10

FINANCIAL INFORMATION

Contents

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS

(In millions of euros)		December 31, 2011	December 31, 2010
Cash, due from central banks	Note 5	43,963	14,081
Financial assets at fair value through profit or loss	Note 6	422,494	455,160
Hedging derivatives	Note 7	12,611	8,162
Available-for-sale financial assets	Note 8	124,738	103,836
Due from banks	Note 9	86,440	70,268
Customers loans	Note 10	367,517	371,898
Lease financing and similar agreements	Note 12	29,325	29,115
Revaluation differences on portfolios hedged against interest rate risk		3,385	2,376
Held-to-maturity financial assets	Note 13	1,453	1,882
Tax assets	Note 14	5,230	5,445
Other assets	Note 15	55,728	43,506
Non-current assets held for sale	Note 16	429	64
Deferred profit-sharing	Note 34	2,235	1,068
Investments in subsidiaries and affiliates accounted for by the equity method		2,014	1,968
Tangible and intangible fixed assets	Note 17	16,837	15,812
Goodwill	Note 18	6,973	7,431
Total		**1,181,372**	**1,132,072**

LIABILITIES

(In millions of euros)		December 31, 2011	December 31, 2010
Due to central banks		971	2,778
Financial liabilities at fair value through profit or loss	Note 6	395,247	358,963
Hedging derivatives	Note 7	12,904	9,267
Due to banks	Note 19	111,274	77,311
Customer deposits	Note 20	340,172	337,447
Securitised debt payables	Note 21	108,583	141,385
Revaluation differences on portfolios hedged against interest rate risk		4,113	875
Tax liabilities	Note 14	1,195	1,343
Other liabilities	Note 22	59,525	55,003
Non-current liabilities held for sale	Note 16	287	6
Underwriting reserves of insurance companies	Note 34	82,998	82,670
Provisions	Note 24	2,450	2,026
Subordinated debt	Note 27	10,541	12,023
Total liabilities		**1,130,260**	**1,081,097**
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Issued common stocks, equity instruments and capital reserves		25,081	24,954
Retained earnings		20,616	18,106
Net income		2,385	3,917
Sub-total		**48,082**	**46,977**
Unrealised or deferred capital gains and losses	Note 29	(1,015)	(556)
Sub-total equity, Group share		**47,067**	**46,421**
Non-controlling interests		4,045	4,554
Total equity		**51,112**	**50,975**
Total		**1,181,372**	**1,132,072**

Consolidated income statement

(In millions of euros)		2011	2010
Interest and similar income	Note 35	32,389	28,294
Interest and similar expense	Note 35	(20,182)	(16,324)
Dividend income		420	318
Fee income	Note 36	9,898	10,038
Fee expense	Note 36	(2,719)	(2,553)
Net gains and losses on financial transactions		4,432	5,374
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 37	*4,434*	*5,341*
o/w net gains and losses on available-for-sale financial assets	Note 38	*(2)*	*33*
Income from other activities	Note 39	23,675	19,662
Expenses from other activities	Note 39	(22,277)	(18,391)
Net banking income		**25,636**	**26,418**
Personnel expenses	Note 40	(9,666)	(9,559)
Other operating expenses		(6,449)	(6,053)
Amortisation, depreciation and impairment of tangible and intangible fixed assets		(921)	(933)
Gross operating income		**8,600**	**9,873**
Cost of risk	Note 42	(4,330)	(4,160)
Operating income		**4,270**	**5,713**
Net income from companies accounted for by the equity method		94	119
Net income/expense from other assets		12	11
Impairment losses on goodwill	Note 18	(265)	1
Earnings before tax		**4,111**	**5,844**
Income tax	Note 43	(1,323)	(1,542)
Consolidated net income		**2,788**	**4,302**
Non-controlling interests		403	385
Net income, Group share		**2,385**	**3,917**
Earnings per ordinary share	Note 44	**3.20**	**4.96**
Diluted earnings per ordinary share	Note 44	**3.18**	**4.94**

Statement of net income and unrealised or deferred gains and losses

(In millions of euros)		2011	2010
Net income		**2,788**	**4,302**
Translation differences		(14)	925
Revaluation of available-for-sale financial assets		(722)	78
Cash flow hedge derivatives revaluation		(52)	(125)
Unrealised gains and losses accounted for by the equity method		(6)	5
Tax		280	(34)
Total unrealised gains and losses	Note 29	**(514)**	**849**
Net income and unrealised gains and losses		**2,274**	**5,151**
O/w Group share		1,926	4,640
O/w non-controlling interests		348	511

Changes in shareholders' equity

	Capital and associated reserves					
(In millions of euros)	**Issued common stocks**	**Issuing premium and capital reserves**	**Elimination of treasury stock**	**Other equity instruments**	**Total**	**Retained earnings**
Shareholders' equity at January 1, 2010	**925**	**17,661**	**(1,515)**	**7,398**	**24,469**	**19,014**
Increase in common stock	8	230			238	
Elimination of treasury stock			180		180	(166)
Issuance of equity instruments		-		(16)	(16)	175
Equity component of share-based payment plans		83			83	
2010 Dividends paid					-	(693)
Effect of acquisitions and disposals on non-controlling interests					-	(227)
Sub-total of changes linked to relations with shareholders	***8***	***313***	***180***	***(16)***	***485***	***(911)***
Change in value of financial instruments having an impact on equity					-	
Change in value of financial instruments recognised in income					-	
Tax impact on change in value on financial instruments having an impact on equity or recognised in income					-	
Translation differences and other changes					-	3
2010 Net income for the period					-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	***3***
Change in equity of associates and joint ventures accounted for by the equity method					-	
Shareholders' equity at December 31, 2010	**933**	**17,974**	**(1,335)**	**7,382**	**24,954**	**18,106**
Appropriation of net income						3,917
Shareholders' equity at January 1, 2011	**933**	**17,974**	**(1,335)**	**7,382**	**24,954**	**22,023**
Increase in common stock (see note 28)	37	1,067			1,104	
Elimination of treasury stock[(1)]			70		70	(103)
Issuance of equity instruments[(4)] (see note 28)		-		(1,209)	(1,209)	433
Equity component of share-based payment plans[(2)]		162		-	162	-
2011 Dividends paid (see note 28)					-	(1,770)
Effect of acquisitions and disposals on non-controlling interests[(3)(4)]					-	36
Sub-total of changes linked to relations with shareholders	***37***	***1,229***	***70***	***(1,209)***	***127***	***(1,404)***
Change in value of financial instruments having an impact on equity (see note 29)					-	-
Change in value of financial instruments recognised in income (see note 29)					-	-
Tax impact on change in value on financial instruments having an impact on equity or recognised in income (see note 29)					-	-
Translation differences and other changes					-	(3)
2011 Net income for the period					-	
Sub-total	**-**	**-**	**-**	**-**	**-**	***(3)***
Change in equity of associates and joint ventures accounted for by the equity method					-	-
Shareholders' equity at December 31, 2011	**970**	**19,203**	**(1,265)**	**6,173**	**25,081**	**20,616**

Unrealised or deferred gains and losses							Non-controlling interests				
Net income, Group Share	**Translation reserves**	**Change in fair value of assets available-for-sale**	**Change in fair value of hedging derivatives**	**Tax impact**	**Total**	**Shareholders' equity, Group share**	**Capital and Reserves**	**Preferred shares issued by subsidiaries (see note 28)**	**Unrealised or deferred gains and losses**	**Total**	**Total consolidated shareholders' equity**
-	**(1,149)**	**(635)**	**260**	**245**	**(1,279)**	**42,204**	**3,202**	**1,462**	**(30)**	**4,634**	**46,838**
						238				-	238
						14				-	14
						159	-	(500)		(500)	(341)
						83	-			-	83
						(693)	(283)			(283)	(976)
						(227)	193			193	(34)
	-	***-***	***-***	***-***	***-***	***(426)***	***(90)***	***(500)***	***-***	***(590)***	***(1,016)***
		452	(124)		328	328			12	12	340
		(362)	-		(362)	(362)			(25)	(25)	(387)
				(37)	(37)	(37)			6	6	(31)
	792				792	795	(1)		133	132	927
3,917					-	3,917	385			385	4,302
3,917	***792***	***90***	***(124)***	***(37)***	***721***	***4,641***	***384***		***126***	***510***	***5,151***
		5	-	(3)	2	2				-	2
3,917	**(357)**	**(540)**	**136**	**205**	**(556)**	**46,421**	**3,496**	**962**	**96**	**4,554**	**50,975**
(3,917)											
-	**(357)**	**(540)**	**136**	**205**	**(556)**	**46,421**	**3,496**	**962**	**96**	**4,554**	**50,975**
						1,104				-	1,104
						(33)				-	(33)
						(776)		(312)		(312)	(1,088)
						162	-			-	162
						(1,770)	(306)			(306)	(2,076)
						36	(6)	(230)		(236)	(200)
	-	***-***	***-***	***-***	***-***	***(1,277)***	***(312)***	***(542)***	***-***	***(854)***	***(2,131)***
		(1,133)	(46)		(1,179)	(1,179)			(32)	(32)	(1,211)
		412	(1)		411	411			26	26	437
				277	277	277			2	2	279
	37				37	34	(3)		(51)	(54)	(20)
2,385					-	2,385	403			403	2,788
2,385	***37***	***(721)***	***(47)***	***277***	***(454)***	***1,928***	***400***	***-***	***(55)***	***345***	***2,273***
		(7)	1	1	(5)	(5)				-	(5)
2,385	**(320)**	**(1,268)**	**90**	**483**	**(1,015)**	**47,067**	**3,584**	**420**	**41**	**4,045**	**51,112**

(1) As at December 31, 2011, the Group held 34,266,679 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 4.42% of the capital of Societe Generale S.A.

The amount deducted by the Group from its net book value for equity instruments (shares and derivatives) came to EUR 1,265 million, including EUR 105 million in shares held for trading purposes and EUR 22 million in respect of the liquidity contract.

On August 22, 2011, the Group implemented a EUR 170 million liquidity contract in order to regulate its stock price. As at December 31, 2011, this liquidity contract contained 1,269,639 shares and EUR 162 million.

The change in treasury stock over 2011 breaks down as follows:

(In millions of euros)	**Liquidity contract**	**Transaction-related activities**	**Treasury stock and active management of Shareholders' equity**	**Total**
Disposals net of purchases	(22)	130	(38)	70
	(22)	**130**	**(38)**	**70**
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	9	1	(129)	(119)
Related dividends, removed from consolidated results	-	-	16	16
	9	**1**	**(113)**	**(103)**

(2) Share-based payments settled in equity instruments in 2011 amounted to EUR 162 million: EUR 31 million for the stock-option plans and EUR 131 million for the allocation of free shares.

(3) Impact on the shareholder's equity, Group share, regarding transactions related to non-controlling interests:

Cancellation of gains on disposals	104
Buybacks of non-controlling interests not subject to any put options	(67)
Transactions and variations in value on put options granted to non-controlling shareholders	1
Net income attributable to the non-controlling interests of shareholders holding a put option on their Group shares allocated to consolidated reserves	(2)
Total	**36**

(4) Changes booked under non-controlling interest reserves correspond to:

Reimbursement of preferred shares issued by subsidiaries amounting to EUR 312 million.
Repurchase of preferred shares issued by subsidiaries amounting to EUR 230 million.
The remaining EUR -6 million booked under non-controlling interest reserves correspond to:

- EUR -125 million of negative effect of the variations in scope, mainly related to the sale of BSGV to Rosbank and the acquisition of 2.53% of non-controlling interests by Rosbank;
- EUR 117 million of positive impact mainly resulting from increase in share capital by Rosbank (EUR 49 million) and Geniki (EUR 67 million);
- EUR 2 million of positive effect on transactions and variations of value on put options granted to non-controlling shareholders.

Cash flow statement

(In millions of euros)	December 31, 2011	December 31, 2010
Net cash inflow (outflow) related to operating activities		
Net income (I)	**2,788**	**4,302**
Amortisation expense on tangible fixed assets and intangible assets	3,131	2,910
Depreciation and net allocation to provisions	4,163	10,172
Net income/loss from companies accounted for by the equity method	(94)	(119)
Deferred taxes	353	117
Net income from the sale of long-term available-for-sale assets and subsidiaries	(190)	(142)
Change in deferred income	122	180
Change in prepaid expenses	80	(15)
Change in accrued income	(632)	(9)
Change in accrued expenses	1,182	(85)
Other changes	2,410	3,418
Non-monetary items included in net income and others adjustments (not including income on financial instruments at fair value through Profit or Loss) (II)	**10,525**	**16,427**
Income on financial instruments at fair value through Profit or Loss[1] (III)	**(4,434)**	**(5,341)**
Interbank transactions	17,766	(14,435)
Customers transactions	2,012	1,499
Transactions related to other financial assets and liabilities	12,342	373
Transactions related to other non financial assets and liabilities	(3,071)	2,555
Net increase/decrease in cash related to operating assets and liabilities (IV)	**29,049**	**(10,008)**
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III) + (IV)	**37,928**	**5,380**
Net cash inflow (outflow) related to investment activities		
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	1,936	161
Tangible and intangible fixed assets	(3,915)	(2,616)
Net cash inflow (outflow) related to investment activities (B)	**(1,979)**	**(2,455)**
Net cash inflow (outflow) related to financing activities		
Cash flow from/to shareholders[2]	(2,093)	(1,240)
Other net cash flows arising from financing activities	(1,881)	(657)
Net cash inflow (outflow) related to financing activities (C)	**(3,974)**	**(1,897)**
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C)	**31,975**	**1,028**
Cash and cash equivalents		
Cash and cash equivalents at the start of the year		
Net balance of cash accounts and accounts with central banks	11,303	11,303
Net balance of accounts, demand deposits and loans with banks	7,334	6,306
Cash and cash equivalents at the end of the year		
Net balance of cash accounts and accounts with central banks	42,992	11,303
Net balance of accounts, demand deposits and loans with banks	7,620	7,334
Net inflow (outflow) in cash and cash equivalents	**31,975**	**1,028**

(1) Income on financial instruments at fair value through Profit or Loss includes realised and unrealised income.

(2) See note 28:

- O/w reimbursement of preferred shares for USD 425 million;
- O/w 2011 dividends paid for EUR 1,187 million excluding dividends paid in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 15, 2012.

Note 1

SIGNIFICANT ACCOUNTING PRINCIPLES

INTRODUCTION

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended December 31, 2011 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date (these standards are available on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

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, 2011.

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, 2011

Accounting standards, amendments or Interpretations	Publication dates by IASB	Adoption dates by European Union
Amendment to IAS 32 "Classification of Rights Issues"	October 8, 2009	December 23, 2009
Amendment to IFRS 1 "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"	January 28, 2010	June 30, 2010
IAS 24 (Revised) "Related Party Disclosures"	November 4, 2009	July 19, 2010
Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement"	November 25, 2009	July 19, 2010
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	November 25, 2009	July 23, 2010
Improvements to IFRS – May 2010	May 6, 2010	February 18, 2011

The application of these new measures has no effect on net income or shareholders' equity of the Group.

• Amendment to IAS 32 "Classification of Rights Issues"

This amendment addresses the accounting treatment of rights issues (rights, options, warrants, etc) that are denominated in a currency other than the functional currency of the issuer. Such rights issues were previously accounted for as derivative liabilities. Provided certain conditions are met, they will be now classified as equity regardless of the currency in which the exercise price is denominated.

• Amendment to IFRS 1 "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"

Like preparers currently using IFRSs in their financial statements, first-time adopters are authorised to apply the transitional provisions provided for in the amendment to IFRS 7 "Improving Disclosures about Financial Instruments".

• IAS 24 (Revised) "Related Party Disclosures"

This revised standard simplifies the disclosure requirements for entities exclusively controlled (or jointly controlled) or significantly influenced by the same government and clarifies the definition of a related party.

• Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

This amendment clarifies the circumstances in which an entity, subject to minimum funding requirements, makes an early payment of contributions and can treat it as an asset.

• IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

This interpretation provides for debtors with guidance on the accounting treatment for the extinguishment of a financial liability by the issuing of equity instruments. These equity instruments issued are measured at their fair value. The difference between the carrying value of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in profit or loss.

• Improvements to IFRS – May 2010

As part of the annual Improvements to International Financial Reporting Standards, the IASB has published amendments to 6 accounting standards.

The main valuation and presentation rules used in drawing up the consolidated financial statements are disclosed below. Except for the application of the new IFRS and IFRIC interpretations described above, these accounting methods and principles were applied consistently in 2010 and 2011.

USE OF ESTIMATES

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

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

The use of estimates principally concerns the following valuations:

- fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss, Hedging derivatives* or *available-for-sale financial assets* (described in paragraph 2 and note 3) and fair value of unlisted instruments for which this information must 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 paragraph 2 and notes 4, 18 and 25);
- provisions recognised 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 paragraph 2 and notes 23, 24, 26 and 34);
- initial value of goodwill determined for each business combination (described in paragraph 1 and note 2);
- in the event of the loss of control of a consolidated subsidiary, fair value used to remeasure the portion kept by the Group in this entity, where applicable (described in paragraph 1).

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 during the fiscal year 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 control. 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 holding 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 using 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 directly or indirectly holds at least 20% of the voting rights in this subsidiary.

SPECIFIC TREATMENT OF 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 exclusively 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 from the SPV's operation, 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 SPV's considered to be substantially controlled by the Group, the shares of the said entities not held by the Group are recognised 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 the closing date. 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 *Gains and losses recognised directly in equity – 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 from the sale will only include write-backs of those translation differences arising since January 1, 2004.

TREATMENT OF ACQUISITIONS AND GOODWILL

The Group uses the acquisition method to recognise 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 entity. The costs directly linked to business combinations are recognised in the income statement for the period.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives; any subsequent adjustments are booked under income for financial liabilities in accordance with IAS 39 and within the scope of the appropriate standards for other debts. For equity instruments, these subsequent adjustments are not recognised.

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

Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is booked on the asset side of the consolidated balance sheet under *Goodwill.* Any deficit is immediately recognised in the income statement. *Non-controlling interests* are valued according to its stake of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *non-controlling interests* initially at their fair value, in which case a fraction of goodwill is allocated.

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 balance sheet date for the period.

On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

In the event of an increase in Group stakes in entities over which it already exercises control: the difference between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is booked under the Group's *Consolidated reserves*. Also, any reduction in the Group's stake in an entity over which it keeps control is accounted for as an equity transaction between shareholders. At the date when the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is remeasured at fair value through profit or loss, at the same time as the capital gain or loss is recorded.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. 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 unit(s).

If the recoverable amount of the cash-generating unit(s) is less than its(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 upon 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 the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability was initially recognised at the present value of the estimated exercise price of the put options under *Other liabilities;*
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as that applied to transactions in *non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of *non-controlling interests* underlying the options, with any balance deducted from the Group's *Consolidated reserves;*
- subsequent variations in this liability linked to changes in the estimated exercise price of the options and the carrying value of *non-controlling interests* are 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 *non-controlling 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 *non-controlling interests* and the Group's *Consolidated reserves;*
- whilst the options have not been exercised, the results linked to *non-controlling interests* with a put option are recorded under *non-controlling interests* on the Group's consolidated income statement.

These accounting principles are likely to be revised over the coming years in line with any amendments proposed by the IFRS Interpretations Committee (ex IFRIC) or the IASB.

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.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the 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 Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group is organised into five core business lines:

- French Networks, which include the domestic networks Societe Generale, Crédit du Nord and Boursorama;
- International Retail Banking, which covers retail banking activities abroad;
- Specialised Financial Services and Insurance, which comprises the Specialised Financing subsidiaries serving businesses (equipment and vendor finance, operational vehicle leasing and fleet management, and IT asset leasing and management, an activity that was disposed of in the second half of 2010), and individuals (consumer finance) and providing life and non-life insurance;
- Global Investment Management and Services. The Securities Services division includes the Group's brokerage arm, operated by Newedge, together with the securities and employee savings business;
- Corporate and Investment Banking, consisting of:
  - "Global Markets", which encompasses all market activities : "Equities" and "Fixed Income, Currencies & Commodities",
  - "Financing & Advisory", which covers all strategy, capital raising and structured financing advisory services,
  - "Legacy Assets", which manages financial assets that have become illiquid in the wake of the financial crisis.

These operating divisions are complemented by the Corporate Centre, which acts as the Group's central funding department for the divisions. As such, it recognises the financing cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income and expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

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

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

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 it must be highly probable that the sale will occur within twelve months. Assets and liabilities falling under this category are reclassified as *Non-current assets held for sale* and *Non-current liabilities held for sale,* with no netting.

Any negative differences between the fair value less selling costs of non-current assets and groups of assets held for sale and their net carrying value is recognised as impairment in profit or loss. Moreover, *Non-current assets held for sale* are no longer depreciated.

An operation is classified as discontinued at the date the Group actually disposed of the operation, or when the operation meets the criteria to be classified as held for sale. Discontinued operations are recognised as a single item in the income statement for the period, at their net income after taxes for the period up to the date of sale, combined with any net gains and losses after taxes on their disposal or on the fair value less selling costs 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 cash flow statement for the period.

2. ACCOUNTING POLICIES AND VALUATION METHODS

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCIES

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement.

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates applying at the end of the period. Unrealised gains and losses are recognised 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 the entity's functional currency 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 informed and consenting 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 the various market participants mentioned above, or 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 valuation techniques (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 estimate of prices applied in real market transactions, then the Group can use those techniques. The use of internal assumptions 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, internal assumptions 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 recognised in the income statement. However, if valuation parameters are not observable or the valuation models are not recognised 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 recognised in the income statement over the lifetime of the instrument. For some instruments, due to their complexity, this margin is recognised at their 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 recognised in the income statement in accordance with the method used to determine the instrument's price. When valuation parameters become observable, any portion of the sales margin that has not yet been booked is recognised 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, held-to-maturity financial assets and available-for-sale financial assets (see below) are recognised in the balance sheet at the delivery-settlement date while derivatives are recognised at 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 at the maturity date for invoiced services. When initially recognised, financial assets and liabilities are measured at fair value including transaction costs (except for financial instruments recognised at fair value through profit or loss) and classified under one of the four 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, held for trading purposes or intended for sale from the time they are originated or contributed. Loans and receivables are recognised in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterparty. Thereafter, they are valued at amortised cost using the effective interest rate method and impairment may be recorded if appropriate.

• Financial assets and liabilities at fair value through profit or loss

These are financial assets and liabilities held for trading purposes. They are booked at fair value at the balance sheet date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement for the period as *Net gains and losses on financial instruments at fair value through profit or 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. The Group's aim in using the fair value option is:

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

  The Group thus recognises 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 accounting treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities have to be recognised 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 recognised in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through profit or loss so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies;
- secondly, 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 measured after acquisition at their amortised cost and may be subject to impairment as appropriate. The amortised cost includes premiums and discounts as well as transaction costs. These assets are recognised 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 recognised 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 recognised in the income statement using the effective interest rate method under *Interest and similar income – Transactions in financial instruments*. Changes in fair value other than income are recorded in shareholders' equity under *Gains and losses recognised directly in equity*. 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 and losses on available-for-sale financial assets*. Impairments regarding equity securities recognised as available-for-sale financial assets are irreversible. Dividend income earned on these securities is booked in the income statement under *Dividend income*.

SECURITIES LENDING AND BORROWING

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

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

RECLASSIFICATION OF FINANCIAL ASSETS

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

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

- if a financial asset with fixed or determinable payments, initially held for trading purposes, can no longer, after acquisition, be quoted in an active market and the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified in the *Loans and receivables* category, provided that the eligibility criteria for 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 the latter case that the eligibility criteria for this category are met.

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

A financial asset initially recognised under *available-for-sale financial assets* may be reclassified in *held-to-maturity financial assets,* provided that the eligibility criteria for this category are met. Furthermore, if a financial asset with fixed or determinable payments initially recognised under *available-for-sale financial assets* can subsequently no longer be quoted in an active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified in *Loans and receivables* provided that the eligibility criteria for this category are met.

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

DEBTS

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

- **Amounts due to banks and 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; 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 using the effective interest rate is recorded as *Related payables* and as an expense in the income statement.

- **Securitised 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 on these accounts using the effective interest rate is recorded as *Related payables* and as an expense in the income statement. Bond issuance and redemption premiums are amortised at the effective interest rate over the life of the related borrowings. The resulting charge is recognised under *Interest expense* in the income statement.

SUBORDINATED DEBT

This item includes all dated or undated borrowings, whether or not in the form of securitised debt, which in the event of the 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 derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to 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, the Group derecognises 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 recognise it in the balance sheet to the extent of its continuing involvement in that asset.

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

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

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

All financial derivatives are recognised 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 recognised in the income statement for the period.

Financial 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 and losses on financial instruments at fair value through profit or loss.*

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

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 carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported under *Net gains and losses on financial instruments at fair value through profit or loss.* To the extent that the hedge is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. As regards interest rate derivatives, accrued interest income or expenses are booked in 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 discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognised under hedge accounting are amortised 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 recognised in a specific equity account, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss.*

Amounts directly recognised 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 expense – 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 discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* 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, unrealised gains and losses booked to equity are immediately reclassified in the income statement.

Hedging of a net investment in a foreign operation

As with a cash flow hedge, the effective portion of the changes in the fair value of the hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Gains and losses recognised directly in equity* while the ineffective portion is recognised 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 of financial derivatives designated as 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 or loss, the Group separates out the embedded derivative from its host contract if, at the inception of the transaction, the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risk profile of the host contract and it would separately meet the definition of a derivative. Once separated out, the derivative is recognised at its fair value in the balance sheet under *Financial assets or liabilities at fair value through profit or loss* and accounted for as above.

IMPAIRMENT OF FINANCIAL ASSETS

• Financial assets measured at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Notwithstanding the existence of a guarantee, the criteria used to assess objective evidence of credit risk include the existence of unpaid instalments 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 of objective evidence of credit risk counterparty or when the counterparty is 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, an impairment 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 loss is booked to *Cost of risk* in the income statement and the value of the financial asset is reduced by an impairment amount. Allocations to and reversals of impairments 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 amortised cost of the loan.

Where 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, impairment is recognised without waiting for the risk to individually affect one or more receivables. Homogeneous portfolios thus impaired can include:

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

The amount of impairment on a group of homogeneous assets is notably determined on the basis of historical loss data 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 impairment are recorded under *Cost of risk.*

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

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

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

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above; the value of these instruments at the balance sheet date is determined using the valuation methods described in note 3.

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

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

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

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once a shareholders' equity instrument has been recognised 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 or 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 recognised 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 discounted at the interest rate implicit in the lease, plus any unguaranteed residual value.

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 other activities* in the income statement and as a reduction of lease finance receivables on the asset side of the balance sheet.

Fixed assets held under 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 recognised 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 asset 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 asset side of the balance sheet in the amount of the direct cost of development. This includes external expenditures 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. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

When one or more 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 or loss under *Amortisation, 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:

<table>
<tr><td rowspan="3">Infrastructure</td><td>Major structures</td><td>50 years</td></tr>
<tr><td>Doors and windows, roofing</td><td>20 years</td></tr>
<tr><td>Façades</td><td>30 years</td></tr>
<tr><td rowspan="8">Technical installations</td><td>Elevators</td><td rowspan="8">10 to 30 years</td></tr>
<tr><td>Electrical installations</td></tr>
<tr><td>Electricity generators</td></tr>
<tr><td>Air conditioning, extractors</td></tr>
<tr><td>Technical wiring</td></tr>
<tr><td>Security and surveillance installations</td></tr>
<tr><td>Plumbing</td></tr>
<tr><td>Fire safety equipment</td></tr>
<tr><td>Fixtures and fittings</td><td>Finishings, surroundings</td><td>10 years</td></tr>
</table>

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

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

Fixed assets are tested for impairment whenever there is any indication that their value may have diminished and, for intangible assets with an 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 *Amortisation, 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 thus affect its future depreciation schedule.

Realised capital gains and losses on operating fixed assets are recognised 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 the 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 or loss under the items corresponding to the future expense.

COMMITMENTS UNDER "CONTRATS EPARGNE-LOGEMENT" (MORTGAGE SAVINGS AGREEMENTS)

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 amortised 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 established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is booked on the liabilities side of the balance sheet. Any changes 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 deposits phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observed past behaviour 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 behaviour 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 a similar estimated life and date of inception.

LOAN COMMITMENTS

The Group initially recognises 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 GIVEN

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

However, perpetual subordinated notes (TSDI) issued by the Group and that include some discretionary features governing the payment of interest are classified as equity.

Issued by Societe Generale, they are 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 subsidiaries of the Group are classified as equity.

Issued by Group subsidiaries, preferred shares are recognised under *non-controlling interests.* Remuneration paid to preferred shareholders is recorded under *non-controlling 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.

Issued by Societe Generale, they are recognised under *Equity instruments and associated reserves.*

NON-CONTROLLING INTERESTS

Non-controlling interests refer to the equity holding in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group.

TREASURY SHARES

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Financial derivatives having Societe Generale shares as their underlying instrument or 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 recognised as equity. Premiums paid or received on 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 having 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 amortised 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. The calculation of this rate considers the future cash flows based on the contractual provisions of the financial instrument without taking account of possible future loan losses and also 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 recognises 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 web-service subscriptions are booked as income over the lifetime of the service. Fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided under *Fee services.*

In syndication deals, 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 including, when needed, a share of the underwriting fees and participation fees; the balance of these fees is recorded in the income statement at the end of the syndication period. Arrangement fees are booked to income when the placement is legally complete. These fees are recognised in the income statement under *Fee income from 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 benefits;
- long-term benefits such as deferred variable remunerations, 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 plans.

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are 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 associated 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. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

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

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) or differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains and losses. They are amortised 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;
- 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 amortisation 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 purchased. 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 non-transferable 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, or for the beneficiaries to exercise their options.

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

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and booked to *Equity instruments and associated reserves* under shareholders' equity. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses 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 amounts payable is booked to *Personnel expenses* as an expense over the vesting period 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. For hedging derivatives, the effective portion of the change in their fair value is booked through profit or loss.

COST OF RISK

The *Cost of risk* account includes allocations, net of reversals, to provisions and to impairments for credit risk, the amount of the loan considered uncollectible and the amount of recoveries on loans written off.

INCOME TAX

• Current taxes

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

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 recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value. Deferred tax assets can result from deductible temporary differences or from tax loss carry forwards. These deferred tax assets are recorded if it is probable that the entity is likely to be able to apply them within a set time. These temporary differences or tax loss carry forwards can also be used against future taxable profit. Tax loss carry forwards are subject to an annual review taking into account the tax system applicable to the relevant entities and a realistic projection of their tax income or expense, based on their business development outlook: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered ; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are booked in the consolidated income statement under *Income tax*. But the deferred taxes related to gains and losses booked under *Gains and losses recognised directly in equity* are also booked under the same heading in shareholders' equity.

INSURANCE ACTIVITIES

• Financial assets and liabilities

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

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

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

Non-life insurance underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims. The risks covered are principally risks linked to home, car and accident insurance guarantees.

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

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

- the first consists in simulating deterministic stress scenarios ("standardised" or extreme). This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified for projections based on extreme scenarios;
- a liability adequacy test is also carried out semi-annually using a stochastic model based on parameter assumptions consistent with those used for the MCEV (Market Consistent Embedded Value). This test takes into account all of the future cash flows from policies, including management charges, fees and policy options and guarantees.

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 2009-R-04 of July 2, 2009.

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 realise the asset and to settle the liability at the same time.

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

- the counterparty to the agreements is the same legal entity;
- they have the same firm maturity date from the start of the transaction;
- they are covered by 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 recognises in its balance sheet for their net amount the fair value of options on indexes traded on organised markets and whose underlying 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 organised market;
- the settlement of options via the physical delivery of underlying assets is not possible on these organised 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 such as holders of preferred shares, subordinated securities or deeply subordinated securities classified in equity. Diluted earnings per share takes into account the potential dilution of shareholders' interests in the event dilutive instruments (stock options or free shares plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE APPLIED BY THE GROUP IN THE FUTURE

Not all of the accounting standards published by the IASB had been adopted by the European Union at December 31, 2011. These accounting standards and interpretations are required to be applied from annual periods beginning on July 1, 2011 at the earliest or on the date of their adoption by the European Union. They were not applied by the Group as of December 31, 2011.

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
Amendment to IFRS 7 "Disclosures – Transfers of Financial Assets"	November 22, 2011	July 1, 2011

• Amendment to IFRS 7 "Disclosures – Transfers of Financial Assets"

This amendment is designed to ensure a better understanding of transactions involving the transfer of financial assets (for example, securitisations) including the possible effects of any risks that remain with the entity that transferred the assets. Additional disclosures are required if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

AMENDMENTS OR INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION AT DECEMBER 31, 2011

Accounting standards or Interpretations	Publication dates by IASB	Effective dates: annual periods beginning on or after
IFRS 9 "Financial Instruments" (Phase 1: Classification and Measurement)	November 12, 2009 October 28, 2010 and December 16, 2011	January 1, 2015
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	December 20, 2010	January 1, 2012
IFRS 10 "Consolidated Financial Statements"	May 12, 2011	January 1, 2013
IFRS 11 "Joint Arrangements"	May 12, 2011	January 1, 2013
IFRS 12 "Disclosures of Interests in Other Entities"	May 12, 2011	January 1, 2013
IFRS 13 "Fair Value Measurement"	May 12, 2011	January 1, 2013
Amendments to IAS 27 "Separate Financial Statements"	May 12, 2011	January 1, 2013
Amendments to IAS 28 "Investments in Associates and Joint Ventures"	May 12, 2011	January 1, 2013
Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"	June 16, 2011	January 1, 2013
Amendments to IAS 19 "Employee Benefits"	June 16, 2011	January 1, 2013
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	October 19, 2011	January 1, 2013
Amendments to IAS 32 and IFRS 7 "Offsetting Financial Assets and Financial Liabilities"	December 16, 2011	January 1, 2014 and January 1, 2013

• IFRS 9 "Financial Instruments" (Phase 1: Classification and Measurement)

This standard, which represents the first step of the overhaul of IAS 39, introduces new requirements for classifying and measuring financial assets and liabilities. Impairment methodology for financial assets and hedge accounting will expand IFRS 9 in further steps.

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

All debt instruments (loans, receivables and bonds) will be measured at amortised cost only if the objective of the entity (business model) is to collect the contractual cash flows and if these cash flows are only payments of principal and interest. All other debt instruments will be measured at fair value through profit or loss.

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

Embedded derivatives will not be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety will then be measured at fair value through profit or loss.

Requirements for the classification and measurement of financial liabilities contained in IAS 39 have been incorporated into IFRS 9 without any modifications, except for financial liabilities designated at fair value through profit or loss (using the fair value option). The amount of change in the liability's fair value attributable to changes in credit risk is recognised in other comprehensive income without subsequent recycling through profit or loss.

Provisions related to derecognition of financial assets and financial liabilities have been carried forward unchanged from IAS 39 into IFRS 9.

• Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"

The measurement of deferred tax depends on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that the carrying amount will be recovered through sale unless the entity has decided differently. This presumption applies to investment properties carried at fair value.

• IFRS 10 "Consolidated Financial Statements"

This standard establishes a single control model that will require Management to exercise significant judgement. The new definition of control includes all of the following elements: power over the investee, rights or exposure to variable returns of the investee and ability to use the power over the investee to affect the amount of the investor's returns.

• IFRS 11 "Joint Arrangements"

This standard distinguishes two forms of joint arrangement (joint operation and joint venture) by assessing the rights and obligations conferred upon the parties and eliminates the option of applying the proportionate consolidation method. Joint ventures must now be consolidated by applying the equity method.

• IFRS 12 "Disclosures of Interests in Other Entities"

This standard requires enhanced disclosures about consolidated entities and both consolidated and unconsolidated structured entities.

• IFRS 13 "Fair Value measurement"

This standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurement.

• Amendments to IAS 27 "Separate Financial Statements"

These amendments have the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects to present separate financial statements.

• Amendments to IAS 28 "Investments in Associates and Joint Ventures"

Further to the issue of IFRS 10 and IFRS 11, IAS 28 is amended to prescribe the accounting treatment of investments in associates and joint ventures.

• Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income (OCI)"

These amendments require profit or loss and OCI to be presented together. But grouped items must be presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently and tax associated with items presented before tax to be shown separately for each of the two groups of OCI items.

- **Amendments to IAS 19 "Employee Benefits"**

These amendments make important improvements: remeasurements in OCI, immediate recognition of past service costs as a result of plan assets.

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**

This interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

- **Amendments to IAS 32 and IFRS 7 "Offsetting Financial Assets and Financial Liabilities"**

The amendment to IFRS 7 requires the disclosure of information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement: gross amounts, amounts offset and net amounts.

The amendment to IAS 32 is intended to clarify existing application issues relating to the offsetting rules: the rights of set off must be legally enforceable in the normal course of business and in the event of default, bankruptcy or insolvency. The realisation of financial asset and settlement of a financial liability is simultaneous if the settlements occur at the same time.

Note 2

CHANGES IN CONSOLIDATION SCOPE

As at December 31, 2011, the Group's consolidation scope included 808 companies:

- ***640*** fully consolidated companies;
- ***93*** proportionately consolidated companies;
- ***75*** companies accounted for by the equity method.

The consolidation scope includes entities under exclusive control, under joint control or under significant influence that are not negligible compared to the Group's consolidated financial statements. Entities are assumed to be not negligible in particular in comparison with Group consolidated total assets and net operating income.

The main changes to the consolidation scope at December 31, 2011, compared with the scope applicable at the closing date of December 31, 2010, are as follows:

- During the second half of 2011

- The Group fully consolidated Philips Medical Capital France in which its holds 60%.
- The real estate activities previously consolidated through New Esporta Holding Limited were removed from the consolidation scope due to their sale.
- BSGV, previously fully consolidated, merged with Rosbank, increasing the Group's stake in the latter from 74.89% to 79.87%. The Group also purchased shares from another shareholder, bringing its stake in Rosbank, and consequently in Limited Liability Company Rusfinance, Limited Liability Company Rusfinance Bank and Deltacredit to 82.40%.
- The stake in Societe Generale de Leasing au Maroc decreased from 74.15% to 56.91% due to the sale by SG Financial Services Holding of its shares to SG Marocaine de Banque.
- The stake in BRD – Groupe Societe Generale increased from 59.37% to 60.17% following the purchase of shares previously owned by other shareholders, and consequently the stake in ALD Automotive SRL increased to 92.03%.
- Following the increase in treasury shares and the purchase of shares held by other shareholders, the stake in Komercni Banka A.S. increased to 60.73%.
- The Group fully consolidated the wholly owned subsidiary SG Leasing and Renting Co Ltd. This entity is located in China.
- The Group fully consolidated Societe Generale Tchadienne de Banque at 55.19%.
- SAS Orbeo, previously proportionately consolidated at 50%, was sold to Rhodia.
- The Group's stake in GENIKI increased from 88.44% to 99.05% due to an unevenly subscribed capital increase and to the conversion into ordinary shares from preferred shares subscribed for by the Group.
- The stake in BOURSORAMA S.A. decreased by 0.08% to 57.39% due to an unevenly subscribed capital increase.
- The stake in TCW Group inc. decreased from 100% to 97.88% following a dilutive capital increase due to an earn-out clause granted for the acquisition of Metropolitan West Asset Management in 2010. All the shares that will be issued within the framework of the earn-out clause contain a put clause granted by TCW Group Inc. to its new shareholders.

In accordance with IFRS 5 *"Non-current receivables held for sale and discontinued operations",* the main items classified in *Non-current assets and liabilities held for sale* are:

- shares in the private equity activities that were put up for sale by the Group;
- assets and liabilities relating to commodity trading businesses in North America.

- In the first half of 2011

- The Group fully consolidated Ohridska Banka, located in Macedonia, at 70.02%.
- The stake in Bank Republic was increased by 2.86% compared to December 31, 2010 to 84.04% after an unevenly subscribed capital increase.
- In February 2011, the Group sold its stake in Limited Liability Partnership Prostokredit, previously fully consolidated through SG Consumer Finance, to Eurasian Bank.
- Deltacredit, previously fully consolidated at 100% through DC Mortgage Finance Nederland BV, is now 74.89%-owned by the Group and directly consolidated due to its sale to Rosbank.
- Limited Liability Company Rusfinance and Limited Liability Company Rusfinance Bank, previously fully consolidated through Rusfinance SAS at 100%, are now 74.89%-owned by the Group and directly consolidated due to their sale to Rosbank.
- The stake in Banka Societe Generale Albania Sh.A., was increased to 87.47%, i.e. a 1.65% increase compared to December 31, 2010, due to an unevenly subscribed capital increase.
- After the sale by Gefa Leasing GMBH and SG EQUIPMENT FINANCE INTERNATIONAL GMBH to Komercni Banka, the stake in SG Equipment Finance Czech Republic SRO decreased by 19.82% to 80.18% compared to December 31, 2010.
- The Group fully consolidated ALD Automotive SRL held by 91.87% since 2004 and located in Romania.
- The stake in BOURSORAMA S.A. was decreased to 57.47%, i.e. a 0.31% decrease compared to December 31, 2010, due to a capital increase and the sale of treasury shares.
- The operating activities consolidated through New Esporta Holding Limited were removed from the consolidation scope as at June 30, 2011 after its sale.

Note 3

FAIR VALUE OF FINANCIAL INSTRUMENTS

This section begins by specifying the valuation methods used by the Group to establish the fair value of the financial instruments presented in the following notes:

Notes	Description
Note 6	Financial assets and liabilities at fair value through profit or loss
Note 7	Hedging derivatives
Note 8	Available-for-sale financial assets
Note 9	Due from banks
Note 10	Customer loans
Note 11	Reclassification of financial assets
Note 12	Lease financing and similar agreements
Note 13	Held-to-maturity financial assets
Note 19	Due to banks
Note 20	Customer deposits
Note 21	Securitised debt payables

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

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

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options and using valuation parameters that reflect current market conditions 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 (backtesting). 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 on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used:

- Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities. These instruments are mainly shares, government bonds and derivatives;
- Level 2 (L2): instruments valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Instruments quoted in an insufficiently liquid market and those traded over-the-counter market belong to this level. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices;
- Level 3 (L3): instruments valued using inputs for the asset or liability that are not based on observable market data (unobservable inputs). These instruments are mainly those for which the sales margin is not immediately recognised in profit or loss (derivatives with higher maturities than the ones usually traded) and financial instruments classified in legacy assets, when their valuation is not based on observable data.

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

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable data. This is the case for the implicit volatility used for the valuation of share options with maturities of more than seven years. On the other hand, when the residual maturity of the instrument is less than seven years, its fair value becomes sensitive to observable parameters.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used 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 2011 for the valuation of Greek government bonds (see Note 25 – "Exposures to sovereign risk").

• 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:

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

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are completed by using a discounted future cash flow valuation based on business plans or on valuation 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 using valuation techniques (see note 1 "Significant accounting principles"). Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

- **Other debts**

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

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

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

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

- **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 types of loans and similar maturities.

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

2. VALUATION METHODS OF FINANCIAL INSTRUMENTS AFFECTED BY THE FINANCIAL CRISIS

In 2011, the Societe Generale Group continued to be affected by the high volatility of financial instruments and an uncertain economic environment, particularly on:

- its positions in super senior and senior tranches of CDOs (Collateralised Debt Obligations) exposed to the US residential mortgage sector;
- its US RMBS (Residential Mortgage Backed Securities) positions;
- its CMBS (Commercial Mortgage Backed Securities) positions;
- its exposure to counterparty risk on monoline insurers.

2.1. CASE OF SUPER SENIOR AND SENIOR TRANCHES OF CDOS EXPOSED TO THE US RESIDENTIAL MORTGAGE SECTOR

In the absence of observable transactions, the valuation of super senior and senior tranches of CDOs exposed to the US residential mortgage market was carried out using a model with largely unobservable data or not quoted in an active market.

Societe Generale Group's approach focuses on the valuation of individual mortgage pools, the underlying assets of the structured bonds, in order to estimate the value of RMBS bonds and consequently the value of CDO tranches, using a prospective conservative credit scenario (as opposed to a marked-to-market approach).

Four key variables are used to estimate future mortgage pool cash flows: probability of default, loss given default, pre-payment speed and default horizon. The future flows are then discounted using an average rate observed on the market. The impact of the annual review of these parameters generated write-downs of EUR 0.3 billion on hedged and unhedged US RMBS CDOs.

CUMULATIVE LOSS RATES ON SUBPRIME ASSETS (CALCULATED ON THE NOMINAL VALUE)

	2004	2005	2006	2007
Assumptions for cumulative end-2010 losses *	6.1%	16.5%	39.6%	49.5%
Assumptions for cumulative end-2011 losses	8.5%	20.1%	38.8%	48.9%

* The loss rate incorporates the illiquidity of the tranches (in 2010 via a specific discount, in 2011 directly via the retained assumptions).

As of March 31, 2011, the measurement was refined with a more advanced waterfall method, which takes into account the cash flows at the CDO level in addition to those at the level of the underlying assets.

The nominal amount of super senior and senior unhedged tranches of US RMBS CDOs carried at fair value on the balance sheet decreased from EUR 3.9 billion as at December 31, 2010 to EUR 1.7 billion as at December 31, 2011, as a result of the dismantling of certain US RMBS CDOs. Concerning this position, write-downs recorded in 2011 amount to EUR 0.3 billion and negatively affect bonds and other debt instruments at fair value through profit or loss booked as assets on the consolidated balance sheet. The fair value of these tranches as at December 31, 2011 equals EUR 0.4 billion compared to EUR 1.7 billion at the end of December 2010.

The nominal amount of hedged US RMBS CDOs carried at fair value on the balance sheet is stable at EUR 1.7 billion as at December 31, 2011. Their fair value as at the end of December 2011 equals EUR 0.5 billion compared to EUR 0.7 billion at the end of December 2010.

2.2. CASE OF US RMBS (RESIDENTIAL MORTGAGE BACKED SECURITIES)

For positions relative to bonds whose underlyings are subprime risks on US residential real estate exposure, the valuation technique had been based on the use of observable prices on benchmark indices, in particular the ABX index, since the second half of 2007. The return of liquidity in the market has allowed individually reliable prices to become available again. As a result, the Group switched its valuation approach since the first half of 2011 to external market prices.

The residual exposure booked at fair value on the balance sheet to US RMBS[1], following the dismantling of certain CDO of RMBS, amounts to EUR 0.4 billion as at December 31, 2011, versus EUR 0.2 billion as at December 31, 2010.

2.3. CASE OF CMBS (COMMERCIAL MORTGAGE BACKED SECURITIES)

CMBS are valued using market parameters. Up until December 31, 2010, each US CMBS bond had been valued using the credit spread of its CMBX benchmark index (same vintage, same rating). However, the return of liquidity in the market enabled the Group to switch to a market sourced credit spread for each bond in the first half of 2011.

The residual exposure booked at fair value on the balance sheet to CMBS[1] decreased from EUR 0.3 billion as at December 31, 2010 to EUR 0.2 billion as at December 31, 2011.

2.4. EXPOSURE TO CREDIT RISK ON MONOLINE INSURERS

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

Between 2008 and September 30, 2011, the marked-to-market value of CDS (Credit Default Swaps) purchased as hedges from bank counterparties was neutralised on the income statement and the value adjustments for credit risk on monoline insurers were calculated based on the fair value of protection net of the nominal of hedges purchased.

Since the fourth quarter of 2011, the marked-to-market value of CDS purchased as hedges is no longer neutralised on the income statement and value adjustments for credit risk on monoline insurers have been calculated based on the fair value of protection. The exposure to credit risk on monoline insurers can be broken down into three parts:

- exposure linked to CDO tranches of RMBS, for which the methodology and the parameters applied by the Group are the same as for unhedged CDOs;
- exposure linked to non RMBS CDOs (excluding US residential mortgage market) and infrastructure finance, for which a marked-to-stress methodology (maximum historical cumulative loss over five years for each asset category) and an adjustment derived from the marked-to-market are applied;
- exposure linked to corporate credit (CLOs) and other secured financial instruments measured at marked-to-market.

(1) Excluding exotic credit derivatives.

As a result, the fair value of protection before value adjustments increased due to the evolution of the valuation of CDO of RMBS, the deterioration of corporate credit (CLO) and the US dollar's appreciation against the euro.

Consequently, the estimate of the amounts that may be due to the Societe Generale Group from monoline insurers' guarantees increased from EUR 1.8 billion as at December 31, 2010 to EUR 2.4 billion as at December 31, 2011.

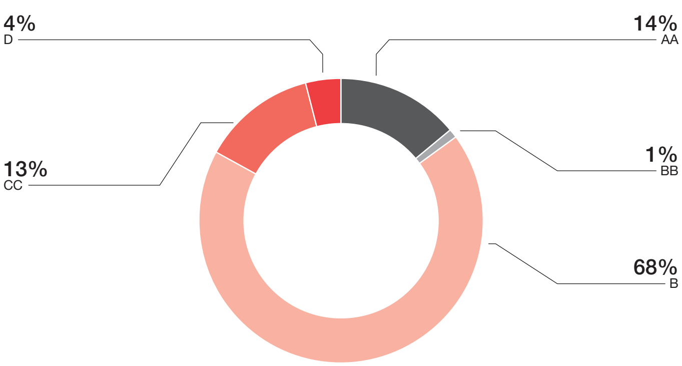
In 2011, the value adjustments calculated for credit risk on monoline insurers increased by EUR 0.4 billion, reaching a total of EUR 1.3 billion. These adjustments are calculated based on the application of conservative cumulative loss rates (up to 90% for the most poorly rated monoline insurers). The expected loss rate applied to each monoline is reviewed quarterly and adjusted when needed.

EXPOSURE TO COUNTERPARTY RISK ON MONOLINE INSURERS (IMMEDIATE DEFAULT SCENARIO FOR ALL SOCIETE GENERALE GROUP'S MONOLINE INSURER COUNTERPARTIES)

(In billions of euros)	December 31, 2011	December 31, 2010
Fair value of protection before value adjustments	2.39	1.82
Value adjustments for credit risk on monolines insurers (booked under protection) *	(1.28)	(0.92)
Net exposure to counterparty risk on monolines insurers	1.11	0.90
Nominal amount of hedges purchased *	(1.06)	(0.48)

* Amount as at December 31, 2010, adjusted of the reclassification of the cash collateral of EUR 0.07 billion previously presented with the nominal amount of hedges purchased.

FAIR VALUE OF PROTECTION BEFORE VALUE ADJUSTMENT AT DECEMBER 31, 2011



3. SENSITIVITY OF FAIR VALUE FOR INSTRUMENTS IN LEVEL 3

Unobservable parameters are assessed carefully, particularly in the ongoing depressed current economic environment and market. However, by their very nature, unobservable parameters imply a degree of uncertainty in their valuation.

To quantify this, a sensitivity of fair value at December 31, 2011 was estimated on instruments whose valuation is based on unobservable parameters. This estimate was made on the basis of:

- a "fixed" 10% variation of the cumulative loss rates estimated for a given vintage of the underlying assets to model the super senior and senior CDO tranches of US RMBS and the non-RMBS CDOs. For a 10% rise (e.g. from 25% to 27.5%), the valuation would decrease by EUR 148 million, and, for a 10% drop, the valuation would increase by EUR 229 million(1);
- a "standardised"(2) variation of other unobservable parameters, calculated for each parameter on a net position.

(1) The exposures taken into account in this calculation include:
- the possible hedges on the bonds considered (CDS);
- where applicable, the value adjustments made on monoline insurers CDS.

(2) Meaning:
- either the standard deviation of consensus prices which contribute to evaluating the parameter (TOTEM…) that are nevertheless considered unobservable,
- or the standard deviation of historical data used to assess the parameter.

Sensitivity to a standard variation in unobservable parameters – absolute value in millions of euros	
Shares, other equity instruments and derivatives	
Equity instrument volatility	18
Dividends	4
Correlation	7
Hedge Fund volatility	27
Mutual Fund volatility	13
Bonds, other debt instruments and derivatives	
Correlations between exchange rates	10
Correlations between exchange rates and interest rates	5
Time to default correlation (CDO)	34
Correlation between exchange rates and time to default (CDO)	2
Unobservable credit spreads (CDO)	1
Others	
Commodities correlations	7

The estimates above include the impact on profit or loss of positions at market value through profit and loss and the impact on other comprehensive income of available-for-sale financial assets. It should be noted that, given the already conservative valuation levels (see 1.1 – “Financial instruments carried at fair value on the balance sheet”), the probability attached to this uncertainty is higher for a favourable impact on results than for an unfavourable 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 (“Disclosures – Transfers of Financial Assets”).

Societe Generale risk management is articulated according to the following categories:

- **Credit and counterparty risk** (including country risk): risk of losses arising from the inability of the Group’s customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions (replacement risk), as well as securitisation activities. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or a few counterparties, or to one or more homogeneous groups of counterparties;
- **Market risk:** risk of a decline in the value of financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates and the price of securities (equities, bonds), commodities, derivatives and all other assets, including real estate assets;
- **Liquidity risk:** risk of the Group not being able to meet its cash or collateral requirements as they arise and at reasonable cost;
- **Structural interest and exchange rates risk:** risk of loss or write-down of the Group’s assets arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks arise from commercial activities and from transactions entered into by the Corporate Centre (operations involving the shareholders’ equity, investments and bond issues).

1. ORGANISATION, PROCEDURES AND METHODS

1.1. RISK MANAGEMENT STRATEGY

The implementation of a high performance and efficient risk management structure is a critical undertaking for the Societe Generale Group, in all businesses, markets and regions in which the bank operates. Specifically, the main objectives of the Group’s risk management strategy are:

- to contribute to the development of the Group’s various businesses by optimising their overall risk-adjusted profitability;
- to guarantee the Group’s sustainability as a going concern, through the implementation of an efficient system for risk analysis, measurement and monitoring.

In defining the Group’s overall risk appetite, the General Management takes various considerations and variables into account, including:

- the relative risk/reward of the Group’s activities;

- earnings sensitivity to economic cycles and credit or market events;
- sovereign and macro-economic risks, both on the emerging markets and in developed countries;
- the balance in the portfolio of earning streams.

1.2. RISK MANAGEMENT GOVERNANCE, CONTROL AND ORGANISATION PRINCIPLES

The Group's risk management governance is based on:

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

The Group's risk management is organised around two key principles:

- risk assessment departments should be independent from the operating divisions;
- the approach and risk monitoring should be consistent throughout the Group.

Compliance with these principles forms part of the integration plans for subsidiaries acquired by the Group.

Group risk management is governed by two main bodies: the Board of Directors, via the Audit, Internal Control and Risk Committee, and the Risk Committee. The Group's Corporate Divisions, such as the Risk Division and Finance Division, which are independent from the operating divisions, are dedicated to permanent risk management and control under the authority of the General Management.

• The Board of Directors

The Board of Directors defines the Group's strategy, by assuming and controlling risks, and ensures its implementation. In particular, the Board of Directors ensures the adequacy of the Group's risk management infrastructure, monitors changes in the cost of risk and approves the market risk limits. Presentations on the main aspects of, and notable changes to the Group's risk management strategy are made to the Board of Directors by the General Management at least once a year (more often if circumstances require).

• The Audit, Internal Control and Risk Committee

Within the Board of Directors, the Audit, Internal Control and Risk Committee plays a crucial role in the assessment of the quality of the Group's internal control. More specifically it is responsible for examining the internal framework for risk monitoring to ensure consistency and compliance with procedures, laws and regulations in force. The Committee benefits from specific presentations made by the General Management, reviews the procedures for controlling market risks as well as the structural interest rate risk and is consulted about the setting of risk limits. It also issues an opinion on the Group's overall write-down policy as well as on large specific provisions. Lastly, it examines the Annual Report on internal control, which is submitted to the Board of Directors and to the French Prudential Supervisory Authority *(Autorité de Contrôle Prudentiel)*.

• The Risk Committee and the Large Exposures Committee

Chaired by the General Management, the Risk Committee (CORISQ) meets at least once a month to discuss the major trends for the Group in terms of risk. Generally, the CORISQ, upon proposal of the Risk Division, takes the main decisions pertaining to, on the one hand, the architecture and the implementation of the Group's risk monitoring system, and on the other, the framework of each type of risk (credit risk, country risk, market and operational risks).

In addition to the CORISQ, the Group has a Large Exposures Committee, which focuses on reviewing large individual exposures.

• The Risk division

The Risk division's primary role is to put in place a risk management system and to contribute to the Group's business development and profitability. In exercising its functions, it reconciles independence from and close cooperation with the core businesses, these being responsible first and foremost for the transactions they originate.

Accordingly, the Risk division is responsible for:

- providing hierarchical and functional supervision of the Group's Risk structure;
- identifying the risks borne by the Group;
- putting into practice a governance and monitoring system for these risks across all business lines, and regularly reporting on their nature and their magnitude to the General Management, the Board of Directors and the supervisory authorities;
- contributing to the definition of risk policies, taking into account the aims of the core businesses and the corresponding risk issues;
- defining or validating risk analysis, assessment, approval and monitoring methods and procedures;

- validating the transactions and limits proposed by the business managers;
- defining the risk monitoring information system, and ensuring its suitability for the needs of the core businesses and its consistency with the Group's information system.

• New product procedures

Each division submits all new products, businesses or activities to the New Product procedure. This procedure, which is jointly managed with the Risk Division and business divisions, aims to ensure that, prior to the launch of a new product, business or activity:

- all associated risks are fully identified, understood and correctly addressed;
- compliance is assessed with respect to the laws and regulations in force, codes of good professional conduct and risks to the reputation of the Group;
- all the support functions are committed and have no, or no longer have, any reservations.

This procedure is underpinned by a very broad definition of a new product, which applies to the creation of a new product, the outsourcing of essential or important services, the adaptation of an existing product to a new environment or the transfer of activities involving new teams or new systems.

• The Finance Division

Within the Finance Division, the Financial Management and Capital department manages the capital requirements and the capital structure.

Since January 1, 2011, the management and monitoring of structural risks have been carried out by two separate entities, in accordance with regulatory principles that recommend separating risk oversight and control functions.

The Finance Division is also responsible for assessing and managing the other major types of risk, including strategic risks, business risks, etc.

The Finance Policy Committee is chaired by the General Management and validates the system used to analyse and measure structural risks as well as the exposure limits for each Group entity. It also serves an advisory role for the business divisions and entities.

Societe Generale's risk measurement and assessment processes are an integral part of the bank's ICAAP (Internal Capital Adequacy Assessment Process[1]). Alongside capital management, the ICAAP is aimed at providing guidance to both CORISQ and Financial Committee in defining the Group's overall risk appetite and setting risk limits.

2. CREDIT RISKS

2.1. RISK MANAGEMENT GENERAL PRINCIPLES

• 2.1.1. Credit policy

Societe Generale's credit policy is based on the principle 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 and nature of the transaction and the sources of repayment. Credit decisions must also ensure that the structure of the transaction will minimise the risk of loss in case of default of the counterparty. Risk approval forms part of the Group's risk management strategy in line with its risk appetite.

• 2.1.2. Approval process

The risk approval process is based on four core principles:

- all transactions involving credit risk (debtor risk, settlement/delivery risk, issuer risk and replacement risk) must be pre-authorised;
- responsibility for analysing and approving transactions lies with the most appropriate business line and risk unit. The business line and the risk unit examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management;
- the business line and risk unit must be independent from each other;
- credit decisions are based on internal risk ratings (counterparty rating), as provided by the business lines and approved by the Risk Division.

The Risk Division submits recommendations to the CORISQ on the limits it deems appropriate for particular countries, geographic regions, sectors, products or customer types, in order to reduce risks with strong correlations. The allocation of limits is subject to final approval by the Group's General 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 Large Exposure Risk Committee.

(1) ICAAP: Internal Capital Adequacy Assessment Process, corresponds to the Pillar II process required under the Basel Accord that enables the Group to ensure capital adequacy to support all business risks.

2.1.3 Credit and counterparty risk monitoring

Societe Generale places great emphasis on carefully monitoring its credit and counterparty risk exposure in order to minimise its losses in case of default. Furthermore counterparty limits are assigned to all counterparties (banks, other financial institutions, corporates and public institutions).

A significant weakening in the bank's counterparties also prompts urgent internal rating reviews. A specific supervision and approval process is put in place for more sensitive counterparties or more complex financial instruments.

2.2. RISK MEASUREMENT AND INTERNAL RATINGS

The Group's rating system makes a key distinction between retail customers and corporate, bank and sovereign clients:

- for retail customer portfolios, internal models are used to measure credit risks, calculated according to the borrower's probability of default (PD) within one year and the percentage loss if the counterparty defaults (Loss Given Default, LGD). These parameters are automatically assigned, in line with the Basel Accord's guidelines;
- for the corporate, bank and sovereign portfolios, the rating system relies on two main pillars: obligor rating models used as a decision support tool when assigning a rating and a system that automatically assigns LGD and CCF (Credit Conversion Factor) parameters according to the characteristics of the transactions.

In both cases a set of procedures defines the rules relating to ratings (scope, frequency of rating review, procedure for approving ratings, etc.), and for the supervision, backtesting and validation of models. Amongst other things, these procedures facilitate human judgement, which takes a critical eye on the results and is an essential accompaniment to the models for these portfolios.

The Group's internal models enable a quantitative assessment of credit risks based on the probability of default of the counterparty and the loss given default. These elements are included in the credit applications and are factored into the calculation of the risk-adjusted return on capital. They are used as a tool for structuring, pricing and approving transactions. Thus, obligor ratings are one of the criteria for determining the approval limits granted to operational staff and the risk function.

All Group risk models are developed and validated on the basis of the longest available internal historical data, which must be representative (in terms both of the concerned portfolios and the effects of the economic environment during the period) and conservative. As a result, the Group's risks estimates are not excessively sensitive to changes in the economic environment, while being able to detect any deterioration of risks. The PD modelling for large corporates has also been calibrated against long-term default statistics obtained from an external rating agency.

These models used to estimate the PDs and LGDs cover the vast majority of the Group's credit portfolios (Retail Banking and Corporate and Investment Banking). Most of them were IRBA-validated (Internal Ratings Based Advanced approach) in 2007 and have since undergone regular performance assessments.

In addition, the Bank received authorisation from the regulator to use the Internal Assessment Approach (IAA) when calculating regulatory capital requirements for Asset-Backed Commercial Paper conduits.

2.3. MANAGEMENT OF THE CREDIT PORTFOLIO AND OF COUNTERPARTY RISK

The Group uses credit risk mitigation techniques both for market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

Credit derivatives used to mitigate Corporate concentration risk

The Group uses credit derivatives in the management of its Corporate credit portfolio. They primarily enable the reduction of individual, sector and geographic concentration and the implementation of proactive risk and capital management. The Group's over-concentration management policy has led to it taking major individual hedging positions: for example, the ten most-hedged names account for 56% of the total amount of individual protection purchased.

Total outstanding purchases of protection through Corporates credit derivatives decreased from EUR 7.7 billion to EUR 4.6 billion at end-December 2011, mainly due to the unwinding of certain positions and the non-renewal of matured protection. The widening in CDS spreads that started in 2010 on European investment grade issues (Itraxx index) accelerated strongly in 2011 as a result of the developments in the sovereign debt crisis.

In order to limit the volatility of the income generated by the CDS portfolio (as they are valued at Marked-to-Market) the department in charge of corporate portfolio concentration management, has entered into credit derivatives transactions, to reduce the portfolio's sensitivity to credit spreads tightening.

Almost all protection was purchased from bank counterparties with ratings of A- or above, the average being A+. Concentration with any particular counterparty is carefully monitored.

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

• 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 hedging through a *Crédit Logement* (housing credit) guarantee for mortgage loans granted to individuals). Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year.

Moreover, Societe Generale Group has strengthened the guarantees and collaterals process and the updating of 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 collateral, personal and other guarantees.

• Mitigation of counterparty risk linked to market transactions

Societe Generale uses different techniques to reduce the counterparty risk. With regard to trading counterparties, it seeks to implement global closeout/netting agreements wherever it can. Netting agreements are used to net all of the amounts owed and due in case of default. The contracts usually call for the revaluation of required collateral at regular time intervals (often on a daily basis) and for the payment of the corresponding margin calls. Collateral is largely composed of cash and high-quality, liquid assets such as government bonds. Other tradable assets are also accepted, provide their value is adjusted ("haircuts") to reflect the lower quality and/or liquidity of the asset.

• Credit insurance

As well as turning to Export credit agencies (for example Coface and Exim) and multilaterals organisations (for example the EBRD), Societe Generale has been developing relationships with private insurers over the last few years in order to hedge part of the financing against all non-payment risks, both commercial and political.

This activity is exercised within a risk framework and monitoring system validated by the Group's General Management. This system is based on a global limit for the activity, complemented by sub-limits by maturity and individual limits in order to reduce concentration by counterparty insurer which has to meet strict criteria of eligibility.

The implementation of such a policy contributes to a sound reduction of risks.

2.4. CREDIT PORTFOLIO ANALYSIS

• 2.4.1 Breakdown of on-balance-sheet credit portfolio

Outstanding loans in the on-balance-sheet credit portfolio can be broken down as follows:

	December 31, 2011				December 31, 2010			
(In billions of euros)	**Debt instruments(1)**	**Customer loans(2)**	**Due from banks**	**Total**	**Debt instruments*(1)**	**Customer loans*(2)**	**Due from banks***	**Total***
Outstanding performing assets *	115.02	369.97	37.36	522.35	93.49	376.16	42.14	511.79
*of which including past due amount **		*7.24*	*0.14*	*7.38*		7.14	0.20	7.34
Impaired loans and advances	1.32	27.71	0.2	29.23	0.88	26.41	0.33	27.62
Total gross outstanding loans *	**116.34**	**397.68**	**37.56**	**551.58**	**94.37**	**402.57**	**42.47**	**539.41**
Depreciation	(0.99)	(16.76)	(0.12)	(17.87)	(0.66)	(15.29)	(0.15)	(16.1)
Revaluation of hedged items	-	0.54	0.05	0.59	-	0.76	0.07	0.83
Total net outstanding loans	**115.35**	**381.46**	**37.49**	**534.3**	**93.71**	**388.04**	**42.39**	**524.14**
Loans secured by notes and securities and securities purchased under resale agreement	-	15.39	48.96	64.35	-	12.97	27.88	40.85
Total	**115.35**	**396.85**	**86.45**	**598.65**	**93.71**	**401.01**	**70.27**	**564.99**

* Amounts adjusted with respect to the financial statements published as at December 31, 2010.

(1) Debt instruments include available for sale and held to maturity assets.

(2) Including Lease Financing and similar agreements.

Performing oustanding including past due amounts account for 1.8% of unimpaired on-balance sheet assets excluding debt instruments and include loans that are past due for technical reasons. The amount is stable compared to December 31, 2010 (1.7% of outstanding performing assets excluding debt/securities).

• 2.4.2. Information on risk concentration

The measurement used for outstanding in this section is EAD – Exposure At Default (on-balance sheet and off-balance sheet), excluding fixed assets, equity investments, accruals.

At December 31, 2011, the Exposure at Default of the Group amounts EUR 743 billion (including EUR 559 billion on-balance sheet).

Societe Generale Group proactively manages its risk concentrations, both at the individual and portfolio levels (geographic or industry concentration).

Individual concentration is a parameter managed when at the time of origination of the loan and throughout the life of the loan. The counterparts representing the most important exposures of the bank are regularly reviewed by the General Management.

Global portfolio analyses, as well as geographic and sector analyses, are performed and periodically presented to the General Management.

CREDIT RISK EXPOSURE BY EXPOSURE CLASS EXCLUDING SECURITISATION AS AT DECEMBER 31, 2011 *(Exposure At Default)*

Portfolio	**December 31, 2011**	**December 31, 2010**
(In millions of euros)	**EAD**	**EAD**
Exposure Class		
Sovereign	116,672	69,706
Institutions(1)	118,842	121,444
Corporate	301,810	300,210
Retail	183,926	179,246
TOTAL	**721,250**	**670,606**

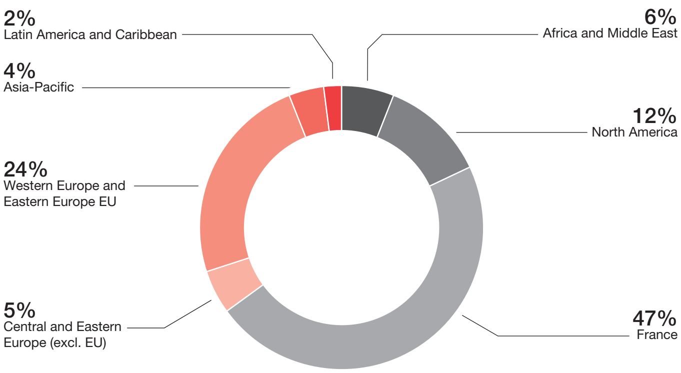
(1) Institutions: Basel classification banks and public sector entities.

RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS AS AT DECEMBER 31, 2011 *(Exposure At Default)*

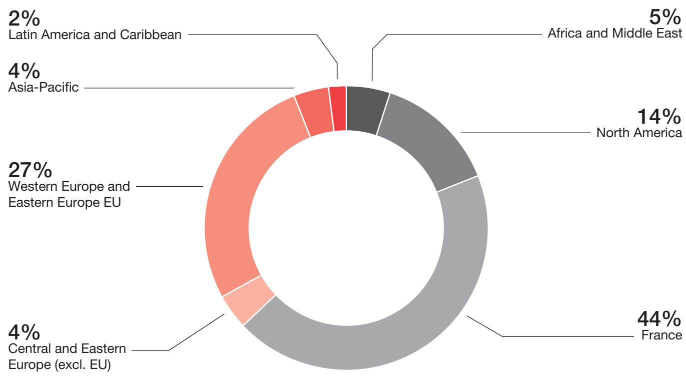
Retail Portfolio	December 31, 2011	December 31, 2010
(In millions of euros)	EAD	EAD
Exposure Class		
Residential mortgages	91,245	84,642
Revolving credit	10,435	10,954
Other credit to individual	56,380	58,583
Very small enterprises and self-employed	25,866	25,066
TOTAL	**183,926**	**179,245**

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK OUTSTANDING AS AT DECEMBER 31, 2011 (ALL CLIENT TYPES INCLUDED)

Balance sheet commitments (EUR 559 billion in EAD)

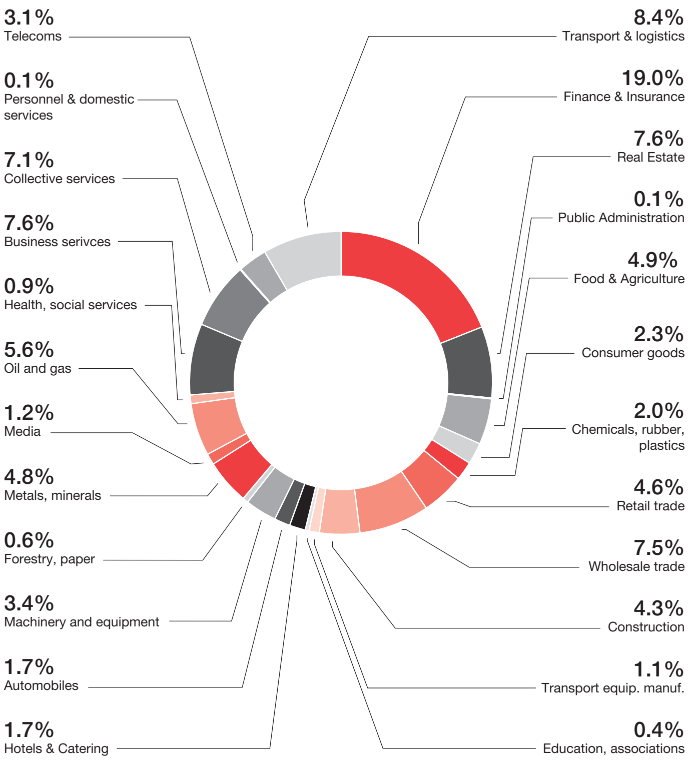


On-balance sheet and off-balance sheet commitments (EUR 743 billion in EAD)



At December 31, 2011, 85% of the Group's on and off-balance sheet outstanding loans were concentrated in the major industrialised countries. Almost half of the overall amount of outstanding was to French customers (26% to non-retail customers and 18% to individual customers).

SECTOR BREAKDOWN OF GROUP CORPORATE OUTSTANDING AT DECEMBER 31, 2011 (BASEL CORPORATE PORTFOLIO, EUR 302 BILLION IN EAD) *



* On-balance sheet and off-balance sheet EAD, excluding fixed assets, accruals and equity investments.

The Group's Corporate portfolio (Large Corporates, SMEs and Specialised Financing) is highly diversified in terms of sectors.

At December 31, 2011, the Corporate portfolio amounted to EUR 302 billion (on and off-balance sheet outstanding measured in EAD). Only the Finance and Insurance sector accounts for more than 10% of the portfolio.

The Group's commitments to its ten largest corporate counterparties account for 5% of this portfolio.

2.4.3. Loans and advances past due not individually impaired

	December 31, 2011			December 31, 2010 *		
(Gross outstanding loans in billions of euros)	Loans and advances to Customers	Loans and advances to Banks	% of Gross outstanding loans	Loans and advances to Customers	Loans and advances to Banks	% of Gross outstanding loans
Past due amounts less than 91 days old	6.62	0.04	90.2%	6.6	0.17	92.2%
Included less than 31 days old	*4.36*	*0.04*	*60.0%*	*3.88*	0.15	*55.0%*
Past due amounts between 91 and 180 days old	0.36	0.03	5.3%	0.31	0.03	4.6%
Past due amounts over 180 days old	0.26	0.07	4.5%	0.23	-	3.2%
TOTAL	**7.24**	**0.14**		**7.14**	**0.20**	

* Amounts adjusted with respect to the financial statements published as at December 31, 2010.

The amounts presented in the table above include loans and advances that are past due for technical reasons, which primarily affect the "less than 31 days old" category. Loans past due for technical reasons are loans that are classified as past due on account of a delay between the accounting in the customer account and the payment value date.

Total declared past due loans not individually impaired are all receivables (outstanding balance, interest and past due amounts) with at least one recognised past due amount. These outstanding loans can be placed on a watch list as soon as the first payment is past due.

Once a payment 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).

2.4.4. Guarantees and collaterals for not individually impaired outstanding loans and impaired outstanding loans

Guarantees and collateral relating to not individually impaired outstanding loans and impaired outstanding loans can be broken down as follows:

	December 31, 2011		December 31, 2010	
(In millions of euros)	Retail	Non-retail	Retail	Non-retail
Guarantees and collaterals related to neither past due nor individually impaired loans	82,104	56,269	79,516	57,376
Guarantees and collaterals related to past due, not individually impaired loans	1,398	1,014	1,533	1,005
Guarantees and collaterals related to impaired outstanding loans	2,305	2,405	2,119	1,946

* Amounts adjusted with respect to the published financial statements as at December 31, 2010.

The amounts of the guarantees and collaterals presented in the table above correspond to the amounts allocated for the calculation of Group capital requirements.

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

2.5. IMPAIRMENT

2.5.1. Individual provisions for credit risk

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

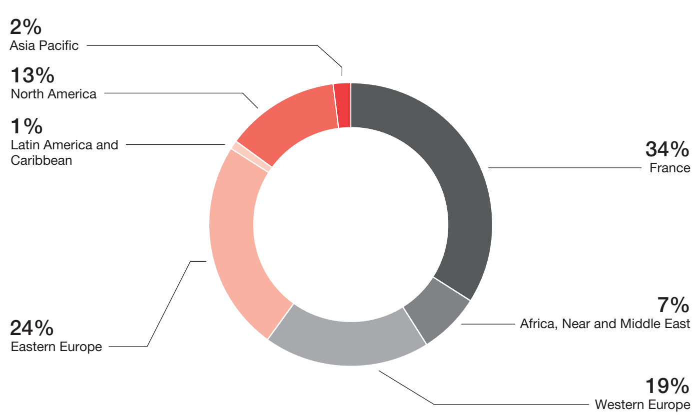
A counterparty is deemed to be in default when at least one of the following conditions is verified:

- a significant financial degradation of the borrower leads to a high probability of it being unable to fulfil its overall commitments (credit obligations) hence a risk of loss to the bank; and/or
- one or several past due of more than 90 days are recorded; and/or
- an out of court settlement procedure is initiated, (with the exception of certain asset categories, such as 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 when an exchange offer is proposed, involving a loss in value for the creditors[1].

As at December 31, 2011, impaired outstanding loans amount to EUR 27.9 billion (EUR 26.7 billion as at December 31, 2010), including EUR 3.8 billion on legacy assets within the Corporate and Investment Banking Division. They can be broken down as follows:

BREAKDOWN OF IMPAIRED OUTSTANDING LOANS BY GEOGRAPHIC REGION AT DECEMBER 31, 2011



(1) See Note 25.

As at December 31, 2010, impaired outstanding loans were broken down as follows: 34% France, 25% Central and Eastern Europe, 17% Western Europe, 16% North America, 6% Africa, Near and Middle East, 1% Asia Pacific and 1% Latin America and Caribbean.

As at December 31, 2011, these loans were provisioned for an amount of EUR 15.6 billion, including EUR 2.1 billion for legacy assets.

2.5.2. Depreciation on groups of homogenous assets

Provisions on groups of homogenous assets are collective provisions booked:

- for groups of receivables that are homogenous in terms of sensitivity to risk factors (list of weak counterparties, identified as sensitive);
- for portfolio segments which have suffered an impairment in value following a deterioration in risk (country or sector risk).

These provisions are calculated on the basis of observed historical losses, adjusted to reflect any relevant current economic conditions, and regular analyses of the portfolio by industrial sector, country or counterparty type. They are reviewed quarterly by the Risk division.

As at December 31, 2011, provisions on groups of homogeneous assets amounted to EUR 1.3 billion; they totalled EUR 1.2 billion at December 31, 2010.

2.5.3. Depreciation

Impairments on assets are broken down as follows:

(In millions of euros)	Amount at December 31, 2010	Net impairment allowance	Reversal used	Exchange and scope effects	Amount at December 31, 2011
Specific impairments (Bank loan + Customer loan + lease financing)	14,200	3,115	(1,903)	184	15,596
Impairments on groups of similar assets	1,244	47	-	-	1,291
Impairments on available-for-sale assets and held to maturity securities, fixed income instruments	661	735	(240)	(171)	985
Other impairments	194	70	(36)	(5)	223
Total	**16,299**	**3,967**	**(2,179)**	**8**	**18,095**

3. MARKET RISKS

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 of the banking book portfolio valued through the mark-to-market approach.

3.1. MARKET RISK MANAGEMENT STRUCTURE

Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system is based on an independent structure, the Market Risk Department of the Risk Division.

It carries out the following tasks:

- permanent daily analysis (independently from the front office) of the exposure and risks incurred by the Group's market activities and comparison of these exposures and risks with the approved limits;
- definition of the risk-measurement methods and control procedures, approval of the valuation models used to calculate risks and results and setting of provisions for market risks (reserves and adjustments to earnings);
- definition of the functionalities of the databases and systems used to assess market risks;
- approval of the limit applications submitted by the operating divisions, within the global authorisation limits set by the General Management and the Board of Directors, and monitoring of their use;
- centralisation, consolidation and reporting of the Group's market risks;
- proposals to the Group Risk Committee of the levels of authorised risk by type of activity.

Besides these specific market risk functions, the Department also monitors the gross nominal value of trading exposures. This system, based on alert levels applying to all instruments and desks, contributes to the detection of possible rogue trading operations.

Within each entity that incurs market risk, risk managers are appointed to implement first level risk controls. The main tasks of these managers, who are independent from the front office, include:

- the ongoing analysis of exposure and results, in collaboration with the front office and the accounting services;
- 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 verification that appropriate limits have been set for each activity.

A daily report on the use of VaR limits, Stress Tests (extreme scenarios) and general sensitivity to interest rates compared to the limits set out at Group level is submitted to General Management and the managers of the business lines, in addition to a monthly report which summarises key events in the area of market risk and specifies the use of the limits set by General Management and the Board of Directors.

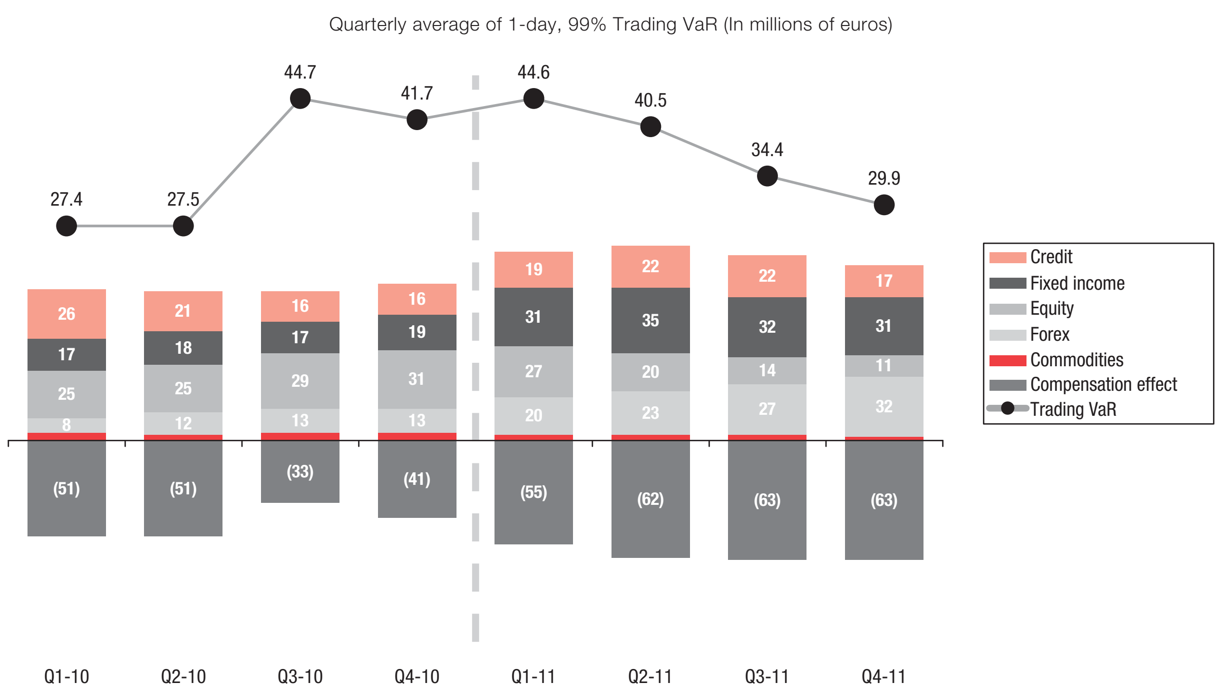
3.2. METHODS FOR MEASURING MARKET RISK AND DEFINING EXPOSURE LIMITS

The Group's market risk assessment is based on three main indicators, which are used to define exposure limits:

- the 99% Value-at-Risk (VaR) method: in accordance with the regulatory internal model, this composite indicator is used for the day-to-day monitoring of the market risks incurred by the Bank, notably on 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 or holding period, etc.), which ensure consistency between the global risk limits and the operational thresholds used by the front office. These limits also allow for control of risks that are only partially detected by VaR or Stress Test measurements.

The following indicators have been set up in light of CRD3: Stressed VaR, IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), all of which are calculated weekly. The capital charges arising from these new internal models complement the previous measure (VaR) so as to better take into account extreme risks (in particular rating migration and default) and to limit the procyclical nature of capital requirements.

BREAKDOWN OF TRADING VAR BY TYPE OF RISK – CHANGES IN QUATERLY AVERAGE OVER THE 2010-2011 PERIOD (IN MILLIONS OF EUROS)



3.2.1. Average VaR

The average VaR amounts to EUR 37 million for the year 2011 against an annual average of EUR 35 million in 2010.

Beyond the stability at a low level in average VaR, 2011 saw a steady decline in VaR. After increasing slightly at the start of the year in a bullish market, the Group intentionally adopted more defensive positions during the country crises in March (Mediterranean basin and Japan). Subsequently, positions were kept at a reduced level in light of the deepening Greek debt crisis and the resulting uncertainty. These defensive positions were bolstered during and after the crisis in August, as is illustrated by a decline in VaR despite the inclusion of volatile scenarios in the rolling 1-year window used to compute VaR.

3.2.2. VaR calculation method

This method was introduced at the end of 1996 and the Internal VaR Model has been approved by the French regulator within the scope of the Regulatory Capital calculation.

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

- the storage in a database of the risk factors that are representative of Societe Generale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.);
- the definition of 260 scenarios, corresponding to one-day variations in these market parameters over a rolling one-year period;
- the application of these 260 scenarios to the market parameters of the day;
- the revaluation of daily positions, on the basis of the 260 sets of adjusted daily market parameters.

The 99% Value-at-Risk is the largest loss that would occur after eliminating the top 1% of the most adverse occurrences over one year. Within the framework described above, it corresponds to the average of the second and third largest losses computed.

The VaR assessment is based on a model and a certain number of conventional assumptions whose 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 certain products and crisis situations;
- the use of the 99% confidence interval does not take into account losses arising beyond this point; the VaR is therefore an indicator of losses under normal market conditions and does not take into account exceptionally large fluctuations;
- the VaR is computed 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 as opposed to more detailed risk factors and not all of the relevant risk factors are taken into account, in particular due to difficulties in obtaining historical daily data.

The Group mitigates these limitations by:

- systematically assessing the relevance of the model through "backtesting" to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval;
- supplementing the VaR assessment with stress test measurements as well as additional measurements.

Today, the market risks for almost all of Corporate and Investment Banking's market activities are covered by the VaR method, including those related to the most complex products, as well as certain Retail Banking and Private Banking activities outside France.

3.2.3. Stressed VaR (SVaR)

Societe Generale has been authorised by the French Prudential Supervisory Authority (Autorité de Contrôle Prudentiel) to complement its internal models with the new CRD3 measurements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used is the same as under the VaR approach. This consists in carrying out a historical simulation with 1-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, Stressed VaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

The choice of the historical window of market stress has been approved by the regulator, using a method that captures significant shocks on all risk factors (covering equity, fixed-income, forex and commodity risk). This window of historical market stress is subject to an annual review and any changes to it must first be approved by the regulator.

3.2.4. Stress Test assessment

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

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected (5 to 20 days for most trading positions).

The stress test risk assessment methodology is based on 19 historical scenarios and 8 hypothetical scenarios, including the “Societe Generale Hypothetical Financial Crisis Scenario” (or “Generalised” scenario), based on the events observed in 2008. Together with the VaR model, the stress test risk assessment methodology is one of the main pillars of the risk management system. The underlying principles are as follows:

- risks are calculated every day for each of the Bank’s market activities (all products combined), using the 19 historical scenarios and 8 hypothetical scenarios;
- stress test limits are established for the Group’s activity as a whole and then for the Bank’s various business lines. They reflect the most adverse result arising from the 27 historical and hypothetical scenarios;
- the various stress test scenarios are revised and supplemented by the Risk division on a regular basis, in conjunction with the Group’s teams of economists and specialists.

3.2.5. Historical Stress Tests

This method consists of an analysis of the major economic crises that have affected the financial markets since 1995 (a period since which the financial markets have become global and subject to increased regulatory requirements): the changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analysed in order to define scenarios for potential variations in these risk factors which, when applied to the bank’s trading positions, could generate significant losses. Using this methodology, Societe Generale has established 19 historical scenarios.

3.2.6. Hypothetical Stress Tests

The hypothetical scenarios are defined by the Bank’s economists and are designed to simulate 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’s aim is to select extreme, but nonetheless plausible events which would have major repercussions on all the international markets. Societe Generale has therefore adopted 8 hypothetical scenarios.

4. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Structural exposure to interest rate risks encompasses all exposures due to the commercial activities and their hedging and the proprietary transactions of the Group’s consolidated entities.

The interest rate and exchange rate risks linked to trading activities are excluded from the structural risk measurement scope as they belong to the category of market risks. The structural and market exposures constitute the overall interest rate and exchange rate exposure of the Group.

The general principle is to reduce structural interest rate and exchange rate risks within the consolidated entities 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 linked to proprietary transactions must also be hedged as far as possible excepted for some foreign exchange positions kept to immunise its Tier 1 ratio.

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

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The Balance Sheet Management Department, which is part of the Group Finance Division, conducts Level 2 controls of the entities’ structural risk management.

- The Group Finance Committee, a General Management body:
  - validates the structural risk monitoring, management and supervision system,
  - reviews changes to the Group’s structural risks through consolidated reporting by the Finance Division.
- The Balance Sheet and Global Treasury Management Department which is part of the Finance Division is responsible for:
  - the definition of the structural risks (liquidity, interest rate and exchange rate risks) policies for the Group and in particular the evaluation and planning of the funding needs for the group,
  - the definition of the steering indicators and global stress test scenarios of the different types of structural risks as well as the definition of main limits for business lines and the entities,
  - the analysis of the structural risks expositions of the Group and the definition of the hedging strategies,
  - watching over the regulatory environment concerning structural risks.
- The ALM Risks Control Department which is part of the Finance Division is responsible for:
  - defining the ALM principles for the group and controlling the regulatory compliance of the structural risks,

- the definition of the normative environment of the structural risks metrics,
- validating the models used by the Group entities concerning structural risks,
- inventorying, consolidating and reporting on structural risks,
- structural risks limits control.

The Structural Risks Control Department is hierarchically dependent of the Chief Financial Officer of the Group and is functionally supervised by the Chef Risk Officer to whom it reports its activities and who validates its working plan, jointly with the Chef Finance Officer. The Structural Risks Control Department is integrated in the "Filière" risk of the Group in compliance with the CRBF 97-02.

- Entities are responsible for structural risk management

As such, entities apply the standards defined at the Group level, develop their models, measure their risks 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 Balance Sheet Management Department via a shared IT system.

Retail banking entities both in France and abroad generally have an ad-hoc ALM (Asset Liability Management) Committee responsible for validating the models used, managing their exposures to interest rate and exchange rate risks and implementing the hedging programmes in line with the principles set out by the Group and the limits validated by the Finance Committee.

4.2. STRUCTURAL INTEREST RATE RISK

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

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

4.2.1. Objective of the Group

The Group's main aim is to reduce each Group entity's exposure to structural interest rate risk as much as possible.

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 set at Group level is EUR 1 billion, representing an amount equal to 2,4% of its risk-based capital.

4.2.2. Measurement and monitoring of structural interest rate risks

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

Assets and liabilities are analysed independently, without any a priori matching. The maturities of outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on historic clients' behaviour patterns (particularly for regulated savings accounts, early loan repayments, etc.), as well as conventional assumptions relating to certain balance sheet items (principally shareholders' equity and sight deposits).

Once the Group has identified its fixed-rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to variations of interest rates. This sensitivity is defined as the variation of the net present value of the fixed-rate positions for a 1% instantaneous parallel increase 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 (steepening and flattening of the yield curve). The measurement of the net interest income sensitivity is also used by the Group to quantify the structural interest rate risk of significant entities.

Throughout 2011, the Group's global sensitivity to interest rate risk remained below 2,4% of Group risk-based capital and within the EUR 1 billion limit.

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

- within the French retail networks, the outstanding amounts of customers' deposits, generally considered to be fixed-rate, exceed fixed-rate loans for maturities over than 3 years. Indeed, thanks to macro-hedging essentially through the use of interest rate swaps, the French retail networks' sensitivity to interest rate risk (on the basis of the adopted scenarii) has been kept to a low level. At end of December 2011, the sensitivity of the French retail networks' economic value, based on their essentially euro-denominated assets and liabilities, was EUR – 84 million;

- transactions with large companies are generally micro-hedged and therefore present no residual interest rate risk;
- transactions with clients of the Specialised Financial Services subsidiaries are generally macro-hedged and therefore present only a very low interest rate risk;
- clients' transactions for our subsidiaries and branches located in countries with weak currencies can generate structural interest rate risk, which remains limited at the Group level. These entities may have problems to optimally hedge 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 on expected maturities.

Sensitivity to interest rate variations of the main entities of the Group represented EUR -116 million on December 31, 2011 (for a 1% parallel and instantaneous rise of the yield curve). These entities account for 85% of the Group's credits outstanding.

(In millions of euros)

Less than one year	Between 1 and 5 years	More than 5 years	**Total sensitivity**
40	(231)	75	**(116)**

4.3. STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk is mainly caused by:

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

4.3.1. Objective of the Group

The Group's policy is to immunise its solvency ratio against fluctuations in the currencies it operates. 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 of these structural positions are subsequently booked as conversion reserves.

4.3.2. Measurement and monitoring of structural exchange rate risks

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

The Balance Sheet and Global Treasury Management Department monitors structural exchange rate positions and manages the immunisation of the solvency ratio to exchange rate fluctuations.

In 2011, the Group successfully neutralised the sensitivity of its solvency ratio to fluctuations in currencies by monitoring the structural positions in these currencies (the sensitivity of the solvency ratio is steered by limits fixed according to the Groups appetite to risk in these currencies).

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.

At December 31, 2011	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
(In millions of euros)					
Floating cash flows hedged	345	180	719	78	1,322
Highly probable forecast transaction	43	603	1,177	367	2,190
Other	81	116	695	-	892
Total flows covered by cash flow hedged	469	899	2,591	445	4,404

At December 31, 2010	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
(In millions of euros)					
Floating cash flows hedged	1,958	401	1,409	621	4,389
Highly probable forecast transaction	29	45	61	76	211
Other	-	66	294	-	360
Total flows covered by cash flow hedged	1,987	512	1,764	697	4,960

- **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.

A structural liquidity position is defined as resulting from the maturities of all balance sheet or off-balance sheet outstanding positions, according to their liquidity profile, determined either based on the contractual maturity of the transactions, or, for non-maturing products, based on a maturity modelled using historic client behaviour or a conventional maturity.

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

5.1. REORGANISATION OF THE LIQUIDITY RISKS MANAGEMENT FUNCTIONS

A new organisation of the structural risks management functions is implemented since January 1, 2011 by which steering functions are separated from the control functions within the Finance Division:

- the Balance Sheet and Global Treasury Management Department is in charge of the steering of the structural risks as well as the supervision and coordination of all treasury functions (external financing of the Group, internal refinancing of the entities and centralised management of the collateral); it also has the role of managing the central treasury for the group and executing the funding operations;

- the Structural Risks Control Department is in charge of the supervision of the structural risks for the whole Group. In particular, it validates the behavioural models and conventional assumptions implemented throughout the different locations and supervises local limits and ALM practices. This Department is hierarchically dependant of the Chief Financial Officer and functionally of the Risk Direction.

Several departments of the Risk Direction play a role, together with the Finance Department, in the operational supervision of the liquidity risk. Their action is coordinated by the transversal risks monitoring department, for the Chief Risk Officer, and in particular:

- the independent review of models related to market activities;
- the validation of all the group models of liquidity within the framework of a centralised governance;
- the instruction of the requests of limits concerning indicators of risk of liquidity and the follow-up of the possible over limits.

5.2. ADAPTATION OF THE ARCHITECTURE OF THE LIQUIDITY STEERING TO THE BASEL 3 FRAMEWORK

- **The Basel Committee** on Banking Supervision has defined in December 2009 two standardised new regulatory ratios, which are meant to regulate the liquidity positions of banks. These ratios have been published on December 16, 2010. Its main objective is to guarantee the viability of the banks on a 1 month and 1 year horizons, under stress conditions.

These ratios are decomposed as follows:

- the **Liquidity Covered Ratio** (LCR) aims to ensure that banks have enough liquid assets to survive on a 1 month horizon under combined stress scenarios of market and specific crisis,
- the **Net Stable Funding Ratio** (NSFR) aims to force banks to finance its operations on a long term basis, over 1 year. It compares the long term financing needs of banks to its resources which are considered stable resources under specific stress conditions.

The implementing calendar of these ratios includes an observation period and a review clause before enforcement:

- The **LCR** has to be monitored from 2012 on and its compliance is to be fulfilled after January 1, 2015.
- The **NSFR** has to be monitored from 2012 on and will become compulsory from January the 1, 2018.

The Basel Committee also works on the definition of systemic institutions and prepares a regulatory framework which aims to prevent large systemic banking crisis.

- **The European commission** will transpose the Basel 3 accords into law through the CRD4 (Capital Regulatory Directive) and intends to follow the Basel text as close as possible. It published its project of law on July 20, 2011 which includes:

- an obligation of reporting for the juridical entities from January 1, 2013 on an observatory basis on the LCR and NSFR ratios,
- a central supervisory role for the EBA (European Banking Authority) for the period before and during the observatory phase.
- the need for the banks to respect the LCR on January 1, 2015.

After the observation period, on the basis of the EBA recommendations, the European Commission may modify the ratios.

The legislative procedure of co-decision between the European Parliament and the Council of the European Union will take place in 2012. After the vote the regulation will become law immediately. The CRD4 will then be transposed into national laws in each one of the European Union member states.

The Societe Generale Group has worked actively in 2011 on the transposition of the Basel text into internal norms to be used for steering purposes. A corpus of procedures adapted to the specificities of the group has been defined and will be compulsory at the business lines and entities levels.

- The business lines will be able to measure its Basel 3 liquidity ratios for its respective activities and will report its metrics on an automated basis from the first quarter of 2012.
- In addition to the quarterly “Quantitative Impact Studies” of the Basel Committee, the Group will start to report in 2012 on a quarterly basis with a mutualised and centralised tool which guaranty the coherence of the metrics and the correct application throughout the group.
- Specific targets for the Basel 4 ratios have been defined and will be applied from 2012 to each one of the business lines in order to ensure the convergence of the business lines to the regulatory constraints of the LCR in 2015.

The management and steering framework of the liquidity of the Group have been adapted deeply in order to allow the evolution of the regulatory environment and will be operational particularity with the implementation of the centralised tool during 2012.

5.3. ORGANISATION 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 Balance Sheet and Global Treasury Management Department manages liquidity for the overall Group, in conjunction with the Treasury Department of the Corporate and Investment Banking Division, to whom it has a functional authority.

- **The Group's Executive Committee:**

- reviews quarterly the liquidity risks and the follow up of prior decisions,
- reviews annually the liquidity management and steering framework,
- defines the tolerance level on liquidity risks and specifically the survival horizon,
- monitors the respect of the liquidity limits.

- **The General Management Committee:**

- presents to the Group's Executive Committee the limits framework and the appetite for the liquidity risk,
- defines the liquidity limits for the business lines,
- monitors the compliance with the liquidity risk limits for the business lines and the Group,
- validates the action plans in case of limits overrun at the business lines and Group level.

- **The Group Finance Committee, which meets at least quarterly, is chaired by the General Management or a delegate General Management and is composed of members of the business lines and functional directions:**

- prepares the decisions of the General Management Committee concerning general policies liquidity risk appetite and liquidity limits,
- examines the adequacy of the steering and control frameworks,
- examines and validates the metrics suggested by the Balance Sheet and Global Treasury Management Department and the Structural Risks Control Department,
- controls the evolution of the liquidity needs and validates the Group's funding programmes.

- **The Balance Sheet and Global Treasury Management Department, which is part of the Group Finance Division:**

- defines, reviews and adapts periodically the liquidity steering framework: metrics, stress tests, etc;
- suggests and calibrates the liquidity limits at the group and business lines levels and for specific entities. It submits its propositions to the Group Finance Committee;
- reviews and validates liquidity limits allocated by the business lines to the entities, in coherence with the limits notified to the business lines;
- coordinates the action plans in case of limit overrun by the entities or the Group;
- supervises the reporting chain and the validation of the calculation of the liquidity positions' process for the Group;
- centralises, 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 *scenarii*;
- plans the Group's funding programmes;
- proposes the internal liquidity pricing policy.

- **The Treasury Department of the Corporate and Investment Banking Division**, in accord with the orientations defined by the Balance Sheet and Global Treasury Management Department, is responsible for managing short-term liquidity (less than 18 months) in coordination with local treasuries (New York, Tokyo,…).

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.

5.4. OBJECTIVE OF THE GROUP

Considering the liquidity as a scarce resource, 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.

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

- a central management of liquidity by transferring the liquidity positions of the entities (liquidity surpluses and requirements) to the Group's treasury departments;
- central management of market resources using the access to the markets of the Group's main treasury departments;
- diversification of sources of funding, both in terms of geographic regions and activity sectors;
- optimised management of resources by limiting the number of issuers within the Group (Societe Generale, SG Acceptance NV, SG North America, Societe Generale SCF….);

- a framework of measurement and monitoring of the liquidity gaps by business lines in a basic scenario and a stress scenario, the refinancing needs within the group, the external refinancing needs of the group in the financial markets and the contribution of each business line to the regulatory ratios (standard ACP ratio, LCR, NSFR);
- in this context, the excess or deficits of liquidity will be transferred across business lines systematically through the central treasury, for all maturities. Business lines have to comply with zero or small liquidity gaps in order to avoid liquidity transformation. This will guaranty a wealthy management across business lines (refinancing according to the assets in the balance sheet). Liquidity gaps will be monitored by currency and across currencies;
- Internal stress tests are used to guarantee the group can carry on its activities with a specific horizon to any stress scenario, whatever the market environment;
- the short term and long term funding plan for the Group in complement to the resources collected with clients is dimensioned in a prudent way not dependent on short term funding and based on diversified products and regions;
- net funding needs of the business lines are supervised and steered in a dynamic way, with compliance to the resources-raising capacity of the Group. This framework is completed by a threshold on gross funding needs growth of each business line, in order restrict the balance sheet growth and to facilitate the convergence towards the future regulatory Basel 3 constraints regarding LCR and NSFR.

The implementation of these indicators in the Group started in the first half of 2011. It is under observation until the end of 2012 in order to allow a progressive adjustment of the internal limits and establish targets by business line over the period 2012-2014.

5.5. MEASUREMENT AND MONITORING OF LIQUIDITY RISK

In 2011 the Group has invested in the implementation of a mutualised and centralised tool for liquidity steering. This tool will allow, from the beginning of 2012, to report metrics on the Group, business line or entity level on the main followed liquidity metrics: LCR, NSFR, static gaps, financing needs, etc.

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

- an assessment of the Group's structural liquidity profile and its development over time;

Risk analysis was conducted in 2011 using reports submitted by the different entities, listing their respective on and off-balance sheet outstanding according to currency of denomination and residual maturity. From 2012 on, reports will be produced by the mutualised and centralised tool which will deliver coherent metrics on Group, business lines or entities levels. The principle retained enables assets and liabilities to be categorised in terms of maturity. Maturities on outstanding positions are determined on the basis of the contractual terms of transactions, models of historic client behaviour 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 liabilities and contractual commitments by maturity are disclosed in Note 32.

Medium- and long-term issues featuring a clause providing for early repayment options to the issuer are included in the repayment timetables at their first call date for subordinated issues and at their contractual maturity for structured issues (specific monitoring is applied to the amounts repaid for these issues). The objective defined for the business lines is of small liquidity gaps. This objective is monitored by the business lines and the Financial Committee and will be subject to action plans in case of limits overrun.

- a monthly monitoring of the internal financing needs allocated to the business lines and a control of the limits defined for budgetary purposes. This objective is also monitored by the business lines and the Finance Committee and will be subject to action plans in case of limits overrun.
- monitoring of the diversification of funding sources:

Societe Generale maintains a broadly diversified range of funding sources, firstly including a large base of customer deposits that represents a large share of its medium-term resources, and secondly market resources.

For its deposit base, the Group relies on inflows from Retail Banking Networks (France and abroad) and Private Banking structure.

For its medium- and long-term market resources, the Group operates a diversified funding policy relying on various types of debt and forms of issue, currencies and investor pools.

In a context of financial turbulence, the Group has refinanced in 2011 the roll over of its debt maturing during the year as well as the growth of its businesses, thanks not only to an active and diversified funding programme on the capital markets (issues of vanilla and structured private placements, senior and subordinate benchmark issues), but also through a complementary effort of deposits collection.

- The Group monitors the risk of the early repayment of its medium- and long-term debt instruments:
  - the main Group's medium- and long-term issue programmes feature no clauses that could generate an early repayment risk linked to a decline in the Group's credit quality. The proportion of medium- and long-term issues featuring a clause providing for early repayment options to investors is limited;
- 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 scenarii;
- close monitoring of long-term liquidity.

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

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

- conservative short-term liquidity management.

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

A weekly liquidity committee meeting, chaired by the Chief Financial Officer and attended by the Chief Risk Officer, the Head and Treasurer of SG CIB and the Head of the Balance Sheet and Global Treasury Management Department, assesses the Bank's short-term liquidity position and makes management decisions according to the market environment by delegation from the Finance Committee.

- active management of eligible assets.

Under the supervision of the Group Treasurer, the Group works to optimise the management of the pool of assets eligible for the various refinancing mechanisms (central bank refinancing operations, Société de Crédit Foncier, securitisations, etc.) using a centralised application that creates an inventory of saleable assets to allow an optimum allocation and secure management of these asset pools.

The Group eligible assets are formed of:

- a portfolio of sovereign debt of the best ratings managed centrally refinanced on a medium to long term basis and allocated specifically to be managed in case of a liquidity crisis particularly severe,
- securities eligible to Central Banks referenced daily and available to the central treasury,
- the liquidity pool validated by the Central Banks formed of loans deposited as guaranties for collateral near the Central banks,
- securities located in the local entities and eligible near the local Central Banks,

Market securities which may be used as complementary sources of liquidity either by sell in the market or by repo operations.

The regulatory one-month liquidity ratio is calculated on a monthly basis, and concerns Societe Generale SA. In 2011, Societe Generale SA 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 capitalisation objective, 1) to ensure internal growth, 2) the management and optimisation of the portfolio of the Group and 3) to maintain a clear and consistent policy with respect to its shareholders (principally on matters of dividend pay-outs).

To this end, the 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 capitalisation expected by the market authorities). The capital is also sized to cover extreme losses calculated through global stress tests taking into account the whole risk profile of the Group and allowing the measurement of its resilience to macroeconomic crisis scenarios.

Financial planning is used to maintain this objective, which consists in simulating the balance of resources in relation to capital requirements and capital transactions. Capital management is monitored through data collected at least every half-year within the framework of the Group budget and strategic plan.

- **Compliance with ratios**

The solvency ratio (Basel 2 solvency ratio) complies with the calculation methods established by the French Prudential Supervisory Authority. 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 1 capital, upper Tier 2 capital and lower Tier 2 capital are calculated in accordance with Regulation No. 90-02 relating to capital. Supplementary capital (Tier 2) is taken into account only within the limit of 100% of Tier 1 capital. Furthermore, additional Tier 2 capital may not exceed the limit of 50% of Tier 1 capital. Hybrid equity instruments (both innovative and non-innovative) are limited to 35% of the consolidated bank's Tier 1 capital, innovative hybrid equity instruments being subject to stringent conditions and limited to a maximum of 15% of this Tier 1 capital.

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. The minimum level of capital required is 8% of risks expressed in risk-weighted assets for credit risks and in capital requirements multiplied by 12.5 for market risks and operational risks, calculated using internal models for which Societe Generale obtained authorisation from the French Banking Commission (*Commission bancaire*) in 2007.

Basel 2 introduced new deductions to be made 50% from Tier 1 capital and 50% from Tier 2 capital (equity holdings in financial institutions, negative amount resulting from the difference between provisions and expected losses, securitisation positions, etc.).

In order to better take into account the default and rating migration risk for assets in the trading portfolio (tranched and untranched assets) and in order to reduce the procyclicality of Value at Risk (VaR), the Basel Committee published new proposals in July 2009 (Basel 2.5), The risk of rating migration and default with regard to issuers in trading portfolios lead to two capital charges for specific market risk: IRC (Incremental Risk Charges, applied to untranched assets), CRM (Comprehensive Risk Measurement, specific to correlation trading portfolios). Moreover, the regulator requires an estimated stressed VaR calculation, similar to the VaR, but estimated for a crisis period. The changes concerning specific trading portfolio risk will be applicable from December 31, 2011.

In 2011, the Societe Generale Group complied with all of the prudential ratios applicable to its activities. The Societe Generale Group also applies Directive No. 2005-04 relating to "additional monitoring of financial conglomerates".

The European directive (CRD 4), giving lawful force to the reform Basle 3, should come into effect from January 1, 2013, after its adoption by the European Parliament. The group will be able to be with go of these new requirements, with a ratio Core Tier 1 Basle 3 superior with 9% at the end of 2013.

Moreover, it is considered, within the framework of the implementation of the recommendation of December 8, 2011 of the European Banking Authority (EBA), to require Societe Generale, pursuant to the article L. 511-41-3 of the monetary and financial Code, to hold equity bigger than the minimum amount on the basis of ratio Core Tier One, calculated according to methodology appearing in this recommendation, of 9% from June 30, 2012 at the latest. Societe Generale already complies with this requirement as at December 31, 2011, with a Core tier 1 ratio standing at 9.0%, applying the EBA calculation method.

6.2. QUANTITATIVE DATA

At the end of 2011, the total risk-based capital was EUR 41,428 million.

Prudention capital – Basel 2 (In millions of euros)	December 31, 2011	December 31, 2010
Group shareholders' equity	47,067	46,421
Estimated and forecast dividends	(184)	(1,484)
Non-controlling interests including preferred shares	4,045	4,554
Estimated and forecast dividends related to non-controlling interests	(180)	(242)
Prudential deductions	(10,567)	(10,383)
Tier 1 capital	**40,181**	**38,866**
Basel 2 deductions	(2,717)	(3,503)
Total Tier 1 capital	**37,464**	**35,363**
Tier 2 capital	10,742	12,491
Other deductions	(6,778)	(7,348)
Total risk-based capital	**41,428**	**40,506**

Note 5

CASH, DUE FROM CENTRAL BANKS

(In millions of euros)	December 31, 2011	December 31, 2010
Cash	2,684	2,525
Due from central banks	41,279	11,556
Total	**43,963**	**14,081**

Note 6

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2011				December 31, 2010			
(In millions of euros)	Valuation on the basis of quoted prices in active markets (L1)[2]	Valuation using observable inputs other than quoted prices included in (L2)[2]	Valuation using mainly inputs that are not based on observable market data (L3)[2]	Total	Valuation on the basis of quoted prices in active markets (L1)[2]	Valuation using observable inputs other than quoted prices included in (L2)[2]	Valuation using mainly inputs that are not based on observable market data (L3)[2]	Total
Trading portfolio*								
Bonds and other debt securities*	36,609	8,185	3,486	48,280	57,244	8,555	7,209	73,008
Shares and other equity securities[1]	34,361	2,691	279	37,331	73,577	7,837	24	81,438
Other financial assets	52	61,571	312	61,935	1	73,982	249	74,232
Sub-total trading portfolio*	**71,022**	**72,447**	**4,077**	**147,546**	**130,822**	**90,374**	**7,482**	**228,678**
o/w securities on loan				*13,602*				*12,114*
Financial assets measured using fair value option through P&L*								
Bonds and other debt securities*	6,582	514	25	7,121	7,234	567	22	7,823
Shares and other equity securities[1]	10,899	1,737	120	12,756	13,610	1,973	118	15,701
Other financial assets	-	12,908	330	13,238	-	11,961	240	12,201
Separate assets for employee benefit plans	-	99	-	99				
Sub-total of financial assets measured using fair value option through P&L*	**17,481**	**15,258**	**475**	**33,214**	**20,844**	**14,501**	**380**	**35,725**
o/w securities on loan				-				-
Interest rate instruments	**15**	**146,662**	**912**	**147,589**	**22**	**105,417**	**1,569**	**107,008**
Firm instruments								
Swaps				107,683				78,459
FRA				899				537
Conditional instruments								
Options on organised markets				7				1
OTC options				30,174				19,697
Caps, floors, collars				8,826				8,314
Foreign exchange instruments	**425**	**30,340**	**129**	**30,894**	**201**	**27,116**	**123**	**27,440**
Firm instruments				*24,438*				*21,967*
Conditional instruments				*6,456*				*5,473*
Equity and index instruments	**103**	**23,365**	**1,671**	**25,139**	**416**	**19,697**	**1,249**	**21,362**
Firm instruments				*1,858*				*961*
Conditional instruments				*23,281*				*20,401*
Commodity instruments	**385**	**7,485**	**153**	**8,023**	**318**	**10,815**	**366**	**11,499**
Firm instruments-Futures				*6,351*				*9,298*
Conditional instruments				*1,672*				*2,201*
Credit derivatives*	**-**	**27,271**	**2,409**	**29,680**	**-**	**21,226**	**1,782**	**23,008**
Other forward financial instruments	**216**	**13**	**180**	**409**	**146**	**44**	**250**	**440**
On organised markets				*147*				*130*
OTC				*262*				*310*
Sub-total trading derivatives*	**1,144**	**235,136**	**5,454**	**241,734**	**1,103**	**184,315**	**5,339**	**190,757**
Total financial instruments at fair value through P&L*	**89,647**	**322,841**	**10,006**	**422,494**	**152,769**	**289,190**	**13,201**	**455,160**

* Amounts adjusted with respect to the published financial statements as at December 31, 2010.

(1) Including UCITS.

(2) See note 3 for valuation level definitions.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2011				December 31, 2010			
(In millions of euros)	Valuation on the basis of quoted prices in active markets (L1)(3)	Valuation using observable inputs other than quoted prices included in (L2)(3)	Valuation using mainly inputs that are not based on observable market data (L3)(3)	Total	Valuation on the basis of quoted prices in active markets (L1)(3)	Valuation using observable inputs other than quoted prices included in (L2)(3)	Valuation using mainly inputs that are not based on observable market data (L3)(3)	Total
Trading portfolio								
Securitised debt payables	-	9,079	13,849	22,928	-	11,019	16,341	27,360
Amounts payable on borrowed securities*	4,777	35,130	-	39,907	5,928	48,359	33	54,320
Bonds and other debt instruments sold short	6,271	146	91	6,508	5,448	311	-	5,759
Shares and other equity instruments sold short	2,348	69	1	2,418	2,259	92	-	2,351
Other financial liabilities	-	65,757	768	66,525	-	60,830	480	61,310
Sub-total trading portfolio*(3)	**13,396**	**110,181**	**14,709**	**138,286**	**13,635**	**120,611**	**16,854**	**151,100**
Interest rate instruments	**75**	**140,809**	**2,544**	**143,428**	**7**	**105,186**	**2,076**	**107,269**
Firm instruments								
Swaps				101,887				78,035
FRA				856				548
Conditional instruments								
Options on organised markets				21				23
OTC options				30,390				19,008
Caps, floors, collars				10,274				9,655
Foreign exchange instruments	**283**	**30,155**	**92**	**30,530**	**187**	**27,423**	**134**	**27,744**
Firm instruments				*24,266*				*22,449*
Conditional instruments				*6,264*				*5,295*
Equity and index instruments	**83**	**25,956**	**1,162**	**27,201**	**157**	**24,090**	**1,172**	**25,419**
Firm instruments				*1,924*				*1,402*
Conditional instruments				*25,277*				*24,017*
Commodity instruments	**422**	**8,350**	**262**	**9,034**	**391**	**11,087**	**449**	**11,927**
Firm instruments-Futures				*7,098*				*9,757*
Conditional instruments				*1,936*				*2,170*
Credit derivatives	**-**	**26,878**	**1,308**	**28,186**	**-**	**19,602**	**1,346**	**20,948**
Other forward financial instruments	**157**	**860**	**1**	**1,018**	**99**	**1,781**	**1**	**1,881**
On organised markets				*97*				*101*
OTC				*921*				*1,780*
Sub-total trading derivatives	**1,020**	**233,008**	**5,369**	**239,397**	**841**	**189,169**	**5,178**	**195,188**
Sub-total of financial liabilities measured using fair value option through P&L(3)(4)	**307**	**16,669**	**588**	**17,564**	**460**	**11,491**	**724**	**12,675**
Total financial instruments at fair value through P&L*	**14,723**	**359,858**	**20,666**	**395,247**	**14,936**	**321,271**	**22,756**	**358,963**

* Amounts adjusted with respect to the published financial statements as at December 31, 2010.

(3) See note 3 for valuation level definitions.

FINANCIAL LIABILITIES MEASURED USING FAIR VALUE OPTION THROUGH PROFIT OR LOSS

	December 31, 2011			December 31, 2010		
(In millions of euros)	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 financial liabilities measured using fair value option through P&L(4)(5)	**17,564**	**17,806**	**(242)**	**12,676**	**13,674**	**(998)**

(4) The change in fair value attributable to the Group's own credit risk generated income of EUR 1,176 million as at December 31, 2011. The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale Group's actual financing terms and conditions on the markets and the residual maturity of the related liabilities.

(5) Mainly indexed EMTNs.

VARIATION IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS WHOSE VALUATION IS NOT BASED ON OBSERVABLE MARKET DATA (LEVEL 3[(6)])

	Trading portfolio			Financial assets measured using fair value option through profit or loss			Trading derivatives						
(In millions of euros)	Bonds and other debt securities *	Shares and other equity securities	Other financial assets	Bonds and other debt securities	Shares and other equity securities	Other financial assets	Interest rate instruments	Foreign exchange instruments	Equity and index instruments	Commodity instruments	Credit derivatives*	Other forward financial instruments	Total financial instruments at fair value through P&L *
Balance at January 1, 2011*	**7,209**	**24**	**249**	**22**	**118**	**240**	**1,569**	**123**	**1,249**	**366**	**1,782**	**250**	**13,201**
Acquisitions	782	358	22	3	20	101	366	10	198	33	175	-	2,068
Disposals/redemptions	(3,141)	(94)	-	-	(19)	(19)	(585)	(5)	(131)	(61)	(315)	-	(4,370)
Transfer to Level 2[(6)]	(93)	-	-	-	-	-	(570)	(9)	(293)	-	(75)	-	(1,040)
Transfer to Level 1[(6)]	(1,274)	-	-	-	-	-	-	-	-	-	-	-	(1,274)
Transfer from Level 2[(6)]	6	-	4	-	-	-	35	-	-	-	114	-	159
Transfer from Level 1[(6)]	4	-	-	-	-	-	-	-	-	-	-	-	4
Gains and losses on changes in fair value during the period[(7)]	(66)	(9)	29	-	1	5	91	5	356	(186)	395	(71)	550
Translation differences	63	-	8	-	-	3	6	5	23	1	69	1	179
Change in scope and others	(4)	-	-	-	-	-	-	-	269	-	264	-	529
Balance at December 31, 2011	**3,486**	**279**	**312**	**25**	**120**	**330**	**912**	**129**	**1,671**	**153**	**2,409**	**180**	**10,006**

* Amounts adjusted with respect to the published financial statements as at December 31, 2010.

(6) See note 3 for valuation level definitions.

(7) Gains and losses of the year are recognised in “Net gains and losses on financial instruments at fair value through profit or loss” in P&L.

VARIATION IN FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS WHOSE VALUATION IS NOT BASED ON OBSERVABLE MARKET DATA (LEVEL 3[8])

	Trading portfolio				Trading derivatives							
(In millions of euros)	Securitised debt payables	Amounts payable on borrowed securities	Shares and other equity instruments sold short	Other financial liabilities	Interest rate instruments	Foreign exchange instruments	Equity and index instruments	Commodity instruments	Credit derivatives	Other forward financial instruments	Financial liabilities measured using fair value option through P&L	Total financial instruments at fair value through P&L
Balance at January 1, 2011	**16,341**	**33**	**-**	**480**	**2,076**	**134**	**1,172**	**449**	**1,346**	**1**	**724**	**22,756**
Issues	3,418	-	-	-	-	-	15	-	-	-	-	3,433
Acquisitions/disposals	(800)	(9)	-	284	(19)	(7)	16	(37)	(128)	-	(48)	(748)
Redemptions	(3,385)	-	-	(3)	(2)	-	(23)	-	-	-	-	(3,413)
Transfer to Level 2[8]	(2,647)	-	-	(9)	(205)	(3)	(291)	-	(121)	-	(5)	(3,281)
Transfer from Level 2[8]	173	-	-	3	122	7	-	-	83	-	-	388
Gains and losses on changes in fair value during the period[9]	(526)	(24)	92	(1)	544	(42)	(13)	(160)	132	-	(89)	(87)
Translation differences	129	-	-	14	28	3	17	1	27	-	6	225
Change in scope and others	1,146	-	-	-	-	-	269	9	(31)	-	-	1,393
Balance at December 31, 2011	**13,849**	**-**	**92**	**768**	**2,544**	**92**	**1,162**	**262**	**1,308**	**1**	**588**	**20,666**

(8) See note 3 for valuation level definitions.

(9) Gains and losses of the year are recognised in “Net gains and losses on financial instruments at fair value through profit or loss” in P&L.

Note 7

HEDGING DERIVATIVES

	December 31, 2011		December 31, 2010	
(In millions of euros)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
FAIR VALUE HEDGE				
Interest rate instruments				
Firm instruments				
Swaps	11,640	11,881	7,408	8,623
Forward Rate Agreements (FRA)	-	-	-	-
Conditional instruments				
Options on organised markets	-	-	-	-
OTC options	-	-	42	-
Caps, floors, collars	151	-	111	-
Foreign exchange instruments				
Firm instruments				
Currency financing swaps	219	39	203	36
Forward foreign exchange contracts	-	-	-	1
Equity and index instruments				
Equity and stock index options	-	1	5	3
CASH FLOW HEDGE				
Interest rate instruments				
Firm instruments				
Swaps	522	467	318	333
Foreign exchange instruments				
Firm instruments				
Currency financing swaps	19	162	16	209
Forward foreign exchange contracts	29	106	2	50
Other forward financial instruments				
On organised markets	31	248	57	12
Total	**12,611**	**12,904**	**8,162**	**9,267**

Note 8

AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In millions of euros)	December 31, 2011 Valuation on the basis of quoted prices in active markets (L1)(2)	December 31, 2011 Valuation using observable inputs other than quoted prices included in (L2)(2)	December 31, 2011 Valuation using mainly inputs that are not based on observable market data (L3)(2)	December 31, 2011 Total	December 31, 2010 Valuation on the basis of quoted prices in active markets (L1)(2)	December 31, 2010 Valuation using observable inputs other than quoted prices included in (L2)(2)	December 31, 2010 Valuation using mainly inputs that are not based on observable market data (L3)(2)	December 31, 2010 Total
Current assets								
Bonds and other debt securities *	93,919	19,302	685	**113,906**	78,457	12,807	556	**91,820**
o/w provisions for impairment				*(946)*				*(656)*
Shares and other equity securities(1)	6,608	1,159	330	**8,097**	7,171	589	264	**8,024**
o/w impairment losses				*(1,905)*				*(2,193)*
Sub-total current assets *	**100,527**	**20,461**	**1,015**	**122,003**	**85,628**	**13,396**	**820**	**99,844**
Long-term equity investments	551	707	1,477	**2,735**	1,040	611	2,341	**3,992**
o/w impairment losses				*(628)*				*(726)*
Total available-for-sale financial assets *	**101,078**	**21,168**	**2,492**	**124,738**	**86,668**	**14,007**	**3,161**	**103,836**
o/w securities on loan				-				*114*

* Amounts adjusted with respect to the published financial statements as at December 31, 2010.

(1) Including UCITS.

(2) See note 3 for valuation level definitions.

CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In millions of euros)	December 31, 2011	December 31, 2010
Balance at January 1	**103,836**	**90,433**
Acquisitions	108,921	95,492
Disposals/redemptions(3)	(88,050)	(83,030)
Reclassifications and changes in scope	125	327
Gains and losses on changes in fair value recognised directly in equity(4)	(41)	(1,005)
Change in impairment on fixed income securities recognised in P&L	(301)	(225)
O/w: increase	(945)	(260)
write-backs	*472*	*43*
others	*172*	*(8)*
Impairment losses on variable income securities recognised in P&L	(308)	(218)
Change in related receivables	212	249
Translation differences	344	1,813
Balance at December 31	**124,738**	**103,836**

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

(4) The difference versus "Revaluation of available-for-sale assets of the period" in note 29 mainly results from the variation in Insurance Companies-Net allowances for deferred profit-sharing.

VARIATION OF AVAILABLE-FOR-SALE ASSETS WHOSE VALUATION METHOD IS NOT BASED ON OBSERVABLE MARKET DATA (LEVEL 3[5])

(In millions of euros)	Bonds and other debt securities	Shares and other equity securities	Long-term equity investments	Total
Balance at January 1, 2011	**556**	**264**	**2,341**	**3,161**
Acquisitions	347	87	701	1,135
Disposals/redemptions	(1,160)	(11)	(1,073)	(2,244)
Transfer to Level 2[5]	(18)	-	-	(18)
Transfer to Level 1[5]	(62)	-	-	(62)
Transfer from Level 2[5]	40	-	-	40
Transfer from Level 1[5]	1,855	-	-	1,855
Gains and losses recognised directly in equity during the period	34	(4)	(3)	27
Changes in impairment on fixed income securities recognised in P&L	(782)	-	-	(782)
O/w: increase	*(782)*	-	-	*(782)*
write-backs	-	-	-	-
Impairment losses on variable income securities recognised in P&L	-	(8)	(14)	(22)
Changes in related receivables	(15)	-	-	(15)
Translation differences	(2)	-	(62)	(64)
Change in scope and others	(108)	2	(413)	(519)
Balance at December 31, 2011	**685**	**330**	**1,477**	**2,492**

(5) See note 3 for valuation level definitions.

Note 9

DUE FROM BANKS

(In millions of euros)	December 31, 2011	December 31, 2010
Deposits and loans		
Demand and overnights		
Current accounts	15,401	15,320
Overnight deposits and loans and others	1,556	4,402
Loans secured by overnight notes	6	4
Term		
Term deposits and loans[1]	19,460	21,635
Subordinated and participating loans	715	570
Loans secured by notes and securities	245	324
Related receivables	173	213
Gross amount	**37,556**	**42,468**
Impairment		
Impairment of individually impaired loans	(124)	(141)
Impairment of groups of homogenous receivables	-	(10)
Revaluation of hedged items	49	74
Net amount	**37,481**	**42,391**
Securities purchased under resale agreements	48,959	27,877
Total	**86,440**	**70,268**
Fair value of amounts due from banks	**87,270**	**70,372**

(1) As at December 31, 2011, the amount of receivables with incurred credit risk was EUR 199 million compared with EUR 327 million as at December 31, 2010.

Note 10

CUSTOMER LOANS

(In millions of euros)	December 31, 2011	December 31, 2010
Customer loans		
Trade notes	11,384	9,156
Other customer loans(1)		
Short-term loans	100,940	106,925
Export loans	11,450	10,642
Equipment loans	63,099	62,815
Housing loans	104,528	99,305
Other loans	57,948	67,723
Sub-total	**337,965**	**347,410**
Overdrafts	16,848	14,901
Related receivables	1,507	1,417
Gross amount	**367,704**	**372,884**
Impairment		
Impairment of individually impaired loans	(14,824)	(13,496)
Impairment of groups of homogenous receivables	(1,287)	(1,227)
Revaluation of hedged items	539	765
Net amount	**352,132**	**358,926**
Loans secured by notes and securities	1,067	59
Securities purchased under resale agreements	14,318	12,913
Total amount of customer loans	**367,517**	**371,898**
Fair value of customer loans	**365,695**	**378,068**

(1) As at December 31, 2011, the amount of receivables with incurred credit risk was EUR 26,038 million compared with EUR 24,868 million as at December 31, 2010.

Note 11

RECLASSIFICATION OF FINANCIAL ASSETS

On October 1, 2008, the Group reclassified non-derivative financial assets out of the *Financial assets at fair value through profit or loss* and the *available-for-sale financial assets* 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 longer quoted in an active market at 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 a*vailable-for-sale financial assets* category certain financial instruments initially measured at fair value through profit or loss, insofar as these instruments were no longer held for trading purposes.

No financial asset has been reclassified into the *held-to-maturity financial assets* category according to these amendments.

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

No reclassification was performed in 2011.

The amounts of reclassified financial assets and the related impacts are as follows:

New Category (In millions of euros)	Fair value on December 31, 2011[(1)]	Book value on December 31, 2011[(1)]	Fair value on December 31, 2010	Book value on December 31, 2010	Book value on the date of reclassification (October 1, 2008)
Available-for-sale financial assets	241	241	567	568	969
Due from banks	4,014	4,602	4,795	4,754	6,345
Customer loans	6,161	7,580	17,415	17,965	21,293
Total	**10,416**	**12,423**	**22,777**	**23,287**	**28,607**

(1) Net reimbursements and disposals that have been received since January 1, 2011: EUR 1,817 million and EUR 9,416 million.

	On December 31, 2011
Contribution of reclassified financial assets over the period	
Recognised in unrealised or deferred gains and losses	(24)
Recognised in net banking income	1,246
Recognised in net cost of risk	(359)

	On December 31, 2011	On December 31, 2010
Changes in fair value		
that would have been recognised in unrealised or deferred gains and losses if the financial assets had not been reclassified[(2)]	(550)	(51)
that would have been recognised in net banking income if the financial assets had not been reclassified[(2)]	(752)	1,135

The effective interest rates on December 31, 2011 of reclassified financial assets ranged from 0.84% to 5.9%.

Expected recoverable cash flows on reclassified financial assets are EUR 13,843 million.

(2) Including insurance activity reclassifications whose impact would have been neutralised by deferred profit-sharing for EUR 533 million in unrealised or deferred gains and losses and for EUR 25 million in net banking income.

Note 12

LEASE FINANCING AND SIMILAR AGREEMENTS

(In millions of euros)	December 31, 2011	December 31, 2010
Real estate lease financing agreements	8,295	7,983
Non-real estate lease financing agreements	21,615	21,632
Related receivables	67	70
Gross amount[(1)]	**29,977**	**29,685**
Impairment of individually impaired loans	(648)	(563)
Impairment of groups of homogenous receivables	(4)	(7)
Revaluation of hedged items	-	-
Net amount	**29,325**	**29,115**
Fair value of receivables on lease financing and similar agreements	**29,731**	**29,333**

(1) As at December 31, 2011, the amount of individually impaired loans with incurred credit risk was EUR 1,672 million compared to EUR 1,540 million as at December 31, 2010.

(In millions of euros)	December 31, 2011	December 31, 2010
Gross investments	**33,593**	**32,991**
less than one year	8,542	8,261
one to five years	17,445	17,306
more than five years	7,606	7,424
Present value of minimum payments receivable	**28,298**	**28,090**
less than one year	7,646	7,412
one to five years	14,460	14,482
more than five years	6,192	6,196
Unearned financial income	**3,616**	**3,306**
Unguaranteed residual values receivable by the lessor	**1,679**	**1,595**

Note 13

HELD-TO-MATURITY FINANCIAL ASSETS

(In millions of euros)	December 31, 2011	December 31, 2010
Bonds and other debt securities	1,492	1,887
Impairment	(39)	(5)
Total held-to-maturity financial assets	**1,453**	**1,882**
Fair value of held-to-maturity financial assets	**1,421**	**1,902**

Note 14

TAX ASSETS AND LIABILITIES

(In millions of euros)	December 31, 2011	December 31, 2010
Current tax assets	648	578
Deferred tax assets	4,582	4,867
o/w on-balance sheet items	*4,056*	*4,632*
o/w on items credited or charged to shareholders' equity for unrealised gains and losses	*526*	*235*
Total	**5,230**	**5,445**

(In millions of euros)	December 31, 2011	December 31, 2010
Current tax liabilities	756	813
Deferred tax liabilities	439	530
o/w on-balance sheet items	*396*	*500*
o/w on items credited or charged to shareholders' equity for unrealised gains and losses	*43*	*30*
Total	**1,195**	**1,343**

As at December 31, 2011, according to the tax system of each entity and realistic projection of their tax income or expense, maximum delay of deferred tax asset recovery is set to 10 years.

Note 15

OTHER ASSETS

(In millions of euros)	December 31, 2011	December 31, 2010
Guarantee deposits paid[(1)]	35,224	26,186
Settlement accounts on securities transactions	2,314	2,073
Prepaid expenses	746	845
Miscellaneous receivables	17,699	14,626
Gross amount	**55,983**	**43,730**
Impairment	(255)	(224)
Net amount	**55,728**	**43,506**

(1) Mainly concerns guarantee deposits paid on financial instruments.

Note 16

NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

(In millions of euros)	December 31, 2011	December 31, 2010
Assets	**429**	**64**
Fixed assets and Goodwill	6	7
Financial assets	85	51
Receivables	178	1
O/w: due from banks	*40*	*1*
customer loans	*138*	-
others	-	-
Other assets	160	5
Liabilities	**287**	**6**
Allowances	-	-
Debts	236	-
O/w: due to banks	*152*	-
customer deposits	-	-
others	*84*	-
Other liabilities	51	6

Note 17

TANGIBLE AND INTANGIBLE FIXED ASSETS

(In millions of euros)	Gross book value at December 31, 2010	Acquisitions	Disposals	Changes in translation, consolidation scope and reclassifications	Gross value at December 31, 2011	Accumulated depreciation and amortisation of assets at December 31, 2010	Allocations to amortisation and depreciation in 2011	Impairment of assets 2011	Write-backs from amortisation and depreciation in 2011	Changes in translation, consolidation scope and reclassifications	Net book value at December 31, 2011	Net book value at December 31, 2010
Intangible assets												
Software, EDP development costs	1,494	118	(9)	(3)	1,600	(1,148)	(154)	3	7	47	355	346
Internally generated assets	1,234	23	(7)	162	1,412	(788)	(195)	(2)	7	6	440	446
Assets under development	289	318	(1)	(213)	393	-	-	-	-	-	393	289
Others	690	6	(2)	77	771	(247)	(38)	(3)	1	7	491	443
Sub-total	**3,707**	**465**	**(19)**	**23**	**4,176**	**(2,183)**	**(387)**	**(2)**	**15**	**60**	**1,679**	**1,524**
Operating tangible assets												
Lands and buildings	4,476	79	(35)	51	4,571	(1,346)	(139)	(3)	13	11	3,107	3,130
Assets under development	856	259	-	(254)	861	-	-	-	-	-	861	856
Lease assets of specialised financing companies	12,188	4,969	(3,822)	97	13,432	(3,895)	(2,168)	20	2,064	(23)	9,430	8,293
Others	5,286	298	(152)	(257)	5,175	(3,726)	(411)	(5)	77	303	1,413	1,560
Sub-total	**22,806**	**5,605**	**(4,009)**	**(363)**	**24,039**	**(8,967)**	**(2,718)**	**12**	**2,154**	**291**	**14,811**	**13,839**
Investment property												
Lands and buildings	560	3	(268)	100	395	(143)	(26)	-	85	(66)	245	417
Assets under development	32	70	-	-	102	-	-	-	-	-	102	32
Sub-total	**592**	**73**	**(268)**	**100**	**497**	**(143)**	**(26)**	**-**	**85**	**(66)**	**347**	**449**
Total tangible and intangible fixed assets	**27,105**	**6,143**	**(4,296)**	**(240)**	**28,712**	**(11,293)**	**(3,131)**	**10**	**2,254**	**285**	**16,837**	**15,812**

OPERATIONAL LEASING

(In millions of euros)	December 31, 2011	December 31, 2010
Breakdown of minimum payments receivable		
due in less than one year	2,421	2,031
due in one to five years	5,238	3,957
due in more than five years	21	22
Total minimum future payments receivable	**7,680**	**6,010**

Note 18

GOODWILL BY BUSINESS UNIT

					Global Investment Management and Services			
(In millions of euros)	French Networks	International Retail Banking	Specialised Financial Services and Insurance	Corporate and Investment Banking	Asset Management	Private Banking	SGSS, Brokers	Group Total
Gross value at December 31, 2010	**805**	**3,552**	**1,382**	**104**	**646**	**355**	**974**	**7,818**
Acquisitions and other increases (see Note 2)	2	30	-	3	-	10	2	47
Disposals and other decreases	(58)	-	(47)	(58)	(4)	-	-	(167)
Translation differences	1	(71)	(44)	1	20	9	4	(80)
Gross value at December 31, 2011	**750**	**3,511**	**1,291**	**50**	**662**	**374**	**980**	**7,618**
Impairment of goodwill at December 31, 2010	**-**	**(344)**	**(43)**	**-**	**-**	**-**	**-**	**(387)**
Impairment losses	-	-	(200)	-	-	-	(65)	(265)
Translation differences and other changes	-	7	-	-	-	-	-	7
Impairment of goodwill at December 31, 2011	**-**	**(337)**	**(243)**	**-**	**-**	**-**	**(65)**	**(645)**
Net goodwill at December 31, 2010	**805**	**3,208**	**1,339**	**104**	**646**	**355**	**974**	**7,431**
Net goodwill at December 31, 2011	**750**	**3,174**	**1,048**	**50**	**662**	**374**	**915**	**6,973**

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 unit used by Management to measure return on investment in a particular activity. The Group divides its activities into 14 cash-generating units, which is consistent with the management of the Group by core business line. In 2011, the SGSS and Brokers cash-generating unit was split into two different CGU.

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 recognised on the 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 this 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-year 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.

Sensitivity tests are carried out to measure in particular the impact on the recoverable value of the variation in certain assumptions such as profitability, long-term growth or discount rate. As at December 31, 2011, none of the sensitivity tests had caused the carrying amount of any unit to exceed its recoverable amount. Thus, a change of 25 basis points in the discount rate would lead to a decrease in the recoverable amount of 3.2%, which would not generate any additional CGU impairment loss.

As at December 31, 2011, the Group identified the following cash-generating units (CGU):

(In millions of euros)		December 31, 2011		
CGU	**Business Unit**	**Goodwill (gross book value)**	**Impairment losses**	**Goodwill (net book value)**
Crédit du Nord	French Networks	511	-	511
Societe Generale Network	French Networks	239	-	239
International Retail Banking – European Union and Pre-European Union	International Retail Banking	1,960	(65)	1,895
Russian Retail Banking	International Retail Banking	1,103	(272)	831
International Other Retail Banking	International Retail Banking	448	-	448
Insurance Financial Services	Specialised Financial Services and Insurance	10	-	10
Individual Financial Services	Specialised Financial Services and Insurance	705	(243)	462
Company Financial Services	Specialised Financial Services and Insurance	399	-	399
Car renting Financial Services	Specialised Financial Services and Insurance	177	-	177
Corporate and Investment Banking	Corporate and Investment Banking	50	-	50
Asset Management	Asset Management	662	-	662
Private Banking	Private Banking	374	-	374
SGSS*	SGSS and Brokers	532	-	532
Brokers*	SGSS and Brokers	448	(65)	383

* The SGSS and Brokers cash-generating unit has been split into two different CGUs named SGSS and Brokers.

Note 19

DUE TO BANKS

(In millions of euros)	December 31, 2011	December 31, 2010
Demand and overnight deposits		
Demand deposits and current accounts	7,793	7,986
Overnight deposits and borrowings and others	7,123	8,784
Sub-total	**14,916**	**16,770**
Term deposits		
Term deposits and borrowings	73,613	44,564
Borrowings secured by notes and securities	143	166
Sub-total	**73,756**	**44,730**
Related payables	235	128
Revaluation of hedged items	148	86
Securities sold under repurchase agreements	22,219	15,597
Total	**111,274**	**77,311**
Fair value of amounts due to banks	**110,270**	**77,018**

Note 20

CUSTOMER DEPOSITS

(In millions of euros)	December 31, 2011	December 31, 2010
Regulated savings accounts		
Demand	48,648	44,311
Term	18,324	17,984
Sub-total	**66,972**	**62,295**
Other demand deposits		
Businesses and sole proprietors	52,317	50,206
Individual customers	43,924	44,610
Financial customers	24,229	38,509
Others(1)	15,591	16,169
Sub-total	**136,061**	**149,494**
Other term deposits		
Businesses and sole proprietors	38,358	45,610
Individual customers	18,804	19,283
Financial customers	20,419	23,501
Others(1)	6,730	9,098
Sub-total	**84,311**	**97,492**
Related payables	1,307	1,014
Revaluation of hedged items	277	102
Total customer deposits	**288,928**	**310,397**
Borrowings secured by notes and securities	188	239
Securities sold to customers under repurchase agreements	51,056	26,811
Total	**340,172**	**337,447**
Fair value of customer deposits	**340,417**	**337,694**

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

Note 21

SECURITISED DEBT PAYABLES

(In millions of euros)	December 31, 2011	December 31, 2010
Term savings certificates	1,853	2,139
Bond borrowings	14,026	9,939
Interbank certificates and negotiable debt instruments	89,846	128,013
Related payables	1,001	748
Sub-total	**106,726**	**140,839**
Revaluation of hedged items	1,857	546
Total	**108,583**	**141,385**
O/w floating-rate securities	39,683	35,351
Fair value of securitised debt payables	**109,899**	**141,672**

Note 22

OTHER LIABILITIES

(In millions of euros)	December 31, 2011	December 31, 2010
Guarantee deposits received[1]	32,000	28,314
Settlement accounts on securities transactions	2,753	2,302
Other securities transactions	27	28
Expenses payable on employee benefits	2,605	2,932
Deferred income	1,716	1,600
Miscellaneous payables	20,424	19,827
Total	**59,525**	**55,003**

(1) Mainly concerns guarantee deposits received on financial instruments.

Note 23

PEL/CEL MORTGAGE SAVING ACCOUNTS

1. OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In millions of euros)	December 31, 2011	December 31, 2010
PEL accounts	**13,253**	**12,665**
less than four years old	3,960	3,001
between four and ten years old	4,422	5,193
more than ten years old	4,871	4,471
CEL accounts	**1,951**	**2,054**
Total	**15,204**	**14,719**

2. OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In millions of euros)	December 31, 2011	December 31, 2010
less than four years old	247	320
between four and ten years old	78	85
more than ten years old	28	18
Total	**353**	**423**

3. PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In millions of euros)	December 31, 2010	Allocations	Reversals	December 31, 2011
PEL accounts	**144**	**2**	**(28)**	**118**
less than four years old	15	-	(10)	5
between four and ten years old	46	1	(17)	30
more than ten years old	83	1	(1)	83
CEL accounts	**4**	**-**	**-**	**4**
Total	**148**	**2**	**(28)**	**122**

"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 established at the inception of the plan and a commitment to remunerate the savings at an interest rate also established at the inception of the plan.

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2011, the provisions for PEL and CEL mortgage saving accounts are linked to the risks attached to the commitment to remunerate the deposits. Provisioning for PEL/CEL savings amounted to 0.80% of total outstandings as at December 31, 2011.

4. 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 a long period (more than 10 years). The values of these parameters can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

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

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

Note 24

PROVISIONS AND IMPAIRMENTS

1. ASSET IMPAIRMENTS

(In millions of euros)	Assets impairments as at December 31, 2010	Allocations	Write-backs available	Net impairment losses	Reversals used	Currency and scope effects	Assets impairments as at December 31, 2011
Banks	141	31	(22)	9	(9)	(17)	**124**
Customer loans	13,496	5,786	(2,851)	2,935	(1,814)	207	**14,824**
Lease financing and similar agreements	563	395	(224)	171	(80)	(6)	**648**
Groups of homogeneous receivables	1,244	417	(370)	47	-	-	**1,291**
Available-for-sale assets(1)(2)	3,575	1,253	(233)	1,020	(915)	(201)	**3,479**
Others(1)	427	324	(178)	146	(40)	13	**546**
Total	**19,446**	**8,206**	**(3,878)**	**4,328**	**(2,858)**	**(4)**	**20,912**

(1) Including a EUR 805 million net allocation for identified risks, o/w a EUR 783 million impairment on Greek government bonds (see note 25).

(2) O/w write-down on variable-income securities, excluding insurance activities, of EUR 111 million, which can be broken down as follows:

- EUR 36 million: impairment loss on securities not written down as at December 31, 2010,
- EUR 75 million: additional impairment loss on securities already written down as at December 31, 2010.

2. PROVISIONS

(In millions of euros)	Provisions as at December 31, 2010	Allocations	Write-backs available	Net allocation	Write-backs used	Effect of discounting	Currency and scope effects	Provisions as at December 31, 2011
Provisions for off-balance sheet commitments to banks	-	7	(7)	-	-	-	-	**-**
Provisions for off-balance sheet commitments to customers	226	190	(145)	45	(1)	-	(3)	**267**
Provisions for employee benefits(3)	781	538	(204)	334	-	-	(3)	**1,112**
Provisions for tax adjustments	411	256	(56)	200	(228)	-	(32)	**351**
Other provisions(4)(5)	608	422	(274)	148	(53)	1	16	**720**
Total	**2,026**	**1,413**	**(686)**	**727**	**(282)**	**1**	**(22)**	**2,450**

(3) O/w allocation for severance payments in the amount of EUR 237 million.

(4) Including a EUR 72 million net allocation for net cost of risk.

(5) The Group's other provisions include EUR 122 million in PEL/CEL provisions as at December 31, 2011 for the French Networks (see note 23).

The consequences, as assessed on December 31, 2011, 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

EXPOSURE TO SOVEREIGN RISK

1. BANKING ACTIVITIES

1.1. SIGNIFICANT EXPOSURE

The table below shows the Societe Generale Group's significant exposure to European sovereign risk by country as at December 31, 2011, in accordance with the methodology defined by the European Banking Authority (EBA) for the European bank capital requirements tests:

(In millions of euros)	Banking book	Trading book	CDS - Net positions(1)	Total net exposure(2)
France	13,605	(87)	27	13,545
Czech Republic	3,009	424	9	3,442
Italy	1,383	894	(1)	2,276
Germany	1,964	(377)	(15)	1,572
Romania	1,288	10	3	1,301
Spain	680	283	14	977
Total	**21,929**	**1,147**	**37**	**23,113**

(1) Net positions comprise the difference between the market value of long positions and short positions.

(2) After allocation for write-down and excluding direct exposure to derivatives.

1.2. COUNTRIES SUBJECT TO A EUROPEAN UNION AND INTERNATIONAL MONETARY FUND RESCUE PLAN

1.2.1. Breakdown of exposure

As at December 31, 2011, sovereign risk exposure linked to countries subject to a joint European Union and International Monetary Fund rescue plan was as follows (presented in accordance with the methodology defined by the EBA):

	Banking book					
(In millions of euros)	Loans and receivables	Available-for-sale	Held-to-maturity	Trading book	CDS - Net positions(1)	Total net exposure(2)(3)
Greece	6	329	11	77	-	423
Ireland	-	300	-	48	4	352
Portugal	-	210	-	210	(8)	412
Total	**6**	**839**	**11**	**335**	**(4)**	**1,187**

(1) Net positions comprise the difference between the market value of long positions of short positions.

(2) After allocation for write-down and excluding direct exposure to derivatives.

(3) In financial year 2011, exposure to sovereign government bonds was reduced, through the redemption of bonds at maturity (EUR 574 million) and one-off disposals (EUR 699 million) for a total of EUR 1,273 million.

Average residual maturity of these banking book government bonds is less than one year for Portugal, one year for Ireland and three years for Greece. 2018 is the longest maturity.

Exposure on geniki

As at December 31, 2011, the Greek subsidiary Geniki's funding requirements from the Group were limited to EUR 168 million. Also at December 31, 2011, outstanding loans on Geniki's balance sheet totalled EUR 2,624 million and customer deposits EUR 1,828 million. In 2011, Geniki recorded an impairment loss of EUR 476 million due to credit risk (excluding impairment of sovereign government bonds), bringing its provisioning rate to 74.5%.

1.2.2. Evaluation of risks

Greece

At the European Summit held on July 21, 2011, the Heads of State and Government of the euro zone adopted a rescue plan for Greece. Under this plan, the Greek government will carry out a bond exchange offer, in which private investors will be able to participate on a voluntary basis (PSI – Private Sector Involvement). The aim of this measure is to reduce and extend the maturity of Greece's debt, thus making it easier for the Greek economy to carry the debt. The various stakeholders subsequently began talks aimed at establishing the terms and conditions of the exchange offer.

In light of Greece's economic and financial developments and the failure to reach a conclusion after the first round of talks, a second Summit of the Heads of State and Government of the euro zone was held on October 26, 2011. At this summit, the decision to organise an exchange offer was confirmed and the goal of reducing Greek debt was enhanced, with the stated target of a 50% haircut on the nominal amount of Greek government bonds.

The second round of talks, initiated on this new basis, was still in progress at the closing date and had yet to alleviate the uncertainties surrounding the precise terms and conditions of the exchange, including the final percentage of the write-down that bondholders will be expected to incur.

Against this backdrop – overshadowed, as at the closing date – by the suspense of waiting for the provisions of the exchange plan to be finalised and the absence of an active market for most Greek government bond maturities, the Group decided to book these securities as at December 31, 2011 according to a model based on a conservative analysis of the Greek government's credit risk. This model, updated with the most recent economic data, places the net discounted value of the existing securities at 65% to 75%. This is coherent with the assumptions of the PSI terms and conditions currently under negotiation, such as interest rate, maturity and nominal haircut. Lastly, although the comparison is limited and not highly representative due to the illiquidity of the market, the market prices observed fall within a similar range to that derived from the model.

Consequently, the Greek government bonds held by the Group under Available-for-sale financial assets were subject to an allocation for write-down based on a discounted price of 75% of their nominal value. This haircut was also applied to the Greek government bonds held by the Group under held-to-maturity financial assets.

The Greek government bonds held by the Group under available-for-sale financial assets totalled EUR 1,016 million(4) before write-down and the Greek government bonds held under held-to-maturity financial assets totalled EUR 45 million(4) before write-down.

The allocation for write-down recorded under cost of risk amounted to EUR 783 million; after taxes and the incorporation of non-controlling interests, the impact on Group net income came out at EUR -552 million. This loss was recognised under Corporate Centre profit and loss. Note: the allocation for write-down that would have been recorded based on the rare transaction prices observed is EUR 736 million.

(4) Amortised cost before allocation for write-down as at December 31, 2011.

Other countries subject to a joint European Union and international monetary fund aid package (Ireland and Portugal):

At the European Summit held on December 9, 2011, the Heads of State and Government of the euro zone reiterated that the decisions taken on July 21 and October 26 and 27, 2011 concerning the involvement of the private sector in the Greek aid programme were "unique and exceptional". As regards the other two euro zone countries subject to the EU-IMF programme (Ireland and Portugal), private sector involvement in the reduction of public debt was distinctly ruled out.

In reality, the situation of these two countries is different from that of Greece. According to the reviews of the EU-IMF Programme conducted in December by the representatives of the European Commission, the IMF and the European Central Bank (aka the "Troika"), the public debt ratios (as a % of GDP) were estimated at end-2011 at 106% for Ireland and 107% for Portugal, versus 162% for Greece. Moreover, the Troika saw Ireland's and Portugal's public debt ratios peaking at 118% of GDP by 2013.

Market data similarly underscore a strong distinction between the countries: at end-December 2011, yields on 10-year government bonds stood at 8% in Ireland and 14% in Portugal versus 37% in Greece. The ratings issued by the external rating agencies and internally by the Group also reflect these discrepancies.

Consequently, the Group's exposure to Ireland and Portugal is not subject to default and therefore does not warrant an allocation for write-down.

1.2.3. Unrealised losses on available-for-sale financial assets

(In millions of euros)	31.12.2011
Greece[5]	(6)
Ireland	(32)
Portugal	(3)
Total	**(41)**

(5) Due to the write-down of Greek government bonds, the unrealised loss on these securities booked to equity was nil as at December 31, 2011. The residual unrealised loss corresponds to securities backed by an explicit Greek government guarantee.

1.2.4. Fair value of held-to-maturity financial assets

(In millions of euros)	Book value as at 31.12.2011	Fair value as at 31.12.2011
Greece[6]	11	13
Ireland	-	-
Portugal	-	-
Total	**11**	**13**

(6) The book value is net of impairment (see 1.2.2.).

2. INSURANCE ACTIVITIES

The insurers of the Societe Generale Group mainly hold government bonds for the investment purposes of life insurance policies. Net exposure to the bonds equals the insurer's residual exposure after the application of contractual tax and profit-sharing rules, in the event of the issuer's total default.

Exposure to the countries subject to a European Union and International Monetary Fund rescue plan is presented below:

(In millions of euros)	**Gross exposure(7)**	**Net exposure**
Greece	30	1
Ireland	497	27
Portugal	195	13
Total	**722**	**41**

(7) Gross exposure (net book value) to EUR-denominated vehicles.

Note 26

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.

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

Contributions to these schemes amounted to EUR 611 million in 2011 (EUR 614 million in 2010).

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, 2011				December 31, 2010			
	Post-employment benefits				Post-employment benefits			
(In millions of euros)	Pension plans	Others	Other long-term benefits	Total	Pension plans	Others	Other long-term benefits	Total
Net liabilities recorded in the balance sheet	400	56	397	**853**	370	52	296	**718**
Assets recorded in the balance sheet	(121)	-	-	(121)	(132)	-	**-**	**(132)**
Net balance	**279**	**56**	**397**	**732**	**238**	**52**	**296**	**586**
Breakdown of the net balance								
Present value of defined benefit obligations	2,287	-	95	**2,382**	2,241	-	98	**2,339**
Fair value of plan assets	(1,806)	-	(54)	**(1,860)**	(1,814)	-	(54)	**(1,868)**
A – Actuarial deficit (net balance)	481	-	41	**522**	427	-	44	**471**
B – Present value of unfunded obligations	327	62	356	**745**	333	62	252	**647**
Unrecognised items								
Unrecognised past service cost	51	-	-	**51**	48	-	-	**48**
Unrecognised net actuarial (gain)/loss	479	6	-	**485**	484	10	-	**494**
Separate assets	(1)	-	-	**(1)**	(1)	-	-	**(1)**
Plan assets impacted by change in asset celling	-	-	-	**-**	(9)	-	-	**(9)**
C – Total unrecognised items	529	6	-	**535**	522	10	-	**532**
A + B – C Net balance	**279**	**56**	**397**	**732**	**238**	**52**	**296**	**586**

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 amortised over the estimated average remaining working life of the employees participating in the plan in accordance with the IAS 19 option (corridor approach).
2. Pension plans include pension benefits as annuities, end-of career payments and cash balance plans. Pension benefit annuities are paid additionally to State pension plans. The Group offers 148 pension plans in 40 countries. 10 pension plans located in France, the UK, Germany, the USA and Switzerland represent 80% of gross liabilities of these pension plans. Other post-employment benefit plans are mainly healthcare plans. These 13 plans are located in 6 countries among which France represents 37% of gross liabilities and North Africa 51%.

   Other long-term employee benefits include deferred variable remuneration, flexible working provisions (French term: compte épargne temps) and long-service awards. 88 benefits are located in 23 countries.
3. The present values of defined benefit obligations have been valued by independent qualified actuaries.
4. In Switzerland, the process of harmonisation of the pension schemes, initiated in 2010, came to an end in 2011.

2.2. EXPENSES RECOGNISED IN THE INCOME STATEMENT

	2011				2010			
	Post-employment benefits				Post-employment benefits			
(In millions of euros)	Pension plans	Others	Other long-term benefits	Total	Pension plans	Others	Other long-term benefits	Total
Current service cost including social security contributions	85	3	195	**283**	76	2	127	**205**
Employee contributions	(7)	-	-	**(7)**	(6)	-	-	**(6)**
Interest cost	109	3	5	**117**	119	2	6	**127**
Expected return on plan assets	(97)	-	(3)	**(100)**	(93)	-	(3)	**(96)**
Expected return on separate assets	-	-	-	**-**	-	-	-	**-**
Amortisation of past service cost	7	-	2	**9**	(1)	-	-	**(1)**
Amortisation of losses (gains)	29	3	(3)	**29**	36	-	15	**51**
Settlement, curtailment	1	(4)	(1)	**(4)**	(1)	5	-	**4**
Change in asset ceiling	-	-	-	**-**	1	-	-	**1**
Transfer from unrecognised assets	-	-	-	**-**	-	-	-	**-**
Total charges	**127**	**5**	**195**	**327**	**131**	**9**	**145**	**285**

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

2.3.1. Changes in the present value of defined benefit obligations

	2011			2010		
	Post-employment benefits			Post-employment benefits		
(In millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total
At January 1	**2,574**	**62**	**2,636**	**2,304**	**46**	**2,350**
Current service cost including social security contributions	85	3	**88**	76	2	**78**
Interest cost	109	3	**112**	119	2	**121**
Employee contributions	-	-	**-**	-	-	**-**
Actuarial gain/loss	(44)	(1)	**(45)**	153	9	**162**
Foreign exchange adjustment	35	-	**35**	58	-	**58**
Benefit payments	(135)	(5)	**(140)**	(135)	(2)	**(137)**
Past service cost	10	-	**10**	1	-	**1**
Acquisition of subsidiaries	(9)	5	**(4)**	8	-	**8**
Transfers, reductions and others	(11)	(5)	**(16)**	(10)	5	**(5)**
At December 31	**2,614**	**62**	**2,676**	**2,574**	**62**	**2,636**

2.3.2. Changes in fair value of plan assets and separate assets

(In millions of euros)	2011 Post-employment benefits Pension plans	2011 Post-employment benefits Others	2011 Total	2010 Post-employment benefits Pension plans	2010 Post-employment benefits Others	2010 Total
At January 1	**1,814**	**-**	**1,814**	**1,593**	**-**	**1,593**
Expected return on plan assets	97	-	97	93	-	93
Expected return on separate assets	-	-	-		-	-
Actuarial gain/loss during the period	(63)	-	(63)	72	-	72
Foreign exchange adjustment	29	-	29	45	-	45
Employee contributions	7	-	7	6	-	6
Employer contributions to plan assets	44	-	44	102	-	102
Benefit payments	(95)	-	(95)	(91)	-	(91)
Acquisition of subsidiaries	(14)	-	(14)	1	-	1
Transfers, liquidations and others	(13)	-	(13)	(7)	-	(7)
At December 31	**1,806**	**-**	**1,806**	**1,814**	**-**	**1,814**

2.4. INFORMATION REGARDING PLAN ASSETS

2.4.1. General information regarding plan assets

(for all benefits and future contributions)

The breakdown of the fair value of plan assets is as follows: 43% bonds, 45% equities, 1% money market instruments and 11% others. Directly held Societe Generale shares are not significant.

For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 121 million.

Employer contributions to be paid to post-employment defined benefit plans for 2012 are estimated at EUR 38 million.

2.4.2. Actual returns on plan assets

The actual returns on plan and separate assets were:

(In millions of euros)	2011 Post-employment benefits Pension plans	2011 Post-employment benefits Others	2011 Other long-term benefits	2011 Total	2010 Post-employment benefits Pension plans	2010 Post-employment benefits Others	2010 Other long-term benefits	2010 Total
Plan assets	34	-	-	34	165	-	4	169

The assumption on return on assets is presented in section 2.5.

2.5. MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	December 31, 2011	December 31, 2010
Discount rate		
Europe	4.32%	4.27%
Americas	4.92%	5.78%
Asia-Oceania-Africa	3.98%	3.97%
Long-term inflation		
Europe	2.18%	2.08%
Americas	2.00%	2.11%
Asia-Oceania-Africa	1.79%	1.66%
Expected return on plan assets (separate and plan assets)		
Europe	5.26%	5.36%
Americas	6.50%	6.50%
Asia-Oceania-Africa	6.30%	5.99%
Future payroll increase		
Europe	1.03%	1.75%
Americas	2.00%	2.00%
Asia-Oceania-Africa	2.31%	1.95%
Healthcare cost increase rate		
Europe	3.40%	4.08%
Americas	NA	NA
Asia-Oceania-Africa	5.72%	5.52%
Average and remaining lifetime of employees (in years)		
Europe	11.2	10.8
Americas	9.0	9.1
Asia-Oceania-Africa	11.3	11.4

Notes:

1. The assumptions by geographical zone are averages weighted by the present value of the liabilities (DBO) with the exception of the expected returns on plan assets which are averages weighted by the fair value of assets.
2. The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed mid-October for USD, GBP and EUR, and corrected at the end of December when the decrease in discount rates had a significant impact.

   Inflation rates used are the long-term targets of the central banks of the monetary zones above.
3. The range of expected return on plan assets rate is due to actual plan assets allocation. 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. For French plan assets, the long-term return rates are 7.6% for equities, 3.45% for bonds and 2.4% for cash. For United Kingdom plan assets, the return rates are 7.5% for equities and 4.25% for bonds.
4. The average and remaining lifetime of employees is calculated taking into account turnover assumptions.

2.6. SENSITIVITIES ANALYSIS OF OBLIGATIONS COMPARED TO MAIN ASSUMPTION RANGES

	2011			2010		
(Percentage of item measured)	Pension plans	Other post-employment plans	Other long-term benefit plans	Pension plans	Other post-employment plans	Other long-term benefit plans
Variation of + 1% in discount rate						
Impact on present value of defined benefit obligations at December 31	-12%	-13%	-8%	-13%	-14%	-8%
Net total plan expenses N + 1	-18%	-41%	-1%	-23%	-44%	-1%
Variation of + 1% in expected return on plan and separate assets						
Impact on plan assets at December 31	1%	NA	1%	1%	NA	1%
Net total plan expenses N + 1	-14%	NA	-4%	-14%	NA	-4%
Variation of + 1% in future salary increases						
Impact on present value of defined benefit obligations at December 31	4%	NA	5%	4%	NA	5%
Net total plan expenses N + 1	17%	NA	8%	18%	NA	7%
Variation of + 1% in healthcare cost increase rate						
Impact on present value of defined benefit obligations at December 31	NA	18%	NA	NA	16%	NA
Net total plan expenses N + 1	NA	63%	NA	NA	72%	NA

Note:
1. The disclosed sensibilities are weighted averages of the variations observed by the present value of liabilities (impact on the Defined Benefit Obligation at December 31, 2011), or by the fair values of assets (impact on the Plan Assets at December 31, 2011) or by the expected expenses N +1 (impact on total net expenses).

2.7. EXPERIENCE ADJUSTMENTS OF POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS

(In millions of euros)	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Defined benefit obligations current value	2,614	2,574	2,304	2,047	2,344
Fair value of plan assets	1,806	1,814	1,593	1,541	2,071
Deficit/(surplus)	**808**	**760**	**711**	**506**	**273**
Adjustments of plan liabilities due to experience (negative: gain)	17	(50)	55	17	49
Adjustments of plan liabilities due to experience (negative: gain), % of DBO	0.7%	-1.9%	2.4%	0.8%	2.1%
Adjustments of plan assets due to experience (negative: gain)	63	(72)	(95)	532	68
Adjustments of plan assets due to experience (negative: gain), % of assets	3.5%	-4.0%	-6.0%	34.5%	3.3%

Note 27

SUBORDINATED DEBT

(In millions of euros)	Maturity dates							
Currency of issue	**2012**	**2013**	**2014**	**2015**	**2016**	**Other**	**Outstanding at December 31, 2011**	**Outstanding at December 31, 2010**
Subordinated Capital notes								
EUR	683	328	359	926	875	4,265	7,436	8,470
USD	-	-	-	58	773	-	831	1,495
GBP	-	-	-	-	-	718	718	697
Other currencies	-	-	9	-	-	-	9	9
Sub-total	**683**	**328**	**368**	**984**	**1,648**	**4,983**	**8,994**	**10,671**
Dated subordinated debt								
EUR	-					50	50	55
Other currencies	-					180	180	179
Sub-total	**-**	**-**	**-**	**-**	**-**	**230**	**230**	**234**
Related payables	**248**						**248**	**260**
Total excluding revaluation of hedged items	**931**	**328**	**368**	**984**	**1,648**	**5,213**	**9,472**	**11,165**
Revaluation of hedged items							1,069	858
Total							**10,541**	**12,023**

The fair value of subordinated debt securities stood at EUR 9,829 million at December 31, 2011 (EUR 9,981 million at December 31,2010).

Note 28

SOCIETE GENERALE ORDINARY SHARES, TREASURY STOCK, SHARES HELD BY EMPLOYEES AND SHAREHOLDERS' EQUITY ISSUED BY THE GROUP

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

(Number of shares)	December 31, 2011	December 31, 2010
Ordinary shares	776,079,991	746,421,631
Including treasury stock with voting rights(1)	29,092,954	21,306,663
Including shares held by employees	58,566,866	54,025,794

(1) Societe Generale shares held for trading excluded.

As at December 31, 2011, Societe Generale S.A.'s fully paid-up capital amounted to EUR 970,099,989 and was made up of 776,079,991 shares with a nominal value of EUR 1.25.

In the first half of 2011, Societe Generale S.A. carried out a capital increase representing a total of EUR 30 million, with an issue premium of EUR 859 million. This ordinary share issue is due to the exercise by the shareholders of the option to distribute 2010 dividends in Societe Generale shares.

In the second half of 2011, Societe Generale S.A. completed a capital increase reserved for employees amounting to EUR 7 million, with an issue premium of EUR 208 million.

2. SHAREHOLDERS' EQUITY ISSUED

2.1. PERPETUAL SUBORDINATED NOTES

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

As at December 31, 2011, the amount of perpetual subordinated notes (TSDI) issued by the Group and recognised under Group shareholder's equity *other equity within instruments* totalled to EUR 945 million.

Issuance Date	Amount issued	Amount in millions of euros at historical rate	Remuneration
July 1, 1985	EUR 70 M	70	BAR -0.25% with BAR = Bond Average Rate of the period from June 1 to May 31 before each
November 24, 1986	USD 248 M	182	Average 6-month EuroDollar deposit rates transmitted by reference banks +0.075%
June 30, 1994	JPY 15,000 M	107	5.385% until December 2014 and for next due dates: the more favourable rate between the fixed rate and a variable rate + spread defined as follows: Mid Swap Rate 5 year JPY+1.25% until December 2019 and 5 year JPY Mid Swap+ 2% for the next
December 30, 1996	JPY 10,000 M	71	3.936% until September 2016 and for next: the more favourable rate between the fixed rate and a variable rate + spread defined as follows: Mid Swap Rate 5 year JPY+2.0%
March 27, 2007	GBP 350 M	515	5.75% until March 2012 and for the next 3-month GBP Libor +1.10%

2.2. PREFERRED SHARES ISSUED BY SUBSIDIARIES

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.

As at December 31, 2011, the amount of preferred shares issued by the Group's subsidiaries and recognised under non-controlling interests totalled to EUR 420 million. During the second half 2011, the preferred shares issued by a subsidiary during the last quarter of 2001 and amounting to USD 425 million were reimbursed.

In addition, the Group repurchased preferred shares issued by a subsidiary during the last quarter of 2003 for a nominal value amounting to EUR 230 million at a price below the issue price. As a result, a EUR 93 million gain was recorded in retained earnings, Group share.

Issuance Date	**Amount**	**Remuneration**
4th quarter of 2003 (step up clause after 10 years)	EUR 420 M	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 recognised under *Equity instruments and associated reserves*.

As at December 31, 2011, the amount of deeply subordinated notes issued by the Group and recognised under Group shareholder's equity within other equity instruments totalled to EUR 5,228 million. The amount of deeply subordinated notes issued by the Group decreased due to repurchases during second half 2011.

These repurchases were carried out at a price below the issue price, as a result a EUR 276 million gain net of tax was recorded in *retained earnings, Group share*.

Issuance Date	**Amounts as at December 31, 2010**	**Repurchases in 2011**	**Amounts as at December 31, 2011**	**Amount in millions of euros at historical rate**	**Remuneration**
January 26, 2005	EUR 1,000 M	EUR 268 M	EUR 732 M	732	4.196%, from 2015 3-month Euribor +1.53% annually
April 05, 2007	USD 200 M	USD 137 M	USD 63 M	47	3-month USD Libor +0.75% annually, from 2017 3-month USD Libor +1.75% annually
April 05, 2007	USD 1,100 M	USD 292 M	USD 808 M	604	5.922%, from 2017 3-month USD Libor +1.75% annually
December 19, 2007	EUR 595 M	EUR 131 M	EUR 464 M	464	6.999%, from 2018 3-month Euribor +3.35% annually
May 22, 2008	EUR 1,000 M	EUR 203 M	EUR 797 M	797	7.76%, from 2013 3-month Euribor +3.35% annually
June 12, 2008	GBP 700 M	GBP 194 M	GBP 506 M	642	8.875%, from 2018 3-month GBP Libor +3.4% annually
February 27, 2009	USD 450 M		USD 450 M	356	3-month USD Libor +6.77% annually
September 4, 2009	EUR 945 M	EUR 40 M	EUR 905 M	905	9.375%, from 2019 3-month Euribor +8.901% annually
October 7, 2009	USD 1,000 M		USD 1,000 M	681	8.75%

Changes 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	143	13	156
Remuneration paid booked under dividends (2011 Dividends paid line)	446	37	483
Nominals repaid under partial buybacks	1,209		1,209
Net gain related to the repurchase of the deeply subordinated notes at a price below the issue price and booked under reserves	276		276

3. DIVIDENDS PAID

Dividends paid by the Societe Generale Group in 2011 amounted to EUR 2 076 million and are detailed in the following table:

(In millions of euros)	Group Share	Non-controlling interests	Total
Ordinary shares	1,287	255	1,542
o/w paid in equity	*889*	*-*	*889*
o/w paid in cash	*398*	*255*	*653*
Other equity instruments	483	51	534
Total	**1,770**	**306**	**2,076**

Note 29

UNREALISED OR DEFERRED GAINS AND LOSSES

(In millions of euros)

Change in gains and losses recognised directly in equity	December 31, 2011	Period	December 31, 2010
Translation differences[1]	**(317)**	**(14)**	**(303)**
Revaluation differences	-	(14)	-
Recycled to P&L	-	-	-
Revaluation of available-for-sale assets	**(1,223)**	**(722)**	**(501)**
Revaluation differences	-	(1,161)	-
Recycled to P&L	-	439	-
Cash flow hedge derivatives revaluation	**77**	**(52)**	**129**
Revaluation differences	-	(50)	-
Recycled to P&L	-	(2)	-
Net unrealised or deferred capital gains or losses from companies accounted for by the equity method	**9**	**(6)**	**15**
Tax	**480**	**280**	**200**
Total	**(974)**	**(514)**	**(460)**

	December 31, 2011			December 31, 2010		
(In millions of euros)	Gross Value	Tax	Net of tax	Gross Value	Tax	Net of Tax
Translation differences[1]	(317)	-	(317)	(303)	-	(303)
Revaluation of available-for-sale assets	(1,223)	514	(709)	(501)	243	(258)
Revaluation of hedging derivatives	77	(31)	46	129	(39)	90
Net unrealised or deferred capital gains or losses from companies accounted for by the equity method	9	(3)	6	15	(4)	11
Total gains and losses recognised directly in equity	**(1,454)**	**480**	**(974)**	**(660)**	**200**	**(460)**
Group share	**-**	**-**	**(1,015)**	**-**	**-**	**(556)**
Non-controlling interests	**-**	**-**	**41**	**-**	**-**	**96**

(1) The variation in Group translation differences for 2011 amounted to EUR 37 million.

This variation was mainly due to the decrease against the Euro of the Czech Koruna (EUR -51 million), the Brazilian Real (EUR -40 million), and the Croatian Kuna (EUR -25 million) and to the increase against the Euro of the US Dollar (EUR 138 million) and the Pound sterling (EUR 60 million).

The variation in translation differences attributable to non-controlling interests amounted to EUR -51 million.

This was mainly due to the depreciation of the Czech Koruna against the Euro (EUR -28 million).

Breakdown of unrealised gains and losses on available-for-sale assets:

(In millions of euros)	Unrealised gains	Unrealised losses	Unrealised gains and losses
Unrealised gains and losses on equity instruments available-for-sale	607	(43)	564
Unrealised gains and losses on debt instruments available-for-sale	2,487	(4,158)	(1,671)
Unrealised gains and losses on assets reclassified in *Loans and receivables*	-	-	-
Unrealised gains and losses of insurance companies	115	(231)	(116)
o/w equity instruments available-for-sale	*604*	*(246)*	-
o/w debt instruments available-for-sale and assets reclassified in Loans and receivables	*1,877*	*(2,756)*	-
o/w deferred profit-sharing	*(2,366)*	*2,771*	-
Total	**3,209**	**(4,432)**	**(1,223)**

Note 30

COMMITMENTS

1. COMMITMENTS GRANTED AND RECEIVED

COMMITMENTS GRANTED

(In millions of euros)	December 31, 2011	December 31, 2010
Loan commitments		
to banks	8,466	20,852
to customers(1)		
Issuance facilities	-	-
Confirmed credit lines	129,400	149,886
Others	2,177	1,804
Guarantee commitments		
on behalf of banks	4,324	4,971
on behalf of customers(1)(2)	56,917	57,307
Securities commitments		
Securities to be delivered	27,555	27,186

COMMITMENTS RECEIVED

(In millions of euros)	December 31, 2011	December 31, 2010
Loan commitments		
from banks	44,609	65,542
Guarantee commitments		
from banks	66,366	64,853
other commitments(3)	113,218	116,935
Securities commitments		
Securities to be received	28,892	26,877

(1) As at December 31, 2011, credit lines and guarantee commitments granted to securisation vehicles and other special purpose vehicles amounted to EUR 10,338 million and EUR 1,012 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 37,602 million as at December 31, 2011 versus EUR 52,750 million as at December 31, 2010. The remaining balance mainly corresponds to securities and assets assigned as a guarantee for EUR 1,468 million as at December 31, 2011 versus EUR 1,783 million as at December 31, 2010.

2. FORWARD FINANCIAL INSTRUMENT COMMITMENTS (NOTIONAL AMOUNTS)

	December 31, 2011		December 31, 2010	
(In millions of euros)	Trading transactions	Hedging transactions	Trading transactions	Hedging transactions
Interest rate instruments				
Firm transactions				
Swaps	9,892,512	271,728	8,919,944	264,886
Interest rate futures	2,489,776	1,892	1,722,178	1,236
Options	*2,840,878*	*6,358*	*2,773,229*	*7,582*
Foreign exchange instruments				
Firm transactions	*1,810,373*	*8,223*	*1,741,860*	*10,999*
Options	*579,117*	-	*562,377*	-
Equity and index instruments				
Firm transactions	*55,247*	-	*68,633*	-
Options	*674,991*	*5*	*640,945*	*36*
Commodity instruments				
Firm transactions	*150,185*	-	*140,867*	-
Options	*75,845*	-	*70,369*	-
Credit derivatives	**1,447,794**	**-**	**1,405,304**	**-**
Other forward financial instruments	**3,768**	**643**	**3,252**	**942**

SECURITISATION TRANSACTIONS ON BEHALF OF EXTERNAL COUNTERPARTIES

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

As at December 31, 2011, there are 2 non-consolidated vehicles (Barton and Antalis) structured by the Group on behalf of external counterparties. Total assets held by these vehicles and financed through the issuance of commercial papers amounted to EUR 7,318 million (EUR 9,397 million as at December 31, 2010).

The non-controlling situation of the Group over these vehicles is regularly assessed using the consolidation criteria applicable to special purpose entities (see note 1). As at December 31, 2011, none of these vehicles is consolidated, as the Group does not control them and is not exposed to the majority of the related risks and rewards.

The default risk on the assets held by these vehicles is borne by the transferers 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 1,012 million (EUR 1,073 million as at December 31, 2010). Furthermore, the Group granted these vehicles short-term loan facilities in the amount of EUR 10,338 million at this date (EUR 12,350 million as at December 31, 2010).

Note 31

ASSETS PLEDGED AND RECEIVED AS SECURITY

1. ASSETS PLEDGED AS SECURITY

(In millions of euros)	December 31, 2011	December 31, 2010
Book value of assets pledged as security for liabilities(1)	161,522	96,260
Book value of assets pledged as security for transactions in financial instruments(2)	34,418	25,446
Book value of assets pledged as security for off-balance sheet commitments	555	608
Total	**196,495**	**122,314**

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

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

2. ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In millions of euros)	December 31, 2011	December 31, 2010
Fair value of reverse repos	**63,638**	**40,882**

Note 32

BREAKDOWN OF ASSETS AND LIABILITIES BY TERM TO MATURITY

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES[1]

(In millions of euros at December 31, 2011)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Due to central banks	971	-	1	-	-	972
Financial liabilities at fair value through profit or loss, except derivatives	107,039	9,048	25,693	24,232	-	166,012
Due to banks	84,909	3,747	18,789	4,061	-	111,506
Customer deposits	289,537	20,583	20,787	8,623	-	339,530
Securitised debt payables	46,874	9,529	30,902	20,118	-	107,423
Subordinated debts	611	776	2,701	5,590	5	9,683
Total Liabilities	**529,941**	**43,683**	**98,873**	**62,624**	**5**	**735,126**
Loans commitment granted	49,526	21,229	41,511	27,830	-	140,096
Guarantee commitments granted	26,749	6,717	12,308	15,863	-	61,637
Total commitments granted	**76,275**	**27,946**	**53,819**	**43,693**	**-**	**201,733**

(1) The displayed amounts are the contractual amounts except provisional interest and except derivatives.

INSURANCE COMPANY UNDERWRITING RESERVES[2]

(In millions of euros at December 31, 2011)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Insurance company underwriting reserves	2,801	5,198	21,469	53,530	-	**82,998**

(2) Breakdown of accounting amounts.

NOTIONAL MATURITIES OF COMMITMENTS IN FINANCIAL DERIVATIVES[3]

	ASSETS				LIABILITIES			
(In millions of euros at December 31, 2011)	Less than 1 year	1 to 5 years	More than 5 years	Total	Less than 1 year	1 to 5 years	More than 5 years	Total
Interest rate instruments								
Firm instruments								
Swaps	3,247,367	3,748,508	3,168,365	**10,164,240**	-	-	-	-
Interest rate futures	934,219	252,040	149	**1,186,408**	1,043,840	260,656	764	**1,305,260**
Options	*346,987*	*571,623*	*448,592*	*1,367,202*	*403,588*	*617,671*	*458,775*	*1,480,034*
Forex instruments								
Firm instruments	*1,078,435*	*521,601*	*218,560*	***1,818,596***	-	-	-	**-**
Options	*165,033*	*87,209*	*37,999*	***290,241***	*146,353*	*104,253*	*38,270*	***288,876***
Equity and index instruments								
Firm instruments	*24,650*	*2,407*	*1,818*	***28,875***	*18,282*	*6,726*	*1,364*	***26,372***
Options	*155,479*	*146,892*	*19,857*	***322,228***	*158,402*	*176,207*	*18,159*	***352,768***
Commodity instruments								
Firm instruments	*64,313*	*12,119*	*2,685*	***79,117***	*55,585*	*11,742*	*3,741*	***71,068***
Options	*20,207*	*17,216*	*521*	***37,944***	*18,913*	*16,438*	*2,550*	***37,901***
Credit derivatives	130,257	496,247	95,442	**721,946**	130,807	495,013	100,028	**725,848**
Other forward financial instruments	1,179	577	29	**1,785**	1,070	1,169	387	**2,626**

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

Note 33

FOREIGN EXCHANGE TRANSACTIONS

	December 31, 2011				December 31, 2010			
(In millions of euros)	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	725,336	763,220	8,735	14,807	702,413	705,745	24,725	23,471
USD	274,939	247,333	24,126	30,980	235,002	262,582	24,981	23,735
GBP	28,885	29,418	2,603	7,437	30,573	35,453	3,284	4,404
JPY	27,104	22,524	5,219	5,818	31,734	30,631	6,218	8,526
AUD	7,427	7,015	2,731	3,848	7,093	5,586	2,039	1,759
CZK	26,409	28,214	79	232	25,892	26,071	208	134
RUB	13,804	12,735	1	380	13,720	7,162	48	307
RON	5,684	6,271	86	168	5,625	6,183	381	303
Other currencies	71,784	64,642	8,295	10,240	80,020	52,659	6,808	5,884
Total	**1,181,372**	**1,181,372**	**51,875**	**73,910**	**1,132,072**	**1,132,072**	**68,692**	**68,523**

Note 34

INSURANCE ACTIVITIES

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In millions of euros)	December 31, 2011	December 31, 2010
Underwriting reserves for unit-linked policies	15,124	16,798
Underwriting reserves for other life insurance policies	67,155	65,268
Underwriting reserves for other non-life insurance policies	719	604
Total	**82,998**	**82,670**
Deferred profit-sharing[(1)]	(2,235)	(1,068)
Attributable to reinsurers	(395)	(371)
Underwriting reserves of insurance companies (including deferred profit-sharing) net of the share attributable to reinsurers	**80,368**	**81,231**

(1) According to the CNC Recommendation of December 19, 2008, a recoverability test was carried out on the provisions for deferred profit-sharing booked in assets, to verify that the deduction of this amount from future profit-sharing for policyholders is highly probable. The accounting method used to determine the deferred profit-sharing booked in assets is based on the consideration of the fair value of the assets compared to their historical value. The recoverability test based on cash flow forecasts, relying on different economic assumptions of historical collection and repurchases is valid, given that its result does not call for the sale of loss-generating assets.

Secondly, forecasts on cash flows were carried out on the basis of different stress scenarios combining, or not, decreases in revenue and/or increases in redemptions, increases in interest rates, decreases on the equity markets and increases of bonds spreads and defaults.

Thus, in scenarios involving increases in interest rates (immediate and maintained over the forecast period), sharp decreases on the equity markets, global increases in issuer bond defaults, decreases in revenue of up to 50%, and the doubling or tripling of redemption over the period, it has been proved that no realisation of unrealised losses should be necessary to meet liquidity requirements over the forecast period. Finally, an additional 10% deterioration in these assumptions would have no impact on the validity of the recoverability test.

STATEMENT OF CHANGES IN UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In millions of euros)	Underwriting reserves for unit-linked policies	Underwriting reserves for other life insurance policies	Underwriting reserves for other non-life insurance policies
Reserves at January 1, 2011 (except deferred profit-sharing)	**16,798**	**65,268**	**604**
Allocation to insurance reserves	(249)	(145)	150
Revaluation of unit-linked policies	(1,284)	-	-
Charges deducted from unit-linked policies	(102)	-	-
Transfers and arbitrage	(116)	116	-
New customers	-	109	-
Profit-sharing	81	1,825	-
Others	(4)	(18)	(35)
Reserves at December 31, 2011 (except provisions for deferred profit-sharing)	**15,124**	**67,155**	**719**

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at December 31, 2011. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. It is carried out on the basis of stochastic modelling similar to the one used for our asset/liability management. The result of the test as at December 31, 2011 was conclusive.

NET INVESTMENTS OF INSURANCE COMPANIES

(In millions of euros before elimination of intercompany transactions)	December 31, 2011	December 31, 2010
Financial assets at fair value through Profit or Loss	**19,770**	**22,096**
Debt instruments	7,162	7,450
Equity instruments	12,608	14,646
Due from Banks	**12,067**	**8,739**
Available-for-sale financial assets	**58,778**	**58,780**
Debt instruments	50,964	51,410
Equity instruments	7,814	7,370
Investment property	**256**	**392**
Total(2)	**90,871**	**90,007**

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

TECHNICAL INCOME FROM INSURANCE COMPANIES

(In millions of euros)	December 31, 2011	December 31, 2010
Earned premiums	9,948	13,777
Cost of benefits (including changes in reserves)	(8,939)	(13,959)
Net income from investments	1,513	3,029
Other net technical income (expense)	(1,995)	(2,402)
Contribution to operating income before elimination of intercompany transactions	**527**	**445**
Elimination of intercompany transactions(3)	225	231
Contribution to operating income after elimination of intercompany transactions	**752**	**676**

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

NET FEE INCOME

(In millions of euros before elimination of intercompany transactions)	December 31, 2011	December 31, 2010
Received Fees		
Acquisition fees	340	305
Management fees	674	652
Others	44	39
Paid Fees		
Acquisition fees	(364)	(322)
Management fees	(333)	(293)
Others	(44)	(42)
Total Fees	**317**	**339**

MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risk:

- technical risks, mainly 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 behaviour of the policyholders (lapses), changes in the macroeconomic environment, pandemics, natural disasters, mortality, morbidity, longevity, ...;
- risks linked to the financial markets and ALM: in life insurance, insurers are exposed to the instabilities of the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by the behaviour of policyholders.

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

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 reported claims and 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 aim of long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line. Overall asset/liability management policy is validated by the Group's General Management at the ALM Committee meetings held every six months.

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

– Asset/liability risk management:

- monitoring of long-term cash flows: the term of a liability is matched against the term of an asset, and cash flow peaks are strictly controlled in order to minimise liquidity risks;
- close monitoring of the redemption flows and stress scenarios simulations;
- close monitoring of the equity markets and stress scenarios simulations;
- hedging of exchange rate risks (in the event of rise or drop in the markets) using financial instruments.

– Financial risk management via the establishment of limits:

- counterparty limits (e.g. limits according to the issuer's country of domiciliation, distinction between sovereign issuers and private issuers);
- rating limits by issuer;
- limits per type of asset (e.g. equities, private equity).

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

Note 35

INTEREST INCOME AND EXPENSE

(In millions of euros)	2011	2010
Transactions with banks	**2,375**	**1,592**
Demand deposits and interbank loans	1,642	1,259
Securities purchased under resale agreements and loans secured by notes and securities	733	333
Transactions with customers	**17,827**	**16,448**
Trade notes	699	737
Other customer loans[1]	16,163	14,968
Overdrafts	771	683
Securities purchased under resale agreements and loans secured by notes and securities	194	60
Transactions in financial instruments	**10,639**	**8,685**
Available-for-sale financial assets	3,803	3,059
Held-to-maturity financial assets	72	79
Securities lending	20	27
Hedging derivatives	6,744	5,520
Finance leases	**1,548**	**1,569**
Real estate finance leases	287	251
Non-real estate finance leases	1,261	1,318
Total interest income	**32,389**	**28,294**
Transactions with banks	**(1,728)**	**(1,292)**
Interbank borrowings	(1,331)	(1,148)
Securities sold under resale agreements and borrowings secured by notes and securities	(397)	(144)
Transactions with customers	**(7,718)**	**(6,307)**
Regulated savings accounts	(1,253)	(1,076)
Other customer deposits	(6,029)	(5,070)
Securities sold under resale agreements and borrowings secured by notes and securities	(436)	(161)
Transactions in financial instruments	**(10,735)**	**(8,724)**
Securitised debt payables	(2,591)	(1,708)
Subordinated and convertible debt	(492)	(539)
Securities borrowing	(49)	(54)
Hedging derivatives	(7,603)	(6,423)
Other interest expense	**(1)**	**(1)**
Total interest expense[2]	**(20,182)**	**(16,324)**
Including interest income from impaired financial assets	478	443

(1) BREAKDOWN OF OTHER CUSTOMER LOANS

(In millions of euros)	2011	2010
Short-term loans	6,058	6,011
Export loans	318	257
Equipment loans	2,608	2,431
Housing loans	4,532	4,207
Other customer loans	2,647	2,062
Total	**16,163**	**14,968**

(2) These expenses include the refinancing cost of financial instruments at fair value through P&L, which is classified in net gain or loss (see note 37). Insofar as income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by the activities in financial instruments at fair value through P&L must be assessed as a whole.

Note 36

FEE INCOME AND EXPENSE

(In millions of euros)	2011	2010
Fee income from		
Transactions with banks	162	277
Transactions with customers	2,885	2,821
Securities transactions	583	626
Primary market transactions	175	111
Foreign exchange transactions and financial derivatives	864	875
Loan and guarantee commitments	799	804
Services	4,106	4,202
Others	324	322
Total fee income	**9,898**	**10,038**
Fee expense on		
Transactions with banks	(153)	(316)
Securities transactions	(637)	(487)
Foreign exchange transactions and financial derivatives	(717)	(727)
Loan and guarantee commitments	(154)	(89)
Others	(1,058)	(934)
Total fee expense	**(2,719)**	**(2,553)**

Fee income and expense includes:

(In millions of euros)	2011	2010
Fee income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	4,158	4,207
Fee income linked to trust or similar activities	1,965	2,434
Fee expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	(153)	(89)
Fee expense linked to trust or similar activities	(963)	(822)

Note 37

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH P&L

(In millions of euros)	2011	2010
Net gain/loss on non-derivative financial assets held for trading	(485)	8,743
Net gain/loss on financial assets measured using fair value option	(583)	180
Net gain/loss on non-derivative financial liabilities held for trading	(3,187)	(3,500)
Net gain/loss on financial liabilities measured using fair value option	(492)	(471)
Net gain/loss on derivative instruments	8,310	(2,110)
Net gain/loss on fair value hedging instruments	1,729	761
Revaluation of hedged items attributable to hedged risks	(2,010)	(712)
Ineffective portion of cash flow hedge	-	1
Net gain/loss on foreign exchange transactions	1,152	2,449
Total(1)(2)	**4,434**	**5,341**

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

(2) See note 6 for the amount of financial instruments at Level 3 valuation.

The remaining amount to be recorded 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 recorded in the income statement after initial recognition in the accounts, breaks down as follows:

(In millions of euros)	2011	2010
Remaining amount to be recorded in the income statement as at January 1	796	823
Amount generated by new transactions within the period	348	362
Amount recorded in the income statement within the period	(379)	(389)
Amortisation	*(188)*	*(227)*
Switch to observable parameters	*(93)*	*(54)*
Expired or terminated	*(114)*	*(140)*
Translation differences	*16*	*32*
Remaining amount to be recorded in the income statement as at December 31	**765**	**796**

This amount is recorded in the income statement over time or when the valuation techniques switch to observable parameters.

Note 38

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

(In millions of euros)	2011	2010
Current activities		
Gains on sale[1]	1,036	227
Losses on sale[2]	(846)	(149)
Impairment losses on variable-income securities	(208)	(110)
Deferred profit-sharing on available-for-sale financial assets of insurance subsidiaries	(32)	23
Sub-total	**(50)**	**(9)**
Long-term equity investments		
Gains on sale	158	174
Losses on sale	(10)	(25)
Impairment losses on variable-income securities	(100)	(107)
Sub-total	**48**	**42**
Total	**(2)**	**33**

(1) O/w EUR 731 million for insurance activities as at December 31, 2011.

(2) O/w EUR -496 million for insurance activities as at December 31, 2011.

Note 39

INCOME AND EXPENSES FROM OTHER ACTIVITIES

(In millions of euros)	2011	2010
Income from other activities		
Real estate development	77	57
Real estate leasing	159	81
Equipment leasing	6,187	5,956
Other activities (including income from insurance activity)	17,252	13,568
Sub-total	**23,675**	**19,662**
Expenses from other activities		
Real estate development	(10)	(3)
Real estate leasing	(46)	(37)
Equipment leasing	(4,336)	(4,267)
Other activities (including expenses from insurance activity)	(17,885)	(14,084)
Sub-total	**(22,277)**	**(18,391)**
Net total	**1,398**	**1,271**

Note 40

PERSONNEL EXPENSES

(In millions of euros)	2011	2010
Employee compensation	(7,118)	(6,853)
Social security charges and payroll taxes	(1,164)	(1,287)
Net pension expenses – defined contribution plans	(615)	(616)
Net pension expenses – defined benefit plans	(120)	(125)
Other social security charges and taxes	(352)	(397)
Employee profit-sharing and incentives	(297)	(281)
Total	**(9,666)**	**(9,559)**

Note 41

SHARE-BASED PAYMENT PLANS

1. EXPENSES RECORDED IN THE INCOME STATEMENT

	2011			2010		
(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*	-	-	-	-	-	-
Net expenses from stock option and free share plans	278.2	171.8	450.0	304.5	92.3	396.8

* See paragraph 5. Allocation of Societe Generale shares with a discount.

The charge described above relates to equity-settled plans and to cash-settled plans.

2. MAIN CHARACTERISTICS OF SOCIETE GENERALE STOCK-OPTION PLANS AND FREE SHARE PLANS

2.1. EQUITY-SETTLED STOCK OPTION PLANS FOR GROUP EMPLOYEES FOR THE YEAR ENDED DECEMBER 31, 2011 ARE BRIEFLY DESCRIBED BELOW:

2.1.1 Stock options (purchase and subscription)

Issuer	Societe Generale	Societe Generale	Societe Generale	Societe Generale for TCW	Societe Generale	Societe Generale for TCW	Societe Generale	Societe Generale	Societe Generale
Year of allocation	**2004**	**2005**	**2006**	**2006**	**2007**	**2007**	**2008**	**2009**	**2010**
Type of plan	purchase stock option	purchase stock option	purchase stock option	purchase stock option	purchase stock option	purchase stock option	subscription stock option	subscription stock option	subscription stock option
Shareholders agreement	04.23.2002	04.29.2004	04.29.2004	04.29.2004	05.30.2006	05.30.2006	05.30.2006	05.27.2008	05.27.2008
Board of Directors' decision	01.14.2004	01.13.2005	01.18.2006	04.25.2006	01.19.2007	09.18.2007	03.21.2008	03.09.2009	03.09.2010
Number of stock-options granted[1]	4,267,021	4,656,319	1,738,329	154,613	1,418,916	135,729	2,328,128	1 344 552[4]	1,000,000
O/w number of stock-options granted to Executive Committee members	544,608	543,736	525,383	0	598,571	0	293,230	155,289	415,596
Number of beneficiaries in the Executive Committee members	9	9	9	0	11	0	10	7	10
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	01.14.04 - 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	03.09.2009 - 03.31.2012	03.09.2010 - 03.31.2014
Performance conditions	no	no	no	no	no except for the Directors	no	yes[3]	yes[3]	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 euros)[1][5]	60.31	64.63	93.03	107.82	115.6	104.17	63.6	23.18	43.64
Discount	0%	0%	0%	0%	0%	0%	0%	0%	not applicable
Exercise price (in euros)[1]	60.31	64.63	93.03	107.82	115.6	104.17	63.6	23.18	41.2
Options authorized but not allocated	-	-	-	-	-	-	-	-	-
Options exercised as at December 31, 2011	727,877	53,340	2,174	-	-	-	-	411	-
Options forfeited as at December 31, 2011	3,539,144	369,705	149,356	39,728	292,164	31,142	1,260,266	115,187	8,784
Options outstanding as at December 31, 2011	-	4,233,274	1,586,799	114,885	1,126,752	104,587	1,067,862	908,954	991,216
Number of shares reserved as at December 31, 2011	-	[2]	[2]	114,885	[2]	104,587	-	-	-
Share price of shares reserved (in euros)	-	[2]	[2]	109.71	[2]	105.69	-	-	-
Total value of shares reserved (in millions of euros)	-	[2]	[2]	13	[2]	11	-	-	-
First authorized date for selling the shares	01.14.2008	01.13.2009	01.18.2010	04.25.2009	01.19.2011	09.18.2010	03.21.2012	03.31.2013	03.31.2014
Delay for selling after vesting period	1 year	1 year	1 year	-	1 year	-	1 year	1 year	-
Fair value (% of the share price at grant date)	21%	17%	16%	17%	18%	21%	24%	27%	26%[6]
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 for the coefficients given by Euronext which reflect the portion attributable to the share after detachment following the capital increases which took place in the fourth quarter of 2006, in the first quarter of 2008 and in the fourth quarter of 2009.

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

(3) There are performance conditions which are described in the "corporate governance" section. For the options granted in 2008, the performance conditions on EPS 2010 were not reached.

(4) Among which 320,000 options for the Chief Executive Officers who gave them up.

(5) Average share price of 20 days prior to grant date for the 2003 to 2009 plans and closing share price at grant date for the 2010 plan.

(6) If the condition related to the ROE is not reached, the fair value including the condition on the TSR is equal to 7%.

2.1.2. Free shares

Issuer	Societe Generale	Societe Generale		Societe Generale	Societe Generale
Year	**2008**	**2009**		**2010**	**2011**
Type of plan	free shares	free shares		free shares	free shares
Shareholders agreement	05.30.2006	05.27.2008		05.27.2008	05.25.2010
Board of Directors' decision	03.21.2008	01.20.2009		03.09.2010	03.07.2011
Number of free shares granted[7]	3,143,595	3,155,781		4,200,000	2,351,605
Number of beneficiaries	4,247	4,760		5,617	5,969
Number of free shares granted to Executive Committee members	19,657	16,140		20,873	190,009
Number of beneficiaries in the Executive Committee members	11	7		10	14
Settlement	Societe Generale shares	Societe Generale shares		Societe Generale shares	Societe Generale shares
Vesting period	03.21.2008 - 03.31.2010 03.21.2008 - 03.31.2011	01.20.2009 - 03.31.2012[9]	sub-plan n°1: 03.09.2010 - 03.31.2013[9]	sub-plan n°2: 03.09.2010 - 03.31.2012 03.09.2010 - 03.31.2013[11]	03.07.2011 - 03.31.2013[11][12]
Performance conditions	yes[8]	yes[8]	performance condition for certain recipients[8]	performance condition for certain recipients[8]	yes[8]
Resignation from the Group	forfeited	forfeited		forfeited	forfeited
Redundancy	forfeited	forfeited		forfeited	forfeited
Retirement	maintained	maintained		maintained	maintained
Death	maintained for 6 months	maintained for 6 months		maintained for 6 months	maintained for 6 months
Share price at grant date[7]	58.15	23.36		43.64	46.55
Shares delivered as at December 31, 2011	2,606,126	1,764		716	-
Shares forfeited as at December 31, 2011	537,469	208,431		435,789	23,446
Shares outstanding as at December 31, 2011	-	2,945,586		3,763,495	2,328,159
Number of shares reserved as at December 31, 2011	-	2,757,099		3,763,495	2,328,159
Share price of shares reserved (In euros)	-	59.7		47.71	45.67
Total value of shares reserved (In millions of euros)	-	165		180	106
First authorized date for selling the shares	03.31.2012 03.31.2013	03.31.2014	03.31.2015	03.31.2014 03.31.2015	31.03.2015
Delay for selling after vesting period	2 years	2 years		2 years	2 years[12]
Fair value (% of the share price at grant date)	vesting period 2 years: 87% vesting period 3 years: 81%	78%		vesting period 2 years: 86% vesting period 3 years: 82%[10]	86%[13]
Valuation method used to determine the fair value	Arbitrage	Arbitrage		Arbitrage	Arbitrage

(7) 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 for the coefficients given by Euronext which reflect the portion attributable to the share after detachment following the capital increases which took place in the fourth quarter of 2006, in the first quarter of 2008 and in the fourth quarter of 2009.

(8) There are performance conditions which are described in the "corporate governance" section. For the free shares granted in 2008, the performance conditions on EPS 2010 were not reached.

(9) For non-French tax residents, the vesting period is increased by one year and there is no mandatory holding period.

(10) If the condition related to the ROE is not reached, the fair value including the condition on the TSR is equal to 16%.

(11) In accordance with the provision of the Ministerial Order issued in France on November 3, 2009 and related to the remuneration of employees whose activities may have consequences on the risk exposure of banks and investment companies, the expense related to share-based payments granted to employees in financial markets is recorded in the income statement over the vesting period beginning on January 1, 2009 for the 2010 plan and January 1, 2010 for the 2011 plan.

(12) For non-French tax residents, the vesting period is increased by two years and there is no mandatory holding period.

(13) If the conditions related to the ROE or EPS are not reached, the fair values including the condition on the TSR are respectively equal to 31% and 68%.

2.2. STATISTICS CONCERNING SOCIETE GENERALE STOCK-OPTION PLANS

Main figures concerning Societe Generale stock-option plans, for the year ended December 31, 2011:

	Options outstanding as at January 01, 2011	Options granted in 2011	Options forfeited in 2011	Options exercised in 2011	Options expired in 2011	Outstanding options as at December 31, 2011	Exercisable options as at December 31, 2011
Options granted in 2004	3,366,006	-	-	-	3,366,006	-	-
Options granted in 2005	4,281,126	-	47,852	-	-	4,233,274	4,233,274
Options granted in 2006	1,611,138	-	24,339	-	-	1,586,799	1,586,799
TCW Options granted in 2006	114,885	-	-	-	-	114,885	114,885
Options granted in 2007	1,148,984	-	22,232	-	-	1,126,752	1,126,752
TCW Options granted in 2007	104,587	-	-	-	-	104,587	104,587
Options granted in 2008	2,195,561	-	1,127,699	-	-	1,067,862	1,067,862
Options granted in 2009	914,272	-	5,317	-	-	908,955	-
Options granted in 2010	991,709	-	493	-	-	991,216	-
Weighted average remaining contractual life						21 months	
Weighted average fair value at grant date (In euros)						13.17	
Weighted average share price at exercise date (In euros)				-			
Range of exercise prices(In euros)				-			

Notes

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

	2004	2005	2006	2007	2008	2009	2010
Risk-free interest rate	3.8%	3.3%	3.3%	4.2%	4.2%	3.0%	2.9%
Implied share volatility	27%	21%	22%	21%	38%	55%	29%
Forfeited rights rate	0%	0%	0%	0%	0%	0%	0%
Expected dividend (yield) (% of the exercise price)	4.3%	4.3%	4.2%	4.8%	5.0%	3.5%	1.3%
Expected life (after grant date)	5 years	5 years	5 years	5 years	5 years	5 years	5 years

The implied volatility used is that of Societe Generale 5-year share options traded OTC (TOTEM parameters), which was 29% in 2010. This implied volatility reflects the future volatility.

3. OTHER STOCK-OPTION PLANS AND FREE SHARE PLANS – TCW COMPANY

3.1. EQUITY-SETTLED STOCK-OPTION PLANS FOR TCW GROUP EMPLOYEES FOR THE YEAR ENDED DECEMBER 31, 2011 ARE BRIEFLY DESCRIBED BELOW:

3.1.1. Stock-option plans

Issuer	TCW	TCW	TCW
Year of allocation	**2005**	**2006**	**2007**
Type of plan	purchase stock option	purchase stock option	purchase stock option
Shareholders agreement	07.01.2005	09.01.2006	09.30.2007
Board of Directors' decision	07.01.2005	09.01.2006	09.30.2007
Number of stock-options granted	2,753,708	2,385,515	2,468,849
Contractual life of the options granted	7 years	7 years	7 years
Settlement	SG shares	SG shares	SG shares
Vesting period	07.01.2005 - 06.30.2010	09.01.2006 - 08.31.2011	09.30.2007 - 09.29.2012
Performance conditions	no	no	no
Resignation from the Group	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited
Retirement	forfeited	forfeited	forfeited
Death	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting
Share price at grant date (In euros)	41.35	36.95	33.32
Discount	13.48	5.64	5.12
Exercise price (In euros)	27.87	31.31	28.20
Options authorized but not allocated	0	0	0
Options exercised as at December 31, 2011	894,304	339,574	190,911
Options forfeited as at December 31, 2011	1,317,494	1,321,068	1,304,469
Options outstanding as at December 31, 2011	541,910	724,873	973,469
First authorized date for selling the shares	08.01.2007	11.01.2008	11.01.2009
Delay for selling after vesting period	no delay	no delay	no delay
Fair value (% of the share price at grant date)	66%	41%	38%
Valuation method used to determine the fair value	Black & Scholes	Black & Scholes	Black & Scholes

3.1.2. Free share plans

Issuer	TCW
Year of plan	**2010**
Type of plan	free shares
Shareholders agreement	04.14.2010
Board of Directors' decision	04.14.2010
Number of free shares granted	6,325,000
Settlement	TCW shares with a guarantee of liquidity in SG shares
Vesting period	grant date - 04.30.2015 (14)
Performance conditions	yes for one part of the shares, conditions related to the EBITDA
Resignation from the Group	forfeited
Redundancy	partially maintained and accelerated vesting
Death	accelerated vesting
Shares delivered as at December 31, 2011	-
Shares forfeited as at December 31, 2011	339,000
Shares outstanding as at December 31, 2011	5,986,000
First authorized date for selling the shares	5 years after the grant date
Delay for selling after vesting period	depending on the vesting period

(14) The shares were granted in May 2010, August 2010, December 2010, February 2011 and July 2011. The vesting periods are split into 4 sections, the first sections end on April 30, 2012 and the last sections end on April 30, 2015.

3.2. STATISTICS CONCERNING TCW STOCK-OPTION PLANS

Main figures concerning TCW stock-option plans, for the year ended December 31, 2011:

	Options outstanding as at January 1, 2011	Options granted in 2011	Options forfeited in 2011	Options exercised in 2011	Options expired in 2011	Options outstanding as at December 31, 2011	Exercisable options as at December 31, 2011
Options granted in 2005	645,558	-	103,648	-	-	541,910	541,910
Options granted in 2006	993,843	-	34,940	-	234,030	724,873	724,873
Options granted in 2007	1,135,945	-	38,547	-	123,929	973,469	437,544
Weighted average remaining contractual life						23 months	
Weighted average fair value at grant date (In euros)						16	
Weighted average share price at exercise date (In euros)				-			
Range of exercise prices (In euros)				-			

Notes

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

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

- The Implied volatility has been estimated using the mean historical volatility of US listed companies over the past 5 years and that belong to the same segment.

The fair value reflects the future performances of the Company.

- Due to the term of this plan, which is settled in Societe Generale shares, no shares have been specifically allocated.

4. MAIN CHARACTERISTICS OF THE FREE SHARE PLAN GRANTED TO ALL EMPLOYEES OF THE GROUP

In order to involve all employees of the Group in the success of the Ambition SG 2015 program, the Board of Directors decided at a meeting on November 2, 2010 to grant 40 Societe Generale shares to each Group employees (nearly 159,000 employees in 79 countries). The grants are subjected to presence and performance conditions. The vesting period and the holding period depend on the location of the entity in which the employee works:

- in France: the vesting period ends on March 29, 2013 for the first section i.e. 16 shares and on March 31, 2014 for the second section i.e. 24 shares. The shares will be made available after a period of 2 years.
- International: the vesting period ends on March 31, 2015 for the first section i.e. 16 shares and on March 31, 2016 for the second section i.e. 24 shares. There is no holding period.

The performance conditions are described in the “Human Resources – Profit Sharing and Global employee share ownership plan” part.

There are no share reserved at December 31, 2011 for the plan because it’s a subscription plan.

The share price at grant date is equal to EUR 42.1. The valuation method used to determine the fair values is the arbitrage model. These fair values (expressed as a % of the share price at grant date) amount to:

- for France: 85% for the first section and 82% for the second section,
- International: 82% for the first section and 79% for the second section.

In countries where the granting free of performance shares is not possible or too complex, Societe Generale share equivalents are granted under the same presence and performance conditions as for the free shares granted.

An assumption on the annual withdrawal rate is applied for the determination of the expense of the plan; it amounts to 3.5% per year on average for employees eligible for the plan in France and to 11% per year on average for employees eligible for the plan outside France.

5. INFORMATION ON OTHER PLANS

The other share-based payment plans granted to Group employees during 2011 are as follows:

Allocation of Societe Generale shares with a discount

As part of the Group employee shareholding policy, Societe Generale offered on April 19, 2011 to employees of the Group to subscribe to a reserved capital increase at a share price of EUR 37.50, with a discount of 20% versus the average of the 20 Societe Generale share prices before this date.

The number of shares subscribed was 5,756,928. There is no expense for this plan. Indeed, the valuation model used, which complies with the recommendation of the National Accounting Board on the accounting treatment of company savings plans, compares the gain employees would have obtained if they had been able to sell the shares immediately and the notional cost that the 5-year holding period represents to the employee. This model gives a unit value of zero: the average of the Societe Generale share prices during the subscription period (from May 11 to May 26) minus the cost of the 5-year holding period is lower than the subscription price.

TCW equity-settled free shares plan 2011

In 2011, Societe Generale Group decided to set up a TCW free shares plan for employees of TCW. The grants are subject to presence conditions and to performance conditions. The vesting period ends on February 29, 2012 for the first section of the plan and on June 30, 2012 for the second section. The first authorized date for selling the shares is 5 years after the date of grant. This plan includes a guarantee of liquidity in SG shares.

TCW cash-settled free shares plan 2010

In 2010, following the purchase of Metropolitan West Asset Management, TCW set up a retention plan for employees of this company including awards of free shares. The grants are subject to presence conditions and the vesting period is five years. This plan includes a guarantee of liquidity in cash.

Boursorama stock-option and free shares plan

The 2011 expense of the 2008 plan was EUR 0.3 million. In 2011, 6,527 free shares and 77,808 options were forfeited and 68,951 free shares were delivered.

Note 42

COST OF RISK

(In millions of euros)	2011	2010
Counterparty risk		
Net allocation to impairment losses	(4,012)	(3,963)
Losses not covered	**(430)**	**(359)**
on bad loans	(379)	(312)
on other risks	(51)	(47)
Amounts recovered	**184**	**198**
on bad loans	167	197
on other risks	17	1
Other risks		
Net allocation to other provisions	(72)	(36)
Total(1)	**(4,330)**	**(4,160)**

(1) O/w EUR -425 million for legacy assets as at December 31, 2011 and EUR -696 million as at December 31, 2010.

Note 43

INCOME TAX

(In millions of euros)	2011	2010
Current taxes	(970)	(1,425)
Deferred taxes	(353)	(117)
Total taxes(1)	**(1,323)**	**(1,542)**

(1) Reconciliation of the difference between the Group's standard tax rate and its effective tax rate:

	2011	2010
Income before tax excluding net income from companies accounted for by the equity method and impairment losses on goodwill (in millions of euros)	4,282	5,724
Normal tax rate applicable to French companies (including 3.3% tax contributions)	34.43%	34.43%
Permanent differences	0.11%	-1.78%
Differential on items taxed at reduced rate	-0.27%	-0.14%
Tax rate differential on profits taxed outside France	-4.93%	-5.20%
Impact of non-deductible losses and use of tax losses carried forward	1.56%	-0.37%
Group effective tax rate	**30.90%**	**26.94%**

In France, the standard corporate income tax rate is 33.33%. Additionally, a Contribution Sociale (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). In 2011, an additional contribution of 5% was introduced for companies which generate profit and revenue higher than EUR 250 million.

Since January 1, 2011, 90% of long-term capital gains on equity investments are exempted, resulting in an effective rate of 3.44%.

The standard tax rate applicable to French companies to determine their deferred tax is 34.43%. The reduced rate is 3.44% taking into account the nature of the taxed transactions.

Note 44

EARNINGS PER SHARE

(In millions of euros)	2011	2010
Net income, Group share	2,385	3,917
Net attributable income to deeply subordinated notes	(273)	(311)
Net attributable income to undated deeply subordinated notes shareholders	(25)	(25)
Net gain related to the redemption of the deeply subordinated notes at a price below the issuance value	276	-
Net attributable income to ordinary shareholders	**2,363**	**3,581**
Weighted average number of ordinary shares outstanding(1)	739,383,366	721,724,753
Earnings per ordinary share (In EUR)	**3.20**	**4.96**

(In millions of euros)	2011	2010
Net income, Group share	2,385	3,917
Net attributable income to deeply subordinated notes	(273)	(311)
Net attributable income to undated deeply subordinated notes shareholders	(25)	(25)
Net gain related to the redemption of the deeply subordinated notes at a price below the issuance value	276	-
Net attributable income to ordinary shareholders	**2,363**	**3,581**
Weighted average number of ordinary shares outstanding(1)	739,383,366	721,724,753
Average number of ordinary shares used in the dilution calculation(2)	2,723,995	3,436,912
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	742,107,361	725,161,665
Diluted earnings per ordinary share (In EUR)	**3.18**	**4.94**

The dividend paid in 2011 in respect of the 2010 financial year amounted to EUR 1.75 per share.

(1) Excluding treasury shares.

(2) The number of shares used in the dilution calculation is computed using the “share buy-back” method and takes into account free shares and stock-options plans. Stock-option plans’ dilutive effect depends on the average stock-market price of the Societe Generale share which was EUR 33.52 for 2011. In this context, as at December 31, 2011, the 2009 stock-option plan without performance conditions had a dilutive effect. The number of shares used in the dilution calculation also includes free shares without performance conditions of the 2009 and 2010 plans. The characteristics of the stock-option and free shares plans can be found in note 41.

Note 45

TRANSACTIONS WITH RELATED PARTIES

1. 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, i.e. companies over which Societe Generale exercises significant influence.

1.1. REMUNERATION OF THE GROUP'S MANAGERS

This includes amounts effectively paid by the Group to Directors and Chief Executive Officers as remuneration (including employer contributions), and other benefits under IAS 24 – paragraph 16 – as indicated below.

(In millions of euros)	December 31, 2011	December 31, 2010
Short-term benefits	8.2	6.3
Post-employment benefits	0.3	0.3
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	0.5	0.3
Total	**9.0**	**6.9**

The Registration Document contains a detailed description of the remuneration and benefits of the Group's senior managers.

1.2. 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 as at December 31, 2011, for a total amount of EUR 23.6 million. All other transactions with these individuals were insignificant.

1.3. 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, 2011 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Mr. Cabannes, Mr. Sammarcelli, Mr. Sanchez Incera and the two staff-elected Directors) was EUR 5.9 million.

2. PRINCIPAL SUBSIDIARIES AND AFFILIATES(1)

OUTSTANDING ASSETS WITH RELATED PARTIES

(In millions of euros)	December 31, 2011	December 31, 2010
Financial assets at fair value through profit or loss	59	22
Other assets	1,263	1,813
Total outstanding assets	**1,322**	**1,835**

OUTSTANDING LIABILITIES WITH RELATED PARTIES

(In millions of euros)	December 31, 2011	December 31, 2010
Liabilities at fair value through profit or loss	90	76
Customer deposits	1,302	33
Other liabilities	1,165	2,405
Total outstanding liabilities	**2,557**	**2,514**

NET BANKING INCOME FROM RELATED PARTIES

(In millions of euros)	2011	2010
Interest and similar income	(3)	(10)
Fees	182	206
Net income from financial transactions	29	(3)
Net income from other activities	(1)	7
Net banking income	**207**	**200**

COMMITMENTS TO RELATED PARTIES

(In millions of euros)	December 31, 2011	December 31, 2010
Loan commitments granted	-	-
Guarantee commitments granted	7	46
Forward financial instrument commitments	7,032	6,245

(1) Entities consolidated using the proportionate method and equity method.

Note 46

COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
FRANCE						
BANKS						
. BANQUE DE POLYNESIE(1)	France	FULL	72.10	72.10	72.10	72.10
. BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	France	FULL	50.00	50.00	50.00	50.00
. CREDIT A L'INDUSTRIE FRANÇAISE (CALIF)(1)	France	FULL	100.00	100.00	100.00	100.00
. CREDIT DU NORD(1)	France	FULL	100.00	100.00	100.00	100.00
. GENEBANQUE	France	FULL	100.00	100.00	100.00	100.00
. SG CALEDONIENNE DE BANQUE(1)	France	FULL	90.10	90.10	90.10	90.10
. SG PRIVATE BANKING MONACO	France	FULL	100.00	100.00	100.00	100.00
. SG DE BANQUE AUX ANTILLES	France	FULL	100.00	100.00	100.00	100.00
FINANCIAL COMPANIES						
. SOCIETE GENERALE SECURITIES SERVICES FRANCE	France	FULL	100.00	98.25	100.00	98.25
. INTER EUROPE CONSEIL	France	FULL	100.00	100.00	100.00	100.00
. INTERGA	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
. ORBEO(6)	France	PROP	-	50.00	-	50.00
. SG ASSET MANAGEMENT	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 CREDIT PLUS(5)	France	FULL	-	100.00	-	100.00
. SGAM AI CREDIT PLUS OPPORTUNITES(5)	France	FULL	-	100.00	-	100.00
. SOCIETE GENERALE RETIREMENT SERVICES	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE SCF	France	FULL	100.00	100.00	100.00	100.00
. FCT RED & BLACK CONSUMER 2008-1	France	FULL	100.00	100.00	100.00	100.00
. AMUNDI GROUP(1)	France	EQUITY	24.93	24.93	25.00	25.00
SPECIALIST FINANCING						
. AIR BAIL	France	FULL	100.00	100.00	100.00	100.00
. TEMSYS(1)	France	FULL	100.00	100.00	100.00	100.00
. ALD INTERNATIONAL SA(1)	France	FULL	100.00	100.00	100.00	100.00
. BULL FINANCE	France	FULL	51.35	51.35	51.35	51.35
. COMPAGNIE FINANCIERE DE BOURBON(3)	France	FULL	99.99	-	100.00	-
. COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS(1)	France	FULL	99.88	99.88	99.88	99.88
. DISPONIS	France	FULL	99.94	99.94	100.00	100.00
. EVALPARTS	France	FULL	100.00	100.00	100.00	100.00
. FENWICK LEASE	France	FULL	100.00	100.00	100.00	100.00
. FONTANOR(7)	France	FULL	-	100.00	-	100.00
. FRANFINANCE	France	FULL	99.99	99.99	99.99	99.99
. FRANFINANCE LOCATION	France	FULL	99.99	99.99	100.00	100.00
. GENECAL	France	FULL	100.00	100.00	100.00	100.00
. GENECOMI	France	FULL	99.94	100.00	99.94	100.00
. ORPAVIMOB	France	FULL	100.00	100.00	100.00	100.00
. RUSFINANCE SAS(1)	France	FULL	100.00	100.00	100.00	100.00
. SAGEMCOM LEASE	France	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE SA	France	FULL	100.00	100.00	100.00	100.00
. SG SERVICES	France	FULL	100.00	100.00	100.00	100.00
. SOFRAFI(8)	France	FULL	-	100.00	-	100.00
. SOGEFIMUR(1)	France	FULL	100.00	100.00	100.00	100.00

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
. SOGEFINANCEMENT	France	FULL	100.00	100.00	100.00	100.00
. SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	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
. FCT RED & BLACK – GUARANTEED HOME LOANS	France	FULL	100.00	100.00	100.00	100.00
. FCT RED & BLACK FRENCH SMALL BUSINESS 2010-1	France	FULL	100.00	100.00	100.00	100.00
. LA BANQUE POSTALE FINANCEMENT	France	EQUITY	35.00	35.00	35.00	35.00
. SOCIETE GENERALE SFH	France	FULL	100.00	100.00	100.00	100.00
. PHILIPS MEDICAL CAPITAL FRANCE(2)	France	FULL	60.00	-	60.00	-
PORTFOLIO MANAGEMENT						
. FCT R&B BDDF PPI(2)(10)	France	FULL	-	-	-	-
. FCC ALBATROS	France	FULL	100.00	100.00	51.00	51.00
. FINAREG	France	FULL	100.00	100.00	100.00	100.00
. GENE ACT 1	France	FULL	100.00	100.00	100.00	100.00
. GENEFINANCE	France	FULL	100.00	100.00	100.00	100.00
. GENEVAL(1)	France	FULL	100.00	100.00	100.00	100.00
. GENINFO	France	FULL	100.00	100.00	100.00	100.00
. LIBECAP	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE ALSACIENNE ET LORRAINE DE VALEURS, D'ENTREPRISES ET DE PARTICIPATIONS	France	FULL	51.42	51.42	51.42	51.42
. LA FONCIERE DE LA DEFENSE	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
. SOCIETE GENERALE SECURITIES SERVICES HOLDING(1)	France	FULL	100.00	100.00	100.00	100.00
. SOGEFIM HOLDING	France	FULL	100.00	100.00	100.00	100.00
. SOGENAL PARTICIPATIONS	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE DE PARTICIPATIONS	France	FULL	100.00	100.00	100.00	100.00
. SOGEPARTICIPATIONS(1)	France	FULL	100.00	100.00	100.00	100.00
. SOGEPLUS	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE CAPITAL PARTENAIRES	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE DE LA RUE EDOUARD VII	France	FULL	99.91	99.91	99.91	99.91
. VOURIC	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	France	FULL	100.00	100.00	100.00	100.00
BROKERS						
. BOURSORAMA SA(1)	France	FULL	57.39	57.78	57.39	57.78
. SOCIETE GENERALE ENERGIE	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) SAS	France	FULL	100.00	100.00	100.00	100.00
. NEWEDGE GROUP(1)	France	PROP	50.00	50.00	50.00	50.00
REAL ESTATE AND REAL ESTATE FINANCING						
. GALYBET	France	FULL	100.00	100.00	100.00	100.00
. GENEFIM(1)	France	FULL	100.00	100.00	100.00	100.00
. GENEFIMMO(1)	France	FULL	100.00	100.00	100.00	100.00
. ORIENT PROPERTIES(4)	France	FULL	-	100.00	-	100.00
. SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER	France	FULL	100.00	100.00	100.00	100.00
. SOGEPROM(1)	France	FULL	100.00	100.00	100.00	100.00
. SOPHIA-BAIL	France	FULL	51.00	51.00	51.00	51.00

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
SERVICES						
. COMPAGNIE GENERALE D'AFFACTURAGE	France	FULL	100.00	100.00	100.00	100.00
. PARIS REGLEMENT LIVRAISON	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE DE CONTRÔLE ET DE GESTION FINANCIERE- SOCOGEFI	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE SECURITIES SERVICES NET ASSET VALUE(3)	France	FULL	100.00	-	100.00	-
GROUP REAL ESTATE MANAGEMENT COMPANIES						
. COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)(1)	France	FULL	100.00	100.00	100.00	100.00
. ELEAPARTS	France	FULL	100.00	100.00	100.00	100.00
. GENEGIS I	France	FULL	100.00	100.00	100.00	100.00
. GENEGIS II	France	FULL	100.00	100.00	100.00	100.00
. GENEVALMY	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
. OPERA 72	France	FULL	99.99	99.99	100.00	100.00
. SI DU 29 BOULEVARD HAUSSMANN	France	FULL	100.00	100.00	100.00	100.00
. SOGE PERIVAL I	France	FULL	100.00	100.00	100.00	100.00
. SOGE PERIVAL II	France	FULL	100.00	100.00	100.00	100.00
. SOGE PERIVAL III	France	FULL	100.00	100.00	100.00	100.00
. SOGE PERIVAL IV	France	FULL	100.00	100.00	100.00	100.00
. SOGEFONTENAY	France	FULL	100.00	100.00	100.00	100.00
. SOGINFO – SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS(1)	France	FULL	100.00	100.00	100.00	100.00
. SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	France	FULL	99.99	99.99	100.00	100.00
. VALMINVEST	France	FULL	100.00	100.00	100.00	100.00
INSURANCE						
. SG DE COURTAGE ET DE REASSURANCE (GENECAR)	France	FULL	100.00	100.00	100.00	100.00
. ORADEA VIE	France	FULL	100.00	100.00	100.00	100.00
. SOGECAP(1)	France	FULL	100.00	100.00	100.00	100.00
. SOGESSUR	France	FULL	100.00	100.00	100.00	100.00
EUROPE						
BANKS						
. OHRIDSKA BANKA(2)	Macedonia	FULL	70.02	-	70.02	-
. DELTACREDIT(1)(3)	Russia	FULL	82.40	-	100.00	-
. BRD – GROUPE SOCIETE GENERALE(1)	Romania	FULL	60.17	59.37	60.17	59.37
. BANKA SOCIETE GENERALE ALBANIA SH.A.(1)	Albania	FULL	87.47	85.82	87.47	85.82
. BANK REPUBLIC(1)	Georgia	FULL	84.04	81.18	84.04	81.18
. GENIKI(1)	Greece	FULL	99.05	88.44	99.05	88.44
. KOMERCNI BANKA A.S(1)	Czech Republic	FULL	60.73	60.44	60.73	60.44
. SOCIETE GENERALE BANK NEDERLAND N.V.	Netherlands	FULL	100.00	100.00	100.00	100.00
. SG EXPRESS BANK(1)	Bulgaria	FULL	99.72	99.69	99.72	99.69
. SG HAMBROS LIMITED (HOLDING)(1)	Great Britain	FULL	100.00	100.00	100.00	100.00
. SG PRIVATE BANKING SUISSE SA(1)	Switzerland	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE BANKA SRBIJA	Serbia	FULL	100.00	100.00	100.00	100.00
. BSGV(9)	Russia	FULL	-	100.00	-	100.00
. SOCIETE GENERALE BANK AND TRUST LUXEMBOURG(1)	Luxembourg	FULL	100.00	100.00	100.00	100.00
. SKB BANKA(1)	Slovenia	FULL	99.72	99.72	99.72	99.72
. SG PRIVATE BANKING BELGIQUE	Belgium	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE SPLITSKA BANKA	Croatia	FULL	100.00	100.00	100.00	100.00
. SGSS SPA	Italy	FULL	100.00	100.00	100.00	100.00

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
. ROSBANK[(1)]	Russia	FULL	82.40	74.89	82.40	74.89
. MOBIASBANCA GROUPE SOCIETE GENERALE	Moldova	FULL	79.93	79.77	87.90	87.90
. PODGORICKA BANKA SG GROUP	Montenegro	FULL	90.56	90.56	90.56	90.56
FINANCIAL COMPANIES						
. EURO VL IRLANDE[(3)]	Ireland	FULL	100.00	-	100.00	-
. SOLENTIS INVESTMENT SOLUTIONS PCC[(2)]	Jersey	FULL	100.00	-	100.00	-
. SOCIETE GENERALE HEDGING LIMITED[(2)(10)]	Ireland	FULL	-	-	-	-
. SG LETTRES DE GAGE[(2)]	Luxembourg	FULL	100.00	-	100.00	-
. BRD FINANCE IFN S.A.	Romania	FULL	80.48	80.09	100.00	100.00
. BRIGANTIA INVESTMENTS B.V.[(1)]	Great Britain	FULL	100.00	100.00	80.00	80.00
. CLARIS 4[(10)]	Jersey	FULL	-	-	-	-
. CO-INVEST LBO MASTER FUND LIMITED PARTNERSHIP INCORPORATED[(4)]	Great Britain	FULL	-	100.00	-	51.00
. SOCIETE GENERALE SECURITIES SERVICES LUXEMBOURG	Luxembourg	FULL	100.00	99.21	100.00	100.00
. HALYSA S.A.	Luxembourg	FULL	100.00	100.00	100.00	100.00
. IRIS II[(10)]	Ireland	FULL	-	-	-	-
. IVEFI SA	Luxembourg	FULL	100.00	100.00	100.00	100.00
. LIGHTNING ASSET FINANCE LIMITED	Ireland	FULL	100.00	100.00	100.00	100.00
. LYXOR MASTER FUND	Great Britain	FULL	100.00	100.00	100.00	100.00
. PARSIFAL LTD[(4)(10)]	Great Britain	FULL	-	-	-	-
. SGA SOCIETE GENERALE ACCEPTANCE N.V. (“SGA”)	Curacao	FULL	100.00	100.00	100.00	100.00
. LYXOR ASSET MANAGEMENT (IRELAND) LIMITED	Ireland	FULL	100.00	100.00	100.00	100.00
. SG D’ARBITRAGE ET DE PARTICIPATION SA	Luxembourg	FULL	100.00	100.00	100.00	100.00
. SGBF S.A.	Belgium	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE CONSUMER FINANCE HOLDING HELLAS S.A.[(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 LTD[(4)]	Ireland	FULL	-	100.00	-	100.00
. SOCIETE GENERALE IMMOBEL[(1)]	Belgium	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED[(1)]	Great Britain	FULL	100.00	100.00	100.00	100.00
. SOCIETE EUROPEENNE DE FINANCEMENT ET D’INVESTISSEMENT	Luxembourg	FULL	100.00	100.00	100.00	100.00
. VERI SG FONDS	Germany	FULL	100.00	100.00	100.00	100.00
. CODEIS SECURITIES S.A.	Luxembourg	FULL	100.00	100.00	100.00	100.00
. LLC PROSTOFINANCE	Ukraine	FULL	100.00	100.00	100.00	100.00
. MILO FOREIGN DEBT FUND[(5)]	Netherlands	FULL	-	100.00	-	100.00
. MILO FDF INVESTORS CV[(5)]	Netherlands	FULL	-	100.00	-	100.00
. THE TURQUOISE FUND	Luxembourg	FULL	100.00	100.00	100.00	100.00
. THE TURQUOISE II FUND	Luxembourg	FULL	100.00	100.00	100.00	100.00
. PILLAR CAPITAL LIMITED PARTNERSHIP	Great Britain	FULL	100.00	100.00	100.00	100.00
SPECIALIST FINANCING						
. ALD AUTOMOTIVE SRL[(2)]	Romania	FULL	92.03	-	100.00	-
. SG EQUIPEMENT FINANCE IBERIA SA[(2)]	Spain	FULL	100.00	-	100.00	-
. LIMITED LIABILITY COMPANY RUSFINANCE[(1)(3)]	Russia	FULL	82.40	-	100.00	-
. LIMITED LIABILITY COMPANY RUSFINANCE BANK[(3)]	Russia	FULL	82.40	-	100.00	-
. SG EQUIPEMENT FINANCE ITALY SPA[(2)]	Italy	FULL	100.00	-	100.00	-
. AXUS SA/NV	Belgium	FULL	100.00	100.00	100.00	100.00
. ALD AUTOMOTIVE A/S[(1)]	Denmark	FULL	100.00	100.00	100.00	100.00
. AXUS FINLAND OY[(1)]	Finland	FULL	100.00	100.00	100.00	100.00
. AXUS ITALIANA SRL	Italy	FULL	100.00	100.00	100.00	100.00
. AXUS NEDERLAND BV	Netherlands	FULL	100.00	100.00	100.00	100.00
. ALD AUTOMOTIVE AS[(1)]	Norway	FULL	100.00	100.00	100.00	100.00
. ALD AUTOMOTIVE AB[(1)]	Sweden	FULL	100.00	100.00	100.00	100.00

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
. ALD AUTOLEASING D GMBH[(1)]	Germany	FULL	100.00	100.00	100.00	100.00
. ALD AUTOMOTIVE GROUP PLC[(1)]	Great Britain	FULL	100.00	100.00	100.00	100.00
. ALD AUTOMOTIVE SRO	Czech Republic	FULL	100.00	100.00	100.00	100.00
. ALD INTERNATIONAL SAS & CO. KG[(1)]	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
. SG ALD AUTOMOTIVE PORTUGAL SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Portugal	FULL	100.00	100.00	100.00	100.00
. ALD AUTOMOTIVE SA[(1)]	Spain	FULL	100.00	100.00	100.00	100.00
. AXUS LUXEMBOURG SA	Luxembourg	FULL	100.00	100.00	100.00	100.00
. DC MORTGAGE FINANCE NETHERLAND BV	Netherlands	FULL	100.00	100.00	100.00	100.00
. EIFFEL LIMITED PARTNERSHIP	Great Britain	FULL	100.00	100.00	100.00	100.00
. ESSOX SRO	Czech Republic	FULL	80.00	79.85	100.00	100.00
. EURO BANK SPOLKA AKCYJNA	Poland	FULL	99.52	99.52	99.52	99.52
. FIDITALIA SPA[(1)]	Italy	FULL	100.00	100.00	100.00	100.00
. FRAER LEASING SPA	Italy	FULL	73.85	73.43	73.85	73.43
. SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Czech Republic	FULL	80.33	100.00	100.00	100.00
. SG LEASING SPA	Italy	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT LEASING POLSKA SP ZOO	Poland	FULL	100.00	100.00	100.00	100.00
. GEFA GESELLSCHAFT FUR ABSATZFINANZIERUNG MBH[(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 GMBH & CO KG	Germany	FULL	75.00	75.00	75.00	75.00
. MONTALIS INVESTMENT BV	Netherlands	FULL	100.00	100.00	100.00	100.00
. SGBT FINANCE IRELAND LIMITED	Ireland	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE BENELUX BV	Netherlands	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE INTERNATIONAL GMBH[(1)]	Germany	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE SCHWEIZ AG	Switzerland	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE 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 AS[(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
. SOGELEASE B.V.[(1)]	Netherlands	FULL	100.00	100.00	100.00	100.00
. PEMA GMBH[(1)]	Germany	FULL	100.00	100.00	100.00	100.00
. MILFORD	Belgium	FULL	100.00	100.00	100.00	100.00
. NEW ESPORTA HOLDING LIMITED[(1)]	Great Britain	FULL	99.78	90.18	99.78	90.18
. SGSS DEUTSCHLAND KAPITALANLAGEGESELLSCHAFT MBH	Germany	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE LIMITED[(1)]	Great Britain	FULL	100.00	100.00	100.00	100.00
BROKERS						
. SG ENERGIE UK LIMITED	Great Britain	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE SECURITIES SERVICES UK LTD	Great Britain	FULL	100.00	100.00	100.00	100.00
INSURANCE						
. GENERAS	Luxembourg	FULL	100.00	100.00	100.00	100.00
. INORA LIFE LTD	Ireland	FULL	100.00	100.00	100.00	100.00
. KOMERCNI POJISTOVNA A.S	Czech Republic	FULL	80.76	80.62	100.00	100.00
. SOGELIFE	Luxembourg	FULL	100.00	100.00	100.00	100.00
. SOGECAP LIFE INSURANCE	Russia	FULL	96.66	100.00	100.00	100.00
. SOCIETE GENERALE RE SA	Luxembourg	FULL	100.00	100.00	100.00	100.00
. CATALYST RE INTERNATIONAL LTD	Bermuda	FULL	100.00	100.00	100.00	100.00

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
AFRICA AND THE MIDDLE-EAST						
BANKS						
. SOCIETE GENERALE TCHADIENNE DE BANQUE[2]	Tchad	FULL	55.19	-	66.16	-
. BANKY FAMPANDROSOANA VAROTRA SG	Madagascar	FULL	70.00	70.00	70.00	70.00
. SG DE BANQUES AU BURKINA	Burkina Faso	FULL	51.27	51.19	52.61	52.53
. SG DE BANQUE EN GUINEE EQUATORIALE	Equatorial Guinea	FULL	52.44	52.44	57.24	57.24
. NATIONAL SOCIETE GENERALE BANK	Egypt	FULL	77.17	77.17	77.17	77.17
. SOCIETE GENERALE ALGERIE	Algeria	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE DE BANQUE AU CAMEROUN	Cameroon	FULL	58.08	58.08	58.08	58.08
. SG DE BANQUES EN COTE D'IVOIRE[1]	Ivory Coast	FULL	73.25	73.25	73.25	73.25
. SG DE BANQUES EN GUINEE	Guinea	FULL	57.94	57.94	57.94	57.94
. SG DE BANQUE AU LIBAN[1]	Lebanon	EQUITY	19.00	19.00	19.00	19.00
. SG DE BANQUES AU SENEGAL	Senegal	FULL	64.45	64.45	64.87	64.87
. SG MAROCAINE DE BANQUES[1]	Morocco	FULL	56.91	56.91	56.91	56.91
. SG-SSB LIMITED	Ghana	FULL	52.24	52.24	52.24	52.24
. UNION INTERNATIONALE DE BANQUES	Tunisia	FULL	57.20	57.20	52.34	52.34
SPECIALIST FINANCING						
. ALD AUTOMOTIVE SA MAROC	Morocco	FULL	43.54	43.54	50.00	50.00
. SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Morocco	FULL	46.31	46.31	54.92	54.92
. SOGELEASE EGYPT	Egypt	FULL	70.87	70.87	80.00	80.00
. SOCIETE GENERALE DE LEASING AU MAROC	Morocco	FULL	56.91	74.15	100.00	100.00
INSURANCE						
. LA MAROCAINE VIE	Morocco	FULL	88.86	88.86	99.98	99.98
THE AMERICAS						
BANKS						
. BANCO SG BRAZIL SA[1]	Brazil	FULL	100.00	100.00	100.00	100.00
. BANCO PECUNIA S.A.[1]	Brazil	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE (CANADA)[1]	Canada	FULL	100.00	100.00	100.00	100.00
. BANCO CACIQUE S.A.[1]	Brazil	FULL	100.00	100.00	100.00	100.00
. SG AMERICAS SECURITIES HOLDINGS, LLC[1]	United States	FULL	100.00	100.00	100.00	100.00
FINANCIAL COMPANIES						
. SGFP MEXICO S. DE R.L. DE C.V.[2]	Mexico	FULL	100.00	-	100.00	-
. SGE HOLDINGS INC.[1][2]	Canada	FULL	100.00	-	100.00	-
. SG AMERICAS, INC.[1]	United States	FULL	100.00	100.00	100.00	100.00
. SG WARRANTS NV	United States	FULL	100.00	100.00	100.00	100.00
. TCW GROUP INC[1]	United States	FULL	97.88	100.00	97.88	100.00
. THE TURQUOISE FUND LTD	Cayman Islands	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE ENERGY CORP.	United States	FULL	100.00	100.00	100.00	100.00
SPECIALIST FINANCING						
. MAKATEA JV INC.	United States	FULL	100.00	100.00	66.67	66.67
. REXUS L.L.C.[5]	United States	FULL	-	100.00	-	70.83
. SG CONSTELLATION CANADA LTD.	Canada	FULL	100.00	100.00	100.00	100.00
. SG FINANCE LLC	United States	FULL	100.00	100.00	100.00	100.00
. SG PREFERRED CAPITAL III, L.L.C.[1]	United States	FULL	100.00	100.00	100.00	100.00
. SG EQUIPMENT FINANCE USA CORP.	United States	FULL	100.00	100.00	100.00	100.00
PORTFOLIO MANAGEMENT						
. SOCIETE GENERALE COMMODITIES PRODUCTS, LLC[5]	United States	FULL	-	100.00	-	100.00
. LYXOR ASSET MANAGEMENT HOLDING CORP.[1]	United States	FULL	100.00	100.00	100.00	100.00
ASIA AND OCEANIA						
BANKS						
. SG PRIVATE BANKING (JAPAN) LTD	Japan	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE SECURITIES (NORTH PACIFIC) LTD	Japan	FULL	100.00	100.00	100.00	100.00
. SOCIETE GENERALE (CHINA) LIMITED	China	FULL	100.00	100.00	100.00	100.00

	Country	Method *	Group ownership interest		Group voting interest	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
FINANCIAL COMPANIES						
. FORTUNE SG FUND MANAGEMENT CO., LTD.	China	PROP	49.00	49.00	49.00	49.00
. SG ASIA (HONG-KONG) LTD	Hong Kong	FULL	100.00	100.00	100.00	100.00
. TH INVESTMENTS (HONG KONG) 1 LIMITED(1)(2)	Hong Kong	FULL	100.00	-	100.00	-
. TH INVESTMENTS (HONG-KONG) 3 LIMITED(1)(2)	Hong Kong	FULL	100.00	-	100.00	-
BROKERS						
. SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG)(1)	Hong Kong	FULL	100.00	100.00	100.00	100.00
SERVICES						
. SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE LIMITED(2)	India	FULL	100.00	-	100.00	-
SPECIALIST FINANCING						
. SG LEASING AND RENTING CO LTD(2)	China	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 2011.
(3) Companies now consolidated directly.
(4) Entities deconsolidated during 2011.
(5) Entities wound up in 2011.
(6) Entities sold in 2011.
(7) Dissolution by transfer of assets with Societe Generale S.A.
(8) Dissolution by transfer of assets with Franfinance.
(9) Merger with Rosbank.
(10) Special purpose vehicles substantially controlled by the Group.

Note 47

SEGMENT INFORMATION

SEGMENT INFORMATION BY BUSINESS LINES

	French Networks		International Retail Banking		Specialised Financial Services and Insurance	
(In millions of euros)	2011	2010	2011	2010	2011	2010
Net banking income	8,165	7,791	5,017	4,930	3,443	3,539
Operating Expenses(1)	(5,248)	(5,058)	(2,988)	(2,769)	(1,846)	(1,841)
Gross operating income	**2,917**	**2,733**	**2,029**	**2,161**	**1,597**	**1,698**
Cost of risk	(745)	(864)	(1,284)	(1,340)	(829)	(1,174)
Operating income	**2,172**	**1,869**	**745**	**821**	**768**	**524**
Net income from companies accounted for by the equity method	10	8	13	11	(33)	(12)
Net income/expense from other assets	1	6	-	1	(5)	(5)
Impairment of goodwill	-	-	-	1	(200)	-
Earnings before tax	**2,183**	**1,883**	**758**	**834**	**530**	**507**
Income tax	(739)	(637)	(161)	(156)	(219)	(148)
Net income before non-controlling interests	**1,444**	**1,246**	**597**	**678**	**311**	**359**
Non-controlling interests	16	13	272	186	14	16
Net income, Group share	**1,428**	**1,233**	**325**	**492**	**297**	**343**

	Global Investment Management and Services					
	Asset Management		Private Banking		SGSS, Brokers	
(In millions of euros)	2011	2010	2011	2010	2011	2010
Net banking income	344	477	762	699	1,063	1,094
Operating Expenses[1]	(342)	(457)	(619)	(551)	(1,006)	(994)
Gross operating income	**2**	**20**	**143**	**148**	**57**	**100**
Cost of risk	-	(3)	(1)	(4)	(12)	-
Operating income	**2**	**17**	**142**	**144**	**45**	**100**
Net income from companies accounted for by the equity method	98	100	-	-	-	-
Net income/expense from other assets	-	(1)	2	-	(8)	-
Impairment of goodwill	-	-	-	-	(65)	-
Earnings before tax	**100**	**116**	**144**	**144**	**(28)**	**100**
Income tax	(1)	(5)	(29)	(33)	(13)	(33)
Net income before non-controlling interests	**99**	**111**	**115**	**111**	**(41)**	**67**
Non-controlling interests	-	-	-	-	2	-
Net income, Group share	**99**	**111**	**115**	**111**	**(43)**	**67**

	Corporate and Investment Banking[2]		Corporate Centre[3]		Societe Generale Group	
(In millions of euros)	2011	2010	2011	2010	2011	2010
Net banking income[2]	5,980	7,836	862	52	25,636	26,418
Operating Expenses[1]	(4,748)	(4,706)	(239)	(169)	(17,036)	(16,545)
Gross operating income	**1,232**	**3,130**	**623**	**(117)**	**8,600**	**9,873**
Cost of risk	(563)	(768)	(896)	(7)	(4,330)	(4,160)
Operating income	**669**	**2,362**	**(273)**	**(124)**	**4,270**	**5,713**
Net income from companies accounted for by the equity method	-	9	6	3	94	119
Net income/expense from other assets	76	(6)	(54)	16	12	11
Impairment of goodwill	-	-	-	-	(265)	1
Earnings before tax	**745**	**2,365**	**(321)**	**(105)**	**4,111**	**5,844**
Income tax	(97)	(625)	(64)	95	(1,323)	(1,542)
Net income before non-controlling interests	**648**	**1,740**	**(385)**	**(10)**	**2,788**	**4,302**
Non-controlling interests	13	10	86	160	403	385
Net income, Group share	**635**	**1,730**	**(471)**	**(170)**	**2,385**	**3,917**

(1) Including depreciation and amortisation.

(2) Breakdown of net banking income by business for "Corporate and Investment Banking":

(In millions of euros)	2011	2010
Global Markets	4,141	5,021
Financing and Advisory	2,315	2,744
Legacy Assets	(476)	71
Total net banking income	**5,980**	**7,836**

(3) Income and expense not directly related to the business lines' activity are recorded under the Corporate Centre's profit and loss. Thus the debt revaluation differences linked to own credit risk (EUR 1,176 million at December 31, 2011), the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios (EUR 66 million at December 31, 2011) and the impact of the sovereign securities, mainly Greek, are allocated to the Corporate Centre.

(In millions of euros)	French Network		International Retail Banking		Specialised Financial Services and Insurance	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment assets	197,688	191,428	97,604	92,875	136,692	136,449
Segment liabilities[(4)]	158,583	150,997	76,905	73,081	90,405	89,910

(In millions of euros)	Global Investment Management and Services					
	Asset Management		Private Banking		SGSS, Brokers	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment assets	2,846	2,941	21,110	20,678	48,704	50,003
Segment liabilities[(4)]	546	650	22,217	24,755	62,613	65,940

(In millions of euros)	Corporate and Investment Banking		Corporate Centre[(5)]		Societe Generale Group	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment assets	614,652	609,795	62,076	27,903	1,181,372	1,132,072
Segment liabilities[(4)]	658,468	611,663	60,523	64,101	1,130,260	1,081,097

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

(5) Assets and liabilities not directly related to the business lines' activities are recorded on the Corporate Centre's balance sheet. Thus the debt revaluation differences linked to own credit risk and the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios are allocated to the Corporate Centre.

SEGMENT INFORMATION BY GEOGRAPHICAL REGION

GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME

(In millions of euros)	France		Europe		Americas	
	2011	2010	2011	2010	2011	2010
Net interest and similar income	6,215	6,345	4,492	4,029	741	726
Net fee income	4,400	4,506	1,714	1,764	487	692
Net income/expense from financial transactions	1,811	1,873	1,428	2,058	593	823
Other net operating income	394	354	994	956	(1)	(35)
Net banking income	**12,820**	**13,078**	**8,628**	**8,807**	**1,820**	**2,206**

(In millions of euros)	Asia		Africa		Oceania		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Net interest and similar income	179	159	981	909	19	120	12,627	12,288
Net fee income	186	137	392	368	-	18	7,179	7,485
Net income/expense from financial transactions	569	577	40	82	(9)	(39)	4,432	5,374
Other net operating income	(9)	3	21	(5)	(1)	(2)	1,398	1,271
Net banking income	**925**	**876**	**1,434**	**1,354**	**9**	**97**	**25,636**	**26,418**

GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS

	France		Europe		Americas	
(In millions of euros)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment assets	931,417	813,508	140,021	159,882	70,231	117,275
Segment liabilities[6]	886,865	770,503	134,648	153,416	72,065	118,411

	Asia		Africa		Oceania		Total	
(In millions of euros)	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment assets	15,052	18,000	24,647	23,222	4	185	1,181,372	1,132,072
Segment liabilities[6]	14,344	17,463	22,318	21,161	20	143	1,130,260	1,081,097

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

Note 48

FEES TO STATUTORY AUDITORS

Fees to Statutory Auditors recorded in the income statement are:

(In millions of euros)	2011	2010
Fees related to statutory audit, certification, examination of parent company and consolidated accounts	31	30
Fees related to audit services and related assignments	6	3
Total	**37**	**33**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information in the group's 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.

Societe Generale - Year ended December 31, 2011

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, 2011, on:

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

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

I. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of assessments

The accounting estimates used in the preparation of the consolidated financial statements as at December 31, 2011 were made in a context of uncertainty, arising as a result of the sovereign debt crisis of some eurozone countries (most notably in Greece). This crisis is accompanied by an economic and also a liquidity crisis resulting in a lack of visibility concerning economic prospects. In that context and in accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- For the purpose of preparing the consolidated financial statements, your 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 goodwills, the assessment of the differed tax assets, as well as of the pension plans and other post-employment benefits. We have reviewed and tested, the processes implemented by management, the underlying assumptions and the valuation parameters, and we have assessed whether these accounting estimates are based on documented procedures consistent with the accounting policies disclosed in note 1 to the consolidated financial statements.

- In the more specific context of volatility on financial markets and of the sovereign debt crisis of some countries:
  - Your company provides in note 3 to the consolidated financial statements its indirect exposures to the US residential real estate market and in note 25 its exposures to some eurozone countries, as well as the processes implemented and the procedures used for measuring or assessing them. We have reviewed the control procedures implemented to measure such exposures, to assess the credit risk and related depreciations, as well as the appropriateness of the related disclosures included in the aforementioned notes.
  - 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 as well as their observability, and verifying that the risks generally expected from the markets were taken into account in the valuations.
- As mentioned in notes 3 and 6 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.

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

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, March 2, 2012

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	**DELOITTE & ASSOCIES**
Represented by Philippe Peuch-Lestrade	Represented by Jean-Marc Mickeler