consolidated by using the equity method.
  - Through Societe Generale Securities Services Spa, the Group bought the Capitalia securities services activities in Italy.
  - Canadian Wealth Management was fully consolidated.
  - In SGAM activities, because the Group maintained its liquidity, one fund has been fully consolidated. At the same time, five others funds -consolidated since December 2007- have been removed from the scope, because their liquidity is now maintained by independent companies.
  - The stake in TCW was increased to 100%, i.e. a 1.60% increase compared to December 31, 2007. As a reminder, the remaining shares held by employees included deferred call and put options exercisable in 2007 and 2008. The exercise prices were dependent on future performance.
  - The stake in SG Private Banking Suisse (ex. CBG) was increased to 100%, i.e. a 22.38% increase compared to December 31, 2007 due to minority shareholders who have exercised their put options.
  - The stake in Boursorama decreased from 75.43% to 62.35% following the term of two thirds of the put options sold to Hodefi for CaixaBank acquisition.
- During the second half of 2008:
  - Societe Generale, through SG Hambros, acquired a wealth management business ABN AMRO in Gibraltar.
  - PEMA GmbH, which is 100%-owned by the Group, was fully consolidated.
  - Arrow Offshore, 100%-owned by the Group, was fully consolidated.
  - Permal PJM Ltd, 100%-owned by the Group, was fully consolidated.
  - The Group's stake in U.I.B. was increased by 4.86%, bringing its stake to 57.20% at the end of December 2008.
  - The stake in SG Private Banking Belgique was increased to 100%, i.e. a 1.04% increase compared to December 31, 2007 due to minority shareholders who have exercised their put options.
  - The stake in Splitska Banka was increased to 100%, i.e. a 0.24% increase compared to December 31, 2007.
  - The Group operated capital increase on SG Maroc, bringing its stake to 56.91%, i.e. a 3.89% increase compared to December 31, 2007.
  - The stake in EQDOM was increased to 45.41%, i.e. a 0.25% increase compared to December 31, 2007.
  - The stake in Societe Generale de Banques au Burkina was increased to 44.48%, i.e. a 2.20% increase compared to December 31, 2007.
  - The stake in BRD was increased to 58.54%, i.e. a 0.22% increase compared to December 31, 2007.

In application of IFRS 5 "Non current receivables held for sale and discontinued operations" and following the signing of an agreement with GLG Partners, INC., SGAM UK's assets and liabilities were reclassified in non-current assets and liabilities held for sale.

2. Business combinations

The main business combinations established by the Group in the first half of 2008 are presented below.

Acquisition of a 37.57% stake in Rosbank giving the Group exclusive control with a 57.57% interest

Societe Generale, with 20% minus 1 share in the Russian bank Rosbank since September 2006, exercised its call option on 30% +2 shares on February 13, 2008, as announced on December 20, 2007.

With 50% +1 share, Societe Generale, now majority shareholder of Rosbank, launched a mandatory offer to minority interests as required by Russian law. Once the mandatory offer had closed on May 12, 2008, Societe Generale held 57.57% of Rosbank share capital.

At the acquisition date, Rosbank's identifiable assets and liabilities were booked at fair value, mainly comprised of amounts due from banks and customer loans (EUR 10,353 million), trading securities (EUR 522 million), fixed assets (EUR 272 million), customer deposits and amounts due to banks (EUR 8,566 million), debt securities (EUR 1,224 million) and subordinated debt (EUR 185 million).

The goodwill booked in the Group's consolidated financial statements is presented below:

(In millions of euros)	
Acquisition price	1,691
Acquisition expenses	16
Subtotal	1,707
Fair value of net assets acquired by the Group (50%)	471
Goodwill *	1,236

* *booked using the fixing rate EUR/RUB as at December 31, 2007. This goodwill amounts to EUR 1,057 million considering the variation of the conversation rate during the first semester 2008.*

Rosbank was consolidated using the equity method at 20% until December 31, 2007, and is now fully consolidated from January 1, 2008.

Rosbank's contribution to the 2008 consolidated net income amounts to EUR 102 million.

Newedge: joint venture between Crédit Agricole and Societe Generale brokers

Newedge, created on January 2, 2008, is the brokerage subsidiary jointly owned (50/50) by Crédit Agricole and Societe Generale resulting from the merger of Calyon Financial and Fimat.

Societe Generale brought 100% of its stake in Fimat and received 50% of the shares of the new group, Newedge. The temporary goodwill linked to the operation came out at EUR 424 million accounting for acquisition expenses and the gain on sale amounts to EUR 602 million.

With a dominant position in its core business – Futures Commission Merchant (FCM) – Newedge ranks among the 5 worldwide leaders in execution and clearing on the 10 largest stock exchanges. Building on its international network of 25 offices in 17 countries, Newedge offers its clients clearing and execution services for options and futures on financial and commodities products as well as for OTC rate products, currency products, equities and commodities. Newedge also offers a range of added-value services such as prime brokerage, asset financing, an electronic trading and order routing platform, cross margining, centralized client portfolio processing and reporting. Newedge provides its institutional clients with access to over 70 equities and derivatives markets throughout the world.

At the acquisition date, Calyon Financial's identifiable assets and liabilities were temporarily booked at fair value. They mainly consist of amounts due from banks (EUR 20,335 million), financial assets listed at fair value through profit and loss (EUR 3,015 million), brokerage guarantee deposits and funds (EUR 1,418 million), amounts due to banks (EUR 19,856 million) and client guarantee deposits (EUR 3,563 million).

The temporary goodwill booked in the Group's consolidated financial statements is presented below:

(In millions of euros)	
Acquisition price	630
Acquisition expenses	10
Subtotal	640
Fair value of net assets acquired by the Group (50%)	216
Goodwill	424

Newedge has been consolidated by the proportionate method at 50% since January 1, 2008.

Newedge's contribution to 2008 net income was EUR 57 million.

Note 3

Fair value of financial instruments

In a first part, this section specifies the valuation methods used by the Group to establish the fair value of the financial instruments presented in the following notes: note 6 "Financial assets and liabilities at fair value through profit and loss", note 7 "Hedging derivative", note 8 "Available-for-sale financial assets", note 9 "Due from banks", note 10 "Customer loans", note 12 "Lease financing and similar agreements", note 13 "Held-to-maturity financial assets", note 19 "Due to banks", note 20 "Customer deposits" and note 21 "Securitized debt payables".

In a second part, this section details the valuation methods used by the Group to establish the fair value of the financial instruments affected by the financial crisis.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

1. Valuation methods

1.1. FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

For financial instruments recognized at fair value through profit and loss, fair value is determined primarily on the basis of the prices quoted in an active market which are adjusted if none are available on the balance sheet date or if the clearing value does not reflect transaction prices.

However, due notably to the varied characteristics of derivatives traded over-the-counter on the financial markets, a large number of financial products processed by the Group do not have quoted price in markets.

For these products, fair value is determined using valuation 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 as at the balance sheet date. Before being used, these valuation models are validated independently by the experts from the market risk department of the Group's Risk Division who also carry out subsequent consistency checks (back-testing). Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are subject to exhaustive monthly checks by specialists from the market risk department of the Group's Risk Division, and if necessary are supplemented by further reserves (such as bid-ask spreads and liquidity).

For information purposes, in the notes to the consolidated financial statements, financial instruments carried at fair value through profit and loss are differentiated by the valuation technique applied:

- Instruments *valued on the basis of prices quoted in an active market:* financial instruments that are listed in an active market.
- Instruments *valued using valuation techniques based on observable market data:* financial instruments that are not directly quoted in an active market but which are valued using observable or quoted in an active market parameters.
- Instruments whose *valuation is not based on market data*: financial instruments which are not directly quoted in an active market and for which a large part of the data used in their valuation is not observable or is not quoted in an active market.

Observable data must be: independent of the bank (non-bank data), available, publicly distributed, and based on a narrow consensus.

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.

In the case of particular tensions on the markets, leading to a lack of usual reference data for the valuation of 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. This was the case during the first half of the year 2008 for some American CDO (Collateralized Debt Obligations), CLO (Collateralized Loan Obligations), ABS (Asset Backed Securities), CMBS (Credit Commercial Mortgage Backed Securities) (cf. § 2 – Financial instruments concerned by the financial crisis).

- **Shares and other variable income 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:

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

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

- **Debt (fixed-income) 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 by valuation techniques (see note 1 "Significant accounting principles"). Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in Societe Generale's own credit risk.

- **Other debt**

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).

1.2. FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE ON THE BALANCE SHEET

For financial instruments that are not recognized at fair value in the balance sheet, the figures given in the notes should not be taken as an estimate of the amount that would be realized if all such financial instruments were to be settled immediately.

The fair values of financial instruments include any accrued interest as applicable.

- **Loans, receivables and lease financing agreements**

The fair value of loans, receivables and lease financing transactions for large corporates 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) 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 in force on the balance sheet closing date for similar type 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 one year, fair value is taken to be the same as book value, assuming there is no significant changes in credit spreads on the concerned counterparties since they were recognized in the balance sheet.

- **Customer deposits**

The fair value of retail customer deposits, 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 closing date.

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

2. Financial instruments affected by the financial crisis

2.1. RMBS *(RESIDENTIAL MORTGAGE BACKED SECURITIES)*

For positions relative to bonds whose underlyings are subprime risks on US residential mortgage exposure, in the second half of 2007 it became difficult to establish reliable prices on all securities individually.

In these conditions, the valuation technique was based on using observable prices on benchmark indices, in particular the ABX Index (valuation based on observable market data). A weighted-average life was determined for the various ABX Indices and RMBS investments held in portfolio, including default, recovery, and pre-payment scenarios. The implied credit spread of the indices was subsequently determined based on their prices.

Each RMBS bond was valued using the credit spread of its ABX reference index (same vintage, same rating). The valuation method includes the base (spread between cash instruments and derivative indices) as well as the liquidity aspect.

The subprime RMBS portfolio has been widely hedged through acquisition of protection on ABX indexes or sold; moreover a part of the portfolio has been reclassified out of the *Trading portfolio* to *Loans and receivables* on October 1, 2008. The residual exposure net of hedged and write-downs, carried at fair value on the balance sheet totalised EUR 380 million at December 31, 2008.

2.2. CMBS *(COMMERCIAL MORTGAGE BACKED SECURITIES)*

In a similar way to RMBS, CMBS are valued using market parameters. Each CMBS US bond was valued using the credit spread of its CMBX reference index (same vintage, same rating). The valuation method includes the base (spread between cash instruments and derivative indices) as well as the liquidity aspect.

The CMBS portfolio has been widely hedged through acquisition of protection on CMBX indexes or sold; moreover a part of the portfolio was transferred from *Trading portfolio* to *Loans and receivables* on October 1, 2008. At December 31, 2008, the net residual exposure at fair value following the write-downs and hedge totalized EUR 524 million[1].

2.3. CDO *(COLLATERALIZED DEBT OBLIGATIONS)* TRANCHES OF RMBS

The valuation of super senior CDO tranches of RMBS was not based on observable transactions but was carried out using parameters that were neither observable nor quoted in an active market.

Societe Generale Group's approach is focused on the valuation of individual mortgage pools underlying structured bonds, in order to estimate the fundamental value of RMBS bonds, and consequently of CDO tranches, using a prospective credit stress scenario, as opposed to a mark-to-market approach.

Four key variables are used to value mortgage pools: the probability of default, the loss in given default, the pre-payment speed and the timing of default. These key variables continued to be adjusted over the year 2008 to reflect changes in the economic environment, such as the delinquency and default rates, home price appreciation, and observed losses experience.

In order to complete the valuation of CDO tranches, all non-RMBS positions were discounted based on their rating and type of asset.

Additional discounts were performed so as to reflect the illiquidity of the relevant tranches.

In the third quarter of 2008, the valuation method has been revised in order to better appreciate a liquidity add-on on underlying RMBS other than 2006 and 2007 subprime loans (i.e. 2005 subprime and earlier, midprime and prime). This liquidity is defined at the additional loss caused by a 10% increase in cumulative loss assumptions (e.g. from 11% to 12.1% on 2005 RMBS).

On the whole, the valuations obtained at December 31, 2008 were consistent with the valuation levels of benchmark ABX indices for this type of exposure where the comparison was appropriate (2006 and 2007 subprime vintage).

On December 31, 2008, gross exposure to super senior CDO tranches previously classified as *Trading*, after reclassification into *Loans and receivables* and partial liquidation, totalized EUR 1.6 billion versus EUR 4.85 billion at December 31, 2007. Concerning this position, write-downs recorded in 2008 amounted to EUR 0.8 billion and negatively affected bonds and other debt instruments at fair value through profit and loss booked on the assets side of the consolidated balance sheet. On December 31, 2008, the net exposure to CDO tranches was EUR 0.9 billion.

(1) Excluding Exotic credit derivative portfolio

CUMULATIVE LOSSES ON CDO SUBPRIME ASSETS AND SENSITIVITY ANALYSIS

	2005	2006	2007
Assumptions for cumulative Q4 07 losses	9.0%	23.0%	25.0%
Assumptions for cumulative Q3 08 losses	11.0%	25.0%	27.0%
Assumptions for cumulative Q4 08 losses	11.0%	25.0%	27.0%

Total US residential real estate loss assumptions at December 31, 2008: approximately USD 410 billion.

2.4. EXPOSURE TO COUNTERPARTY RISK ON US MONOLINES

The relevant exposures are included under *Financial assets at fair value through profit or loss*. The fair value of the Group's exposures to monoline insurers that have granted credit enhancements on assets, notably including underlying US real estate, takes into account the deterioration in the estimated counterparty risk on these players.

Given the continuous deterioration of the credit spreads, changes to cumulative loss assumptions on RMBS and exchange rate effects, the estimate of sums which may be due to Societe Generale Group from monoline guarantees increased from EUR 1.9 billion at December 31, 2007 to EUR 4.2 billion at December 31, 2008.

This change in exposure led us to adjust our provisioning levels, to increase our hedge during 2008 by EUR 1.2 billion to bring it to EUR 2.1 billion (these figures exclude ACA and now Bluepoint). This provisioning is calculated based on applying severe cumulative loss rates (up to 90% for the most poorly rated monoline insurers and almost 50% on investment grade monoline insurers).

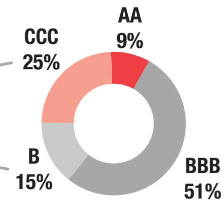
Our exposure breaks down into three parts:

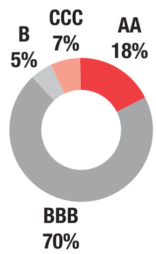
- exposure linked to CDO tranches of RMBS, for which our methodology and parameters applied are the same as for unhedged CDOs;
- exposure linked to CDO non RMBS, CLO and the financing of infrastructures, using a mark to stress methodology (maximum historical cumulative loss over five years for each asset class) and a liquidity reserve based on mark-to-markets;
- exposure linked to other secured financial instruments (other CDO and ABS) measured at mark-to-market.

The hedging rate (CDS + reserves) amounted to 73% of gross exposure at December 31, 2008 which would result from an immediate and simultaneous default of all companies.

COUNTERPARTY RISK EXPOSURE TO "MONOLINES" (DEFAULT SCENARIO FOR ALL SOCIETE GENERALE GROUP COUNTERPARTY MONOLINE INSURERS)

EUR bn	December 31, 2007	December 31, 2008
Fair value of protection before value adjustments	1.9	4.2
Nominal amount of hedges purchased*	(0.6)	(0.9)
Fair value of protection net of hedges and before value adjustments	1.3	3.3
Value adjustments for credit risk on monolines (booked under protection)	(0.9)	(2.1)
Residual exposure to counterparty risk on monolines	0.4	1.2
Total fair value hedging rate	*77%*	*73%*





The rating used is the lowest issued by Moody's or S&P (at Dec 31, 2008)

AA: Assured Guaranty, FSA

BBB: Radian, MBIA, Ambac

B: CIFG

CCC: FGIC, Syncora Guarantee (named XL Capital until August 2008)

(a) Excluding defaulting counterparties: ACA as of end-2007, Bluepoint at September 30, 2008.

* The nominal of hedges purchased from bank counterparties had a EUR +303 million Mark to Market impact at December 31, 2008 which is neutralised in the income statement.

3. Sensitivity of fair value

Unobservable parameters are assessed carefully and conservatively, particularly in the financial crisis context. However, by their very nature, unobservable parameters imply a degree of uncertainty in their valuation.

To quantify this, sensitivity of fair value at December 31, 2008 was estimated on instruments assessed based on unobservable parameters. This estimate was made:

- either using a standardized(1) variation of unobservable parameters: resulting in a sensitivity of + or – EUR 534 million; the Equities business line was the main contributor to this scope; increased volatility on all markets led to higher typical spreads than in 2007;
- or using a fixed 10% variation: this involves the Cumloss used to model the super senior CDO tranches of US RMBS (the Cumloss is the estimated loss rate per year of production of the underlying assets); for a 10% rise (e.g. from 25% to 27.5%), depreciation would increase by EUR 210 million, and, for a 10% drop, depreciation would decrease by EUR 207 million(2);

It should be noted that, given the already conservative valuation levels, the probability attached to this uncertainty is higher for a favorable impact on results than for an unfavorable impact.

Note 4

Risk management linked to financial instruments

This note describes the main risks linked to financial instruments and the way they are managed by the Group according to IFRS 7 requirements.

The risks associated with Societe Generale's banking activities are the following:

- **Credit risk** (including country risk): risk of losses arising from the inability of the bank's customers, sovereign issuers or other counterparties to meet their financial commitments. Credit risk also includes the **counterparty risk** linked to market transactions, as well as that stemming from the bank's securitisation activities. In addition, credit risk may be further increased by a concentration risk, which arises either from large individual exposures or from groups of counterparties with a high default probability;
- **Market risk**: risk of loss resulting from changes in market prices (e.g. equity, commodity, currency etc.) and interest rates, from the correlations between these elements and from their volatility;
- **Structural interest and exchange rates risk:** risk of loss or of residual depreciation in the bank's balance sheet and off-balance sheet assets arising from variations in interest or exchange rates. Structural interest and exchange rates risk arises from commercial activities and on proprietary transactions (operations on equities, investments and bond issues);
- **Liquidity risk:** risk of the Group not being able to meet its obligations as they come due.

In the specific context of the financial crisis, the monitoring of all these risks is reinforced.

1. Organization, procedures and methods

1.1. RISK MANAGEMENT STRATEGY

The bank operates in business lines, markets or regions which generate a range of risks that may vary in frequency, severity and volatility. A greater ability to manage and calibrate its risk appetite and risk parameters, the development of risk management core competences, as well as the implementation of a high performance and efficient risk management structure are therefore critical undertakings for Societe Generale Group.

The primary objectives of the bank's risk management framework are therefore:

- to contribute to the development of the Group's various business lines by optimizing their overall risk-adjusted profitability;
- to guarantee the Group's sustainability as a going concern, through the implementation of a high quality risk management infrastructure.

In defining the Group's overall risk appetite, the management takes various considerations and variables into account, including:

- relative risk/reward of the bank's various activities;
- earnings sensitivity to business, credit and economic cycles;
- sovereign and macro-economic risk, notably for businesses based in emerging markets;
- the desire to achieve a well-balanced portfolio of earnings streams.

(1) Meaning:
- *either the standard deviation of consensus prices used to assess the parameter (TOTEM…); or*
- *the standard deviation of historical data used to assess the parameter.*

(2) The exposures taken into account in this calculation:
- *include the possible hedges on the bonds considered (CDS);*
- *include, where applicable, the provisions made on monoline CDS;*
- *are net of the reclassification of some bonds to* Loans and Receivables *on December 31, 2008 (see Note 11 of the financial statements).*

1.2. RISK MANAGEMENT GOVERNANCE AND RISK PRINCIPLES

Societe Generale Group's risk management governance is based on:

- strong managerial involvement, throughout the entire organization, from the Board of Directors down to operational field management teams;
- a tight framework of internal procedures and guidelines;
- continuous, independent supervision to monitor risks and to enforce rules and procedures.

Firstly, the Board defines the Group's strategy by assuming and controlling risks and ensures its implementation. In particular, the Board ensures the adequacy of the Group's risk infrastructure, reviews the businesses' overall risk exposures and approves the overall yearly market and credit risk limits. Presentations on the main aspects of, and notable changes to, the Group's risk strategy, as well as on the overall risk management structure, are made to the Board by the Executive Management, once a year or more frequently, as circumstances require.

Within the Board, the Audit Committee is more particularly entrusted with examining the consistency of the internal framework for monitoring risks and compliance. With the benefit of specific presentations made by the management, the Committee reviews the procedures for controlling market risks as well as the structural risk and is consulted about the setting of the related risk limits. It also issues an opinion on the Group's overall provisioning policy as well as on large specific provisions. Finally, it also examines the risk assessment and control procedure report submitted annually to the French Banking Commission.

1.3. RISK MANAGEMENT AND CONTROL PROCESS

Societe Generale Group dedicates significant resources to constantly adapting its risk management to its more and more varied activities and ensures that its risk management framework operates in full compliance with the following overriding principles set by banking regulations:

- full independence of risk assessment departments from the operating divisions;
- consistent approach to risk assessment and monitoring applied throughout the Group.

Responsibility for devising the relevant risk management structure and defining risk management operating principles lies mainly with both the Risk Division and, in particular fields, the Finance Division.

The bank's Risk Committee (CORISQ) is in charge of reviewing all the bank's key risk management issues. CORISQ's monthly meetings involve members of the Executive Committee, the heads of the business lines and the Risk Division managers and are used to review all the core strategic issues: risk-taking policies, assessement methods, material and human resources, analysis of credit portfolios and of the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.) and crisis management. On the other hand, the Finance Committee (COFI) is competent for matters relating to funding and liquidity policymaking and planning.

Societe Generale Group's risk measurement and assessment processes are integrated into the bank's solvency process or Internal Capital Adequacy Assessment (ICAAP). Alongside capital management, the ICAAP is aimed at providing guidance to both CORISQ and COFI in defining the Group's overall risk appetite and setting risk limits.

The Risk Division is independent from the Group's operating entities and reports directly to Executive Management. Its role is to contribute to the development and profitability of the Group by ensuring that the risk management framework in place is both robust and effective. It employs various teams specializing in the operational management of credit and market risk as well as risk modelling teams, IT project managers, industry experts and economic research teams.

More specifically, the Risk Division:

- defines and validates the methods used to analyze, assess, approve and monitor credit risks, market risks and operational risks;
- conducts a critical review of commercial strategies in high-risk areas and continually seeks to improve such risk forecasting and management;
- contributes to independent assessment by analyzing transactions implying a credit risk and by offering an opinion on transactions proposed by sales managers;
- identifies all Group risks and monitors the adequacy and consistency of risk management information systems.

The Finance Division, for its part, is entrusted with assessing and managing other major types of risks, namely strategic, business, liquidity and structural risks. The structural interest rate and exchange rate risks as well as the long term financing program, the piloting of the need in capital and the structure of stockholders' equity are managed within the Group by the Asset and Liability Management Department (ALM Department). In addition, the Internal Legal Counsel deals with compliance and legal risks.

All new products and activities or products under development must be submitted to the New Product Committee of the relevant business line. This New Product Committee aims at ensuring that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subject to adequate procedures and controls, using the appropriate information and processing systems.

2. Credit risk

2.1. RISK MANAGEMENT GENERAL PRINCIPLES

2.1.1. Risk approval and limits

Strongly embedded in Societe Generale Group's credit policy is the concept that approval of any credit risk undertaking must be based on sound knowledge of the client and a thorough understanding of the client's business, the purpose, nature and structure of the transaction and the sources of repayment, while bearing in mind the Group's risk strategy and risk appetite. Credit decisions must also ensure that the return on the transaction will sufficiently reflect the risk of loss in case of default.

The risk approval process is based on four core principles:

- All transactions involving counterparty risk (debtor risk, non-settlement or non-delivery risk and issuer risk) must be pre-authorized.
- Staff assessing credit risk are fully independent from the decision-making process.
- Subject to relevant approval limits, responsibility for analyzing and approving risk lies with the most appropriate business line or credit risk unit, which reviews all authorization requests relating to a specific client or client group, to ensure a consistent approach to risk management.
- All credit decisions systematically include internal counterparty risk ratings, as provided by business lines and vetted by the Risk Division.

The Risk Division submits recommendations to the Risk Committee on the concentration limits it deems appropriate, at any given moment, for particular countries, geographic regions, sectors, products or customer types, in order to reduce cross-business risks with strong correlations. The country risk limits are defined such as the correct exposure limit is assigned to each emerging market, based on the risk incurred and the expected return on transactions in each country. The allocation of limits is subject to final approval by the Group's Executive Management and is based on a process that involves the business divisions exposed to risk and the Risk Division.

Finally, the supervision provided by the CORISQ is supplemented by the Committee for large risk exposures. This is an ad-hoc committee more specifically responsible for periodically reporting to the Executive Committee on the Group's main exposures and associated risks, as well as for vetting the risk-taking and marketing policy vis-à-vis the corporates, the bank's key client group, including proposing exposure limits.

2.1.2. Counterparty risk managing

Given the Group's significant involvement in global capital markets, Societe Generale Group has devoted substantial resources to the development and implementation of effective tools for measuring and monitoring counterparty risk on market transactions. This risk, known as replacement risk, corresponds to the mark-to-market value of transactions with counterparties, and represents the current cost of replacing transactions with a positive value to the Group should the counterparty default. The transactions giving rise to counterparty risk are, inter alia, securities repurchase agreements, securities lending and borrowing, over-the-counter derivatives contracts such as swaps, options, futures.

Societe Generale Group places great emphasis on carefully monitoring its counterparty risk exposure in order to minimize its losses in case of default of its counterparts and to facilitate its trading activities by calibrating limits on the most solvent market participants. Counterparty limits are therefore assigned to all trading counterparties, irrespective of their status (banks, other financial institutions, corporates, public institutions).

As a result of the current credit crisis, Societe Generale Group has stepped up significantly its alertness to signs of deterioration in its counterparts' credit profile, which has resulted in the downgrade of the internal rating of a number of counterparties, the reduction in limits as well as restrictions on limits for more complex trading instruments. In addition, a specific supervision and approval process on more sensitive counterparties was implemented. In 2008 Societe Generale Group reinforced the monitoring of the financial counterparty risks that were particularly affected by the crisis.

2.2. RISK MEASUREMENT AND INTERNAL RATINGS

In December 2007, Societe Generale Group obtained approval from its relevant supervisors' group (led by the French Banking Commission), to use mainly the advanced Internal Rating Based Approach (AIRB) methodology for the calculation of its credit risk capital requirements.

Societe Generale Group's internal models for quantitative credit risk measurement and risk-adjusted return on capital have been developed since the mid-1990's and provide staff (credit analysts as well as relationship managers) with an advanced toolkit for approving, structuring and pricing transactions.

These models have gradually been broadened in order to encompass the vast majority of the Group's credit portfolios (retail and corporate banking), and are part and parcel of the bank's day-to-day operational processes. Their capabilities have been further expanded in order to model the capital requirements for the bank's credit exposure in Basel II environment.

The Group's rating system is based on three key pillars:

- the internal ratings models used to measure both counterparty risk (expressed as a probability of default by the borrower within one year) and transaction risk (expressed as the amount that will be lost should a borrower default);
- a set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.);
- reliance on human judgment to improve model outcome to factor in elements outside the scope of rating modelling.

In order to obtain regulatory AIRB approval, the bank's rating models for its main credit portfolios have been thoroughly audited, proofed and back-tested, to warrant for their operational capacity, reliability and compliance with the "use test criteria" set by Basel II regulations.

Credit risk modelling is supported by a set of procedures ensuring reliable, consistent and timely default and recovery data required for modelling and back testing purposes. The procedures formulate detailed guidelines for assigning ratings to counterparties and transactions and have been deployed across the Group's various business lines over the years. The systems for estimating the probability of default (PD) and the loss given default (LGD) are now fully operational for all of credit portfolios under the AIRB scope.

2.3. CREDIT RISK EXPOSURE

The table below outlines the maximum credit risk exposure of the Group's financial assets, net of depreciation and before any bilateral netting agreement and collateral (notably any cash, financial or non-financial assets received as collateral and any guarantees received from corporates), including revaluation differences on items hedged or listed at fair value on the balance sheet

(In millions of euros)	December 31, 2008	December 31, 2007
Financial assets at fair value through profit and loss (excluding variable income securities)	430,963	373,925
Derivative hedging instruments	6,246	3,709
Available-for-sale financial assets (excluding variable income securities)	71,262	76,497
Due from banks	71,192	73,065
Customer loans	354,613	305,173
Lease financing and similar agreements	28,512	27,038
Held-to-maturity financial assets	2,172	1,624
Exposure to balance sheet commitments, net of depreciation	**964,960**	**861,031**
Loan commitments granted	136,797	162,594
Guarantee commitments granted	64,325	68,039
Provisions for commitments granted and endorsements	(176)	(105)
Exposure to off-balance sheet commitments, net of depreciation *	**200,945**	**230,529**
Total net exposure	**1,165,906**	**1,091,560**

* *The unused portion of the loans are withheld in their entirety*

2.4. CREDIT RISK HEDGING

Minimizing risk is an integral part of the commercial process. Protections may be purchased at the origination of the transaction of later if necessary, for the life of the loan until maturity.

- **Guarantees and collateral**

Guarantees and collateral are used to partially or fully protect the bank against the risk of debtor insolvency (e.g. mortgage or cover through a Crédit Logement guarantee for loans granted to individuals). Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once every year.

Besides, Societe Generale Group has strengthened the guarantees and collaterals process and updating their valuation (data collection of the guarantees and collateral, operational procedures).

Societe Generale Group therefore proactively manages its guarantees with the aim of reducing the risks it takes by diversifying guarantees: physical collaterals, guarantees (including CDS).

- **Credit derivatives**

The Group uses credit derivatives in the management of its corporate loan portfolio, essentially to reduce single name, sector and geographic concentrations, and to implement a proactive risk and capital management policy.

The Group's overconcentration management policy has led it to take major individual hedging positions: for example, the ten most-hedged names account for EUR 7.3 billion in protection (i.e. 26% of the total amount of individual protections).

The notional value of credit derivatives purchased for this purpose is booked in the off-balance sheet commitments under guarantee commitments received (positions are almost exclusively long positions).

In 2008, total credit derivatives under management decreased by EUR 6.7 billion, reaching a total of EUR 43.8 billion at end-December: EUR 28.2 billion in the form of Credit Default Swaps (CDS) and EUR 15.6 billion in the form of synthetic Collateralized Debt Obligations (CDOs). Some of these CDOs were taken for regulatory management under the Basel I framework and will not be continued in 2009.

Almost all protection purchases were carried out with banking counterparties with ratings of A- or above, the average being between AA- and A+.

Concentration with any particular counterparty is carefully monitored.

The bank has also a Credit derivatives trading activity (both buy and sell positions). The level of risk of this activity is measured in VaR, not in nominal.

In accordance with IAS 39, all credit derivatives regardless of their purpose shall be recognized at fair value through profit and loss and cannot be booked as hedging instruments.

- **Master netting agreements**

In order to reduce its credit risk exposure, Societe Generale Group has signed a number of master netting agreements with various counterparties (ISDA contracts governing financial derivative transactions). In the majority of cases, these agreements do not result in any netting of assets or liabilities on the books, but the credit risk attached to the financial assets covered by a master netting agreement is reduced insofar as, in the event of a default, the amounts due are settled on the basis of their net value.

2.5. CREDIT PORTFOLIO ANALYSIS

- **2.5.1. Breakdown of on-balance-sheet credit portfolio**

Outstanding loans in the on-balance-sheet credit portfolio before impairment (customer loans, due from banks, lease financing and similar agreements) break down as follows at December 31, 2008:

	December 31, 2008		
Gross outstanding loans in billions of euros	**Non-banking customers***	**Banks**	**Total**
Performing loans without any past due amount	365.2	43.98	409.18
Performing loans including past due amounts	7.33	0.02	7.35
Impaired	14.67	0.24	14.91
Total gross outstanding loans	**387.20**	**44.24**	**431.44**
Other (impairment, repos...)	**(4.00)**	**27.00**	**23.00**
Total	**383.20**	**71.24**	**454.44**

	December 31, 2007		
Gross outstanding loans in billions of euros	**Non-banking customers***	**Banks**	**Total**
Performing loans without any past due amount	309.33	46.88	356.21
Performing loans including past due amounts	5.09	0.01	5.10
Impaired	11.36	0.04	11.40
Total gross outstanding loans	**325.78**	**46.93**	**372.71**
Other (impairment, repos)	**6.43**	**26.14**	**32.57**
Total	**332.21**	**73.07**	**405.28**

* *including Lease financing and similar agreements*

Performing loans including past due amounts account for 1.8% of unimpaired on-balance sheet assets and include loans that are past due for technical reasons. This increase compared to the proportion observed on December 31, 2007 (1.4% of outstanding performing loans) is mainly caused by the number of impaired loans to small and medium size companies counterparty as well as on the individual customers following the deterioration in economic conditions. In this context of financial crisis, the monitoring procedures of past due amounts were strengthened.

- **2.5.2. Information on risk concentration**

Societe Generale Group proactively manages its risk concentrations, both at the individual and portfolio levels (geographic and industry concentration). The individual concentration is a parameter managed when granting the loan. The counterparts representing the most important exposures of the bank are regularly reviewed by the General Management.

At December 31, 2008, the Group's commitments (balance sheet and off balance sheet) on its ten largest corporate[1] counterparties accounted for 6% of this portfolio. A portfolio analysis governance system was also established, globally and also in terms of geographic regions and industry sectors. The conclusions of these analyses are periodically presented to the General Management.

At December 31, 2008, only one sector accounts for more than 10% of the Group corporate portfolio on and off-balance sheet assets standing for EUR 306 billion exposure at default[2].

At December 31, 2008, the five main sectors were Financial Activities (20%), Business Services (8%), Transport, Postal Services and Logistics (7%), Real Estate (7%), Utilities (7%) and expressed as a percentage of Corporate on-and-off balance sheet assets measured as exposure at default.

At December 31, 2007[3], the main five sectors were Financial Activities (21%), Business Services (7%), Transport Postal Services and Logistics (7%), Real Estate activities (6%), Wholesale Trade (6%) expressed as a percentage of Corporate on-and-off balance sheet assets (representing for EUR 292 billion EAD).

At December 31, 2008, on-balance sheet and off balance sheet loans commitments were divided between the following main four geographic regions: France, Western Europe, Northern America, Central and Eastern Europe (representing 41%, 25%,

(1) Corporate according to the Basel II definition includes insurances companies, hedge fund as well as small and medium companies and specialized financial services.

(2) Exposure at Default (EAD) combines the drawn portion of loans as well as the conversion of off-balance sheet commitments into on-balance sheet exposure through the Credit Conversion Factor.

(3) At December 31, 2008, the analysis of the geographic and concentration risk includes the issuer risk, debtor risk and replacement risk . The 2007 figures have been restated to be comparable.

13% and 11% respectively, of the on-and-off balance sheet commitments exposure at default standing for EUR 700 billion).*

At December 31, 2007, the four main regions were France, Western Europe, Northern america, Central and Eastern Europe (representing 42%, 26%, 15% and 8%, respectively, of the on-and-off balance sheet EAD standing for EUR 697 billion).

2.5.3. Impairment analysis

Decisions to book individual provisions on certain counterparties are taken where there is objective evidence of default. The amount of the depreciation depends on the probability of recovering the sums due. The expected cash flows are based on the financial position of the counterparty, its economic prospects and the guarantees called up or which may be called up.

In collaboration with Division heads, the Risk Division draws up impairments on groups of similar assets which are reviewed each quarter. The aim of these provisions is to take into account any credit risks incurred on other similar portfolio segments before any depreciation at an individual level.

At December 31, 2008, impaired outstanding loans stood at EUR 14.9 billion (EUR 11.4 billion at December 31, 2007).

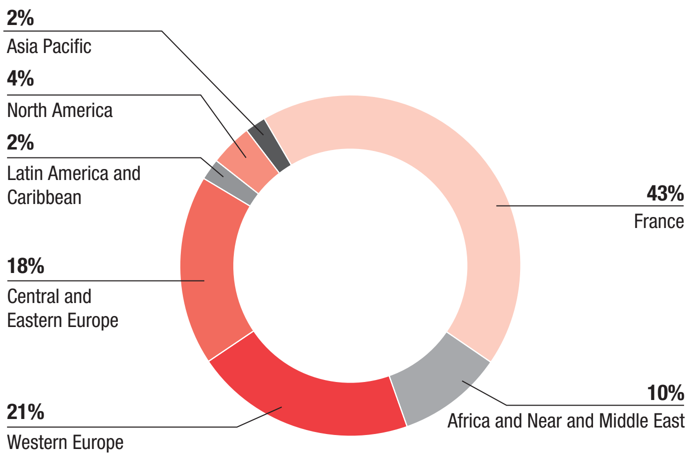
A counterparty is deemed to be in default place when at least one of the three following conditions are verified:

- a significant financial degradation of the borrower will not allow him to fulfil his overall commitments (credit obligations), and as a result will lead an important probability of losses; and/or
- one or several past due of more than 90 days are recorded and/or an out of court settlement procedure has been initiated, (with the exception of certain asset categories, such as housing loans and loans to local authorities); and/or
- a legal proceeding such as a bankruptcy, legal settlement or compulsory liquidation is in progress.

Sovereign issuers are deemed to be in default when the debt service is no longer paid or where an exchange offer is proposed, involving a loss in value for the creditors.

At December 31, 2008, impaired outstanding assets broke down as follows:

Impaired loans



At December 31, 2007, the impaired outstanding loans broke down as follows: 50% France, 22% Western Europe, 13% Central and Eastern Europe, 13% Africa, Near and Middle East, 1% Northern America, 1% Latin America .

Impairment on assets are broken down as follows:

(In millions of euros)	Amount at Dec. 31, 2007	Net allocations to provisions for impairment	Reversals used	Currency and scope effects	Amount at Dec. 31, 2008
Specific impairments (Bank loan + Customer loan + lease financing)	6,576	2,100	(810)	427	8,293
Impairments on groups of similar assets	901	72	-	97	1,070
Others *	938	877	(36)	21	1,800
TOTAL	**8,415**	**3,049**	**(846)**	**545**	**11,163**

* *Includes impairments on the available-for-sale assets described in Note 8.*

* *On-balance sheet and off-balance sheet commitments and Geographic breakdown of group credit risk outstanding at December 31, 2008 corrected following the amendment to the registration document filed with the Autorité des Marchés Financiers on April 8, 2009.*
For the record, in the registration document on March 4, 2009, the breakdown was 44% in France, 24% in Western Europe, 11% in North America of the on-and-off balance sheet commitments exposure at default standing for EUR 742 billion.

2.5.4. Breakdown of unimpaired past due loans

At December 31, 2008, unimpaired past due loans accounted for 1.8% of the on-balance sheet portfolio of performing loans.

Gross outstanding loans In billions of euros	December 31, 2008 Customers	Banks	% of Gross outstanding loans
Past due amounts less than 90 days old	6.90	0.01	94.1%
Included less than 29 days old	*5.05*	*0.01*	*69%*
Past due amounts between 90 and 179 days old	0.30	0.00	4.1%
Past due amounts over 180 days old	0.13	0.00	1.8%
TOTAL	**7.33**	**0.01**	**100%**

At December 31, 2007, unimpaired past due loans accounted for 1.4% of the on-balance sheet portfolio of performing loans.

Gross outstanding loans In billions of euros	December 31, 2007 Customers	Banks	% of Gross outstanding loans
Past due amounts less than 90 days old	4.64	0.01	91%
Included less than 29 days old	*3.23*	*0.01*	*63%*
Past due amounts between 90 and 179 days old	0.23	NS	5%
Past due amounts over 180 days old	0.22	NS	4%
TOTAL	**5.09**	**0.01**	**100%**

The amounts presented in the table above include past due loans for technical reasons, with past due loans mainly belonging to the category "less than 29 days old". Loans past due for technical reasons are loans that are classified as past due with a delay between the accounting in the customer account and the payment value date.

Total unimpaired past due loans declared are all receivables (outstanding balance, interests and past due amount) with at least one recognized past due amount, regardless of its size (an outstanding debt with a past due of one euro would thus be included). These outstanding loans are monitored as soon as the first payment is missed. They may be placed on a watch list at that time.

Once an installment has been past due for 90 days, the counterparty is deemed to be in default (with the exception of certain categories of outstanding loans, particularly those relating to Public Sector entities).

2.5.5. Renegotiated outstanding loans

Within Societe Generale Group, renegotiated outstanding loans relate to loans made to any type of clientele (retail clients and legal entities). These loans have been restructured (in terms of principal and/or interest rates and/or maturities) due to the probability that the counterparty will be unlikly to pay in the absence of such a restructuring.

These amounts do not include any renegotiation of the commercial terms pertaining to adjustments of conditions on interest rates and/or repayment periods granted by the Bank for the purpose of maintaining the quality of the Bank's relations with a client.

Societe Generale Group's banking practices call for most clients whose loans have been renegotiated to be maintained in the "unperforming" category, as long as the bank remains uncertain of their ability to meet their future commitments (definition of default under Basel II).

This approach explains the low number of unimpaired renegotiated loans and the volatility of this asset class.

The renegotiated outstanding loans presented below apply to the Group's consolidation scope with a specific threshold for the corporate clients of the Corporate and Investment Banking and of French retail banking loans (loans exceeding EUR 150,000 in the Societe Generale network) and for the main subsidiaries of the International retail Banking and the retail clients for the other divisions.

The renegotiated outstanding loans during the year 2008 amount to EUR 50 million (EUR 46 million in 2007).

2.5.6. Fair value of guarantees and collateral for impaired outstanding loans and non-doubtful outstanding loans with past due installments

At December 31, 2008, guarantees and collateral relating to past due, unimpaired outstanding loans and impaired outstanding loans broke down as follows:

	December 31, 2008	
In millions of euros	**Retail**	**Non-retail**
Guarantees and collaterals related to past due, unimpaired outstanding loans	**1,030**	**808**
Guarantees and collaterals related to impaired outstanding loans	**1,324**	**1,046**

At December 31, 2007, guarantees and collateral relating to past due, unimpaired outstanding loans and impaired outstanding loans broke down as follows:

	December 31, 2007	
In millions of euros	**Retail**	**Non-retail**
Guarantees and collaterals related to past due, unimpaired outstanding loans	755	183
Guarantees and collaterals related to impaired outstanding loans	1,120	164

The amounts of the guarantees and collaterals presented in the table above correspond to the amounts of the Basel II eligible guarantees and collaterals, limited to the amounts remaining due. Some guarantees and collaterals, among which personal guarantees provided by a business owner, pledge over unlisted securities, for instance, are not included in these amounts. Some guarantees and collaterals to outstanding loans with intrinsic guarantees are also excluded (for example financial leasing).

The Risk function is responsible for validating the operational procedures established by the business divisions for the regular valuation of guarantees and collateral, on a regular basis, either automatically or on the basis of an expert's opinion, whether the valuation is established during the decision phase for a new loan or on the annual renewal of the credit application.

3. Market risks

3.1. MARKET RISK MANAGEMENT STRUCTURE

Market risk is the risk of losses resulting from unfavourable changes in market parameters. It concerns all the trading book transactions as well as some banking book portfolio valuated with a mark-to-market approach.

The Group's market risk management structures are continually adjusted in a bid to harmonize existing procedures and ensure that the risk management teams remain independent from the operating divisions.

Although the front-office managers naturally assume primary responsibility in terms of risk exposure, its global management lies with an independent structure: the Market Risk unit of the Risk Division. The main purpose of the department is the permanent analysis, independently from the front offices, of the positions and risks linked to the market activities of the Group and the comparison of these positions to the allowed limits. This unit carries out the following functions:

- daily analysis (independently from the front office) of the exposure and risks incurred by the Group's market activities and comparison of said exposure and risks with the limits set;
- definition of the risk-measurement methods and control procedures, approval of the valuation methods used to calculate risks and results and setting of the provisions for market risks (reserves and adjustments to earnings);
- definition of the functionalities of the databases and systems used to measure market risks;
- approval of the limit applications submitted by the operating divisions, within the global authorization limits set by the General Management, and monitoring of their use;
- centralization, consolidation and reporting of the Group's market risks.

Besides these functions linked to the market risk strictly speaking, the Department monitors and also checks the gross notional value of the exposures. This device, based on levels of alerts applying to all the instruments and all the desks, participates in the detection of possible of rogue trading operations.

At the proposal of this Division, the Group Risk Committee sets the levels of authorized risk by type of activity and makes the main decisions concerning Group risk management. Within each entity that bears market risk, risk managers are appointed to implement the Level 1 risk control. The main tasks of these managers, who are independent from the front offices, include:

- the ongoing analysis of exposure and results, in collaboration with the front offices;
- the verification of the market parameters used to calculate risks and results;
- the daily calculation of market risks, based on a formal and secure procedure;
- the daily monitoring of the limits set for each activity, and constant control that appropriate limits have been set for each activity.

In the major trading rooms in France and abroad, these specialized market risk managers report directly to the Risk Division.

A monthly reporting about the highlights regarding market risks and mentioning the use of the limits, is sent to the Group General Management and to the business line management.

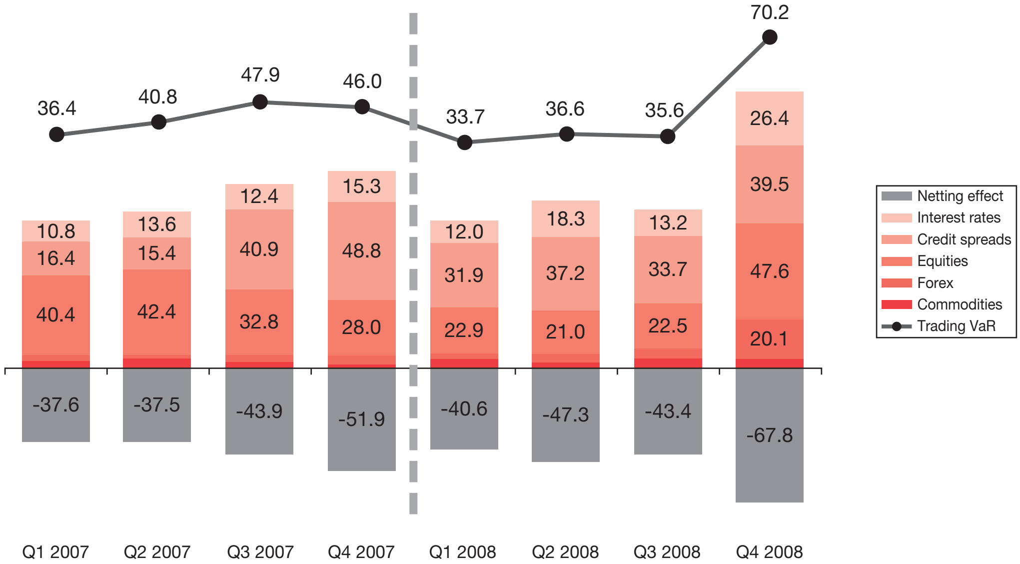
3.2. METHODS OF MEASURING MARKET RISK AND DEFINING EXPOSURE LIMITS

Societe Generale Group's market risk assessment and the sensitivity analysis of these risks are based on three main indicators, which are used to define exposure limits:

- the 99% Value-at-Risk (VaR) method: in accordance with the regulatory model, this composite indicator is used for the day-to-day monitoring of the market risks incurred by the bank, in particular regarding the scope of its trading activities;
- a stress test measurement, based on a decennial shock-type indicator. Stress test measurements limit the Group's exposure to systemic risk and exceptional market shocks;
- complementary limits (sensitivity, nominal, concentration, holding period, etc.), which ensure consistency between the total risk limits and the operational limits used by the front office. These limits also enable to control risks that are only partially detected by VaR or stress test measurements.

BREAKDOWN OF TRADING VAR BY TYPE OF RISK – CHANGE BETWEEN THE QUARTERLY AVERAGE 2008-2007 (IN MILLIONS OF EUROS)

Quarterly average of trading VaR, 1 day, 99% (in M EUR)



The figures concerning 2007 do not take into account the unauthorized and concealed trading activities (Cf note 41).

Compensation is defined as the difference between the total VaR and the sum of the VaR by type of risk. It reflects the extent of netting between the different types of risks (interest rate, credit spreads, equity, exchange rate, commodities).

- **Average VaR**

The average VaR amounts to EUR 44 million for year 2008 against a yearly average of EUR 43 million in 2007. This stability results from:

- the increase of the credit, interest rate and exchange rate risk VaR, EUR 6, 5 and 4 million respectively, due to the highly volatile scenarios of year 2008; the increase of the credit risk VaR is mitigated by the reclassification of some financial assets into the banking book;
- the decrease of the equity price VaR of EUR 8 million, due to an active and continuous reduction of exposure over the first 9 months partially offset by the occurrence of highly volatile scenarios during the last quarter;
- finally, an improvement of the compensation between the various types of risks, for EUR 7 million.

- **Method used to calculate VaR**

This method was introduced at the end of 1996 and it is constantly improved with the addition of new risk factors and the extension of the scope covered by the VaR. In 2008, the models has been improved with new risk factors on commodities (in particular Carbon Emission Rights), and basis factor on interest rates (measuring the risks linked to the various fixings). Today, the market risks on almost all investment banking activities are covered by the VaR method, in particular those related to most complex activities and products, as well as certain retail banking and private banking activities outside France. The Societe Generale Group's VaR model obtained approval from the relevant supervisor's Group to calculate the prudential capital.

The method used is the "historic simulation" method, which implicitly takes into account the correlation between all markets. It is based on the following principles:

- the creation of a database containing risk factors which are representative of Societe Generale Group's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatilities, credit spreads, etc.). The VaR is calculated using a database of several thousand risk factors;
- the definition of 250 scenarios, corresponding to one-day variations of these market parameters over a sliding one-year period;
- the application of these 250 scenarios to the market parameters of the day;
- the revaluation of current positions, on the basis of the adjusted daily market parameters and on the basis of a revaluation taking into account the non linearity of these positions.

The 99% Value at Risk is the biggest loss that would be incurred after eliminating the top 1% of most unfavourable occurrences. Over one year, or 250 scenarios, it corresponds to the average of the second and third largest losses observed.

The VaR is first and foremost designed to monitor market activity in the bank's trading portfolios. In 2008, the VaR limit for all trading activities was increased to EUR 85 million (EUR 15 million more than in 2007) to reflect the increasing volatility of the markets.

- **Limitations of the VaR assessment**

The VaR assessment is based on a model and a certain number of assumptions and approximations. Its main limitations are as follows:

- The use of "1-day" shocks assumes that all positions can be unwound or hedged within one day, which is not the case for some products and in some crisis situations.
- The use of the 99% confidence interval does not take into account any losses arising beyond this interval; the VaR is therefore an indicator of losses under normal market conditions and does not take into account exceptionally large fluctuations.
- VaR is calculated using closing prices, so intra-day fluctuations are not taken into account.
- There are a number of approximations in the VaR calculation. For example, benchmark indices are used instead of certain risk factors and, in the case of some activities, not all of the relevant risk factors are taken into account which can be due to difficulties in obtaining daily data.

The Group controls the limitations therein by:

- systematically assessing the relevance of the model by back-testing to verify if the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval;
- complementing the VaR system with stress test measurements.

Note that in the current environment of market dislocation, the historical VaR 1 day 99% appears as less relevant than other indicators such as stress tests. Moreover, work is constantly carried out on the internal model to improve its quality.

- **Stress test assessment**

Alongside the internal VaR model, Societe Generale monitors its exposure using the stress test method to take into account exceptional market occurrences.

Until the end of 2008, the stress test risk assessment methodology is based on 18 historic scenarios and 8 hypothetical scenarios, including the "Societe Generale Hypothetical Scenario", which has been used since the early 1990s. Alongside the VaR model, the stress test is one of the main pillars of our risk management system and is based on the following principles:

- risks are calculated every day for each of the bank's market activities (all products combined), using the 18 historic scenarios and 8 hypothetical scenarios.
- stress test limits are established for the Group's activity as a whole and then for the different business lines. These set, firstly, the maximum acceptable loss under the Societe Generale Hypothetical Scenario and the hypothetical scenario of a stock market crash such as that of October 1987, and, secondly, the maximum acceptable loss under the 24 remaining historic and hypothetical scenarios.
- the different stress test scenarios are reviewed and expanded by the Risk Division on a regular basis, in conjunction with the Group's teams of economists and specialists.

The list of scenarios used was reviewed in 2008. Consequently two new scenarios have been introduced as of January 1, 2009: a historical scenario "October 3-10, 2008" according to the movements observed during this period; a theoretical scenario of financial crisis, declined from the events observed during 2008. Some scenarios, with lower impact than those two new scenarios were removed.

- **Historical stress tests**

This method consists in an analysis of the major economic crises that have affected the financial markets since 1990: the changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises are analyzed in order to define scenarios for potential variations in these risk factors which, when applied to the bank's trading positions, could generate significant losses. Using this methodology, as of January 1, 2009, Societe Generale Group established 18 historic scenarios.

- **Hypothetical stress tests**

The hypothetical scenarios are defined by the bank's economists and designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The bank aims to select extreme, but nonetheless plausible events which would have major repercussions on all international markets. As of January 1, 2009, Societe General Group adopted 7 hypothetical scenarios, in addition to the financial crisis theorical scenario mentioned above.

4. Structural interest rate and exchange rate risks

The general principle is to concentrate interest rate and exchange rate risks within capital market activities, where they are monitored and controlled using the methods described above for market risks, and to reduce structural interest rate and exchange rate risks as much as possible.

Wherever possible, commercial transactions are hedged against interest rate and exchange rate risks, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within a treasury department). Interest rate and exchange rate risks on proprietary transactions must also be hedged as far as possible.

Consequently, structural interest rate and exchange rate risks only result from the residual positions remaining after hedging.

4.1. ORGANIZATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the Group level. The operating entities assume primary responsibility for the management of their risk exposure, while the Capital and Balance Sheet Management Department, which comes under the authority of the Group Finance Department, carries out a Level 2 control on the management of these risks performed by the entities.

The Group Finance Committee, chaired by the General Management and composed of members of the Executive Committee and Finance Department:

- validates the basic principles for the organization and monitoring of the Group's structural risks;
- validates the limits for each entity based on recommendations by the Group's Capital and Balance Sheet Management Department;
- examines the reports on these risks provided by Capital and Balance Sheet Department.

The Group Capital and Balance Sheet Management Department, which comes under the authority of the Group Finance Division:

- defines the standards for the management of structural risks (organization, monitoring methods);
- centralizes, consolidates and reports on risk exposure, and carries out Level 2 controls (independently from the operating divisions which supervise the entities);
- validates the models used by the entities;
- validates the asset and liability management policy of the French retail networks.

The operating entities are responsible for controlling structural risks.

The operating entities are required to comply with the standards defined at the Group level for the management of risk exposure, but also develop their own models, measure their exposure and implement the required hedging operations.

Each entity has its own structural risk manager, attached to the Finance Department of the entity, who is responsible for conducting Level 1 controls and for reporting the entity's structural risk exposure to the Capital and Balance Sheet Management Department via a shared IT system.

Retail banking entities both in France and abroad generally have an ad-hoc ALM Committee which validates the maturities of non-maturing products (such as sight deposits, etc.) and therefore determines the associated transformation strategy, reviews structural interest and exchange rate positions and validates the associated hedging programs in accordance with Group standards and limits authorized by the Group Finance Committee.

4.2. STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is measured in the scope of structural activities (transactions with clients, the associated hedging operations and proprietary transactions).

Structural interest rate risk arises from residual gaps (surplus or deficit) of each entity's fixed-rate positions.

- **Objective of the Group**

The Group's main aim is to reduce each entity's exposure to structural interest rate risk as much as possible once the transformation strategy has been decided.

To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group as validated by the Finance Committee. The sensitivity is defined as the variation in the net present value of future (maturities of up to 20 years) residual fixed-rate positions (surplus or deficits) for a 1% parallel increase in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Group is EUR 500 million (which is less than 1.8% of shareholders' equity).

- **Measurement and monitoring of structural interest rate risks**

In order to quantify its exposure to structural interest rate risks, the Group analyzes all fixed-rate assets and liabilities on future maturities to identify any gaps. These positions come from transactions remunerated or charged at fixed rates and from their maturities.

Assets and liabilities are analyzed independently, without any a priori matching. Maturities on outstanding positions are determined on the basis of the contractual terms of the transactions and models of historic client behavior (regulated savings accounts, early repayments, etc.), as well as conventional assumptions for some balance sheet items (mainly shareholders' equity and sight deposits). Options exposure is analyzed through its delta equivalent.

Once the Group has identified the gaps of its fixed-rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to variations in interest rates. This sensitivity is defined as the variation of the net present value of the fixed-rate positions for an instantaneous parallel increase of 1% of the yield curve.

In addition to this analysis, the Group also analyses the sensitivity to different yield curve configurations of the fixed rate position for non parallel variations (steepening and flattening) of the yield curve. The measurement of net interest income sensitivity is also used by the Group to quantify the structural interest rate risk of significant entities.

Throughout 2008, the Group's global sensitivity to interest rate risk remained below 1% of Group shareholders' equity and within the EUR 500 million limit.

The following observations can be made with regard to the business lines' structural interest rate risk:

- Within the domestic retail banking division, outstanding customer deposits, generally considered to be fixed-rate, exceed fixed-rate loans for maturities over 5 years. Indeed, thanks to macro-hedging essentially through the use of interest rate swaps and caps, the French Networks' sensitivity to interest rate risk (on the basis of the adopted scenarios) has been kept to a low level. At end-December 2008, the sensitivity of French retail networks (Societe Generale and Crédit du Nord) based on their euro-denominated assets and liabilities was less than EUR 20 million.
- Transactions with large companies are generally match-funded on an individual basis and therefore present no interest rate risk.
- Transactions with clients of the Specialised Financial Services subsidiaries are generally macro-hedged and therefore present only a low interest rate risk.
- Client transactions for subsidiaries and branches located in countries with weak currencies can generate structural interest rate risk; however, this risk is limited at the Group level. These entities may have problems optimally hedging interest rate risk due to the low development of the financial markets in some countries.
- Proprietary transactions are generally well hedged. Residual positions are limited and arise primarily from shareholders' equity that has not been fully reinvested with the desired maturities.

Sensitivity to interest rate variations of the main entities of the Group (Crédit du Nord, Societe Generale in France, Komerčni Banka, Rosbank and BRD) represented EUR -61 million on December 31, 2008 (for a 1% parallel rise of the yield curve). These entities accounted for 65% of the Group's credits outstanding customer loans based on figures taken at September 30, 2008.

4.3. STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risks essentially arise from:

- foreign-currency denominated capital contributions and equity investments financed through the purchase of foreign currencies;
- retained earnings in foreign subsidiaries;
- investments made by some subsidiaries in a currency other than the one used for their equity funding for regulatory reasons.

• Objective of the Group

The Group's policy is to immunize its solvency ratio against fluctuations in strong currencies (USD, CZK, GBP, JPY, etc.). To do this, it may decide to purchase currencies to finance long-term foreign currency-denominated investments, thus creating structural foreign exchange positions. Any valuation differences on these structural positions are subsequently booked as translation differences.

For the other currencies, the Group's policy is to reduce its structural foreign exchange positions as much as possible.

• Measurement and monitoring of structural exchange rate risks

The Group quantifies its exposure to structural exchange rate risk by analyzing all assets and liabilities denominated in foreign currencies, arising from commercial and proprietary transactions.

As client transactions are hedged against exchange rate risk, the Group's residual exposure results primarily from proprietary transactions.

The Capital and Balance Sheet Management Department monitors structural exchange rate positions and manages the immunization of the solvency ratio to exchange rate fluctuations.

In 2008, the Group successfully neutralized the sensitivity of its solvency ratio to fluctuations in strong currencies by monitoring the structural positions in these currencies (the sensitivity of the solvency ratio is limited to a 5bp variation in case of a 10% variation in the exchange rate of one of the currencies).

Moreover, its positions in other currencies, which result primarily from capital contributions and retained earnings, remained very limited.

4.4. HEDGING INTEREST RATE AND EXCHANGE RATE RISK

In order to hedge certain market risks inherent to Societe Generale's Corporate and Investment Banking arm, the Group has set up hedges which, in accounting terms, are referred to as fair value hedges or cash flow hedges depending on the risks and/or financial instruments to be hedged.

In order to qualify these transactions as accounting hedges, the Group documents said hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging instrument – the expected ratio between the two changes in fair value being within the range of 80%-125%. Effectiveness is measured each quarter on a prospective (discounted over future periods) and retrospective (booked in past periods) basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

• Fair value hedging

Within the framework of its activities and in order to hedge its fixed-rate financial assets and liabilities against fluctuations in long-term interest rates (essentially loans/borrowings, securities issues and fixed-income securities), the Group uses fair value hedges primarily in the form of interest rate swaps.

The purpose of these hedges is to protect against a decline in the fair value of an instrument which does not affect the income statement in principle but would do so if the instrument were no longer booked on the balance sheet.

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

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 instrument.

- **Cash flow hedging**

Cash flow hedges on interest rates are used to hedge against the risk that the future cash flow of a floating-rate financial instrument fluctuate in line with market interest rates.

The purpose of these hedges is to protect against a decline in the fair value of an instrument which would affect the income statement.

Societe Generale's Corporate and Investment Banking arm is exposed to future variations in cash flow by virtue of its short- and medium-term financing needs. Its highly probable refinancing requirement is determined according to the historic data drawn up for each activity and which reflects balance sheet assets. This data may be revised upwards or downwards depending on how management styles evolve.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in creating a hypothetical derivative which bears 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 works in the opposite way and whose fair value is nil when the hedge is set up, then comparing the expected changes in the fair value of the hypothetical derivative with those of the hedge instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge. Here, only any "over-hedging" is deemed ineffective.

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

Remaining term at December 31, 2008 *(In millions of euros)*	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Floating cash flow hedged	122	140	454	36	752
Highly probable forecast transactions	46	272	83	36	437
Total	**168**	**412**	**537**	**72**	**1,189**

Remaining term at December 31, 2007 *(In millions of euros)*	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Floating cash flow hedged	162	148	666	633	1,609
Highly probable forecast transactions	160	233	155	13	561
Total	**322**	**381**	**821**	**646**	**2,170**

- **Hedging of a net investment in a foreign company**

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

The item hedged 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 against an exchange rate risk linked to the entity's functional currency.

5. Liquidity risk

Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

The Group manages this exposure using a specific system designed to manage liquidity risk both under normal day-to-day conditions and in the event of a potential liquidity crisis.

ORGANIZATION OF LIQUIDITY RISK MANAGEMENT

The principles and standards applicable to liquidity risk management are defined at the Group level. The operating entities are responsible for managing their own liquidity and for respecting applicable regulatory constraints, while the Capital and Balance Sheet Management Department manages liquidity for the overall Group, in conjunction with the Treasury Department of the Corporate and Investment Banking Division.

- The Group's Finance Committee, chaired by the General Management and composed of members of the Executive Committee and Finance Department:
  - validates the organization principles and monitoring of the Group's liquidity risk;
  - examines the reports on liquidity risk provided by the Capital and Balance Sheet Management Department;
  - reviews the liquidity crisis scenarios;
  - validates the Group's funding programs.
- The Capital and Balance Sheet Management Department, which is part of the Group Finance Department:
  - defines the standards for liquidity risk management;
  - validates the models used by the entities;
  - centralizes, consolidates and reports on liquidity risk exposure, and carries out Level 2 controls (independently of the operating divisions supervising the entities);
  - validates the liquidity crisis scenarios;
  - plans the Group's funding programs.
- The Treasury Department of the Corporate and Investment Banking Division is responsible for managing short-term liquidity (less than one year). The liquidity stress scenarios are implemented in collaboration with the Capital and Balance Sheet Management Department.
- The operating entities are responsible for managing their own liquidity risk.

To this end, they apply the standards defined at the Group level, develop models, measure their liquidity positions and finance their activities or reinvest surplus liquidity via the treasury departments (subject to regulatory and fiscal constraints).

The entities submit reports on their liquidity risk to the Group via a shared IT system.

OBJECTIVE OF THE GROUP

The Group's objective is to finance its activities at the best possible rates under normal conditions and to ensure it can meet its obligations in the event of a crisis.

The main principles of the Group's liquidity management are as follows:

- as far as possible, central management of liquidity using the access to markets of the Group's main treasury departments (Paris, New York, London, Tokyo, Hong Kong, Singapore, etc.) and the transfer of the liquidity position of the entities (liquidity requirement and liquidity surplus) to these treasury departments;
- diversification of sources of funding, both in terms of geographic regions and activity sectors;
- limitation of the number of issuers within the Group (Societe Generale, SG Acceptance NV, SG North America, etc.);
- management of short-term liquidity in accordance with the regulatory framework and within the scope of the Group's main treasury departments, with the use of internal stress scenarios.

MEASUREMENT AND MONITORING OF LIQUIDITY RISK

The Group's liquidity management framework comprises the following processes:

- an assessment of the Group structural liquidity profile and its development over time;
- a monitoring of the diversification of funding sources;
- an assessment of the Group's funding needs on the basis of budget forecasts in order to plan appropriate funding solutions;
- an analysis of liquidity risk exposure using liquidity crisis scenarios.

Risk analysis is conducted using reports submitted by the different entities, listing their respective on and off-balance sheet items according to currency of denomination and residual maturity. The principle retained enables assets and liabilities to be categorized in terms of maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models of historic client behavior patterns (regulated savings accounts, early repayments, etc.), as well as conventional assumptions relating to certain balance sheet items (principally shareholders' equity and sight deposits). The breakdown of assets and liabilities by contractual maturities are disclosed in note 30.

Societe Generale has a large and diversified deposits base which serves as a large part of mid and long-term financing resources.

Since the beginning of the financial crisis, Societe Generale Group has taken actions to strengthen the liquidity monitoring framework.

- closer monitoring of long term liquidity.

A long term funding plan aims to keep a mid and long term surplus liquidity gap.

The issuing policy aims to execute the funding plan on a regular and non-opportunistic way.

In 2008, the Group was able to re-finance the roll over of its maturing debt during the year as well as the growth of its businesses, thanks to an active and diversified funding program on capital markets (issues of vanilla and structured private placements, senior and subordinate benchmark issues), and thanks to an additional effort of collection of deposits notably with the customers of the french retail network.

- strengthening of short term liquidity management.

The Treasury Department of the Corporate and Investment Banking division which manages by delegation short term liquidity, monitors its liquidity position in stress scenarios taking into account assets eligible for central bank refinancing operations.

A weekly liquidity committee was set up, chaired by the Chief Financial Officer and attended by the head and treasurer of SGCIB, the Chief Risk Officer, and the head of Capital and Balance Sheet Management Department.

- active management of the eligible assets.

The Group continued working its works to optimize the management of the pool of assets eligible for the various refinancing mechanisms (central banks refinancing operations, Société de Credit foncier, SFEF, etc.): the inventory of the pool has been widened and information systems were improved to get an optimal allowance of these assets.

The regulatory one-month liquidity ratio is calculated on a monthly basis, and concerns Societe Generale Company (which comprises the head office in mainland France and its branches). In 2008, Societe Generale systematically maintained a ratio above the required regulatory minimum.

6. Capital management and compliance with regulatory ratios

6.1. QUALITATIVE INFORMATION

- **Description of the approach to capital management**

Group policy on the use of shareholders' equity meets the following three priorities: for a given market capitalization objective, 1) to ensure internal growth, 2) to ensure external growth and 3) to maintain a clear and consistent policy with respect to its shareholders (principally on matters of dividend pay-outs and share buybacks).

To this end, Societe Generale Group establishes a capital objective based on a combination of factors specific to the Group (target rating, business mix, risk profile and Group strategy) and external factors (competitors' level of shareholders' equity, market expectations, minimum capitalization expected by the market authorities). The capital is also sized to cover extreme losses calculated through global stresses-tests taking into account the whole risk profile of the Group and allowing to measure its impact strength in macroeconomic crisis scenarios.

Financial planning is used to maintain this objective: it simulates the balance of resources in relation to capital requirements and capital transactions (share issues, buybacks). Capital management is monitored through data collected at least every quarter within the framework of the Group budget and strategic plan.

- **Compliance with ratios**

The solvency ratio complies with the calculation methods established by the French Banking Commission (Cooke ratio). This ratio is based on the Group's consolidated banking activities, thus eliminating the contributions of the insurance entities.

Prudential capital is comprised of the following: Tier One capital, upper Tier Two capital and lower Tier Two capital is calculated in accordance with Regulation 90-02 relating to capital.

Supplementary capital (Tier Two) is taken into account only within the limit of 100% of Tier One capital. Furthermore, additional Tier Two capital may not exceed the limit of 50% of Tier One capital. Hybrid equity instruments (both innovative and non innovative) are limited to 35% of the consolidated bank's Tier One capital, innovative hybrid equity instruments being subject to stringent conditions and limited to a maximum of 15% of this Tier One capital

As a reminder, Regulation 95-02 relating to prudential monitoring of market risks allows for another type of additional capital (ancillary capital) in the form of subordinated securities with an initial maturity greater than or equal to two years. Societe General does not use this option.

The solvency ratio represents the level of capital in reserve on a permanent basis, in order to cover all the risks to which the Societe Generale Group is exposed. 2008 was a year of transition between the Cooke regulation (Basel I) and the new Basel II regulation as transposed in the Order of February 20, 2007 relating to capital requirements for credit institutions and investment firms.

The minimum level of capital required is 8% of the risks under the Basel I regulation expressed in risk-weighted assets for credit risks and in capital requirements multiplied by 12.5 for the market risks. Capital requirements multiplied by 12.5 for operational risks are added to the preceding under Basel II.

In addition to the increase of the scope of the risks for which capital is required, the main changes between the Cooke and the Basel II regulations are:

- the use of internal models for credit risk (AIRB), the operational risk also being measured under the advanced method (AMA) by Societe Generale Group;
- new deductions made up to 50% from Tier One capital and 50% from Tier Two capital (equity holdings in financial institutions, negative amount resulting from the difference between provisions and expected losses,…).

In 2008 Societe Generale Group complied with all of the prudential ratios applicable to its activities. Societe Generale Group also applies CRBF Regulation No. 2005-04 relating to "additional monitoring of financial conglomerates", which also includes the solvency margin of the insurance companies.

6.2. QUANTITATIVE DATA

At the end of 2008, the total risk based capital is EUR 43 377 million.

- Cooke

Societe Generale Group's prudential capital – Cooke	December 31, 2008	December 31, 2007
Group shareholders equity	36,085	27,241
Estimated and forecasted dividends	(843)	(473)
Minority interest including preferred shares	4,802	4,034
Estimated and forecasted minority interest dividends	(329)	(264)
Prudential adjustments	(7,994)	(8,922)
Total Tier One capital	**31,721**	**21,616**
Total Tier Two capital	**14,134**	**12,936**
Deductions	**(2,478)**	**(5,608)**
Total risk based capital	**43,377**	**28,944**

- Basel II

Societe Generale Group's prudential capital – Basel II	December 31, 2008
Group shareholders equity	36,085
Estimated and forecasted dividends	(843)
Minority interest including preferred shares	4,802
Estimated and forecasted minority interest dividends	(329)
Group shareholders equity	(7,994)
Tier One capital	**31,721**
Deductions Basel II	**(1,398)**
Total Tier One capital	**30,323**
Tier Two capital	**14,280**
Other deductions	**(4,370)**
Total risk based capital	**40,234**

Note 5

Cash, due from central banks

(In millions of euros)	December 31, 2008	December 31, 2007
Cash	2,518	2,104
Due from central banks	11,227	9,198
Total	**13,745**	**11,302**

Note 6

Financial assets and liabilities at fair value through profit and loss

ASSETS

(In millions of euros)	December 31, 2008 Valuation established using prices published in an active market	Valuation technique based on observable market data	Valuation not based on market data [2]	Total	December 31, 2007 * Valuation established using prices published in an active market	Valuation technique based on observable market data	Valuation not based on market data [2]	Total
Trading portfolio								
Treasury notes and similar securities	30,455	1,135	-	31,590	37,903	1,551	-	39,454
Bonds and other debt securities	13,000	24,124	8,343	45,467	45,446	65,389	1,860	112,695
Shares and other equity securities [1]	31,537	10,366	372	42,275	89,004	5,897	3	94,904
Other financial assets	44	30,790	-	30,834	231	58,670	-	58,901
Sub-total trading assets [3]	**75,036**	**66,415**	**8,715**	**150,166**	**172,584**	**131,507**	**1,863**	**305,954**
o/w securities on loan				*2,446*				*14,811*
Financial assets measured using fair value option through P&L								
Treasury notes and similar securities	162	565	-	727	52	659	-	711
Bonds and other debt securities	5,303	526	-	5,829	8,941	278	3	9,222
Shares and other equity securities [1]	13,414	1,763	-	15,177	19,173	1,957	-	21,130
Other financial assets	109	4,385	272	4,766	45	2,549	733	3,327
Sub-total of financial assets measured using fair value option through P&L	**18,988**	**7,239**	**272**	**26,499**	**28,211**	**5,443**	**736**	**34,390**
o/w securities on loan				-				-
Interest rate instruments	**724**	**124,565**	**7,666**	**132,955**	**589**	**61,066**	**668**	**62,323**
Firm instruments								
Swaps				106,481				49,782
FRA				1,225				229
Options								
Options on organized markets				155				360
OTC options				18,817				8,112
Caps, floors, collars				6,277				3,840
Foreign exchange instruments	**825**	**38,083**	**104**	**39,012**	**55**	**16,031**	**28**	**16,114**
Firm instruments				*33,023*				*14,448*
Options				*5,989*				*1,666*
Equity and index instruments	**1,083**	**41,344**	**2,740**	**45,167**	**749**	**31,390**	**961**	**33,100**
Firm instruments				*8,591*				*2,970*
Options				*36,576*				*30,130*
Commodity instruments	**2,158**	**21,792**	**101**	**24,051**	**2,761**	**14,254**	**546**	**17,561**
Firm instruments-Futures				*18,068*				*11,829*
Options				*5,983*				*5,732*
Credit derivatives	**-**	**63,375**	**6,546**	**69,921**	**-**	**18,400**	**1,210**	**19,610**
Other forward financial instruments	**284**	**91**	**269**	**644**	**131**	**118**	**658**	**907**
On organized markets				*242*				*323*
OTC				*402*				*584*
Sub-total trading derivatives	**5,074**	**289,250**	**17,426**	**311,750**	**4,285**	**141,259**	**4,071**	**149,615**
Total financial instruments measured at fair value through P&L	**99,098**	**362,904**	**26,413**	**488,415**	**205,080**	**278,209**	**6,670**	**489,959**

* *Amounts adjusted with respect to the published financial statements.*

(1) Including UCITS.

(2) P&L impact of the fair value variation of the instruments initially evaluated by valuation technique not based on market data is disclosed in note 35.

(3) The evolution of the different categories of the Trading portfolio is explained by:
- *the reclassification of assets into the category “Available-for-Sale Financial Assets” and “Loans and Receivables” for an amount of EUR 24,264 million, as at October 1, 2008 (see note 11);*
- *by the evolution of the valuation conditions of these instruments during the year, which led to a decrease of the overall accounting value and to reclassification out of “Valuation established using prices published in an active market” to “Valuation technique based on observable market data” and out of “Valuation technique based on observable market data” to “Valuation not based on market data”.*

LIABILITIES

(In millions of euros)	December 31, 2008				December 31, 2007 *			
	Valuation established using prices published in an active market	Valuation technique based on observable market data	Valuation not based on market data [(2)]	Total	Valuation established using prices published in an active market	Valuation technique based on observable market data	Valuation not based on market data [(2)]	Total
Trading portfolio								
Securitized debt payables	-	15,093	18,133	33,226	-	25,025	24,546	49,571
Amounts payable on borrowed securities	20	21,015	374	21,409	28	44,848	-	44,876
Bonds and other debt instruments sold short	1,377	187	-	1,564	3,637	405	-	4,042
Shares and other equity instruments sold short	2,966	1	-	2,967	6,790	112	-	6,902
Other financial liabilities	-	40,021	1,590	41,611	37	56,265	388	56,690
Sub-total trading liabilities [(4)]	4,363	76,317	20,097	100,777	10,492	126,655	24,934	162,081
Interest rate instruments	**165**	**124,372**	**8,471**	**133,008**	**417**	**61,881**	**7,338**	**69,636**
Firm instruments								
Swaps				104,604				56,034
FRA				1,105				186
Options								
Options on organized markets				175				391
OTC options				19,575				7,929
Caps, floors, collars				7,549				5,096
Foreign exchange instruments	**651**	**35,313**	**26**	**35,990**	**247**	**14,287**	**10**	**14,544**
Firm instruments				*30,767*				*12,967*
Options				*5,223*				*1,577*
Equity and index instruments	**485**	**42,959**	**3,074**	**46,518**	**10,420**	**24,397**	**3,473**	**38,290**
Firm instruments				*9,093*				*2,118*
Options				*37,425*				*36,172*
Commodity instruments	**2,231**	**19,841**	**429**	**22,501**	**1,138**	**15,860**	**1**	**16,999**
Firm instruments-Futures				*16,720*				*11,599*
Options				*5,781*				*5,400*
Credit derivatives	**-**	**57,981**	**1,966**	**59,947**	**-**	**16,669**	**1,778**	**18,447**
Other forward financial instruments	**107**	**2,832**	**1**	**2,940**	**27**	**72**	**-**	**99**
On organized markets				*44*				*32*
OTC				*2,896*				*67*
Sub-total trading derivatives	**3,639**	**283,298**	**13,967**	**300,904**	**12,249**	**133,166**	**12,600**	**158,015**
Sub-total of financial liabilities measured using fair value option through P&L [(4) (5)]	**816**	**8,478**	**1,457**	**10,751**	**380**	**18,189**	**2,086**	**20,655**
Total financial instruments measured at fair value through P&L	**8,818**	**368,093**	**35,521**	**412,432**	**23,121**	**278,010**	**39,620**	**340,751**

* *Amounts adjusted with respect to the published financial statements.*

Financial liabilities measured using fair value option through P&L

(In millions of euros)	December 31, 2008			December 31, 2007		
	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Total of financial liabilities measured using fair value option through P&L (4) (5)	**10,751**	**11,584**	**(833)**	**20,655**	**21,374**	**(719)**

(2) P&L impact of the fair value variation of the instruments initially evaluated by valuation technique not based on market data is disclosed in note 35.

(4) The variation in fair value attributable to the Group's own credit risk is EUR 441 million.

(5) Mainly indexed EMTNs.

Note 7

Hedging derivatives

(In millions of euros)	December 31, 2008 Assets	December 31, 2008 Liabilities	December 31, 2007 Assets	December 31, 2007 Liabilities
FAIR VALUE HEDGE				
Interest rate instruments				
Firm instruments				
Swaps	4,749	6,680	2,789	3,413
Forward Rate Agreements (FRA)	-	-	-	-
Options				
Options on organized markets	-	2	-	-
OTC options	145	-	82	-
Caps, floors, collars	40	-	256	-
Foreign exchange instruments				
Firm instruments				
Currency financing swaps	141	1,875	93	56
Forward foreign exchange contracts	29	24	76	75
Equity and index instruments				
Equity and stock index options	*29*	*7*	*7*	*19*
CASH-FLOW HEDGE				
Interest rate instruments				
Firm instruments				
Swaps	765	653	401	293
Foreign exchange instruments				
Firm instruments				
Currency financing swaps	327	-	-	-
Forward foreign exchange contracts	21	9	5	2
Total	**6,246**	**9,250**	**3,709**	**3,858**

Note 8

Available-for-sale financial assets

(In millions of euros)	December 31, 2008				December 31, 2007			
	Valuation established using prices published in an active market	Valuation technique based on observable market data	Valuation not based on market data	Total	Valuation established using prices published in an active market	Valuation technique based on observable market data	Valuation not based on market data	Total
Current assets								
Treasury notes and similar securities	11,226	999	20	**12,245**	7,716	1,525	71	**9,312**
o/w related receivables				***185***				***155***
o/w provisions for impairment				***(25)***				***(25)***
Bonds and other debt securities	40,427	18,395	179	**59,001**	58,195	8,086	904	**67,185**
o/w related receivables				***895***				***862***
o/w provisions for impairment				***(167)***				***(57)***
Shares and other equity securities [1]	5,645	590	283	**6,518**	5,290	494	1,013	**6,797**
o/w related receivables				***2***				***1***
o/w impairment losses				***(494)***				***(121)***
Loans and advances	16	-	-	**16**	-	-	-	**-**
o/w related receivables				**-**				**-**
o/w provisions for impairment				**-**				**-**
Sub-total	**57,314**	**19,984**	**482**	**77,780**	**71,201**	**10,105**	**1,988**	**83,294**
Long-term equity investments	**1,439**	**320**	**2,184**	**3,943**	**2,135**	**222**	**2,157**	**4,514**
o/w related receivables				***7***				***5***
o/w impairment losses				***(781)***				***(475)***
Total available-for-sale financial assets	**58,753**	**20,304**	**2,666**	**81,723**	**73,336**	**10,327**	**4,145**	**87,808**
o/w securities on loan				3				5

(1) Including UCITS.

Changes in available-for-sale financial assets

(In millions of euros)	December 31, 2008	December 31, 2007
Balance at January 1	**87,808**	**78,754**
Acquisitions	194,079	188,796
Disposals/redemptions *	(189,460)	(177,569)
Reclassification (entries) from Trading portfolio (see note 11)	890	-
Reclassification as (transferring to) “Held-to-maturity” or Loans and Receivables (see note 11)	(4,344)	-
Reclassification and change in scope	(1,756)	2,468
Gains and losses on changes in fair value **	(4,682)	(2,472)
Change in impairment on fixed income securities	(110)	(50)
o/w: increase	*(185)*	*(29)*
write-backs	*70*	*3*
others	*5*	*(24)*
Impairment losses on variable income securities	(737)	(6)
Change in related receivables	66	(33)
Translation differences	(31)	(2,080)
Balance at December 31	**81,723**	**87,808**

** Disposals are valued according to the weighted average cost method.*

*** The difference between this caption and the “change in value of assets available-for-sale” included in the “changes in shareholders’ equity” note mainly results from EUR 2,239 million of Insurance Companies-Deferred profit sharing.*

Note 9

Due from banks

(In millions of euros)	December 31, 2008	December 31, 2007
Deposits and loans		
Demand and overnights		
Current accounts	14,774	19,165
Overnight deposits and loans and others	3,911	4,038
Loans secured by overnight notes	4	26
Term		
Term deposits and loans [(1)] [(2)]	24,056	22,613
Subordinated and participating loans	658	693
Loans secured by notes and securities	547	55
Related receivables	291	340
Gross amount	**44,241**	**46,930**
Depreciation		
- Depreciation for individually impaired loans	(120)	(35)
- Depreciation for groups of homogenous receivables	(36)	(116)
Revaluation of hedged items [(2)]	94	(1)
Net amount [(3)]	**44,179**	**46,778**
Securities purchased under resale agreements	27,013	26,287
Total	**71,192**	**73,065**
Fair value of amounts due from banks	**71,111**	**73,052**

(1) As at December 31, 2008, the amount of receivables with incurred credit risk is EUR 240 million compared to EUR 43 million as at December 31, 2007.

(2) Including EUR 6,115 million linked to reclassified assets established by reclassified assets' accounting value and revaluation of hedged items (see note 11).

(3) The entities acquired in 2008 have a total impact of EUR 1,497 million on amounts due from banks.

Note 10

Customer loans

(In millions of euros)	December 31, 2008	December 31, 2007
Customer loans		
Trade notes	11,712	11,437
Other customer loans [1] [2]		
- Short-term loans	104,625	88,531
- Export loans	6,934	5,712
- Equipment loans	59,149	51,586
- Housing loans	85,810	77,477
- Other loans [3]	71,723	43,556
Sub-total	**328,241**	**266,862**
Overdrafts	16,662	18,704
Related receivables	1,750	1,467
Gross amount	**358,365**	**298,470**
Depreciation		
- Depreciation for individually impaired loans	(7,848)	(6,272)
- Depreciation for groups of homogeneous receivables	(1,032)	(785)
Revaluation of hedged items [3]	943	(6)
Net amount [4]	**350,428**	**291,407**
Loans secured by notes and securities	235	309
Securities purchased under resale agreements	3,950	13,457
Total amount of customer loans	**354,613**	**305,173**
Fair value of customer loans	**346,482**	**303,097**

(1) Breakdown of other customer loans by customer type:

(In millions of euros)	December 31, 2008	December 31, 2007
Non-financial customers		
- Corporate	140,240	118,441
- Individual Customers	118,117	101,648
- Local authorities	10,473	9,642
- Self-employed professionals	11,206	9,659
- Governments and central administrations	3,566	3,904
- Others	2,457	5,096
Financial customers	42,182	18,472
Total	**328,241**	**266,862**

(2) As at December 31, 2008, the amount of receivables with incurred credit risk is EUR 13,798 million compared with EUR 10,713 million as at December 31, 2007.

(3) Including EUR 22,331 million linked to reclassified assets established by reclassified assets' accounting value and revaluation of hedged items (see note 11).

(4) Entities acquired in 2008 had a EUR 8,394 million impact on net customer loans.

Note 11

Reclassification of financial assets

On October 1, 2008, the Group reclassified non-derivative financial assets out of the fair value through profit and loss and the available-for-sale categories. These reclassifications were decided and then performed in accordance with the provisions of the amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" adopted by the European Union on October 15, 2008.

The Group identified in its trading and available-for-sale portfolios certain financial assets that were no more quoted in an active market on October 1, 2008. Having the ability and intent to hold these financial assets for the foreseeable future or until their maturity, the Group then decided to reclassify them at this date into the loans and receivables categories.

Furthermore, due to the exceptional deterioration of the world's financial markets the Group decided on October 1, 2008 to reclassify into the available-for-sale category certain financial instruments initially measured at fair value through profit and loss, as far as these instruments were then no more held for trading purpose.

These amendments to IAS 39 and IFRS 7 have not lead to any reclassification of financial assets into the held-to-maturity category.

Financial assets that have been reclassified have been recognized in their new category at their fair value on the date of reclassification.

The amounts of reclassified financial assets and the related consequences are the following:

		Accounting value on the date of reclassification					
		New category					
(In millions of euros)	**Accounting value on December 31, 2007**	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**	**DUE FROM BANKS**	**CUSTOMER LOANS**	**TOTAL**	**Accounting value on December 31, 2008**	**Fair value on December 31, 2008 ***
Initial category							
Trading category	27,771	969	2,222	21,073	24,264	25,006	22,806
Available-for-sale financial assets	5,002		4,123	221	4,344	4,331	3,812
Total	**32,773**	**969**	**6,345**	**21,293**	**28,607**	**29,336**	**26,618**
Changes in the fair value until the date of reclassification							
recognized in shareholders' equity					(651)		
recognized in profit and loss					(2,997)		
Changes in the fair value between the date of reclassification and the closing date							
that would have been recognized in shareholders' equity if the financial assets had not been reclassified **					(538)		
that would have been recognized in profit and loss if the financial assets had not been reclassified **					(1,454)		

After reclassification, the contribution of the financial assets to the net interest income has been EUR 459 million.

* *Reimbursements that have been received:*
from January 1, 2008 until the date of reclassification: EUR 520 million;
from the date of reclassification until the closing date: EUR 214 million.

** *Including insurance activity reclassifications whose impact would have been neutralized by deferred profit sharing for EUR 473 million in shareholders' equity and for EUR 52 million in Net banking income.*

As of the date of reclassification, effective interest rates on reclassified financial assets ranged from 2.97% to 13.67%.

Expected recoverable cash flows on reclassified financial assets are EUR 35,016 million.

Note 12

Lease financing and similar agreements

(In millions of euros)	December 31, 2008	December 31, 2007
Real estate lease financing agreements	6,892	6,519
Non-real estate lease financing agreements	21,863	20,713
Related receivables	80	76
Gross amount (1)	**28,835**	**27,308**
Depreciation for individually impaired loans	(325)	(269)
Depreciation for not individualized risks	(3)	-
Revaluation of hedged items	5	(1)
Net amount	**28,512**	**27,038**
Fair value of receivables on lease financing and similar agreements	**28,245**	**26,898**

(1) At December 31, 2008, the amount of receivables with incurred credit risk is EUR 871 million compared to EUR 645 million at December 31, 2007.

(In millions of euros)	December 31, 2008	December 31, 2007
Gross investments	**32,315**	**30,190**
- less than one year	8,223	7,417
- 1-5 years	17,796	16,760
- more than five years	6,296	6,013
Present value of minimum payments receivable	**27,905**	**26,374**
- less than one year	7,452	6,656
- 1-5 years	15,044	14,508
- more than five years	5,409	5,210
Unearned financial income	**3,480**	**2,882**
Unguaranteed residual values receivable by the lessor	**930**	**934**

Note 13

Held-to-maturity financial assets

(In millions of euros)	December 31, 2008	December 31, 2007
Treasury notes and similar securities	**1,575**	**1,443**
Listed	1,542	1,406
Unlisted	-	10
Related receivables	33	27
Bonds and other debt securities	**597**	**181**
Listed	433	177
Unlisted	157	-
Related receivables	7	4
Total held-to-maturity financial assets	**2,172**	**1,624**
Fair value of held-to-maturity financial assets	**2,214**	**1,627**

Note 14

Tax assets and liabilities

(In millions of euros)	December 31, 2008	December 31, 2007
Current tax assets [(1)]	1,724	801
Deferred tax assets	2,950	3,132
- o/w on balance sheet items [(2)]	*2,712*	*3,239*
- o/w on items credited or charged to shareholders' equity for unrealized gains or losses	*238*	*(107)*
Total	**4,674**	**3,933**

(in millions of euros)	December 31, 2008	December 31, 2007
Current tax liabilities [(3)]	650	1,770
Deferred tax liabilities	331	630
- o/w on balance sheet items	*338*	*577*
- o/w on items credited or charged to shareholders' equity for unrealized gains or losses	*(7)*	*53*
Total	**981**	**2,400**

(1) As at December 31, 2008, a carry-back note of EUR 1,147 million was booked, immediately due by the Tax Authorities as an exception to article 220 quinquies of the Tax Code.

(2) As at December 31, 2007, a deferred tax asset included EUR 2,197 million linked to the consideration of unauthorized and concealed trading activities of EUR 6,382 million (see note 41).

(3) As at December 31, 2007, a current tax liability included EUR 507 million linked to the consideration of an income on unauthorized and concealed trading activities of EUR 1,471 million (see note 41).

Note 15

Other assets

(In millions of euros)	December 31, 2008	December 31, 2007
Guarantee deposits paid	27,036	13,808
Settlement accounts on securities transactions	4,071	3,950
Prepaid expenses	981	961
Miscellaneous receivables	19,588	16,408
Gross amount	**51,676**	**35,127**
Depreciation	(207)	(127)
Net amount	**51,469**	**35,000**

Note 16

Non-current assets held-for-sale

(In millions of euros)	December 31, 2008	December 31, 2007
ASSETS	**37**	**14,229**
Fixed assets and Goodwills	17	65
Financial assets	-	3,011
Due from banks and others	19	11,145
Other assets	1	8
LIABILITIES	**35**	**15,080**
Allowances	-	107
Amounts due	13	9,434
Other liabilities	22	5,539

As at December 31, 2007, non-current assets and liabilities classified as held-for-sale were mainly due to the disposal of 50% of Fimat as part of the Newedge transaction.

Note 17

Tangible and intangible fixed assets

(In millions of euros)	Gross book value at December 31, 2007	Acquisitions	Disposals	Changes in consolidation scope and reclassifications (1)	Gross value at December 31, 2008	Accumulated depreciation and amortization of assets at December 31, 2007	Allocations to amortization in 2008	Impairment of assets 2008	Write-backs from amortization in 2008	Changes in consolidation scope and reclassifications (1)	Net book value at December 31, 2008	Net book value at December 31, 2007
Intangible assets												
Software, EDP development costs	1,296	126	(3)	53	1,472	(970)	(165)	-	3	18	358	326
Internally generated assets	1,336	22	(4)	142	1,496	(1,008)	(154)	1	1	4	340	328
Assets under development	336	289	(2)	(233)	390	-	-	-	-	-	390	336
Others	446	28	(2)	165	637	(115)	(38)	-	-	(12)	472	331
Sub-total	**3,414**	**465**	**(11)**	**127**	**3,995**	**(2,093)**	**(357)**	**1**	**4**	**10**	**1,560**	**1,321**
Operating tangible assets												
Land and buildings	3,188	98	(38)	831	4,079	(1,017)	(104)	-	12	4	2,974	2,171
Assets under development	692	573	(14)	(786)	465	-	-	-	-	-	465	692
Lease assets of specialised financing companies	9,878	3,950	(2,962)	415	11,281	(2,671)	(1,768)	(18)	1,488	(151)	8,161	7,207
Others	4,476	398	(97)	117	4,894	(3,141)	(419)	(3)	74	117	1,522	1,335
Sub-total	**18,234**	**5,019**	**(3,111)**	**577**	**20,719**	**(6,829)**	**(2,291)**	**(21)**	**1,574**	**(30)**	**13,122**	**11,405**
Investment property												
Land and buildings	551	2	(5)	30	578	(107)	(17)	-	2	-	456	444
Assets under development	16	25	-	(24)	17	-	-	-	-	-	17	16
Sub-total	**567**	**27**	**(5)**	**6**	**595**	**(107)**	**(17)**	**-**	**2**	**-**	**473**	**460**
Total tangible and intangible fixed assets	**22,215**	**5,511**	**(3,127)**	**710**	**25,309**	**(9,029)**	**(2,665)**	**(20)**	**1,580**	**(20)**	**15,155**	**13,186**

(1) Including translation differences arising from the conversion of financial statements denominated in foreign currencies: gross amount: EUR (364) million, amortization: EUR 117 million.

Operational leasing

(In millions of euros)	December 31, 2008	December 31, 2007
Breakdown of minimum payments receivable		
- due in less than one year	1,362	1,172
- due in 1-5 years	2,761	2,176
- due in more than five years	60	6
Total minimum future payments receivable	**4,183**	**3,354**

Note 18

Goodwill affected by business unit

(In millions of euros)	FRENCH NETWORKS	INTER-NATIONAL RETAIL BANKING	FINANCIAL SERVICES	CORPORATE AND INVESTMENT BANKING	GLOBAL INVESTMENT MANAGEMENT AND SERVICES			CORPORATE CENTER	GROUP TOTAL
					Asset Management	Private Banking	SGSS and Online Savings		
Gross value at December 31, 2007	**53**	**2,408**	**1,200**	**64**	**470**	**271**	**725**	**-**	**5,191**
Acquisitions and other increases	5	1,060	155	-	1	35	512	-	1,768
Disposals and other decreases	-	-	(11)	-	(22)	(1)	(36)	-	(70)
Change	-	3	(106)	-	22	8	(11)	-	(84)
Gross value at December 31, 2008	**58**	**3,471**	**1,238**	**64**	**471**	**313**	**1,190**	**-**	**6,805**
Impairment of goodwill at December 31, 2007	-	-	-	-	-	-	-	-	-
Impairment losses (1)	-	(275)	-	-	-	-	-	-	(275)
Impairment of goodwill at December 31, 2008	**-**	**(275)**	**-**	**-**	**-**	**-**	**-**	**-**	**(275)**
Net goodwill at December 31, 2007	53	2,408	1,200	64	470	271	725	-	5,191
Net goodwill at December 31, 2008	**58**	**3,196**	**1,238**	**64**	**471**	**313**	**1,190**	**-**	**6,530**

At the acquisition date, each item of goodwill is allocated to one or more cash-generating units (CGU) expected to derive benefits from the acquisition. Cash-generating units are the most accurate measurement units used by management to measure return on investment in a particular activity. The Group divides its activities into 13 cash-generating units, which is consistent with the management of the Group by core business lines.

The Group performs an annual impairment test on December 31, for each cash-generating unit to which goodwill has been allocated. An impairment loss is recognized through income statement if the carrying amount of a cash-generating unit, including its allocated goodwill, is higher than its recoverable amount. This impairment loss is then allocated first to reduce the carrying amount of goodwill.

The recoverable amount of a cash-generating unit is calculated using the most appropriate method, notably by discounting net cash flows expected from the whole cash-generating unit rather than from individual legal entities.

Cash flows used in that calculation are income available for distribution generated by all the entities included in the cash-generating unit; they are determined on the basis of a business plan which is derived from the prospective three-yearly budgets approved by management.

The discount rate used is a cost of capital calculated using a Capital Asset Pricing Model. This method is based on a risk free interest rate grossed up by a risk premium which is determined according to the underlying activities of the cash-generating unit. For entities located in emerging countries, a sovereign risk premium is also added, representing the difference between the risk free interest rate available in the area of monetary assignment (mainly US Dollar area or Euro area) and the interest rate observed on liquid long term Treasury bonds issued in the implementation country and denominated in the currency of assignment.

Following the deterioration in economic conditions experienced in Russia during the fourth quarter of 2008, the impairment test for the cash-generating unit “Russian Retail Banking” prompted the Group to impair goodwill allocated to this cash-generating unit for an amount of RUB 11,370 million (1). For the other cash-generating units, impairment tests have confirmed that their own goodwill remain unimpaired as at December 31, 2008.

(1) This amount is translated in the balance sheet using the exchange rate prevailing at year-end for EUR 275 million and is translated in the income statement using the December monthly average exchange rate for EUR 300 million.

As at December 31, 2008, the Group identified the following cash-generating units (CGU):

(In millions of euros)

CGU	BUSINESS UNIT	Goodwill (gross book value at December 31, 2008)	Impairment losses	Goodwill (net book value at December 31, 2008)
International Retail Banking-European Union and Pre-European Union	International Retail Banking	1,931		1,931
Russian Retail Banking	International Retail Banking	1,098	(275)	823
International Other Retail Banking	International Retail Banking	442		442
Crédit du Nord	French Networks	57		57
Societe Generale Network	French Networks	1		1
Insurance Financial Services	Financial Services	10		10
Individual Financial Services	Financial Services	656		656
Company Financial Services	Financial Services	410		410
Car renting Financial Services	Financial Services	162		162
Corporate and Investment Banking	Corporate and Investment Banking	64		64
SGSS and Online Savings	SGSS and Online Savings	1,190		1,190
Asset management	Asset management	471		471
Private banking	Private Banking	313		313

Note 19

Due to banks

(In millions of euros)	December 31, 2008	December 31, 2007
Demand and overnight deposits		
Demand deposits and current accounts	10,238	13,828
Overnight deposits and borrowings and others	9,413	16,274
Sub-total	**19,651**	**30,102**
Term deposits		
Term deposits and borrowings	80,408	75,757
Borrowings secured by notes and securities	223	9,211
Sub-total	**80,631**	**84,968**
Related payables	715	705
Revaluation of hedged items	35	(83)
Securities sold under repurchase agreements	14,238	16,185
Total (1)	**115,270**	**131,877**
Fair value of amounts due to banks	**115,493**	**131,798**

(1) Entities acquired in 2008 have a EUR 1,515 million impact on amounts due to banks.

Note 20

Customer deposits

(In millions of euros)	December 31, 2008	December 31, 2007
Regulated savings accounts		
Demand	35,151	32,234
Term	16,145	18,211
Sub-total	**51,296**	**50,445**
Other demand deposits		
Businesses and sole proprietors	45,843	44,549
Individual customers	35,388	34,696
Financial customers	29,959	24,556
Others	14,807	10,696
Sub-total	**125,997**	**114,497**
Other term deposits		
Businesses and sole proprietors	37,503	27,546
Individual customers	23,924	22,252
Financial customers	17,049	14,820
Others	6,329	11,498
Sub-total	**84,805**	**76,116**
Related payables	1,529	1,278
Revaluation of hedged items	120	4
Total customer deposits (1)	**263,747**	**242,340**
Borrowings secured by notes and securities	287	338
Securities sold to customers under repurchase agreements	18,480	27,984
Total	**282,514**	**270,662**
Fair value of customer deposits	**282,483**	**270,712**

(1) Entities acquired in 2008 accounted for EUR 7,767 million in customer deposits.

Note 21

Securitized debt payables

(In millions of euros)	December 31, 2008	December 31, 2007
Term savings certificates	2,699	2,607
Bond borrowings	4,360	4,302
Interbank certificates and negotiable debt instruments	112,373	130,061
Related payables	842	1,099
Sub-total	**120,274**	**138,069**
Revaluation of hedged items	100	-
Total	**120,374**	**138,069**
o/w floating rate securities	57,157	54,813
Fair value of securitized debt payables	**120,452**	**137,871**

Note 22

Other liabilities

(In millions of euros)	December 31, 2008	December 31, 2007
Guarantee deposits received	33,063	20,198
Settlement accounts on securities transactions	2,512	5,610
Other securities transactions	36	69
Accrued social charges	2,240	2,560
Deferred income	1,458	1,591
Miscellaneous payables	18,508	16,024
Total	**57,817**	**46,052**

Note 23

PEL/CEL mortgage saving accounts

Outstanding deposits in PEL/CEL accounts

(In millions of euros)	December 31, 2008	December 31, 2007 *
PEL accounts		
less than 4 years old	1,869	1,658
between 4 and 10 years old	5,205	5,978
more than 10 years old	4,309	5,637
Sub-total	**11,383**	**13,273**
CEL accounts	2,199	2,294
Total	**13,582**	**15,567**

* *Amounts adjusted with respect to the published financial statements.*

Outstanding housing loans granted with respect to PEL/CEL accounts

(In millions of euros)	December 31, 2008	December 31, 2007
less than 4 years old	284	203
between 4 and 10 years old	160	184
more than 10 years old	53	66
Total	**497**	**453**

Provisions for commitments linked to PEL/CEL accounts

(In millions of euros)	December 31, 2007	Allocations	Reversals	December 31, 2008
PEL accounts				
less than 4 years old	29	6	(2)	33
between 4 and 10 years old	2	-	(2)	-
more than 10 years old	14	4	(1)	17
Sub-total	**45**	**10**	**(5)**	**50**
CEL accounts	39	2	(1)	40
Total	**84**	**12**	**(6)**	**90**

The "Plans d'Epargne-Logement" (PEL or housing savings plans) entail two types of commitment that have the negative effect of generating a PEL/CEL provision for the Group: a commitment to lend at an interest rate that had been fixed on the inception of the plan and a commitment to remunerate the savings at an interest rate also fixed at inception of the plan.

The level of provisions is sensitive to the long term interest rates. Since the long term rates have remained at a relatively high level during 2008, the provisions for PEL and CEL mortgage saving accounts is linked to the risks attached to the commitment to lend. Provisioning for PEL/CEL savings amounted to 0.66% of total outstandings at December 31, 2008.

Methods used to establish the parameters for valuing provisions

The parameters used for estimating the future behavior of customers are derived from historical observations of customer behavior patterns over long period (more than 10 years). The value of these parameters can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past datas as an indicator of future customer behavior.

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

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

Note 24

Provisions and depreciation

Assets depreciations

(In millions of euros)	December 31, 2008	December 31, 2007
Banks	120	35
Customer loans	7,848	6,272
Lease financing and similar agreements	325	269
Groups of homogenous receivables	1,070	901
Available-for-sale assets	1,467	678
Others	333	260
Total	**11,163**	**8,415**

The change in assets' depreciations can be analyzed as follows:

(In millions of euros)	Assets depreciations as at December 31, 2007	Impairment losses	Reversals available	Net impairment losses	Reversals used	Currency and scope effects	Assets depreciations as at December 31, 2008
Banks	35	67	(4)	**63**	(2)	24	**120**
Customer loans	6,272	3,219	(1,267)	**1,952**	(778)	402	**7,848**
Lease financing and similar agreements	269	178	(93)	**85**	(30)	1	**325**
Groups of homogeneous receivables	901	353	(281)	**72**	-	97	**1,070**
Available-for-sale assets (1)	678	923	(130)	**793**	-	(4)	**1,467**
Others (1)	260	190	(106)	**84**	(36)	25	**333**
Total	**8,415**	**4,930**	**(1,881)**	**3,049**	**(846)**	**545**	**11,163**

(1) Including a EUR 163 million net allocation for identified risks.

Provisions

(In millions of euros)	December 31, 2008	December 31, 2007
Provisions for off-balance sheet commitments to banks	18	-
Provisions for off-balance sheet commitments to customers	158	105
Provisions for employee benefits	715	836
Provisions for tax adjustments	545	674
Other provisions	855	7,069
Total	**2,291**	**8,684**

The change in provisions can be analyzed as follows:

(In millions of euros)	Provisions as at December 31, 2007	Allocations	Write-backs available	Net allocation	Write-backs used	Effect of discounting	Currency and scope effects	Provisions as at December 31, 2008
Provisions for off-balance sheet commitments to banks	-	18	-	**18**	-	-	-	**18**
Provisions for off-balance sheet commitments to customers	105	119	(71)	**48**	-	-	5	**158**
Provisions for employee benefits	836	192	(264)	**(72)**	-	-	(49)	**715**
Provisions for tax adjustments	674	404	(294)	**110**	(241)	4	(2)	**545**
Other provisions (1) (2)	7,069	251	(89)	**162**	(6,400)	5	19	**855**
O/w Provision for loss on unauthorized and concealed trading activities (see note 41)	*6,382*	-	-	**-**	*(6,382)*	-	-	**-**
Total	**8,684**	**984**	**(718)**	**266**	**(6,641)**	**9**	**(27)**	**2,291**

(1) Including a EUR 138 million net allocation for net cost of risk.

(2) The Group's other provisions include EUR 84 million of PEL/CEL provisions as at December 31, 2007 and EUR 90 million as at December 31, 2008 i.e. a combined net allocation of EUR 6 million over 2008 for the Societe Generale France Network and for Crédit du Nord.

The consequences, as assessed on December 31, 2008, of those disputes and tax risks that are liable to have or have recently had a significant impact on the financial position of the Group, its activities or results have been taken into account in the Group's financial statements.

Note 25

Employee benefits

1. Defined Contribution Plans

Defined contribution plans limit the Group's liability to the contributions paid to the plan but do not commit the Group to a specific level of future benefits.

Main defined contribution plans provided to employees of the Group are located in France. They include State pension plans and other national retirement plans such as ARRCO and AGIRC, as well as pension schemes put in place by some entities of the Group for which the only commitment is to pay annual contributions (PERCO).

Contributions to those schemes amounted to EUR 530 million in 2008.

2. Post-employment benefit plans (defined benefit Plans) and other long term benefits

2.1. RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	December 31, 2008				December 31, 2007			
	Post employment benefits		Other long term benefits		Post employment benefits		Other long term benefits	
(In millions of euros)	Pension plans	Others		Total	Pension plans	Others		Total
Reminder of gross liabilities	1,752	48	224	**2,024**	2,377	55	272	**2,704**
Reminder of assets	(1,501)	-	(45)	**(1,546)**	(1,979)	-	(74)	**(2,053)**
Deficit in the plan	**251**	**48**	**179**	**478**	**398**	**55**	**198**	**651**
Breakdown of the deficit in the plan								
Present value of defined benefit obligations	1,791	-	78	**1,869**	2,069	-	80	**2,149**
Fair value of plan assets	(1,541)	-	(45)	**(1,586)**	(2,071)	-	(74)	**(2,145)**
Actuarial deficit (net balance) (A)	250	-	33	**283**	(2)	-	6	**4**
Present value of unfunded obligations (B)	256	43	146	**445**	276	55	192	**523**
Other items recognized in balance sheet (C)	-	-	-	**-**	-	-	-	**-**
Unrecognized items								
Unrecognized Past Service Cost	62	-	-	**62**	48	-	-	**48**
Unrecognized Net Actuarial (Gain)/Loss	233	(5)	-	**228**	(80)	-	-	**(80)**
Separate assets	(1)	-	-	**(1)**	(1)	-	-	**(1)**
Plan assets impacted by change in Asset Celling	(39)	-	-	**(39)**	(91)	-	-	**(91)**
Total unrecognized items (D)	255	(5)	-	**250**	(124)	-	-	**(124)**
Deficit in the plan (Net balance) (A + B + C - D)	**251**	**48**	**179**	**478**	**398**	**55**	**198**	**651**

Notes:

1. *For pensions and other post-employment plans, actuarial gains and losses, which exceed 10% of the greater of the defined benefit obligations or funding assets, are amortized on the estimated average remaining working life of the employees participating in the plan in accordance with option of IAS 19.*
2. *Pension plans include pension benefit as annuities and end of career payments. Pension benefit annuities are paid additionally to pensions state plans.*
   The Group grants 142 pension plans located in 41 countries. 11 pension plans located in France, the UK, Germany, the US and Switzerland represent 80% of gross liabilities of these pension plans.
   Other post employment benefit plans are healthcare plans. These 12 plans are located in 7 countries among which France represents 54% of gross liabilities.
   Other long-term employee benefits include deferred bonuses, flexible working provisions (French acronym: compte épargne temps) and long-service awards. Rougthly 80 benefits are located in 23 countries.
3. *The present values of defined benefit obligations have been valued by independent qualified actuaries.*
4. *Information regarding plan assets*
   The break down of the fair value of plan assets is as follows: 38% bonds, 43% equities, 12% monetary instruments and 7% others.
   For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 220 million, including EUR 39 million unrecognized.
5. *Employer contributions to be paid to post-employment defined benefit plans for 2009 are estimated at EUR 80 million.*
6. *Generally, expected return rates of plan assets are calculated by weighting expected anticipated returns on each category of assets with their respected weights in the asset fair value.*
7. *In France, the application decree of the law of modernization of the labor market has doubled the indemnity paid when an employee retires at the employer volition. The consequences of this impact, mainly due to the retirements before 12/31/2009, that amounts EUR 43 million is treated as a past service cost and the 2008 expenses of the retirement indemnity schemes are restated.*
   Regarding the ANI (Accord National Interprofessionnel), the understanding of the Group is that it only applies to the retirement indemnities paid in case of retirement on the employer's initiative.
8. *Since 2004, the rate curve used to discount the liabilities is based on the yields of the corporate AA bonds (Merrill Lynch source) observed in the middle of October. As these rates may not be available for all the durations, an interpolation is realized: a spread of rate corresponding to an estimation of the risk premium required on corporate AA bonds is added to the rate curve of government bonds (zero coupon bonds). Another observation of these rates is done at the beginning of December for possible adjustment.*
   For the main due terms, inflation rates are determined by measuring the spread between the rates of inflation-indexed bonds and the rates of other bonds at the same due date.
   Because of the tensions registered in 2008 on financial markets, several measures were realized during the year on the usual indices. Nevertheless, the net discount rates of inflation are close to those which would have been determined by statements at the end of the year.

The actual return on plan and separate assets were:

	Post employment benefits							
	Pension plans		Others		Other long term benefits		Total	
(In millions of euros)	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Plan assets	(415)	52	-	-	(29)	3	(444)	55

2.2. EXPENSES RECOGNIZED IN THE INCOME STATEMENT

	Post employment benefits							
	Pension plans		Others		Other long term benefits		Total	
(In millions of euros)	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Current Service Cost including Social Charges	71	77	8	6	50	36	129	119
Employee contributions	(4)	(3)	-	-	-	-	(4)	(3)
Interest Cost	124	116	2	2	7	5	133	123
Expected Return on Plan Assets	(117)	(120)	-	-	(4)	(4)	(121)	(124)
Expected Return on Separate Assets	-	-	-	-	-	-	-	-
Amortisation of Past Service Cost	30	5	(1)	-	-	-	29	5
Amortisation of Losses (Gains)	(4)	1	-	-	32	3	28	4
Settlement, Curtailment	60	5	-	-	-	-	60	5
Change in asset ceiling	(57)	(5)	-	-	-	-	(57)	(5)
Transfer from non recognized assets	-	-	-	-	-	-	-	-
Total Charges	**103**	**76**	**9**	**8**	**85**	**40**	**197**	**124**

2.3 MOVEMENTS IN NET LIABILITIES OF POST-EMPLOYMENT BENEFIT PLANS BOOKED IN THE BALANCE SHEET

• 2.3.a. Movements in the present value of defined benefit obligations

	2008			2007		
	Post employment benefits			Post employment benefits		
(In millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total
At January 1	**2,344**	**55**	**2,399**	**2,512**	**216**	**2,728**
Current Service Cost including Social Charges	71	8	**79**	77	6	**83**
Interest Cost	124	2	**126**	116	2	**118**
Employee contributions	-	-	**-**	-	-	**-**
Actuarial Gain / loss	(236)	(5)	**(241)**	(154)	(1)	**(155)**
Foreign Exchange adjustment	(129)	-	**(129)**	(80)	(2)	**(82)**
Benefit payments	(139)	(16)	**(155)**	(124)	(1)	**(125)**
Past Service Cost	44	(1)	**43**	(5)	-	**(5)**
Acquisition of subsidiaries	10	-	**10**	1	-	**1**
Transfers and others	(42)	-	**(42)**	1	(165)	**(164)**
At December 31	**2,047**	**43**	**2,090**	**2,344**	**55**	**2,399**

• 2.3.b. Movements in Fair Value of plan assets and separate assets

	2008			2007		
	Post employment benefits			Post employment benefits		
(In millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total
At January 1	**2,071**	**-**	**2,071**	**2,075**	**-**	**2,075**
Expected Return on Plan Assets	117	-	**117**	120	-	**120**
Expected Return on Separate Assets	-	-	**-**	-	-	**-**
Actuarial Gain / loss	(532)	-	**(532)**	(68)	-	**(68)**
Foreign Exchange adjustment	(116)	-	**(116)**	(62)	-	**(62)**
Employee contributions	4	-	**4**	3	-	**3**
Employer Contributions to plan assets	192	-	**192**	108	-	**108**
Benefit payments	(102)	-	**(102)**	(95)	-	**(95)**
Acquisition of subsidiaries	7	-	**7**	-	-	**-**
Transfers and others	(100)	-	**(100)**	(10)	-	**(10)**
At December 31	**1,541**	**-**	**1,541**	**2,071**	**-**	**2,071**

2.4. MAIN ASSUMPTIONS DETAILED BY GEOGRAPHIC AREA

	December 31, 2008	December 31, 2007
Discount rate		
Europe	5.78%	5.16%
Americas	6.99%	6.27%
Asia-Oceania-Africa	5.74%	4.90%
Expected return on plan assets (separate and plan assets)		
Europe	5.24%	5.31%
Americas	6.50%	6.50%
Asia-Oceania-Africa	4.40%	4.06%
Future salary increase		
Europe	1.55%	1.58%
Americas	2.00%	2.00%
Asia-Oceania-Africa	2.28%	2.05%
Healthcare cost increase rate		
Europe	5.95%	5.59%
Americas	NA	NA
Asia-Oceania-Africa	5.22%	4.15%
Average and remaining lifetime of employees (in years)		
Europe	13.8	13.6
Americas	7.5	7.5
Asia-Oceania-Africa	14.2	13.5

Notes:

1. *The range in discount rate is due to various post-employment benefit plans durations and to different levels of interest rates used in the same geographical area like Europe and Asia.*
2. *The range of expected return on plan assets rate is due to actual plan assets allocation.*
3. *Average and remaining lifetime of employees is calculated taking into account based on turnover assumptions.*
4. *The inflation rates applied are respectively 2.16% for Europe, 1.44% for Americas and 1.82% for the Asia-Oceania-Africa area.*

2.5. SENSITIVITIES ANALYSIS OF OBLIGATIONS COMPARED TO MAIN ASSUMPTIONS RANGES

	2008			2007		
(Measured element percentage)	Pension plans	Post employment healthcare plans	Other plans	Pension plans	Post employment healthcare plans	Other plans
Variation from +1% in discount rate						
Impact on Defined Benefit Obligations at 31 December	-11%	-13%	-6%	-11%	-15%	-7%
Impact on total Expenses N+1	-18%	-182%	-40%	-10%	-10%	-51%
Variation from +1% in Expected return on plan assets						
Impact on Plan Assets at 31 December	1%	1%	1%	1%	1%	1%
Impact on total Expenses N+1	-9%	NA	-1%	-3%	NA	-1%
Variation from +1% in Future salary increases						
Impact on Defined Benefit Obligations at 31 December	9%	NA	6%	11%	NA	7%
Impact on total Expenses N+1	18%	NA	40%	13%	NA	49%
Variation from +1% in Healthcare cost increase rate						
Impact on Defined Benefit Obligations at 31 December	NA	13%	NA	0%	9%	0%
Impact on total Expenses N+1	NA	99%	NA	0%	4%	0%

2.6. EXPERIENCE ADJUSTMENTS OF POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS

(In millions of euros)	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Defined Benefit Obligations	2,047	2,344	2,512	2,484
Fair value of plan assets	1,541	2,071	2,075	1,924
Deficit / (surplus)	**506**	**273**	**437**	**560**
Adjustments of Plan Liabilities due to experience (negative: gain)	17	49	(11)	23
Adjustments of Plan Assets due to experience (negative: gain)	532	68	(67)	(84)

Note 26

Subordinated debt

(In millions of euros)

Currency issue	2009	2010	2011	2012	2013	Other	Outstanding at December 31, 2008	Outstanding at December 31, 2007
Subordinated Capital notes								
EUR	205	618	264	920	360	7,814	10,181	8,713
USD	-	-	-	-	-	1,543	1,543	1,459
GBP	-	-	-	-	-	630	630	818
Other currencies	-	-	-	-	-	105	105	151
Sub-total	**205**	**618**	**264**	**920**	**360**	**10,092**	**12,459**	**11,141**
Dated subordinated debt								
EUR	-	-	8	-	-	66	74	33
Other currencies	-	-	-	-	-	13	13	-
Sub-total	**-**	**-**	**8**	**-**	**-**	**79**	**87**	**33**
Related payables	329	-	-	-	-	-	329	233
Total excluding revaluation of hedged items	**534**	**618**	**272**	**920**	**360**	**10,171**	**12,875**	**11,407**
Revaluation of hedged items							1,044	52
Total							**13,919**	**11,459**

The fair value of subordinated debt securities amounts to EUR 10,063 million at December 31, 2008 (EUR 12,692 million at December 31, 2007).

Note 27

Societe Generale ordinary shares, treasury shares, shares held by employees and shareholders' equity issued by the Group

Ordinary shares

(Number of shares)	December 31, 2008	December 31, 2007
Ordinary shares	580,727,244	466,582,593
- Including treasury shares with voting rights (1)	19,990,602	30,311,822
- Including shares held by employees (1)	41,219,452	33,458,863

(1) Doesn't include the Societe Generale shares held for trading.

At December 31, 2008, Societe Generale's fully paid-up capital amounted to EUR 725,909,055 and was made up of 580,727,244 shares with a nominal value of EUR 1.25.

Societe Generale proceeded in 2008 to the increases and the following decreases of capital, representing a total of EUR 143 million, with an issuing premium of EUR 4,583 million net of the EUR 109 million expenses after tax linked to the capital increase using preferred subscription rights, i.e. a net amount of EUR 4,474 million:

- EUR 0.043 million resulting from the exercise by employees of stock options granted by the Board of Directors, with EUR 2 million of issuing premiums;

- EUR 145.8 for the capital increase using preferred subscription rights, with EUR 5,395 million of issuing premium. The EUR 109 million expenses after tax linked to the capital increase were deducted from the amount of the issuing premium;

- EUR 9.3 million for the capital increase reserved for the employees, with EUR 391 million of issuing premium;

- EUR (12.5) million for capital reduction by cancellation of 10 million shares with an impact on the issuing premium of EUR (1,205) million.

Shareholders' equity issued by the Group

2.1 PERPETUAL SUBORDINATED NOTES (TSDI)

Perpetual subordinated notes (TSDI) issued by the Group and that include some discretionary features governing the payment of interest are classified as equity and recorded under Equity instruments and associated reserves.

On March 27, 2007, the Group issued GBP 350 million of perpetual subordinated notes classified as equity and recognized under *Equity instruments and associated reserves* and paying 5.75% annually and then, from March 27, 2012, 3-month GBP Libor +1.1% annually.

2.2 PREFERRED SHARES

Due to the discretionary nature of the decision to pay dividends to shareholders, preferred shares issued by the Group's subsidiaries are classified as equity and recognized under Minority interests.

At December 31, 2008 movements booked in Minority interests correspond to EUR 1,455 million.

Issuance Date	Amount issued	Remuneration
1st half of 2000 (step up clause after 10 years)	EUR 500 million	7.875%, from 2010 12-months Euribor +2.95% annually
4th quarter of 2001 (step up clause after 10 years)	USD 335 million	6.302%, from 2011 3-months USD Libor +1.92% annually
4th quarter of 2001 (step up clause after 10 years)	USD 90 million	3-month USD Libor +0.92%, from 2011 3-months USD Libor +1.92% annually
4th quarter of 2003 (step up clause after 10 years)	EUR 650 million	5.419%, from 2013 3-months Euribor +1.95% annually

2.3 DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, they have been classified as equity and recognized under Equity instruments and associated reserves.

Issuance Date	Amount issued	Remuneration
January 26, 2005	EUR 1,000 million	4.196%, from 2015 3-month Euribor +1.53% annually
April 05, 2007	USD 200 million	3-month USD Libor +0.75% annually, from 2017 3-month USD Libor +1.75% annually
April 05, 2007	USD 1,100 million	5.922%, from 2017 3-month USD Libor +1.75% annually
December 19, 2007	EUR 600 million	6.999%, from 2018 3-month Euribor +3.35% annually
May 22, 2008	EUR 1,000 million	7.76%, from 2013 3-month Euribor +3.35% annually
June 12, 2008	GBP 700 million	8.875%, from 2018 3-month GBP Libor +3.4% annually
December 11, 2008	EUR 1,700 million	8.18%, from 2013 3-month Euribor +4.98% annually

The EUR 12 million expenses and premiums linked to the issuance in GBP were deducted from the amount of issuing premium.

Movements related to the perpetual subordinated notes and to the deeply subordinated notes including retained earnings are detailed below:

(In millions of euros)	Deeply subordinated notes	Perpetual subordinated notes	Total
Tax savings on the remuneration to be paid to shareholders and booked under reserves	80	15	95
Remuneration paid booked under dividends (2008 Dividends paid line)	137	43	180

Note 28

Commitments

Commitments granted and received

COMMITMENTS GRANTED

(In millions of euros)	December 31, 2008	December 31, 2007 *
Loan commitments		
to banks	10,275	13,840
to customers (1)		
Issuance facilities	26	38
Confirmed credit lines	124,637	133,914
Others	1,859	2,460
Guarantee commitments		
on behalf of banks	5,414	7,407
on behalf of customers (1) (2)	58,911	58,335
Securities commitments		
Securities to deliver	30,809	41,031

* *Amounts adjusted with respect to the published financial statements.*

COMMITMENTS RECEIVED

(In millions of euros)	December 31, 2008	December 31, 2007
Loan commitments		
from banks	47,241	24,254
Guarantee commitments		
from banks	56,802	53,677
other commitments (3)	74,645	60,133
Securities commitments		
Securities to be received	24,769	42,400

(1) As at December 31, 2008, credit lines and guarantee commitments granted to securitization vehicles and other special purpose vehicles amounted to EUR 18 682 million and EUR 710 million respectively.

(2) Including capital and performance guarantees given to the holders of units in mutual funds managed by entities of the Group.

(3) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 28,059 million as at December 31, 2008 and EUR 34 098 million as at December 31, 2007. The remaining balance mainly corresponds to securities and assets assigned as guarantee.

Forward financial instrument commitments (notional amounts)

(In millions of euros)	December 31, 2008 Trading transactions	December 31, 2008 Hedging transactions	December 31, 2007 Trading transactions	December 31, 2007 Hedging transactions
Interest rate instruments				
Firm transactions				
Swaps	7,101,099	206,821	6,345,931	202,337
Interest rate futures	1,147,736	475	1,244,166	-
Options	*2,853,682*	*10,200*	*3,473,469*	*12,682*
Foreign exchange instruments				
Firm transactions	*946,711*	*11,143*	*834,864*	*24,900*
Options	*669,462*	-	*354,186*	-
Equity and index instruments				
Firm transactions	*61,016*	-	*275,766*	-
Options	*782,247*	*238*	*842,302*	*207*
Commodity instruments				
Firm transactions	*161,936*	-	*165,919*	-
Options	*134,266*	-	*122,445*	-
Credit derivatives	**1,539,801**	**-**	**2,175,336**	**-**
Other forward financial instruments	**5,176**	**581**	**19,301**	**-**

Credit risk equivalent

The credit risk equivalent on these transactions, determined in accordance with the methods recommended by the Basel Committee for the calculation of the international solvency ratio, breaks down as follows:

(In millions of euros)	December 31, 2008	December 31, 2007
OECD member governments and central banks	3,234	2,276
OECD member banks and local authorities	36,863	32,115
Customers	30,827	19,316
Non-OECD member banks and central banks	1,362	849
TOTAL (after netting agreements)	**72,286**	**54,556**

Netting agreements reduced the credit risk equivalent by EUR 292,924 million at December 31, 2008 compared with a reduction of EUR 136,950 million at December 31, 2007.

Securitization transactions

The Societe Generale Group carries out securitization transactions on behalf of customers or investors, and as such provides credit enhancement and liquidity facilities to the securitization vehicles.

As at December 31, 2008, there are 5 non-consolidated vehicles (Barton, Antalis, Homes, ACE Australia, ACE Canada) structured by the Group on behalf of customers or investors. Total assets held by these vehicles and financed through the issuance of commercial papers amounted to EUR 15,982 million as at December 31, 2008 (EUR 19,260 million as at December 31, 2007).

The non-controlling situation of the Group over these vehicules is regularly assessed using the consolidation criteria applicable to special purpose entities (see note 1). As at December 31, 2008, none of these vehicles is consolidated as far as the Group does not control them and is neither exposed to the majority of the related risks and rewards.

The default risk on the assets held by these vehicles is borne by the transferors of the underlying receivables or by third parties. The Societe Generale Group provides an additional guarantee as a credit enhancement through the issuance of letters of credit in the amount of EUR 710 million (EUR 600 million as at December 31, 2007). Furthermore, the Group has granted these vehicles short-term loan facilities in the amount of EUR 18,682 million at this date (EUR 27,738 million as at December 31, 2007).

Note 29

Assets pledged as security

(In millions of euros)	December 31, 2008	December 31, 2007
Assets pledged as security		
Book value of assets pledged as security for liabilities	76,138	42,779
Book value of assets pledged as security for transactions in financial instruments	26,775	13,716
Book value of assets pledged as security for off-balance sheet commitments	487	407
Total	**103,400**	**56,902**
Assets received as security and available for the entity		
Fair value of reverse repos	**30,867**	**39,783**

Assets pledged as security for liabilities mainly include loans given as guarantees in liabilities (in particular with the Banque de France).

Assets pledged as security for transactions in financial instruments correspond mainly to surety deposits.

Note 30

Breakdown of assets and liabilities by term to maturity

Maturities of financial assets and liabilities (1)

(In millions of euros at December 31, 2008)	Less than 3 months (2)	3 months to 1 year	1-5 years	More than 5 years	Total
ASSETS					
Cash, due from central banks	13,745	-	-	-	**13,745**
Financial assets measured at fair value through profit and loss	392,027	70,017	7,990	18,381	**488,415**
Hedging derivatives	6,246	-	-	-	**6,246**
Available-for-sale financial assets	7,383	14,024	17,272	43,044	**81,723**
Due from banks	49,438	8,643	8,659	4,452	**71,192**
Customer loans	76,585	47,419	122,087	108,522	**354,613**
Lease financing and similar agreements	3,011	5,381	14,326	5,794	**28,512**
Revaluation differences on portfolios hedged against interest rate risk	2,311	-	-	-	**2,311**
Held-to-maturity financial assets	164	130	997	881	**2,172**
Total Assets	**550,910**	**145,614**	**171,331**	**181,074**	**1,048,929**
LIABILITIES					
Due to central banks	6,503	-	-	-	**6,503**
Financial liabilities measured at fair value through profit and loss	363,060	14,023	18,770	16,579	**412,432**
Hedging derivatives	9,250	-	-	-	**9,250**
Due to banks	94,230	11,585	5,492	3,963	**115,270**
Customer deposits	236,551	15,957	20,439	9,567	**282,514**
Securitized debt payables	72,154	21,280	22,289	4,651	**120,374**
Revaluation differences on portfolios hedged against interest rate risk	583	-	-	-	**583**
Total Liabilities	**782,331**	**62,845**	**66,990**	**34,760**	**946,926**

(1) See note 4, liquidity risk management.

(2) As a convention, derivatives are classified as having a maturity of less than three months.

Notional maturities of commitments on financial derivatives [3]

(In millions of euros at December 31, 2008)	ASSETS less than 1 year	1-5 years	more than 5 years	Total	LIABILITIES less than 1 year	1-5 years	more than 5 years	Total
Interest rate instruments								
Firm instruments								
Swaps	2,450,297	2,496,872	2,360,751	7,307,920	-	-	-	-
Interest rate futures	488,873	78,917	15	567,805	471,105	109,301	-	580,406
Options	*424,542*	*510,291*	*453,283*	*1,388,116*	*447,940*	*532,954*	*494,872*	*1,475,766*
Forex instruments								
Firm instruments	*597,828*	*242,992*	*117,035*	*957,855*	-	-	-	-
Options	*172,002*	*148,659*	*13,463*	*334,124*	*170,587*	*150,120*	*14,632*	*335,339*
Equity and index instruments								
Firm instruments	*17,103*	*5,882*	*1,088*	*24,073*	*30,027*	*4,976*	*1,940*	*36,943*
Options	*225,540*	*122,387*	*21,798*	*369,725*	*245,702*	*144,000*	*23,058*	*412,760*
Commodity instruments								
Firm instruments	*54,632*	*26,219*	*742*	*81,593*	*52,787*	*26,804*	*751*	*80,342*
Options	*36,476*	*28,734*	*591*	*65,801*	*38,216*	*29,935*	*316*	*68,467*
Credit derivatives	**31,881**	**523,165**	**177,236**	**732,282**	**34,682**	**557,770**	**215,068**	**807,520**
Other forward financial instruments	**2,619**	**576**	**17**	**3,212**	**1,896**	**641**	**7**	**2,544**

(3) These items are presented according to the accounting maturity of financial instruments.

Note 31

Foreign exchange transactions

(In millions of euros)	December 31, 2008 Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	December 31, 2007 Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	643,808	651,692	11,680	13,608	592,147	599,332	21,538	19,305
USD	282,365	302,166	16,410	19,063	282,285	295,430	26,060	33,709
GBP	35,053	31,759	2,957	3,736	34,125	31,919	7,770	7,002
JPY	31,421	23,611	5,980	3,678	28,358	27,567	8,387	7,403
AUD	18,323	17,223	1,413	1,027	21,322	19,641	-	3
CZK	23,811	24,968	134	446	20,930	21,905	68	135
RUB	13,694	8,351	4	6	1,290	1,083	31	7
RON	6,562	7,091	314	493	5,587	6,173	52	71
Other currencies	74,966	63,142	8,405	5,906	85,718	68,712	20,860	17,297
Total	**1,130,003**	**1,130,003**	**47,297**	**47,963**	**1,071,762**	**1,071,762**	**84,766**	**84,932**

Note 32

Insurance activities

Underwriting reserves of insurance companies

(In millions of euros)	December 31, 2008	December 31, 2007
Underwriting reserves for unit-linked policies	15,721	21,789
Life insurance underwriting reserves	51,109	46,012
Non-life insurance underwriting reserves	317	270
Total	**67,147**	**68,071**
Deferred profit sharing [(1)] [(2)]	(3,024)	857
Attributable to reinsurers	(299)	(303)
Underwriting reserves of insurance companies net of the part attributable to reinsurers	**63,824**	**68,625**

(1) According to the December 19, 2008 CNC recommendation, a test of recoverability was carried out on the provisions for deferred profit sharing booked in the assets. The accountancy method used for the calculation of the deferred profit sharing in the assets is based on the consideration of the fair value of the assets compared to their historical value. The recoverability test is based on cash flows forecasts and relies on different stressed assumptions of collection and repurchase.

(2) Including deferred profit sharing on assets measured at fair value through equity EUR (2,075) million as at December 31, 2008 and EUR 164 million as at December 31, 2007.

Statement of changes in underwriting reserves of insurance companies

(In millions of euros)	Underwriting reserves for unit-linked policies	Life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at January 1, 2008 (except provisions for deferred profit sharing)	**21,789**	**46,012**	**270**
Allocation to insurance reserves	(732)	2,422	47
Revaluation of policies	(4,412)	-	-
Charges deducted from policies	(126)	-	-
Transfers and arbitrage	(886)	886	-
New customers	-	38	-
Profit sharing	77	1,620	-
Others	11	131	-
Reserves at December 31, 2008 (except provisions for deferred profit sharing)	**15,721**	**51,109**	**317**

According to the IFRS rules and the Group accounting standards, the Liability Adequacy Test (LAT) was performed as at December 31, 2008. It is carried out on the basis of stochastic modelling similar to the one used for our assets liabilities management.

Net investments of insurance companies

(In millions of euros)	December 31, 2008	December 31, 2007
Financial assets measured at fair value through P&L	**19,421**	**27,579**
Treasury notes and similar securities	-	1
Bonds and other debt securities	5,172	8,107
Shares and other equity securities	14,249	19,471
Due from Banks [(3)]	**4,695**	**3**
Available-for-sale financial assets	**40,250**	**43,435**
Treasury notes and similar securities	357	916
Bonds and other debt securities [(4)]	34,970	37,488
Shares and other equity securities	4,923	5,031
Investment property	**405**	**392**
Total	**64,771**	**71,409**

(3) Including EUR 4,139 million reclassified assets.

(4) Including EUR (3,254) million reclassified assets.

Technical income from insurance companies

(In millions of euros)	2008	2007
Earned premiums	9,443	9,673
Cost of benefits (including changes in reserves)	(4,251)	(8,904)
Net income from investments	(4,174)	252
Other net technical income (expense)	(619)	(614)
Contribution to operating income before elimination of intercompany transactions	**399**	**407**
Elimination of intercompany transactions (1)	128	348
Contribution to operating income after elimination of intercompany transactions	**527**	**755**

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

Net fee income (2)

(In millions of euros)	2008	2007
Fees received		
- acquisition fees	182	197
- management fees	589	467
- others	55	151
Fees paid		
- acquisition fees	(235)	(182)
- management fees	(204)	(240)
- others	(15)	(10)
Total fees	**372**	**383**

(2) Fees are presented in this table before elimination of intercompany transactions.

Management of insurance risks

There are two main types of insurance risk:

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

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

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

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

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

Risk management and analysis are based on the following key principles:

- Asset/liability risk management:
  - monitoring of long-term cash flows: the term of a liability is matched against the term of an asset, and cash flow peaks are strictly controlled in order to minimize liquidity and reinvestment risks;
  - close monitoring of the flows of repurchase and stress scenarii simulations;
  - close monitoring of the equity markets and stress scenarii simulations;
  - hedging of exchange rate risks using financial instruments.
- Financial risk management via the establishment of limits:
  - counterparty limits (e.g. limits according to the issuer's country of domiciliation, distinction between sovereign issuers and private issuers);
  - rating limits (e.g. AAA: min. 45%, of which 20% in government bonds and government-backed bonds);
  - limits per type of asset (e.g. equities, private equity);

All of these strategies are assessed by simulating various scenarii of financial market behavior and insured party behavior using stress tests and stochastic modelling.

Note 33

Interest income and expense

(In millions of euros)	2008	2007
Transactions with banks	**5,182**	**6,897**
Demand deposits and interbank loans	3,458	3,231
Securities purchased under resale agreements and loans secured by notes and securities	1,724	3,666
Transactions with customers	**20,346**	**17,414**
Trade notes	1,103	719
Other customer loans [1]	17,665	14,509
Overdrafts	1,186	1,122
Securities purchased under resale agreements and loans secured by notes and securities	392	1,064
Transactions in financial instruments	**12,743**	**12,121**
Available-for-sale financial assets	3,420	3,686
Held-to-maturity financial assets	3	106
Securities lending	143	33
Hedging derivatives	9,177	8,296
Finance leases	**1,917**	**1,661**
Real estate finance leases	404	375
Non-real estate finance leases	1,513	1,286
Total interest income	**40,188**	**38,093**
Transactions with banks	**(6,333)**	**(10,072)**
Interbank borrowings	(5,248)	(7,218)
Securities sold under resale agreements and borrowings secured by notes and securities	(1,085)	(2,854)
Transactions with customers	**(10,413)**	**(11,976)**
Regulated savings accounts	(1,590)	(1,234)
Other customer deposits	(7,475)	(8,813)
Securities sold under resale agreements and borrowings secured by notes and securities	(1,348)	(1,929)
Transactions in financial instruments	**(15,485)**	**(13,538)**
Securitized debt payables	(5,825)	(4,965)
Subordinated and convertible debt	(639)	(603)
Securities borrowing	(260)	(121)
Hedging derivatives	(8,761)	(7,849)
Other interest expense	**(9)**	**(5)**
Total interest expense [2]	**(32,240)**	**(35,591)**
Including interest income from impaired financial assets	346	263

[1] ***Breakdown of "Other customer loans"*** *(In millions of euros)*

- short-term loans	7,553	5,772
- export loans	342	396
- equipment loans	2,922	2,334
- housing loans	4,034	3,398
- other customer loans	2,814	2,609
Total	**17,665**	**14,509**

(2) These expenses include the refinancing cost of financial instruments measured at fair value through P&L, which is classified in net gain or loss (see note 35). Insofar as income and expenses booked in the income statement are classified by type of instruments rather than by purpose, the net income generated by the activities on financial instruments measured at fair value through P&L must be assessed as a whole.

Note 34

Fee income and expense

(In millions of euros)	2008	2007
Fee income from		
Transactions with banks	247	122
Transactions with customers	2,858	2,610
Securities transactions	760	815
Primary market transactions	136	177
Foreign exchange transactions and financial derivatives	1,086	1,406
Loan and guarantee commitments	567	521
Services	4,691	4,902
Others	160	192
Total fee income	**10,505**	**10,745**
Fee expense on		
Transactions with banks	(282)	(239)
Securities transactions	(625)	(523)
Foreign exchange transactions and financial derivatives	(837)	(1,083)
Loan and guarantee commitments	(174)	(219)
Others	(1,172)	(1,153)
Total fee expense	**(3,090)**	**(3,217)**

These commission income and expense include:

(In millions of euros)	2008	2007
Commission income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	3,946	3,557
Commission income linked to trust activities or similar	3,219	3,507
Commission expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	(174)	(219)
Commission expense linked to trust activities or similar	(938)	(856)

Note 35

Net gains or losses on financial instruments at fair value through P&L

(In millions of euros)	2008	2007
Net gain/loss on non-derivative financial assets held for trading	(16,598)	16,331
Net gain/loss on financial assets measured using fair value option	366	419
Net gain/loss on non-derivative financial liabilities held for trading	3,048	(12,103)
Net gain/loss on financial liabilities measured using fair value option	826	(259)
Net gain/loss on derivative instruments	15,572	4,439
Net income from hedging instruments / fair value hedge	(1,104)	(443)
Revaluation of hedged items attributable to hedged risks	1,462	470
Ineffective portion of cash flow hedge	2	2
Net gain/loss on foreign exchange transactions	1,103	451
Total (1)	**4,677**	**9,307**

(1) Insofar as income and expenses booked in the income statement are classified by type of instruments rather than by purpose, the net income generated by the activities on financial instruments measured at fair value through P&L must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown among interest expense and interest income.

The change in fair value in net gains or losses on financial instruments at fair value initially evaluated using valuation parameters which are not based on market data stood at EUR 9,745 million for the financial year. Assets and liabilities at fair value through profit and loss which valuation is not based on market data are disclosed in note 6.

Amount remaining to be booked in profit and loss relative to financial assets and liabilities at fair value through profit or loss which fair value was initially determined using valuation techniques not based on market data.

The remaining amount to be registered in the income statement resulting from the difference between the transaction price and the amount which would be established at this date using valuation techniques, minus the amount registered in the income statement after initial recognition in the accounts, breaks down as follows:

(In millions of euros)	2008	2007
Remaining amount to be registered in the income statement as at January 1	**1,048**	**1,069**
Amount generated by new transactions within the period	648	978
Amount registered in the income statement within the period	(847)	(999)
Depreciation	*(637)*	*(738)*
Switch to observable parameters	*(56)*	*(86)*
Expired or terminated	*(167)*	*(153)*
Translation differences	*13*	*(22)*
Remaining amount to be registered in the income statement as at December 31	**849**	**1,048**

Note 36

Net gains or losses on available-for-sale financial assets

(In millions of euros)	2008	2007
Current activities		
Gains on sale	200	201
Losses on sale	(168)	(177)
Impairment losses on variable income securities	(402)	(70)
Capital gain on the disposal of available-for-sale financial assets, after payment of profit-sharing to policy holders (insurance business)	343	62
Sub-total	**(27)**	**16**
Long-term equity investments		
Gains on sale (1)	474	1,030
Losses on sale	(19)	(51)
Impairment losses on variable income securities	(335)	(50)
Sub-total (2)	**120**	**929**
Total	**93**	**945**

(1) The capital gain from the sale of the Group's stake in Bank Muscat amounts to EUR 262 million in 2008.

(2) The net capital gain from the exchange of Euronext for NYSE shares and subsequent sale of shares in the new merged company was EUR 235 million as of 2007.

Note 37

Income and expenses from other activities

(In millions of euros)	2008	2007
Income from other activities		
Real estate development	57	71
Real estate leasing	126	104
Equipment leasing	5,731	5,116
Other activities (including income from insurance activity)	9,469	10,793
Sub-total	**15,383**	**16,084**
Expenses from other activities		
Real estate development	(13)	(3)
Real estate leasing	(33)	(28)
Equipment leasing	(4,063)	(3,589)
Other activities (including expenses from insurance activity)	(10,007)	(11,223)
Sub-total	**(14,116)**	**(14,843)**
Net total	**1,267**	**1,241**

Note 38

Personnel expenses

(In millions of euros)	2008	2007
Employee compensation [1]	(6,170)	(5,813)
Social security charges and payroll taxes [1]	(1,098)	(989)
Net retirement expenses - defined contribution plans	(530)	(539)
Net retirement expenses - defined benefit plans	(111)	(58)
Other social security charges and taxes	(364)	(361)
Employee profit sharing and incentives	(343)	(412)
Total	**(8,616)**	**(8,172)**

(1) O/w variable remuneration of EUR (1,170) million as at December 31, 2008 against EUR (1,503) million as at December 31, 2007.

	2008	2007 *
Average headcount		
- France	59,003	56,621
- Outside France	101,427	73,479
Total	**160,430**	**130,100**

** Amounts adjusted with respect to the published financial statements.*

Note 39

Share-based payment plans

Expenses recorded in the income statement

	December 31, 2008			December 31, 2007 *		
(In millions of euros)	Cash settled plans	Equity settled plans	Total plans	Cash settled plans	Equity settled plans	Total plans
Net expenses from stock purchase plans	-	65.3	**65.3**	-	73.8	**73.8**
Net expenses from stock option and free share plans	13.8	142.0	**155.8**	163.2	119.2	**282.4**

** Amounts adjusted with regard to the published financial statements.*

The charge described above relates to equity-settled plans attributed after November 7, 2002 and to all cash settled plans.

Main characteristics of Societe Generale stock-option plans and free share plans

Equity-settled stock option plans for Group employees for the year ended December 31, 2008 are briefly described below:

- Stock options (purchase and subscription)

Issuer	**Societe Generale**	**Societe Generale**	**Societe Generale**	**Societe Generale**	**Societe Generale**	**Societe Generale for TCW**	**Societe Generale**	**Societe Generale for TCW**	**Societe Generale**
Year of attribution	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**	**2007**	**2008**
Type of plan	**stock option**	**stock option**	**stock option**	**stock option**	**stock option**	**stock option**	**stock option**	**stock option**	**subscription stock option**
Shareholders agreement	05/13/1997	04/23/2002	04/23/2002	04/29/2004	04/29/2004	04/29/2004	05/30/2006	05/30/2006	05/30/2006
Board of Directors' decision	01/16/2002	04/22/2003	01/14/2004	01/13/2005	01/18/2006	04/25/2006	01/19/2007	09/18/2007	03/21/2008
Number of stock-options granted (1)	3,614,262	4,028,710	4,071,706	4,397,150	1,650,054	147,525	1,345,286	129,375	2,208,920
Contractual life of the options granted	7 years	7 years	7 years	7 years	7 years	7 years	7 years	7 years	7 years
Settlement	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares
Vesting period	01/16/02 - 01/16/05	04/22/03 - 04/22/06	01/14/04 - 01/14/07	01/13/2005 - 01/13/2008	01/18/2006 - 01/18/2009	04/25/2006 - 04/25/2009	01/19/2007 - 01/19/2010	09/18/2007 - 09/18/2010	03/21/2008 - 03/31/2011
Performance conditions	no	no	no	no	no	no	no except for directors (3)	no	yes (3)
Resignation from the Group	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited
Retirement	maintained	maintained	maintained	maintained	maintained	maintained	maintained	maintained	maintained
Death	maintained for 6 months	maintained for 6 months	maintained for 6 months	maintained for 6 months	maintained for 6 months	maintained for 6 months	maintained for 6 months	maintained for 6 months	maintained for 6 months
Share price at grant date (in EUR) (average of 20 days prior to grant date) (1)	57.17	47.57	64.03	68.61	98.12	113.72	121.93	109.87	67.08
Discount	0%	0%	0%	0%	0%	0%	0%	0%	0%
Exercise price (in EUR) (1)	57.17	47.57	64.03	68.61	98.12	113.72	121.93	109.87	67.08
Options authorised but not attributed	-	-	-	-	-	-	-	-	-
Options exercised at December 31, 2008	2,685,280	2,437,405	727,877	53,340	2,174	-	-	-	-
Options forfeited at December 31, 2008	284,499	193,525	115,163	185,986	66,299	16,807	32,086	8,302	24,042
Options outstanding at December 31, 2008	644,483	1,397,780	3,228,666	4,157,824	1,581,581	130,718	1,313,200	121,073	2,184,878
Number of shares reserved at December 31, 2008	644,483	1,397,780	3,228,666	(2)	(2)	130,718	(2)	121,073	-
Share price of shares reserved (in EUR)	58.94	47.60	46.97	(2)	(2)	115.76	(2)	111.51	-
Total value of shares reserved (in millions of euros)	38	67	152	(2)	(2)	15	(2)	14	-
First authorized date for selling the shares	01/16/2006	04/22/2007	01/14/2008	01/13/2009	01/18/2010	04/25/2009	01/19/2011	09/18/2010	03/21/2012
Delay for selling after vesting period	1 year	1 year	1 year	1 year	1 year	-	1 year	-	1 year
Fair value *(% of the share price at grant date)*	28%	25%	21%	17%	16%	17%	18%	21%	24%
Valuation method used to determine the fair value	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo

(1) In accordance with IAS 33, as a result of the detachment of Societe Generale share preferential subscription right, the historical share data have been adjusted by the coefficients given by Euronext which reflect the parts attributables to the share after detachment following the capital increases which took place in the fourth quarter of 2006 and in the first quarter of 2008.

(2) 2005, 2006 and 2007 stock-option plans have been hedged using call options on Societe Generale shares.

(3) There are performance conditions described in the corporate governance part. On December 31, 2008, it has been estimated that the performance conditions on EPS would not be reached.

- **Free shares**

Issuer	Societe Generale	Societe Generale	Societe Generale
Year of grant	**2006**	**2007**	**2008**
Type of plan	**free shares**	**free shares**	**free shares**
Shareholders agreement	05/09/2005	05/30/2006	05/30/2006
Board of Directors decision	01/18/2006	01/19/2007	03/21/2008
Number of free shares granted (1)	775,042	880,993	2,984,907
Settlement	Societe Generale shares	Societe Generale shares	Societe Generale shares
Vesting period	01/18/2006 - 03/31/2008 01/18/2006 - 03/31/2009	01/19/2007 - 03/31/2009 01/19/2007 - 03/31/2010	03/21/2008 - 03/31/2010 03/21/2008 - 03/31/2011
Performance conditions	conditions on ROE for certain recipients	conditions on ROE for certain recipients	yes (2)
Resignation from the Group	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited
Retirement	maintained	maintained	maintained
Death	maintained for 6 months	maintained for 6 months	maintained for 6 months
Share price at grant date (1)	93.66	123.0	61.33
Shares delivered at December 31, 2008	332,750	636	0
Shares forfeited at December 31, 2008	86,597	43,563	31,561
Shares outstanding at December 31, 2008	355,695	836,794	2,953,346
Number of shares reserved at December 31, 2008	355,695	836,794	2,953,346
Share price of shares reserved	83.58	94.30	106.44
Total value of shares reserved (in million of euros)	30	79	314
First authorized date for selling the shares	03/31/2010	03/31/2011	03/31/2012
	03/31/2011	03/31/2012	03/31/2013
Delay for selling after vesting period	2 years	2 years	2 years
Fair value (% of the share price at grant date)	vesting period 2 years: 86% vesting period 3 years: 81%	vesting period 2 years: 86% vesting period 3 years: 81%	vesting period 2 years: 87% vesting period 3 years: 81%
Valuation method used to determine the fair value	Arbitrage	Arbitrage	Arbitrage

(1) In accordance with IAS 33, as a result of the detachment of Societe Generale share preferential subscription right, the historical share data have been adjusted by the coefficients given by Euronext which reflect the parts attributables to the share after detachment following the capital increases which took place in the fourth quarter of 2006 and in the first quarter of 2008.

(2) There are performance conditions described in the corporate governance part. On December 31, 2008, it has been estimated that performance conditions on EPS and ROE would not be reached.

STATISTICS CONCERNING SOCIETE GENERALE STOCK-OPTION PLANS

Main figures concerning Societe Generale stock-option plans, for the year ended December 31, 2008

	Options granted in 2002	Options granted in 2003	Options granted in 2004	Options granted in 2005	Options granted in 2006	TCW Options granted in 2006	Options granted in 2007	TCW Options granted in 2007	Options granted in 2008	Weighted average remaining contractual life	Weighted average fair value at grant date (EUR)	Weighted average share price at exercise date (EUR)	Range of exercise prices (EUR)
Options outstanding on 01/01/2008	732,411	1,411,016	3,046,798	3,933,579	1,505,888	132,470	1,247,022	120,802					
Options granted in 2008	60,713	118,048	257,680	329,434	101,836	9,022	84,330	8,338	2,208,920				
Options forfeited in 2008	806	7,151	16,085	55,849	26,143	10,774	18,152	8,067	24,042				
Options exercised in 2008	147,835	124,133	59,727	49,340	-	-	-	-	-			75.77	47.57-68.61
Options expired in 2008	-	-	-	-	-	-	-	-	-				
Outstanding options on 12/31/2008	644,483	1,397,780	3,228,666	4,157,824	1,581,581	130,718	1,313,200	121,073	2,184,878	40 months	15.78		
Exercisable options on 12/31/2008	644,483	1,397,780	3,228,666	4,157,824	-	-	-	-	-				

Notes

1. The main assumptions used to value Societe Generale stock-option plans are as follows:

	2002-2004	2005	2006	2007	2008
Risk-free interest rate	3.8%	3.3%	3.3%	4.2%	4.2%
Implicit share volatility	27%	21%	22%	21%	38%
Forfeited rights rate	0%	0%	0%	0%	0%
Expected dividend (yield)	4.3%	4.3%	4.2%	4.8%	5.0%
Expected life (after grant date)	5 years	5 years	5 years	5 years	5 years

The implicit volatility used is that of Societe Generale's 5-year share options traded OTC (TOTEM parameters), which was around 38% in 2008. This implicit volatility reflects the future volatility.

Other stock-option plans – TCW company

STOCK OPTION PLANS FOR TCW GROUP EMPLOYEES FOR THE YEAR-ENDED DECEMBER 31, 2008 ARE BRIEFLY DESCRIBED BELOW:

Issuer	**TCW**	**TCW**	**TCW**	**TCW**	**TCW**
Year of attribution	**2002**	**2003**	**2005**	**2006**	**2007**
Type of plan	**stock option**	**stock option**	**stock option**	**stock option**	**stock option**
Shareholders agreement	07/07/2001	07/07/2001	07/01/2005	09/01/2006	09/30/2007
Board of Directors decision	01/01/2002	02/19/2003	07/01/2005	09/01/2006	09/30/2007
	07/16/2002	03/31/2003			
		06/27/2003			
Number of stock-options granted	1,417,980	1,268,350	2,753,708	2,385,515	2,468,849
Contractual life of the options granted	10 years	10 years	7 years	7 years	7 years
Settlement	SG shares	SG shares	SG shares	SG shares	SG shares
Vesting period	01/01/2002 - 07/15/2008	02/19/2003 - 06/26/2009	07/01/2005 - 06/30/2010	09/01/2006 - 08/31/2011	09/30/2007 - 09/29/2012
Performance conditions	no	no	no	no	no
Resignation from the Group	forfeited	forfeited	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited	forfeited	forfeited
Retirement	forfeited	forfeited	forfeited	forfeited	forfeited
Death	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting
Share price at grant date (in EUR)	18.14	15.50	41.35	36.95	33.32
Discount	2.69	2.30	13.48	5.64	5.12
Exercise price (in EUR)	15.45	13.21	27.87	31.31	28.20
Options authorized but not attributed	-	-	-	-	-
Options exercized at December 31, 2008	1,358,252	596,848	653,931	174,023	-
Options forfeited at December 31, 2008	59,728	552,142	485,608	305,008	209,935
Options outstanding at December 31, 2008	0	119,360	1,614,169	1,906,484	2,258,914
First authorized date for selling the shares	02/01/2003	03/18/2005	08/01/2007	11/01/2008	11/01/2009
Delay for selling after vesting period	no delay	no delay	no delay	no delay	no delay
Fair value (% of the share price at grant date)	56%	51%	66%	41%	38%
Valuation method used to determine the fair value	black & scholes	black & scholes	black & scholes	black & scholes	black & scholes

STATISTICS CONCERNING TCW STOCK-OPTION PLANS

Main figures concerning TCW stock-option plans, for the year ended December 31, 2008

	Total no. of options	Options granted in 2002	Options granted in 2003	Options granted in 2005	Options granted in 2006	Options granted in 2007	Weighted average remaining contractual life	Weighted average fair value at grant date (EUR)	Weighted average share price at exercise date (EUR)	Range of exercise prices (EUR)
Options outstanding on 01/01/2008	7,361,917	239	238,720	2,188,311	2,236,307	2,459,779				
Options granted in 2008	-	-	-	-	-	-				
Options forfeited in 2008	603,033	-	-	243,544	158,624	200,865				
Options exercised in 2008	859,957	238,800	119,360	330,598	171,199	-			61.40	24.85-39.10
Options expired in 2008	-	-	-	-	-	-				
Options outstanding on 12/31/2008	5,898,927	-	119,360	1,614,169	1,906,484	2,258,914	55 months	14.67		
Exercisable options in 2008	601,966	-	-	352,733	249,233	-				

Notes

(1) The main assumptions used to value TCW stock-option plans are as follows:

	Plans 2001 to 2003	Plan 2005	Plan 2006	Plan 2007
Risk-free interest rate	4%	4%	5%	5%
Implicit share volatility	39%	31%	28%	22%
Forfeited rights rate	0%	5%	0%	0%
Expected dividend (yield)	0%	0%	0%	0%
Expected life (after grant date)	5 years	5 years	5 years	5 years

(2) The implicit volatility has been estimated using the median historical volatility of US listed companies belonging to the same business over the past 5 years. The fair value reflects the future performances of the Company.

(3) Due to the terms of this plan, which is settled in Societe Generale shares, no shares have been specifically allocated.

Information on other plans

The other share based payment plans granted to Group employees during 2008 are as follows:

ALLOCATION OF SOCIETE GENERALE SHARES WITH A DISCOUNT

- **Global employee share-Ownership plan**

As part of the Group employee shareholding policy, Societe Generale offered on the March 3, 2008 to employees of the Group to subscribe to a reserved increase capital at a share price of EUR 53.67, with a discount of 20% applied to the average price of the SG shares during a 20 days period ending March 21, 2008.

For 7,456,403 shares subscribed, the Group recorded a EUR 65.2 million expense taking into account the qualified 5-year holding period. The valuation model used, which complies with the recommendation of the National Accounting Council on the accounting treatment of company savings plans, compares the gain the employee would have obtained if he had been able to sell the shares immediately and the notional cost that the 5-year holding period represents to the employee.

This notional 5-year holding period cost is valuated as the net cost of the SG shares cash purchase financed by a non affected and non revolving five years credit facilities and by a forward sale of these same shares with a five-year maturity.

The main market parameters to valuate these 5-year holding period cost, determined at the subscription date are:

- cash SG share price: EUR 73.57;
- risk-free interest rate: 4.06%;
- interest rate of a non-affected five-year facilities credit applicable to market actors which are benefiting of non-transferable titles: 7.57%.

This notional 5-year holding period cost is valuated at 15.2% SG reference price before discount.

STOCK-OPTION PLANS GRANTED BY UNLISTED COMPANIES

A number of Group companies have granted stock options to employees and directors.

No new options were granted during 2008. These plans are settled in cash and the related impact on the 2008 income statement is a net income of EUR 1.04 million, resulting from a difference between the exercise price and the value of the shares to be delivered.

The contractual life of the options granted is generally 6 years and the last option was exercised in 2008.

When the shares are sold, they are generally bought by another subsidiary of the Group, in accordance with the global equity-control policy of the Societe Generale Group.

These plans were valued using a valuation method adapted to each affiliate.

BOURSORAMA STOCK-OPTION PLAN AND FREE SHARES PLAN

The 2008 expense of the 2006 plan is EUR 1.359 million. In 2008, 24,996 options and 205,750 free shares were forfeited.

The 2008 expense of the 2008 plan is EUR 0.514 million. In 2008, 900 free shares were forfeited.

Note 40

Cost of risk

(In millions of euros)	2008	2007
Counterparty risk		
Net allocation to impairment losses	(2,525)	(808)
Losses not covered	**(148)**	**(231)**
- losses on bad loans	(118)	(126)
- losses on other risks	(30)	(105)
Amounts recovered	**156**	**143**
- amounts recovered on provisioned loans	147	136
- amounts recovered on other risks	9	7
Other risks		
Net allocation to other provisions	(138)	(9)
Total	**(2,655)**	**(905)**

Note 41

Net loss on unauthorized and concealed trading activities

When preparing the 2007 consolidated financial statements, the Group considered that for the purpose of a fair presentation of its financial situation at December 31, 2007, it was more appropriate to record under a separate caption in consolidated income for the 2007 financial year a provision for the total cost of the unauthorized and concealed activities uncovered on January 19 and 20, 2008.

The Group then decided to present the total net loss related to the unwinding of the directional positions pursuant to these unauthorized and concealed activities under a separate caption of the consolidated income statement entitled *Net loss on unauthorized and concealed trading activities.*

During 2008, the cost related to the unwinding of these activities was recorded as an expense and classified in the income statement under the caption mentioned here before. At the same time, the provision recorded in consolidated income for the 2007 financial year was reversed through the income statement under the same caption.

(In millions of euros)	2008	2007
Net gains on financial instruments at fair value through profit and loss on unauthorized and concealed trading activities		1,471
Allowance expense on provision for the total cost of the unauthorized and concealed trading activities		(6,382)
Reversal gain on provision for the total cost of the unauthorized and concealed trading activities	6,382	
Covered losses on unauthorized and concealed trading activities	(6,382)	
Total	**-**	**(4,911)**

Allowance expense at the end of 2007 created a deferred tax asset of EUR 2,197 million recorded as a gain in the consolidated income for 2007. This deferred tax asset was derecognized during 2008 when the provision was reversed. The final loss thus recorded has been deducted from the 2008 financial year tax return, creating a tax save of EUR 2,197 million on December 31, 2008.

Note 42

Income tax

(In millions of euros)	2008	2007
Current taxes	(467)	(2,501)
Deferred taxes	(768)	2,219
Total taxes [(1)]	**(1,235)**	**(282)**

(1) Reconciliation of the difference between the Group's normative tax rate and its effective tax rate:

	2008	2007 *
Income before tax excluding net income from companies accounted for by the equity method and impairment losses on goodwill (in millions of euros)	4,316	1,842
Normal tax rate applicable to French companies (including 3.3% tax contributions)	34.43%	34.43%
Permanent differences	9.31%	15.82%
Differential on items taxed at reduced rate	-3.91%	-13.03%
Tax rate differential on profits taxed outside France	-6.85%	-8.86%
Impact of non-deductible losses and use of tax losses carried forward	-4.37%	-13.04%
Group effective tax rate	**28.61%**	**15.32%**

* *Amounts adjusted with respect to the published financial statements.*

In France, the normal corporate income tax rate is 33.33%. Since January 1, 2007, long-term capital gains on equity investments are exempted but taxed a share of expenses of 1.66%. Additionally, a Contribution Sociale de Solidarité (national contribution payment based on pre-tax earnings) was introduced in 2000 equal to 3.3% (after a deduction from basic taxable income of EUR 0.76 million). Dividends from companies in which Societe Generale's interest is at least 5% are tax exempt.

The normal tax rate applicable to French companies to determine their deferred tax is 34.43%. The reduced rate is 1.72% taking into account the nature of the taxed transactions.

Note 43

Earnings per share

(In millions of euros)	2008	2007 *
Net income, Group Share	2,010	947
Net attributable income to shareholders (1)	1,826	858
Weighted average number of shares outstanding (2)	540,279,113	465,547,728
Earnings per share (in EUR)	**3.38**	**1.84**

(In millions of euros)	2008	2007 *
Net income, Group Share	2,010	947
Net attributable income to shareholders (1)	1,826	858
Weighted average number of shares outstanding (2)	540,279,113	465,547,728
Average number of shares used to calculate dilution	3,036,402	5,860,094
Weighted average number of shares used to calculate diluted net earnings per share	543,315,515	471,407,822
Diluted earnings per share (in EUR)	**3.36**	**1.82**

** Amounts adjusted with respect to the published financial statements.*

(1) The variation reflects interest after tax paid to holders of super subordinated notes and undated subordinated notes.

(2) Excluding treasury shares.

Note 44

Transactions with related parties

Definition

In accordance with the definitions provided under IAS 24, the Group's related parties include the following: board of directors members, the chairman and chief executive officers and the three vice-chief executives officers, their respective spouses and any children residing in the family home, and the following subsidiaries which are either controlled exclusively or jointly by the Group, companies over which Societe Generale exercises significant influence.

REMUNERATION OF THE GROUP'S MANAGERS

This includes amounts effectively paid by the Group to directors and chief executive officers as remuneration (including employer charges), and other benefits under IAS 24 – paragraph 16 – as indicated below.

(In millions of euros)	December 31, 2008	December 31, 2007
Short-term benefits	8.2	12.5
Post-employment benefits	0.4	0.1
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	3.7	4.2
Total	**12.3**	**16.8**

The Registration document contains a detailed description of the remuneration and benefits of the Group's senior managers.

RELATED PARTY TRANSACTIONS

The transactions with board of directors members, chief executive officers and members of their families included in this note comprise loans and guarantees outstanding at December 31, 2008, in a total amount of EUR 3 million. All other transactions with these individuals are insignificant.

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

The total amount provisioned or booked by the Societe Generale Group at December 31, 2008 under IAS 19 for the payment of pensions and other benefits to Societe Generale's chief executive officers and directors (Messrs. Bouton, Oudéa, Cabannes, Alix and the 2 staff-elected directors) was EUR 32.93 million.

Principal subsidiaries and affiliates (1)

OUTSTANDING ASSETS WITH RELATED PARTIES

(In millions of euros)	December 31, 2008	December 31, 2007
Financial assets at fair value through profit and loss	128	126
Other assets	706	296
Total outstanding assets	**834**	**422**

OUTSTANDING LIABILITIES WITH RELATED PARTIES

(In millions of euros)	December 31, 2008	December 31, 2007
Liabilities at fair value through profit and loss	217	141
Customer deposits	580	-
Other liabilities	777	16
Total outstanding liabilities	**1,574**	**157**

NET BANKING INCOME FROM RELATED PARTIES

(In millions of euros)	2008	2007
Interest and similar income	(12)	-
Commissions	(11)	1
Net income from financial transactions	3	18
Net income from other activities	-	-
Net banking income	**(20)**	**19**

COMMITMENTS TO RELATED PARTIES

(In millions of euros)	December 31, 2008	December 31, 2007
Loan commitments granted	57	73
Guarantee commitments granted	1,162	1,132
Forward financial instrument commitments	2,876	623

(1) Entities consolidated using the proportionate method and equity method.

Note 45

Companies included in the consolidation scope

	COUNTRY	METHOD *	Group ownership interest December 2008	Group ownership interest December 2007	Group voting interest December 2008	Group voting interest December 2007
FRANCE						
BANKS						
Banque de Polynésie [(1)]	France	FULL	72.10	72.10	72.10	72.10
BFCOI	France	FULL	50.00	50.00	50.00	50.00
Calif	France	FULL	100.00	100.00	100.00	100.00
Crédit du Nord [(1)]	France	FULL	80.00	80.00	80.00	80.00
Génébanque	France	FULL	100.00	100.00	100.00	100.00
Groupama Banques	France	EQUITY	20.00	20.00	20.00	20.00
SG Calédonienne de Banque [(1)]	France	FULL	90.10	90.10	90.10	90.10
SG de Banque aux Antilles	France	FULL	100.00	100.00	100.00	100.00
FINANCIAL COMPAGNIES						
Barep Court Terme [(4) and (20)]	France	FULL	-	-	-	-
Barep Assets Management	France	FULL	100.00	100.00	100.00	100.00
Barep Opportunités Stratégie [(4) and (20)]	France	FULL	-	-	-	-
Barep Performance Plus [(4) and (20)]	France	FULL	-	-	-	-
Euro VL [(1)]	France	FULL	98.25	98.25	98.25	98.25
IEC	France	FULL	100.00	100.00	100.00	100.00
Interga S.A.S	France	FULL	100.00	100.00	100.00	100.00
JS Credit Fund	France	FULL	100.00	100.00	100.00	100.00
Lyxor Asset Management	France	FULL	100.00	100.00	100.00	100.00
Lyxor International Asset Management	France	FULL	100.00	100.00	100.00	100.00
Primafair SAS [(7)]	France	FULL	-	100.00	-	100.00
SAS Orbeo	France	PROP	50.00	50.00	50.00	50.00
SGAM Index	France	FULL	100.00	100.00	100.00	100.00
SG Asset Management [(1)]	France	FULL	100.00	100.00	100.00	100.00
SG Énergie Usa Corp	France	FULL	100.00	100.00	100.00	100.00
SG European Mortgage Investments	France	FULL	100.00	100.00	100.00	100.00
SGAM AI	France	FULL	100.00	100.00	100.00	100.00
SGAM AI Crédit Plus	France	FULL	100.00	100.00	100.00	100.00
SGAM AI Crédit Plus Opportunités	France	FULL	100.00	100.00	100.00	100.00
SGAM AI Euro Garanti 3 M [(4) and (20)]	France	FULL	-	-	-	-

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
SGAM AI Euro Garanti 12 M [(4) and (20)]	France	FULL	-	-	-	-
SGAM Banque [(1)]	France	FULL	100.00	100.00	100.00	100.00
SGAM RTO	France	FULL	100.00	100.00	100.00	100.00
SG Retirement Services [(2)]	France	FULL	100.00	-	100.00	-
SG SCF [(2)]	France	FULL	100.00	-	100.00	-
Sogemonecredit [(2)]	France	FULL	100.00	-	100.00	-
SGAM AI Dollar Garanti 12 mois [(2) and (4)]	France	FULL	-	-	-	-
SGAM AI Money 2+ [(2) and (4)]	France	FULL	-	-	-	-
SPECIALIST FINANCING						
Airbail	France	FULL	100.00	100.00	100.00	100.00
ALD France [(1)]	France	FULL	100.00	100.00	100.00	100.00
Bull Finance	France	FULL	51.35	51.35	51.35	51.35
Cafirec	France	FULL	100.00	100.00	100.00	100.00
C.G.I [(1)]	France	FULL	99.88	99.88	99.88	98.88
Dalarec	France	FULL	100.00	100.00	100.00	100.00
Disponis	France	FULL	99.94	99.94	100.00	100.00
Evalparts	France	FULL	100.00	100.00	100.00	100.00
FCC Ouranos	France	FULL	100.00	100.00	100.00	100.00
FCC Ouréa	France	FULL	100.00	100.00	100.00	100.00
Fenwick Lease	France	FULL	100.00	100.00	100.00	100.00
Fontanor [(1)]	France	FULL	100.00	100.00	100.00	100.00
Franfinance SA [(1)]	France	FULL	99.99	99.99	99.99	99.99
Franfinance Location	France	FULL	99.99	99.99	100.00	100.00
French Supermarkets [(1)]	France	FULL	100.00	100.00	100.00	100.00
Génécal	France	FULL	100.00	100.00	100.00	100.00
Génécomi	France	FULL	100.00	53.84	100.00	53.84
Ipersoc SAS	France	FULL	100.00	100.00	100.00	100.00
Linden SAS	France	FULL	100.00	100.00	100.00	100.00
Orpavimob SA	France	FULL	100.00	100.00	100.00	100.00
Promopart	France	FULL	100.00	100.00	100.00	100.00
Rusfinance SAS [(1)]	France	FULL	100.00	100.00	100.00	100.00
Sagem Lease	France	FULL	100.00	100.00	100.00	100.00
SG Equipement Finance SA	France	FULL	100.00	100.00	100.00	100.00
SG Services	France	FULL	100.00	100.00	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
SNC Athena Investissements [8]	France	FULL	-	100.00	-	100.00
SNC Cofininvest [9]	France	FULL	-	100.00	-	100.00
SNC Distinvest [9]	France	FULL	-	100.00	-	100.00
SNC Financières Valmy Investissements [9]	France	FULL	-	100.00	-	100.00
SNC Fininva [10]	France	FULL	-	100.00	-	100.00
SNC Finovadis	France	FULL	100.00	100.00	100.00	100.00
SNC Paris Strasbourg [9]	France	FULL	-	100.00	-	100.00
Sofom [11]	France	FULL	-	100.00	-	100.00
Sofrafi	France	FULL	100.00	100.00	100.00	100.00
Sogéfimur	France	FULL	100.00	100.00	100.00	100.00
Sogéfinancement	France	FULL	100.00	100.00	100.00	100.00
Sogéfinerg	France	FULL	100.00	100.00	100.00	100.00
Sogéga PME	France	FULL	100.00	100.00	100.00	100.00
Sogelease France	France	FULL	100.00	100.00	100.00	100.00
Solocvi	France	FULL	100.00	100.00	100.00	100.00
Valmyfin	France	FULL	100.00	100.00	100.00	100.00
Varoner 2 [12]	France	FULL	-	100.00	-	100.00
FCC HYPERION [2]	France	FULL	100.00	-	100.00	-
PORTFOLIO MANAGEMENT						
FCC Albatros	France	FULL	100.00	100.00	51.00	51.00
FCP Lyxor Obligatium [1] and [20]	France	FULL	-	-	-	-
Fimat Americas S.A.S [6]	France	FULL	-	100.00	-	100.00
Finareg	France	FULL	100.00	100.00	100.00	100.00
Géné Act 1	France	FULL	100.00	100.00	100.00	100.00
Généfinance	France	FULL	100.00	100.00	100.00	100.00
Généval [1]	France	FULL	100.00	100.00	100.00	100.00
Géninfo	France	FULL	100.00	100.00	100.00	100.00
Libécap	France	FULL	100.00	100.00	100.00	100.00
Megaval [13]	France	FULL	-	100.00	-	100.00
Salvépar	France	FULL	51.42	51.42	51.42	51.42
SCI Foncière Défense	France	FULL	99.99	99.99	100.00	100.00
SG Capital Developpement	France	FULL	100.00	100.00	100.00	100.00
SG Consumer Finance [1]	France	FULL	100.00	100.00	100.00	100.00
SG Financial Services Holding	France	FULL	100.00	100.00	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
SGSS Holding [1]	France	FULL	100.00	100.00	100.00	100.00
Sogéfim	France	FULL	100.00	100.00	100.00	100.00
Sogénal Participation	France	FULL	100.00	100.00	100.00	100.00
SG de Participations	France	FULL	100.00	100.00	100.00	100.00
Sogéparticipations (ex-Sogenal) [1]	France	FULL	100.00	100.00	100.00	100.00
Sogéplus	France	FULL	100.00	100.00	100.00	100.00
Societe Generale Capital Partenaire	France	FULL	100.00	100.00	100.00	100.00
Sté Rue Edouard- VII	France	FULL	99.91	99.91	99.91	99.91
The Emerald Fund Limited	France	FULL	100.00	100.00	100.00	100.00
Vouric	France	FULL	100.00	100.00	100.00	100.00
BROKERS						
Boursorama [1]	France	FULL	55.78	55.93	55.78	55.93
Clickoptions	France	FULL	100.00	100.00	100.00	100.00
Fimat Banque [15]	France	FULL	-	100.00	-	100.00
Fimat SNC Paris [16]	France	FULL	-	100.00	-	100.00
Gaselys	France	PROP	49.00	49.00	49.00	49.00
SG Énergie	France	FULL	100.00	100.00	100.00	100.00
SG Euro CT	France	FULL	100.00	100.00	100.00	100.00
SG Option Europe	France	FULL	100.00	100.00	100.00	100.00
SG Securities Paris	France	FULL	100.00	100.00	100.00	100.00
Newedge [1] and [2]	France	PROP	50.00	-	50.00	-
REAL ESTATE AND REAL ESTATE FINANCING						
Galybet	France	FULL	100.00	100.00	100.00	100.00
Généfim [1]	France	FULL	100.00	100.00	100.00	100.00
Généfimmo [1]	France	FULL	100.00	100.00	100.00	100.00
Orient Properties	France	FULL	100.00	100.00	100.00	100.00
Sogébail	France	FULL	100.00	100.00	100.00	100.00
Sogéprom [1]	France	FULL	100.00	100.00	100.00	100.00
Sophia-bail	France	FULL	51.00	51.00	51.00	51.00
Ivory OIP [2]	France	FULL	100.00	-	100.00	-
SERVICES						
CGA	France	FULL	100.00	100.00	100.00	100.00
ECS [1]	France	FULL	100.00	100.00	100.00	100.00
Parel	France	FULL	100.00	100.00	100.00	100.00
Socogéfi	France	FULL	100.00	100.00	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
GROUP REAL ESTATE MANAGEMENT COMPANIES						
CFM [1]	France	FULL	100.00	100.00	100.00	100.00
Eléaparts	France	FULL	100.00	100.00	100.00	100.00
Génégis 1	France	FULL	100.00	100.00	100.00	100.00
Génégis 2	France	FULL	100.00	100.00	100.00	100.00
Génévalmy	France	FULL	100.00	100.00	100.00	100.00
SOGEMARCHE	France	FULL	100.00	100.00	100.00	100.00
SOGECAMPUS	France	FULL	100.00	100.00	100.00	100.00
SC Alicante 2000	France	FULL	100.00	100.00	100.00	100.00
SC Chassagne 2000	France	FULL	100.00	100.00	100.00	100.00
SCI Opéra 72	France	FULL	99.99	99.99	100.00	100.00
SI 29 Haussmann	France	FULL	100.00	100.00	100.00	100.00
Société Immobilière de Strasbourg [14]	France	FULL	-	100.00	-	100.00
Sogé Colline Sud	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 1	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 2	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 3	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 4	France	FULL	100.00	100.00	100.00	100.00
Sogéfontenay	France	FULL	100.00	100.00	100.00	100.00
Soginfo [1]	France	FULL	100.00	100.00	100.00	100.00
S.T.I.P	France	FULL	99.99	99.99	100.00	100.00
Valminvest	France	FULL	100.00	100.00	100.00	100.00
INSURANCE						
Génécar	France	FULL	100.00	100.00	100.00	100.00
Oradéa Vie	France	FULL	100.00	100.00	100.00	100.00
Sogécap [1]	France	FULL	100.00	100.00	100.00	100.00
Sogessur	France	FULL	65.00	65.00	65.00	65.00
EUROPE						
BANKS						
Banca Romana Pentru Devzvoltare [1]	Romania	FULL	58.54	58.32	58.54	58.32
Banka Popullore	Albania	FULL	75.01	75.00	75.01	75.00
Bank Republic [1]	Georgia	FULL	60.00	60.00	60.00	60.00
General Bank of Greece [1]	Greece	FULL	52.32	52.32	52.32	52.32
Komerčni Banka [1]	Czech Republic	FULL	60.35	60.35	60.35	60.35

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
SG Bank Nederland NV	Netherlands	FULL	100.00	100.00	100.00	100.00
SG Express Bank [1]	Bulgaria	FULL	97.95	97.95	97.95	97.95
SG Hambros Bank Limited [1]	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Suisse) [1]	Switzerland	FULL	100.00	77.62	100.00	77.62
Societe Generale SRBIJA	Serbia	FULL	100.00	100.00	100.00	100.00
SG Vostok [1]	Russia	FULL	100.00	100.00	100.00	100.00
SGBT Luxembourg [1]	Luxembourg	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Monaco)	Monaco	FULL	100.00	100.00	100.00	100.00
SKB Banka [1]	Slovenia	FULL	99.69	99.68	99.69	99.68
Societe Generale Cyprus Ltd	Cyprus	FULL	51.00	51.00	51.00	51.00
Sogéparticipations Belgique [1]	Belgium	FULL	100.00	100.00	100.00	100.00
Splitska Banka	Croatia	FULL	100.00	99.76	100.00	99.76
2S Banca	Italy	FULL	100.00	100.00	100.00	100.00
Rosbank [18]	Russia	FULL	57.57	20.00	57.57	20.00
FINANCIAL COMPAGNIES						
Amber [21]	Great Britain	FULL	100.00	100.00	100.00	100.00
BRD Finance Credite Consum SRL	Romania	FULL	79.69	79.58	100.00	100.00
Brigantia BV [1]	Great Britain	FULL	100.00	100.00	80.00	80.00
Claris 4 [20]	Jersey	FULL	-	-	-	-
Co-Invest LBO Master Fund LLP	Great Britain	FULL	100.00	100.00	51.00	51.00
Euro-VL Luxembourg	Luxembourg	FULL	99.21	99.21	100.00	100.00
Halysa SA	Luxembourg	FULL	100.00	100.00	100.00	100.00
Iris II [20]	Ireland	FULL	-	-	-	-
IVEFI	Luxembourg	FULL	100.00	100.00	100.00	100.00
LFL Asset Finance Ltd	Ireland	FULL	51.00	51.00	51.00	51.00
Lyxor Master Fund	Jersey	FULL	100.00	100.00	100.00	100.00
Orion Shared Liquidity Assets Fund BV	Netherlands	FULL	100.00	100.00	95.00	95.00
Parsifal Ltd [20]	Jersey	FULL	-	-	-	-
Red & Black Consummer 2006-1 plc [5] and [20]	Ireland	FULL	-	-	-	-
SGA Societe Generale Acceptance N.V.	Netherlands Antilles	FULL	100.00	100.00	100.00	100.00
SG Asset Management Group Ltd [1]	Great Britain	FULL	100.00	100.00	100.00	100.00
SGAM Iberia	Spain	FULL	100.00	100.00	100.00	100.00
SGAM Irlande	Ireland	FULL	100.00	100.00	100.00	100.00
SGAP Luxembourg	Luxembourg	FULL	100.00	100.00	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest December 2008	Group ownership interest December 2007	Group voting interest December 2008	Group voting interest December 2007
SGBF	Belgium	FULL	100.00	100.00	100.00	100.00
SGCF Holding Hellas SA (1)	Greece	FULL	100.00	100.00	100.00	100.00
SG Effekten	Germany	FULL	100.00	100.00	100.00	100.00
SG Finance Ireland (1)	Ireland	FULL	100.00	100.00	100.00	100.00
SG Immobel (1)	Belgium	FULL	100.00	100.00	100.00	100.00
SG Investment UK Ltd (1)	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Russel	Ireland	PROP	50.00	50.00	50.00	50.00
SG Securities London Ltd	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Wertpapierhandelsgesellschaft Mbh	Germany	FULL	100.00	100.00	100.00	100.00
Société Européenne de Financement et d'Investissement	Luxembourg	FULL	100.00	100.00	100.00	100.00
Verifonds	Germany	FULL	100.00	100.00	100.00	100.00
CODEIS (2)	Luxembourg	FULL	100.00	-	100.00	-
PROSTOFINANCE (3)	Ukraine	FULL	100.00	100.00	100.00	100.00
Red & Black Consumer 2008-1 (2)	France	FULL	100.00	-	100.00	-
SPECIALIST FINANCING						
ALD Belgium (1)	Belgium	FULL	100.00	100.00	100.00	100.00
ALD Danmark (1)	Danemark	FULL	100.00	100.00	100.00	100.00
ALD Finland (1)	Finland	FULL	100.00	100.00	100.00	100.00
Axus Italiana S.R.L	Italy	FULL	100.00	100.00	100.00	100.00
ALD Nederland	Netherlands	FULL	100.00	100.00	100.00	100.00
ALD Norway (1)	Norway	FULL	100.00	100.00	100.00	100.00
ALD Sweden (1)	Sweden	FULL	100.00	100.00	100.00	100.00
Adria Leasing Spa	Italy	FULL	100.00	100.00	100.00	100.00
ALD Germany (1)	Germany	FULL	100.00	100.00	100.00	100.00
ALD UK (1)	Great Britain	FULL	100.00	100.00	100.00	100.00
ALD Czech Republic	Czech Republic	FULL	100.00	100.00	100.00	100.00
ALD International SAS & Co (1)	Germany	FULL	100.00	100.00	100.00	100.00
ALD International S.A.	Germany	FULL	100.00	100.00	100.00	100.00
ALD Lease Finanz GmbH (1)	Germany	FULL	100.00	100.00	100.00	100.00
ALD Portugal	Portugal	FULL	100.00	100.00	100.00	100.00
ALD Spain (1)	Spain	FULL	100.00	100.00	100.00	100.00
Delta Credit Mortgage Finance BV (1)	Netherlands	FULL	100.00	100.00	100.00	100.00
Eiffel	Great Britain	FULL	100.00	100.00	100.00	100.00
Essox s.r.o	Czech Republic	FULL	79.81	79.81	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
Eurobank	Poland	FULL	99.41	99.36	99.41	99.36
Fiditalia SPA	Italy	FULL	100.00	100.00	100.00	100.00
Fraer Leasing Spa	Italy	FULL	67.75	67.75	67.75	67.75
SGEF Czech Republic	Czech Republic	FULL	100.00	100.00	100.00	100.00
Franfinance Leasing Italia Spa	Italy	FULL	100.00	100.00	100.00	100.00
SGEF Polska	Poland	FULL	100.00	100.00	100.00	100.00
Gefa Bank (1)	Germany	FULL	100.00	100.00	100.00	100.00
Gefa Leasing GmbH	Germany	FULL	100.00	100.00	100.00	100.00
Hanseatic Bank	Germany	FULL	75.00	75.00	75.00	75.00
Montalis Investment BV	Netherlands	FULL	100.00	100.00	100.00	100.00
Promopart Snc (5)	Luxembourg	FULL	-	100.00	-	100.00
SGBT Finance Ireland Limited	Ireland	FULL	100.00	100.00	100.00	100.00
SGEF Benelux	Netherlands	FULL	100.00	100.00	100.00	100.00
SGEF International GmbH (1)	Germany	FULL	100.00	100.00	100.00	100.00
SGEF Switzerland	Switzerland	FULL	100.00	100.00	100.00	100.00
SGEF SA & CO KG	Germany	FULL	100.00	100.00	100.00	100.00
SG Factoring Spa	Italy	FULL	100.00	100.00	100.00	100.00
SG Finans (1)	Norway	FULL	100.00	100.00	100.00	100.00
SG Holding de Valores y Participationes	Spain	FULL	100.00	100.00	100.00	100.00
SG Leasing XII (1)	Great Britain	FULL	100.00	100.00	100.00	100.00
Societe Generale Italia holding SPA	Italy	FULL	100.00	100.00	100.00	100.00
Sogega Pme Snc (5)	Luxembourg	FULL	-	100.00	-	100.00
Sogelease BV Nederland (1)	Netherlands	FULL	100.00	100.00	100.00	100.00
PEMA GmbH (1) and (2)	Germany	FULL	100.00	-	100.00	-
BROKERS						
Cube Financial (6)	Great Britain	PROP	-	100.00	-	100.00
Gaselys UK Ltd	Great Britain	FULL	100.00	100.00	100.00	100.00
Squaregain	Great Britain	FULL	100.00	100.00	100.00	100.00
Succursale Fimat Francfort (6)	Germany	FULL	-	100.00	-	100.00
Succursale Fimat Londres (6)	Great Britain	FULL	-	100.00	-	100.00
Succursale Fimat Madrid (6)	Spain	FULL	-	100.00	-	100.00
INSURANCE						
Généras	Luxembourg	FULL	100.00	100.00	100.00	100.00
Inora Life	Ireland	FULL	100.00	100.00	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest December 2008	Group ownership interest December 2007	Group voting interest December 2008	Group voting interest December 2007
Komerčni Pojistovna	Czech Republic	FULL	80.57	80.57	100.00	100.00
Sogelife	Luxembourg	FULL	100.00	100.00	100.00	100.00
Sogecap Life Insurance (2)	Russia	FULL	100.00	-	100.00	-
AFRICA AND THE MIDDLE-EAST						
BANKS						
BFV – SG (Madagascar)	Madagascar	FULL	70.00	70.00	70.00	70.00
SG de Banques au Burkina	Burkina Faso	FULL	44.48	42.28	46.07	43.87
SGB Guinée Equatoriale	Equatorial Guinea	FULL	52.44	52.44	57.24	57.24
National SG Bank SAE	Egypt	FULL	77.17	77.17	77.17	77.17
SG Algérie	Algeria	FULL	100.00	100.00	100.00	100.00
SGB Cameroun	Cameroon	FULL	58.08	58.08	58.08	58.08
SG Banques en Côte-d'Ivoire (1)	Ivory Coast	FULL	68.20	68.20	68.20	68.20
SG Banque en Guinée	Guinea	FULL	52.94	52.94	52.94	52.94
SG Banque au Liban (1)	Lebanon	EQUITY	19.00	19.00	19.00	19.00
SG Banques au Sénégal	Senegal	FULL	58.78	58.78	59.28	59.28
SG Maroc (1)	Morocco	FULL	56.91	53.02	56.91	53.02
SSB Bank Ghana	Ghana	FULL	51.00	51.00	51.00	51.00
Union International de Banque	Tunisia	FULL	57.20	52.34	52.34	52.34
SPECIALIST FINANCING						
ALD Marocco	Morocco	FULL	42.95	42.95	50.00	50.00
Eqdom	Morocco	FULL	45.41	45.16	54.69	54.21
Sogelease Egypt	Egypt	FULL	70.87	70.87	80.00	80.00
Sogelease Maroc	Morocco	FULL	71.81	71.81	100.00	100.00
INSURANCE						
La Marocaine Vie	Morocco	FULL	73.75	73.75	87.07	87.07
THE AMERICAS						
BANKS						
Banco SG Brazil (ex Banco Societe Generale Brasil SA) (1)	Brazil	FULL	100.00	100.00	100.00	100.00
Galo S.A. (1)	Brazil	FULL	70.00	70.00	70.00	70.00
SG Canada (1)	Canada	FULL	100.00	100.00	100.00	100.00
Trancoso Participaçoes Ltda. (1)	Brazil	FULL	100.00	100.00	100.00	100.00
SPECIALIST FINANCING						
Andromede Fund (5)	Cayman Islands	FULL	-	100.00	-	100.00
GIC LTO (4)	United States	FULL	-	100.00	-	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest December 2008	Group ownership interest December 2007	Group voting interest December 2008	Group voting interest December 2007
Lyxor Ivory Fund [5]	Cayman Islands	FULL	-	100.00	-	100.00
Raeburn Overseas Partners Ltd [5]	United States	FULL	-	100.00	-	100.00
Ruby Fund Limited [5]	Cayman Islands	FULL	-	100.00	-	100.00
SG Americas Inc. [1]	United States	FULL	100.00	100.00	100.00	100.00
SG Capital Trust [1]	United States	FULL	100.00	100.00	100.00	100.00
SG Warrants Limited	United States	FULL	100.00	100.00	100.00	100.00
TCW Group [1]	United States	FULL	100.00	98.40	100.00	99.40
TOBP [20]	United States	FULL	-	-	-	-
TOPAZ Fund [4]	Cayman Islands	FULL	-	100.00	-	100.00
Turquoise	Cayman Islands	FULL	100.00	100.00	100.00	100.00
Arrow Offshore Ltd [2]	Cayman Islands	FULL	100.00	-	23.51	-
Permal PJM Ltd [2]	British Virgin Islands	FULL	100.00	-	50.00	-
Turquoise II [2]	Cayman Islands	FULL	100.00	-	100.00	-
BROKERS						
Fimat Alternative Strategies Inc. [6]	United States	FULL	-	100.00	-	100.00
Fimat Canada Inc. [6]	Canada	FULL	-	100.00	-	100.00
Fimat Futures USA LLC [6]	United States	FULL	-	100.00	-	100.00
SERVICES						
Fimat Facilities Management [6]	United States	FULL	-	100.00	-	100.00
SPECIALIST FINANCING						
Cousto Investments LP	United States	FULL	100.00	100.00	55.00	55.00
PACE [20]	United States	FULL	-	-	-	-
Makatea JV Inc	United States	FULL	100.00	100.00	66.67	66.67
Rexus LLC	United States	FULL	100.00	100.00	70.83	70.83
SG Astro Finance LP	United States	FULL	100.00	100.00	100.00	100.00
SG Astro Finance Trust	United States	FULL	100.00	100.00	100.00	100.00
SG Constellation Canada LTD	Canada	FULL	100.00	100.00	100.00	100.00
SG Equity Finance LLC [17]	United States	FULL	-	100.00	-	100.00
SG Finance Inc	United States	FULL	100.00	100.00	100.00	100.00
SG Preferred Capital III LLC [1]	United States	FULL	100.00	100.00	100.00	100.00
Sorbier Investment Corp [7]	United States	FULL	-	100.00	-	65.00
PORTFOLIO MANAGEMENT						
SG Commodities Product	United States	FULL	100.00	100.00	100.00	100.00
SG Investissement Management Holding Corp [1]	United States	FULL	100.00	100.00	100.00	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2008	December 2007	December 2008	December 2007
ASIA AND OCEANIA						
BANKS						
SG Australia Holdings (1)	Australia	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Japan) Limited	Japan	FULL	100.00	100.00	100.00	100.00
SG Securities North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
SG China Inc. (2)	China	FULL	100.00	-	100.00	-
FINANCIAL COMPAGNIES						
Fortune Fund Management Co. (FFMC)	China	PROP	49.00	49.00	49.00	49.00
IBK SGAM	South Korea	PROP	50.00	50.00	50.00	50.00
SG Asset Management Singapore Ltd	Singapore	FULL	100.00	100.00	100.00	100.00
SGAM Japan	Japan	FULL	100.00	100.00	100.00	100.00
SG Asia (Hong Kong) Ltd	Hong-Kong	FULL	100.00	100.00	100.00	100.00
PORTFOLIO MANAGEMENT						
SGAM North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
BROKERS						
Fimat Singapour (6)	Singapore	FULL	-	100.00	-	100.00
Fimat HK (6)	Hong-Kong	FULL	-	100.00	-	100.00
Fimat Japan (6)	Japan	FULL	-	100.00	-	100.00
Fimat International Banque Hong Kong (6)	Hong-Kong	FULL	-	100.00	-	100.00
Fimat Taiwan (6)	Taiwan	FULL	-	100.00	-	100.00
SG Securities Asia Int. Holdings (1)	Singapore	FULL	100.00	100.00	100.00	100.00
Succursale Fimat Sydney (5)	Australia	FULL	-	100.00	-	100.00

* *Full: full consolidation - Prop: proportionate consolidation - Equity: equity method*

(1) Companies carrying out sub-consolidation.
(2) Consolidated for the first time in 2008.
(3) Company now consolidated directly.
(4) Entities deconsolidated during 2008.
(5) Entities wound up in 2008.
(6) Entity now sub-consolidated in Newedge.
(7) Entities sold in 2008.
(8) Dissolution by transfer of assets with Varoner 2.
(9) Dissolution by transfer of assets with Dalarec.
(10) Dissolution by transfer of assets with Cafirec.
(11) Dissolution by transfer of assets with SGOE.
(12) Dissolution by transfer of assets with Généfinance.
(13) Dissolution by transfer of assets with Sogéparticipations.
(14) Dissolution by transfer of assets with Sogénal.
(15) Fimat Banque and Calyon have merged.
(16) Fimat SNC Paris and Fimat Banque have merged.
(17) SG Equity Finance LLC and SG AE have merged.
(18) Change in consolidation method: from equity method to full consolidated method.
(19) Change in consolidation method: from full consolidated method to proportionate method.
(20) Special purpose Vehicles substantially controlled by the Group.
(21) SG owns only one compartment of Amber at 100%.

Note 46

Sector information by business lines

	French Network		International Retail Banking		Financial Services	
(In millions of euros)	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Net banking income	7,191	7,058	4,976	3,444	3,115	2,838
Operating Expenses (1)	(4,678)	(4,566)	(2,752)	(1,986)	(1,795)	(1,526)
Gross operating income	**2,513**	**2,492**	**2,224**	**1,458**	**1,320**	**1,312**
Cost of risk	(480)	(329)	(500)	(204)	(587)	(374)
Operating income excluding net loss on unauthorized and concealed trading activities	**2,033**	**2,163**	**1,724**	**1,254**	**733**	**938**
Net loss on unauthorized and concealed trading activities	-	-	-	-	-	-
Operating income including net loss on unauthorised and concealed trading activities	**2,033**	**2,163**	**1,724**	**1,254**	**733**	**938**
Net income from companies accounted for by the equity method	2	2	8	36	(21)	(7)
Net income/expense from other assets	2	4	14	28	(1)	1
Impairment of goodwill	-	-	(300)	-	-	-
Earnings before tax	**2,037**	**2,169**	**1,446**	**1,318**	**711**	**932**
Income tax	(692)	(736)	(365)	(320)	(224)	(315)
Net income before minority interests	**1,345**	**1,433**	**1,081**	**998**	**487**	**617**
Minority interests	49	58	472	312	18	17
Net income, Group share	**1,296**	**1,375**	**609**	**686**	**469**	**600**

(1) Including depreciation and amortization.

	Global Investment Management and Services					
	Asset Management		Private Banking		SGSS and Online Savings	
(In millions of euros)	2008	2007	2008	2007	2008	2007
Net banking income	409	1,119	839	823	1,562	1,799
Operating Expenses [(1)]	(792)	(841)	(539)	(531)	(1,299)	(1,336)
Gross operating income	**(383)**	**278**	**300**	**292**	**263**	**463**
Cost of risk	(8)	(4)	(32)	(1)	(13)	(36)
Operating income excluding net loss on unauthorized and concealed trading activities	**(391)**	**274**	**268**	**291**	**250**	**427**
Net loss on unauthorized and concealed trading activities	-	-	-	-	-	-
Operating income including net loss on unauthorised and concealed trading activities	**(391)**	**274**	**268**	**291**	**250**	**427**
Net income from companies accounted for by the equity method	-	-	-	-	-	-
Net income/expense from other assets	-	(6)	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-
Earnings before tax	**(391)**	**268**	**268**	**291**	**250**	**427**
Income tax	128	(91)	(55)	(63)	(83)	(141)
Net income before minority interests	**(263)**	**177**	**213**	**228**	**167**	**286**
Minority interests	(5)	8	-	13	18	18
Net income, Group share	**(258)**	**169**	**213**	**215**	**149**	**268**

(1) Including depreciation and amortization.

(In millions of euros)	Corporate and Investment Banking 2008	Corporate and Investment Banking 2007	Corporate Center 2008	Corporate Center 2007	Societe Generale Group 2008	Societe Generale Group 2007
Net banking income [(2)]	4,017	4,522	(243)	320	21,866	21,923
Operating Expenses [(1)]	(3,478)	(3,425)	(195)	(94)	(15,528)	(14,305)
Gross operating income	**539**	**1,097**	**(438)**	**226**	**6,338**	**7,618**
Cost of risk	(1,024)	56	(11)	(13)	(2,655)	(905)
Operating income excluding net loss on unauthorized and concealed trading activities	**(485)**	**1,153**	**(449)**	**213**	**3,683**	**6,713**
Net loss on unauthorized and concealed trading activities	-	(4,911)	-	-	-	(4,911)
Operating income including net loss on unauthorised and concealed trading activities	**(485)**	**(3,758)**	**(449)**	**213**	**3,683**	**1,802**
Net income from companies accounted for by the equity method	6	19	(3)	(6)	(8)	44
Net income/expense from other assets	9	26	609	(13)	633	40
Impairment of goodwill	-	-	-	-	(300)	-
Earnings before tax	**(470)**	**(3,713)**	**157**	**194**	**4,008**	**1,886**
Income tax	243	1,501	(187)	(117)	(1,235)	(282)
Net income before minority interests	**(227)**	**(2,212)**	**(30)**	**77**	**2,773**	**1,604**
Minority interests	8	9	203	222	763	657
Net income, Group share	**(235)**	**(2,221)**	**(233)**	**(145)**	**2,010**	**947**

(1) Including depreciation and amortization.

(2) Breakdown of the Net banking income by business for the "Corporate and Investment Banking":

(In millions of euros)	2008	2007
Financing and Advisory	3,633	1,859
Fixed Income, Currencies and Commodities	(953)	(885)
Equities	1,337	3,548
Others	-	-
Total Net banking income	**4,017**	**4,522**

(In millions of euros)	French Networks December 31, 2008	French Networks December 31, 2007	International Retail banking December 31, 2008	International Retail banking December 31, 2007	Financial services December 31, 2008	Financial services December 31, 2007	Corporate and Investment Banking December 31, 2008	Corporate and Investment Banking December 31, 2007
Sector assets	173,336	160,987	87,496	64,156	118,936	115,949	649,318	614,278
Sector liabilities [(1)]	125,836	118,063	72,458	58,007	73,751	76,941	694,805	650,144

	Global Investment Management and Services											
	Asset Management		Private Banking		SGSS and Online Savings		Division Total		Corporate Center		Societe Generale Group	
(In millions of euros)	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Sector assets	7,652	30,403	22,090	18,943	43,533	45,249	73,275	94,595	27,642	21,797	1,130,003	1,071,762
Sector liabilities [(1)]	7,969	21,332	31,888	27,899	60,560	68,805	100,417	118,036	21,849	19,296	1,089,116	1,040,487

(1) Sector liabilities correspond to debts (i.e. total liabilities except equity).

Sector information by geographical regions

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME

(In millions of euros)	France		Europe		Americas	
	2008	2007	2008	2007	2008	2007
Net interest and similar income	3,508	733	3,949	2,862	44	(1,150)
Net fee income	4,160	4,186	2,214	1,854	569	1,011
Net income/expense from financial transactions	2,945	7,361	537	859	1,038	1,085
Other net operating income	493	628	848	740	(88)	(136)
Net banking income	**11,106**	**12,908**	**7,548**	**6,315**	**1,563**	**810**

(In millions of euros)	Asia		Africa		Oceania		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Net interest and similar income	81	(156)	722	633	110	(20)	8,414	2,902
Net fee income	139	194	304	259	29	24	7,415	7,528
Net income/(expense) from financial transactions	316	734	65	56	(131)	157	4,770	10,252
Other net operating income	-	5	15	5	(1)	(1)	1,267	1,241
Net banking income	**536**	**777**	**1,106**	**953**	**7**	**160**	**21,866**	**21,923**

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS

(In millions of euros)	France		Europe		Americas		Asia	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Sector assets	796,906	673,182	162,201	191,886	111,743	140,941	19,251	25,357
Sector liabilities (1)	762,684	648,140	157,415	187,217	111,845	141,049	18,727	24,976

(In millions of euros)	Africa		Oceania		Total	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Sector assets	18,443	16,570	21,459	23,826	1,130,003	1,071,762
Sector liabilities (1)	16,963	15,446	21,482	23,659	1,089,116	1,040,487

(1) Sector liabilities correspond to debts (i.e. total liabilities except equity).

Note 47

Post closing events

On January 26, 2009, the Societe Generale Group announced that it has signed a preliminary agreement with Crédit Agricole S.A. in order to combine their asset management operations.

This new entity will combine the entirety of CAAM group, the asset management arm of Crédit Agricole S.A., and the European and Asian activities of Societe Generale's asset management business, SGAM (with the exception of SGAM AI which will be folded into Lyxor which will remain within the Group), as well as 20% of TCW, its asset management subsidiary in the United States. The new combined entity will be the 4th largest asset manager in Europe, based on assets under management, and the 9th on a global basis.

Ownership of the combined asset management businesses will be split between Crédit Agricole S.A. (70%) and Societe Generale (30%). The combined entity could consider a stock exchange listing within a five-year timeframe. There is a lock-up agreement between Crédit Agricole S.A. and Societe Generale of at least five years.

The signature of a final agreement between Societe Generale and Crédit Agricole S.A. is subject to consultation of the relevant employee representation groups and to the approval of the relevant regulatory authorities, and the various joint-venture partners.

This project has not had any impact on 2008 consolidated financial statements.

Note 48

Fees to statutory auditors

Fees to statutory auditors recorded in the income statement in 2008 are:

(In millions of euros)	**December 31, 2008**
Fees related to statutory audit, certification, examination of parent company and consolidated accounts	32
Fees related to audit services and related assignments	3
Total	**35**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Societe Generale – Year ended December 31, 2008

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes (an) explanatory paragraph(s) discussing the auditors' assessment(s) (1) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification (2) of information in the Group management report.

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

Statutory Auditors' Report On the Consolidated Financial Statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2008, on:

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

These consolidated financial statements were approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes verifying, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, significant estimates made by the management, and the overall financial statement presentation. We believe that the evidence we have gathered in order to form our opinion is adequate and relevant.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group in accordance with the principles applicable under IFRS, as adopted by the European Union.

Without qualifying our opinion, we draw your attention to note 1 to the consolidated financial statements that describes the change in accounting method relating to the amendment of IAS 39, which introduces the possibility of reclassification of some non-derivative financial assets if specified criteria are met.

II. JUSTIFICATION OF ASSESSMENTS

Accounting estimates accompanying the preparation of the consolidated financial statements for the year ended December 31, 2008 have been established in consideration of the high market volatility. It is in this context and in accordance with article L. 823-9 of the French Commercial Code that we conducted our own assessments, which we bring to your attention:

ACCOUNTING PRINCIPLES

Notes 1 and 11 to the consolidated financial statements describe the amendment to IAS 39, which introduces the possibility of reclassification of some non-derivative financial assets if specified criteria are met:

- out of "fair-value-through-profit-and-loss financial assets" to other categories;
- out of "available-for-sale financial assets" to "loans and receivables".

As part of our assessment of the general accounting policies applied by your company, we have verified the correct application of this change in accounting method and the appropriateness of the related disclosure in note 11 to the consolidated financial statements.

ACCOUNTING ESTIMATES

- In the specific context of the current financial crisis, your company provides in note 3 to the consolidated financial statements its direct and indirect exposures to certain sectors, the procedures implemented to assess them, as well as the process for measuring certain financial instruments. We have reviewed the control procedures implemented to identify and measure such exposures, as well as the appropriateness of the related disclosure included in the aforementioned note.
- As detailed in note 1 to the consolidated financial statements, your company uses internal models to measure financial instruments that are not listed on active markets. Our procedures consisted in reviewing the control procedures for the models used, assessing the underlying data and assumptions, and verifying that the risks and results related to these instruments were taken into account.
- Likewise, in this same context, we have reviewed the control procedures relating to the identification of financial instruments that can no longer be traded on an active market or for which market parameters could no longer be observed, and the methodology used for their valuation as a consequence.
- As mentioned in note 3 to the consolidated financial statements, your company assessed the impact of changes in its own credit risk with respect to the valuation of certain financial liabilities measured at fair value through profit and loss. We have verified the appropriateness of the data used for this purpose.
- For the purpose of preparing the financial statements, your company records depreciations to cover the credit risks inherent to its activities and performs significant accounting estimates, as described in note 1 to the consolidated financial statements, related in particular to the assessment of the fair value of financial instruments accounted for at amortized cost, of goodwills, pension plans and other post-employment benefits. Taking into account the specific context of the credit crisis, we have reviewed the processes implemented by management and the underlying assumptions and valuation parameters, and assessed whether these accounting estimates are based on documented procedures consistent with the accounting policies disclosed in note 1 to the consolidated financial statements.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and therefore contributed to the audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

We have also verified the information given in the Group management report as required by French law.

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

Neuilly-sur-Seine and Paris-La Défense, March 4, 2009

The Statutory Auditors

French Original Signed by

DELOITTE & ASSOCIES	ERNST & YOUNG Audit
José-Luis Garcia	Philippe Peuch-Lestrade