SOCIETE GENERALE

A French corporation with share capital of EUR 970,099,988.75
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FIRST UPDATE

TO THE

2012 REGISTRATION DOCUMENT

Registration document filed with the AMF (French Securities Regulator) on March 2, 2012 under No. D.12-0125.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document is a free translation into English of the update to the Registration Document (Document de Référence) issued in French. Only the French version of the update to the Registration Document has been submitted to the AMF. It is therefore the only version legally binding.
The original update to the registration document was filed with the AMF (French Securities Regulator) on May 7, 2012, under the number D.12-0125-A01. It may be used to support a financial transaction if accompanied by a prospectus duly approved by the AMF. This document was produced by the issuer and is binding upon its signatory.

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1.1.1 Press release dated May 3, 2012: First quarter results

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2 - Chapter 3: The Company and its Shareholders

2.1 Information on share capital

2.1.1 On going operation : capital increase reserved for employees

The Board of Directors decided to implement a capital increase reserved for employees, representing a maximum of € 20,546,575 corresponding to the issue of 16,437,260 shares to be subscribed to in cash. The subscription period will be open from April 23 to May 7, 2012 inclusive. The capital increase is expected to come into effect on June 21, 2012. The GESOP information document is available on Societe Generale's website (www.societegenerale.com).

3 - Chapiter 5 : Corporate governance

3.1 Board of Directors and General management

3.1.1 Message from the Board of Directors meetings of 14 march 2012: proposed appointments and renewals of Directors

The Board of Directors, on the proposal of the Nomination and Corporate Governance Committee, approved the renewals and appointments of directors, which will be submitted to the Annual General Meeting on 22 May 2012.

The board will propose to shareholders that:

- The mandates of independent directors Mr. Michel CICUREL and Ms Nathalie RACHOU be renewed.
- The following persons be appointed directors of the Board for a period of four years:
  - Mr. **Yann DELABRIERE**,
  - Mr. **Thierry MARTEL**.

Mr. **DELABRIERE** would be appointed as independent director.
If these resolutions are adopted by the Annual General Meeting, the Board of Directors will include 15 members:

- 13 appointed by the Annual General Meeting,
- 2 elected by employees.

Ten out of the thirteen directors appointed by the Annual General Meeting will be independent, which is well above the 50% share of recommended by the AFEP-MEDEF Corporate Governance Code.
Women will account for 31% of the directors appointed by the Annual General Meeting, which is above the 20% requirement that will apply to listed companies as of 2014. Four out of the fifteen members of the Board of Directors will be non-French nationals.

Biographies

Mr. **DELABRIERE** is a former student at the Ecole Normale Supérieure and at l'Ecole Normale d'Administration, with a PhD in Mathematics. He began his career at La Cour des Comptes (Court of Auditors). He became Chief Financial Officer of COFACE (1982-1987) then Printemps Group (1987-1990) before becoming Chief Financial Officer of PSA Peugeot from 1990 to 2007. He was also Chairman and Chief Executive Officer of Banque PSA Finance. From 2007, he is CEO and Chairman of FAURECIA. Mr. DELABRIERE is member of the Board of Cap Gemini.

Mr. **MARTEL** is graduated from the Ecole Polytechnique, from IEP Paris and Institut des Actuaires Français. He has spent his entire carreer in insurance. Former commissionneur in insurance controlleur at the Ministry of Economics and Finance (1987-1990), he joined GROUPAMA in 1990, where he held various positions before
becoming CEO in 2011.

3.2 Remuneration of Group senior management

3.2.1 Board of Directors' decisions of march 21, 2012 on Chief Executive Officers' remuneration

On the proposal of the Compensation Committee, at its 2 and 21 of March 2012 meetings, the Board of Directors approved the 2011 remuneration of Mr Frédéric Oudéa, Chairman and Chief Executive Officer, Mr Séverin Cabannes, Mr Jean-Francois Sammarcelli and Mr Bernardo Sanchez Incera, Deputy Chief Executive Officers, as well as the remuneration principles decided for 2012.

As the current major economic crisis is affecting the banking sector as well as Société Générale Group's results, the Board decided to act in line with the policy implemented by General Management for all Group employees with respect to the limitation of fixed salary costs.

The Board of Directors, on the one hand, noted the results of applying the rules regarding the quantitative component of variable remuneration and, on the other hand, assessed the performance of the Executive Officers with respect to the individual targets they had been given for 2011. In particular, the Board considered that the General Management team had met the objectives set in terms of transforming the Group to a very large extent.

A- Remuneration of Chief Executive Officers for 2011

Accordingly, the Board decided the following measures:

- no salary increase for Chief Executive Officers,
- a 42% reduction in their annual variable remuneration, in excess of the 39% decline in Group net income.

Furthermore, on a proposal from Mr Frédéric Oudéa on behalf of all Chief Executive Officers, they will not receive any cash payment in 2012 and their total annual variable remuneration will be deferred and made up entirely of shares or share equivalents, transferable over 3 years (in 2013, 2014 and 2015).

Thus, the structure of annual variable compensation for 2011 of the management team will take full account of the suspension of the payment of a dividend for fiscal year 2011 and aligns the payment of the variable component of remuneration due to Chief Executive Officers with the expected results of the Group's transformation carried out in the past two years.

For the third consecutive year, Chief Executive Officers will not receive any stock options in 2012.

1) Annual fixed salary in fiscal year 2012

	2011 gross annual fixed salary	**2012 gross annual fixed salary**	% 2012 / 2011
Mr Oudéa	€1,000,000	**€1,000,000**	0%
Mr Cabannes	€650,000	**€650,000**	0%
Mr Sammarcelli	€650,000	**€650,000**	0%
Mr Sanchez Incera	€700,000	**€700,000**	0%

2) Annual variable remuneration for fiscal year 2011

The annual gross variable remuneration of Mr Frédéric Oudéa amounts to €682,770 (down 43% from 2011), while it amounts to €310,144 (down 53%) for Mr Séverin Cabannes, €487,937 (down 28%) for Jean-Francois Sammarcelli and €391,440 (down 41%) for Bernardo Sanchez Incera.

	Gross variable remuneration for fiscal year 2010		**Gross variable remuneration for fiscal year 2011**		**% 2011 / 2010**	For comparison, gross variable remuneration in previous fiscal years	
	Total (1)	*o/w component paid in cash in 2011*	**Total (1)**	***o/w component paid in cash in 2012***		2008	2009
Mr Oudéa	€1,196,820	*€598,400*	**€682,770**	***€0***	**-43%**	€0 (2)	€0 (2)
Mr Cabannes	€665,281	*€332,640*	**€310,144**	***€0***	**-53%**	€0 (3)	€320,000
Mr Sammarcelli	€675,826	*€337,920*	**€487,937**	***€0***	**-28%**	Not applicable (4)	
Mr Sanchez Incera	667,662	*€333,840*	**€391,440**	***€0***	**-41%**	Not applicable (4)	

(1) Total calculated on value at grant date. The annual variable component for 2010 broke down as follows: one half in cash and paid immediately and one half in the form of share equivalents valued at €49.20 (average price at grant date). In practice, the actual
amounts actually paid for the half in share equivalents were 47% lower than their value at grant date.
(2) Mr Frederic Oudéa waived his variable remuneration for fiscal years 2008 and 2009.
(3) Mr Séverin Cabannes waived his variable remuneration for fiscal year 2008.
(4) Mr Sammarcelli and Mr Sanchez Incera were appointed officers of the Société Générale Group on 1 January 2010.

The Board checked that this decision is compliant with European regulation CRDIII and the French ministerial order, as the entire variable compensation is awarded in the form of shares or equivalents (versus the minimum 50% required by regulations) and the deferred component, fully subject to performance conditions, accounts for 60% of the total, in accordance with regulations.

B- Principles of determination of annual variable remuneration for fiscal year 2012

For 2012, the Board decided to renew the principles and structure of remuneration set for 2011 with respect to annual variable remuneration.

The following criteria will be taken into account to determine annual variable remuneration:

- regarding 60% of variable remuneration, a series of quantitative objectives related to the Group's financial performance (indicators covering EPS, gross operating income and cost/income ratio for all Chief Executive Officers plus, for each Deputy Chief Executive Officer, net income before tax and gross operating income for activities within their scope of supervision),
- for the remaining 40%, individual objectives related primarily to the strategy of the Group and its business lines, balance sheet management, cost control and optimisation of organisation, internal and risk controls, human resources management, and social and environmental responsibility.

Every component of annual variable compensation is capped at a percentage of fixed remuneration. In
total, the maximum annual variable compensation is set at 150% of his fixed salary for Mr Frederic Oudéa
and 120% of their salary for Mr Cabannes, Mr Sammarcelli and Mr Sanchez Incera.

Appendix

Follow up of actual cash remuneration and vested shares of Mr Frédéric Oudéa in respect of his mandates as Group Chief Executive Officer and, subsequently, Chairman & Chief Executive Officer, after CRDIII directive impact

	2009	**2010**	**2011**	**2012**
Gross annual fixed salary (a)	€850,000	€850,000	€1,000,000	€1,000,000
Gross cash payment as component of annual variable salary (b)	€0	€0	€598,400	€316,311
Total (a + b)	**€850,000**	**€850,000**	**€1,598,400**	**€1,316,311**
Number of vested performance shares	0	**0**	**0**	0
Number of exercisable options	0	**0**	**0**	0
Comments	Mr Frédéric Oudéa waived the variable component of his remuneration and all stock options and share grants	Mr Frédéric Oudéa waived the variable component of his remuneration and all stock options and share grants	The amount paid corresponds to the payment in cash of the variable component of remuneration for fiscal year 2010	The amount paid corresponds to the payment in cash of the variable component of remuneration for fiscal year 2010. The amount paid is 47% lower than the value at grant date in March 2011.

Additional information relating to Mr Frédéric Oudéa's mandate

- As Mr Frédéric Oudéa terminated his employment contract, he does not benefit from any supplementary retirement plan. To offset the loss of his rights to the supplementary pension plan benefiting all the Group's senior managers, and for which contributions had been paid as a salaried executive manager of the Group, he receives gross fixed compensation totalling €300,000 per year subject to income tax and social security contributions.

- Moreover, he does not benefit from any severance pay package should he leave the Group (a socalled "golden parachute").

3.2.2 Decisions of the Board of Directors meeting held on 2 May 2012 regarding long-term incentive awards for the Chief Executive Officers

Societe Generale's Chief Executive Officers will receive no stock options or performance shares in 2012.

As there is no effective long-term incentive plan for the Chief Executive Officers, the Board decided to associate them to the company's long-term growth and to align their interests with those of shareholders by setting up a conditional long-term incentive plan based on the value of the Societe Generale share over a period of three and four years. This plan will enable the Officers to obtain a certain number of shares or share equivalents depending on the relative performance of Societe Generale share against 11 comparable European banks.

For example, no award will be made if the performance of Societe Generale share at the beginning of 2014 and 2015 is significantly lower than its peers. If the performance is equivalent to its peers on these dates, Frédéric Oudéa’s award will be paid in two instalments, in March 2015 and March 2016 respectively, with each instalment amounting to 18,750 shares or share equivalents. For the Deputy Chief Executive Officers, each instalment will represent 12,500 shares or share equivalents. The final amount will depend on the actual performance and the share price. The accounting value is 428 906 Euros in average for each instalment for Frédéric Oudéa and 285 938 Euros for the Deputy Chief Executive Officers.

The Board of Directors has ensured that this plan complies with the recommendations of the AFEP-MEDEF Corporate Governance Code and the European CRDIII (Capital Requirements Directive).

3.2.3 Standard tables 1 and 2 in accordance with AMF recommendations

Table 1

SUMMARY OF REMUNERATION AND STOCK OPTIONS AND SHARES ALLOCATED TO EACH CHIEF EXECUTIVE OFFICER (1)

(In EUR)	2010 fiscal year	2011 fiscal year
Mr. Frédéric OUDEA, Chairman and Chief Executive Officer		
Remuneration due for the fiscal year (detailed in table 2)	2,876,325	1,988,695
Value of options allocated during the fiscal year (detailed in table 4 p. 127 of the 2012 registration document)	0	0
Value of performance shares allocated during the fiscal year (detailed in table 6 p. 127 of the 2012 registration document)(2)	0	497,617
Total	**2,876,325**	**2,486,312**
Mr. Séverin CABANNES, Deputy Chief Executive Officer		
Remuneration due for the fiscal year (detailed in table 2)	1,512,751	966,555
Value of options allocated during the fiscal year (detailed in table 4 p. 127 of the 2012 registration document)	0	0
Value of performance shares allocated during the fiscal year (detailed in table 6 p. 127 of the 2012 registration document)(2)	0	276,613
Total	**1,512,751**	**1,243,168**
Mr. Jean François SAMMARCELLI, Deputy Chief Executive Officer		
Remuneration due for the fiscal year (detailed in table 2)	1,527,556	1,143,973
Value of options allocated during the fiscal year (detailed in table 4 p. 127 of the 2012 registration document)	0	0
Value of performance shares allocated during the fiscal year (detailed in table 6 p. 127 of the 2012 registration document)(2)	0	281,002
Total	**1,527,556**	**1,424,975**
Mr. Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer		
Remuneration due for the fiscal year (detailed in table 2)	1,613,680	1,096,464
Value of options allocated during the fiscal year (detailed in table 4 p. 127 of the 2012 registration document)	0	0
Value of performance shares allocated during the fiscal year (detailed in table 6 p. 127 of the 2012 registration document)(2)	0	277,609
Total	**1,613,680**	**1,374,073**

(1) This represents the remuneration due in respect of mandates exercised during the fiscal year.

(2) Book value of performance shares allocated on March 7, 2011

Table 2
SUMMARY OF THE REMUNERATION OF EACH CHIEF EXECUTIVE OFFICER (1)

	2010 fiscal year		2011 fiscal year	
	Amounts paid	Amounts due for the fiscal year	Amounts paid	Amounts due for the fiscal year
Mr. Frédéric OUDEA, Chairman and Chief Executive Officer				
– fixed salary	850,000	850,000	1,000,000	1,000,000
– non-deferred performance-linked pay (2)	0	598,400	598,400	0
– deferred performance-linked pay	0	1,122,000 (3)	0	682,770 (4)
– compensatory allowance (5)	300,000	300,000	300,000	300,000
– attendance fees	0	0	0	0
– benefits in kind (6)	5,925	5,925	5,925	5,925
Total	**1,155,925**	**2,876,325**	**1,904,325**	**1,988,695**
Mr. Séverin CABANNES, Deputy Chief Executive Officer				
– fixed salary	550,000	550,000	650,000	650,000
– non-deferred performance-linked pay (2)	310,636	332,640	302,796	0
– deferred performance-linked pay (4)	0	623,700 (3)	0	310,144 (4)
– attendance fees	9,364	0	29,844	0
– benefits in kind (6)	6,411	6,411	6,411	6,411
Total	**876,411**	**1,512,751**	**989,051**	**966,555**
Mr. Jean François SAMMARCELLI, Deputy Chief Executive Officer				
– fixed salary	550,000	550,000	650,000	650,000
– non-deferred performance-linked pay (2)	332,500	337,920	326,471	0
– deferred performance-linked pay (4)	0	633,600 (3)	0	487,937 (4)
– attendance fees	0	0	11,449	0
– benefits in kind (6)	6,036	6,036	6,036	6,036
Total	**888,536**	**1,527,556**	**993,956**	**1,143,973**
Mr. Bernardo SANCHEZ INCERA, Deputy Chief Executive Officer				
– fixed salary	650,000	650,000	700,000	700,000
– non-deferred performance-linked pay (2)	0	333,840	330,933	0
– deferred performance-linked pay (4)	0	625,932 (3)	0	391,440 (4)
– attendance fees	0	0	2,907	0
– benefits in kind (6)	3,908	3,908	5,024	5,024
Total	**653,908**	**1,613,680**	**1,038,864**	**1,096,464**

(1) The remuneration is expressed in euros, gross before tax.

(2) The criteria used to calculate this remuneration are detailed in the chapter on the remuneration of chief executive officers.

(3) This amount includes a portion deferred for one year, allocated in the form of a share equivalent (instruments indexed to the SG share price) valued based on an average allocation price of EUR 49.20 (the amounts actually paid in March 2012 were 47% lower than the allocation value) and a portion whose payment is deferred for 3 years subject to the Group's results (EPS). Accordingly, 12,163 share equivalents were allocated to Mr. Oudéa, 6,761 to Mr. Cabannes, 6,868 to Mr. Sammarcelli and 6,785 to Mr. Sanchez Incera. The portion deferred for 3 years amounts to EUR 523,600 for Mr. Oudéa, EUR 291,060 for Mr. Cabannes, EUR 295,680 for Mr. Sammarcelli and EUR 292,110 for Mr. Sanchez Incera.

(4) This amount corresponds to the annual performance-linked pay due in respect of 2011, which consists entirely of share equivalents (instruments indexed to the SG share price) and assignable over 3 years (2013, 2014 and 2015), with 60% subject to the achievement of conditions regarding the Group's capital.

(5) This compensatory allowance was awarded to Mr. Oudéa when he had to terminate his employment contract and relinquish all his rights to the supplementary pension scheme acquired in respect of his previous functions as an employee. It is subject to social security contributions and taxes and is not taken into account for the calculation of the performance-linked component.

(6) This relates to the availability of a company car..

3.2.4 Share plan for employees

On the proposal of the Compensation Committee, the Board of Directors, at its meeting of March 2, 2012, allocated performance shares to certain members of staff, in application of the 22nd resolution of the General Meeting of 25 May 2010. Plan beneficiaries numbered 6,363, of whom 2,253 are women and 229 are not managers, with awards representing a total of 3,100,000 million shares or 0.40% of the share capital.

No performance shares were awarded to the Chief Executive Officers or members of the Group Management Committee in 2012.

The share awards are subject to the employees' continued presence throughout the vesting period and performance criteria.

For beneficiaries of the “classic plan”, the performance condition is based on the Societe Generale Group's net income.

For beneficiaries of share awards under the deferred plan for regulated staff covered by banking regulations, i.e. employees having an impact on the Group's risk profile, the performance condition is based on the profitability of the business division and/or the business line.

There are two vesting periods according to whether the shares are allocated to beneficiaries resident for tax purposes in France or beneficiaries non-resident for tax purposes in France, this status being assessed on the grant date. For the first group, the shares shall vest after two years. In accordance with French legislation, the shares may not be transferred or sold for two years following their vesting. For the second group, the shares shall vest after four years.

3.2.5 Remuneration policies and practices report - 26 April 2012

SUMMARY OF GROUP REPORT

The remuneration policy implemented by the Group seeks to achieve a fair balance between **attracting employees and encouraging their loyalty** and ensuring employees are committed to contributing to the Group's long-term performance, in the interest of its clients, through an appropriate management of risks and compliance.
With respect to the Chief Executive Officers, furthermore, it is aimed at rewarding the implementation of the Group's long-term strategy in the interest of its shareholders, its clients and its employees.

CORPORATE GOVERNANCE OF REMUNERATION POLICY

The objective of the governance applied by the Group in the field of remuneration policy is to ensure it is reviewed exhaustively and independently, through:

> an **annual review of remuneration,** which is coordinated by the Human Resources Division, and involves the Bank's control functions, in successive stages of validation ranging from business lines/entities to General Management;
> an ultimate **validation** of this policy, covering principles, budgets and individual allocations, by the Board of Directors **after it is assessed by the Compensation Committee.**

This remuneration policy is reviewed by the French Prudential Supervisory Authority (ACP or *Autorité de Contrôle Prudentiel*) with respect to its compliance with regulations (European CRD III Directive and its transposition in France via Regulation No. 97-02), for those staff members exerting a significant impact on the Group's risk profile (hereinafter "regulated population").

GROUP'S POLICY AND PRINCIPLES WITH REGARD TO REMUNERATION

The policy implemented by the Group in 2010 benefited from:

> a positive review by the Internal Audit Division;
> a positive initial assessment of the extent to which risks are taken into account in variable remuneration schemes according to the assessment tool developed by Towers Watson, an independent consultancy firm;
> a satisfactory external evaluation by the ACP.

These assessments of the policy implemented in 2010 demonstrated that it complied with regulatory constraints.

For 2011, as the framework defined by CRD III has not been modified, the Group's remuneration policy is in continuity with the policy implemented in 2010**:**

> the perimeter of the regulated population includes 3,550 individuals (including Chief Executive Officers), comparable to that of 2010, based on the same methodology to identify relevant staff by activity and by position. As in 2010, this approach promotes awareness among a large number of employees of the risks related to their professional activity;
> variable remuneration of employees, and more specifically of the regulated population, depends on individual and collective performance and is based on qualitative as well as quantitative objectives;
> variable remuneration pools are determined on the basis of:
  - the financial results of each business line after taking into account costs of risk, capital and liquidity;
  - but also qualitative factors such as market practices, conditions under which activities are carried out and risk management. Risk management, for activities within Corporate and Investment Banking, Private Banking, Asset Management and Global Investment Management Services, is independently assessed by the **Risk Division** and the Compliance Division.

The Finance Division ensures that the total amount of variable remuneration does not undermine the Group's capacity to meet its capital requirements;

- the allocations of individual variable components are correlated to a formalised annual individual appraisal that takes into consideration quantitative and qualitative objectives set according to the employee's activity and the level of his/her position. The extent to which said objectives are met can be monitored by indicators that are known to the employee. It also takes into account risk management and compliance with regulations and legislation: the Risk and Compliance Divisions accordingly assess regulated employees individually, focusing in particular on managers;
- the structure of variable remuneration awarded in 2011 to the regulated population is in accordance with regulations, with a deferred component entirely conditional on a certain level of performance being met by the relevant activity/entity. The deferred component vests over 3 years in equal instalments. For individually regulated employees, the deferred component represents at least 40% and may reach 70% for the highest variable remunerations. At least 50% of variable remuneration is awarded to them in the form of Société Générale shares or equivalent instruments (50% of the vested part and 67% of the non-vested part). Thus, for this category of staff, the part of their variable remuneration that is immediately paid out in cash is capped at 30%, or even 15%, for the highest variable remunerations. Shares and instruments indexed to the share price, in addition, are subject to a retention period ranging from 6 months to 2 years.

Remuneration awarded to the regulated population, in 2011, broke down as follows:

	Number of people	2011/ 2010	Total remuneration in €m in 2011	2011/ 2010	Total amount of the fixed component in €m	2011/ 2010	Total amount of the variable component in €m	2011/ 2010
Regulated Population (*)	3,546	-3%	833	-27%	423	4%	410	-44%

(*) Excluding Chief Executive Officers

CHIEF EXECUTIVE OFFICERS

The remuneration of the four Chief Executive Officers complies with the CRD III Directive and its transposition in France via Regulation No. 97-02. It complies with the recommendations of the AFEP-MEDEF Corporate Governance Code. Accordingly, the remuneration of Chief Executive Officers is defined by the Board of Directors on a proposal of the Compensation Committee.

In addition to the fixed salary, which rewards experience, responsibilities and market practices, variable remuneration rewards performance during the year and the contribution of Chief Executive Officers to the success of the Société Générale Group.

The variable remuneration of Chief Executive Officers depends:

- for 60%, on the extent to which quantitative goals are met:
  - at Group level: earnings per share and gross operating income;
  - at the level of their scope of supervision: Group net income and gross operating income
- for 40%, the extent to which qualitative goals related to the implementation of Group strategy are met:
  - business lines' strategies;
  - human resources management;
  - cost control;
  - social and environmental responsibility.

It is capped at 150% of fixed salary for the Chairman and Chief Executive Officer and at 120% for Deputy Chief Executive Officers.

On the basis of these criteria, the annual variable remuneration of the four Chief Executive Officers in 2011 decreased by 42% on average, compared with a 39% reduction in Group net income. Their variable remuneration is entirely allocated in the form of Société Générale shares or equivalent instruments which are all deferred over a period of 3 years.

Chief Executive Officers are subject to obligations in terms of holding and retaining Société Générale shares.

The Chairman and Chief Executive Officer does not benefit from any supplementary company pension scheme or any contractual severance payment.

PREAMBLE

This document was drafted in application of Articles 43.1 and 43.2 of Regulation No. 97-02 relative to the internal control of credit institutions and investment firms, as amended by the decree of 13 December 2010 which modified the regulatory requirements concerning the remuneration of staff whose activities are likely to have an impact on the risk profile of credit institutions and investment firms. Regulation 97-02 transposed into French law the provisions of the so-called "CRD III" European Directive 2010/76/EU of 24 November 2010.

PART 1. CORPORATE GOVERNANCE OF REMUNERATION POLICY

The Group's remuneration policy is reviewed every year. It is defined by **General Management**, on a proposal of the Group Human Resources Division. The Board of Directors approves this policy, after examining the Compensation Committee's recommendation.

The Group's remuneration policy, in particular with regard to the categories of staff whose activities have a significant impact on the Group's risk profile (hereinafter "regulated population"), is applied to Société Générale as well as the entities it controls, in France and throughout the world. The policy applied to the regulated population is adapted outside France in order to comply with local regulations. The Group's rules are to be applied, except when local regulations are more stringent.

The definition of this policy draws on analysis of the market context and surveys covering remuneration carried out by external consultants, i.e. Aon-Hewitt/MacLagan, Towers Watson and Mercer, with regard to the categories of employees that belong to the regulated population.

In 2011, Société Générale acquired a tool developed by Towers Watson (cf. 2.1 hereafter) that enables it to ensure that the variable remuneration policy applied to the regulated population in the Corporate and Investment Banking division maintained a fair balance between risk and remuneration and complied with regulations.

1.1 The composition and the role of the Compensation Committee

The Compensation Committee is made up of four members, including three independent directors, who are not Chief Executive Officers or tied to the company or any of its subsidiaries by an employment contract. The presence of the Vice-Chairman of the Board of Directors on the committee facilitates cooperation with the Audit, Internal Control and Risk Committee, of which he is Chairman.

The directors are:

Jean-Martin Folz, Company Director: Independent Director, Chairman of the Compensation Committee and the Nomination and Corporate Governance Committee.

Michel Cicurel, Chairman of Compagnie Financière Edmond de Rothschild and of Compagnie Financière Saint-Honoré: Independent Director, Member of the Compensation Committee and the Nomination and Corporate Governance Committee.

Luc Vandevelde, Company Director: Independent Director, Member of the Compensation Committee and the Nomination and Corporate Governance Committee.

Anthony Wyand, Vice-Chairman of the Board of Directors: Chairman of the Audit, Internal Control and Risk Committee, Member of the Compensation Committee and the Nomination and Corporate Governance Committee.

The main missions of the Compensation Committee are defined in Section 11 of the 2012 **Registration Document** and cover, in particular, the following aspects:

- **it reviews the principles underlying the remuneration policy applied to Chief Executive Officers as well as their implementation and their annual evaluation;**
- **it prepares the decisions of the Board relating to the employee savings plan and the long-term incentive scheme offered to employees;**
- **it reviews every year the proposals put forward by General Management relating to the principles of the remuneration policy applicable in the Group and checks with General Management that they are effectively implemented; it monitors in particular the overall amounts allocated to the fixed salary increases for the forthcoming year and the variable remuneration for the previous financial year;**
- **it reviews every year the remuneration policy applied to the regulated population and verifies that General Management's report complies with the provisions of Regulation No. 97-02 and professional standards.**

The Compensation Committee reports its findings to the Board of Directors. It carries out the same tasks for the Group companies supervised by the French Prudential Supervisory Authority (hereinafter "ACP") on a consolidated or sub-consolidated basis.

More specifically, the Compensation Committee met 7 times during the past year.
During these meetings, the Committee prepared the Board's decisions with respect to the following issues:

Chief Executive Officers	- Status and remuneration of Chief Executive Officers; - Appraisal of Chief Executive Officers and discussion with the other Directors of the Group; - Review of annual objectives set for Chief Executive Officers proposed to the Board;	March 2012
Regulation	- Verification that Group remuneration policies comply with regulations, in particular with those covering the regulated population (payment structure and terms) - Review of changes in regulation with regard to remuneration and regulators' expectations;	October 2011, December 2011
Group remuneration policy	- Verification that remuneration policy is in line with the Company's risk management policy and the objectives set in terms of capital requirements; - Review of the extent to which risks and compliance are taken into account and in the variable remuneration policy; - Review of the extent to which regulated staff comply with risk management policies as well as professional standards; - Proposal put to the Board with respect to share plans.	December 2011, February 2012
Employee shareholding	- Study of the terms and conditions of the share capital increase reserved for employees; - Long–term Incentive scheme (performance shares)	February 2012 March 2012

1.2 Internal governance of remuneration within the Group

The annual process conducted to review individual situations (fixed salary plus, when relevant, variable remuneration and/or performance shares) is coordinated by the Group Human Resources Division following various validation stages at the level of subsidiaries/business lines, business divisions, the Group Human Resources Division and General Management and, finally, the Group Compensation Committee. The validation stages cover policy and budgets as well as individual allocations, with the Group Human Resources Division ensuring the consistency of the overall process while documenting the various validation stages at Group level. Legal and regulatory obligations in force in entities in France and in entities and countries outside France are taken into account in this process.

Moreover, General Management has defined, in addition to the annual process conducted to review individual situations, a system for the governance and delegation of remuneration decisions which applies to the whole Group. Above certain thresholds and under certain conditions, decisions relating to remuneration, which can be taken in various situations of human resources management (recruitment, internal mobility, promotion, departure,…) require validation by the Group Human Resources Division or General Management. These delegation rules are notified to business divisions that subsequently apply them at their level.

1.3 The role of control functions

In compliance with the rules concerning bank remuneration policies and practices defined within the framework of the European CRD III Directive and transposed into French law via Regulation No. 97-02, control functions, including in particular the Risk Division, the Compliance Department and the Finance Division, are involved in the process of reviewing the Group's variable remunerations and, more specifically, those of the regulated population.

Control functions intervene in the following key stages:

> the Risk Division, the Compliance Department and the Human Resources Division jointly identify the regulated population, both in terms of the covered perimeter of activities as well as covered positions (cf. 2.2 hereafter);

> the Finance Division and the Risk Division validate the methodology used for setting variable remuneration pools, checking that the various kinds of risk have been taken into consideration, while the Finance Division furthermore checks that the total amount of variable remuneration does not hinder the Group's capacity to build up its capital base (cf. 2.3.1.1 hereafter);

> the Risk Division and the Compliance Department assess risk and compliance management by the business sub-lines of Corporate and Investment Banking, Private Banking, Asset Management and Global Investment Management Services (cf. 2.3.1.1 hereafter), and give their opinion about the manner in which employees who individually have a significant impact on the Group's risk profile take these aspects into account (cf. 2.3.1.2);

> the Finance Division, the Risk Division and the Compliance Department take part in the process of defining deferred remuneration schemes (structure, performance conditions and malus clauses) (cf. 2.3.3).

The independence of these control functions is guaranteed by direct reporting to the Group's General Management. Moreover, as with all Group support functions, these functions are compensated through variable remuneration pools determined according to the Group's overall performance, independently of the results of the activities they control. The allocation of these variable remuneration pools is based on the extent to which objectives specific to their function are met.

This governance system ensures that remuneration decisions are made independently and objectively. The process is reviewed *ex post* by the Internal Audit Division.

PART 2. GROUP REMUNERATION POLICIES AND PRINCIPLES

The aim of the Group's remuneration policy is to enhance the efficiency of remuneration as a tool in terms of attracting and retaining employees who contribute to the success of the company while ensuring that employees manage risks in an appropriate manner and comply with regulations. This policy is based on principles common to the whole Group, but may vary by business line and geographic area in which the Group operates (these principles are detailed in Section 6 of the 2012 Registration Document). This policy is consistent with the principles set out by regulators and French professional banking standards, and complies with local social, legal, and fiscal legislation.

Remuneration includes a fixed component that rewards the capacity to hold a position in a satisfactory manner through the employee displaying the required skills and, when relevant, a variable component that aims to reward collective and individual performance, depending on objectives defined at the beginning of the year and conditional on results, but also the behaviour used to meet said objectives, according to standards shared by the entire Group. This variable component of remuneration, above a certain threshold, includes for all Group employees (whether members of the regulated population or not) a deferred component in cash and in securities (shares or equivalent instruments) subject to specific conditions. The manner in which fixed and variable components of remuneration are set also takes market practices into account.

The Group's remuneration policy is defined in a manner that avoids providing incentives that may result in situations of a conflict of interests between its employees and its clients. The governance principles and rules governing remuneration are set out in the Group's normative documentation concerning the management of conflicts of interest.

2.1 Assessment of the policy implemented in 2010 and lessons drawn with respect to determining 2011 policy

Assessments carried out internally and externally demonstrate that the Group's remuneration policy complies with regulatory constraints.

The Group's remuneration policy was subject to independent internal review.

- The review carried out by the Internal Audit Division concluded with a positive assessment of the remuneration policy implemented since 2009 by Société Générale in compliance with regulations. In particular, it highlighted:
  - the increased role played by the Compensation Committee;
  - the publication of an annual report concerning the Group's remuneration policy since 2009;
  - the increasingly widespread use of deferred variable remuneration above a given threshold and of making payment of this deferred part conditional on performance-linked criteria;
  - a more sophisticated integration of costs of risk and capital when determining variable remuneration pools.
- In addition to the review carried out by the Internal Audit Division, the Human Resources Division also assessed the Group's remuneration policy by using the "Incentive Risk Assessment Tool", developed by the independent consulting firm Towers Watson. This tool assesses the extent to which the variable remuneration policy achieves a balance between the motivation of Group employees and maintaining sound risk management. The variable remuneration policy of Corporate and Investment Banking, the first plan to have been assessed by this tool, scored 24 points above the risk management standards established by Towers Watson.

  This tool will be gradually rolled out to the other entities of the Group that implement variable remuneration plans, in order to carry out an inventory of all existing variable remuneration plans and ascertain their pertinence in terms of meeting the objectives that have been set.

The Group's remuneration policy was reviewed by the ACP.

The ACP assessed positively the variable remuneration policy applied to the regulated population defined by the Group. It noted in its report that "Société Générale has taken into account in a satisfactory manner the regulatory provisions covering remuneration policies and practices". In its annual report, however, the ACP identified possible improvements that have been taken into account by Société Générale when defining its 2011 policy.

For 2011, the Group has kept its policy in line with that implemented in 2010, since regulatory constraints have not evolved. The recommendations made by the ACP and the Group's Internal Audit Division have been taken into account:

- it has introduced a procedure that formally sets out the criteria drawn upon to identify the Group's regulated population with a cartography of the relevant activities;
- it has drafted documents that define the involvement of control functions in the determination of variable remuneration pools and their allocation at the individual level.

Furthermore, the comments made by the ACP on the Group's 2010 variable remuneration policy have led it to increase the component of variable remuneration awarded in performance shares or equivalents.
As in 2010, Société Générale has furthermore decided not to award any stock options.

In 2011, the French authorities decided to step up their control of remuneration policies conducted by credit institutions. Accordingly, the Group's 2011 remuneration policy was reviewed by the ACP, prior to its validation by the Compensation Committee and the Board of Directors. Between mid-December and late February, the Group therefore sent to the ACP documents providing detailed quantitative and qualitative information about its proposals with respect to the (fixed and variable) remuneration of Société Générale employees (regulated and non-regulated population), as well as the internal documents drawn up for the Compensation Committee.

2.2 Perimeter of the regulated population in 2011

In continuity with the previous financial year, the perimeter of employees subject to the European CRD III Directive and Regulation No. 97-02 covers all staff whose professional activities have potentially a significant impact on the Bank's risk profile, including employees exercising control functions. The methodology drawn upon to determine the perimeter of this regulated population identifies such employees by activity and subsequently by position held. Consequently 3,546 employees (excluding Chief Executive Officers) were included in the perimeter of regulated employees in 2011, i.e. a figure comparable to last year's (3,663 employees).

The perimeter of activities that have a material impact on the Group's risk profile was determined mainly on the basis of work already carried out by the Risk and Finance Divisions, in the context of the process of formal definition of the Group's risk appetite and based on stress test scenarios, the results of which have been communicated to the French Prudential Supervisory Authority. This process is designed to assess the sensitivity of the Group businesses' profitability to stress tests and therefore is a means of identifying those activities having potentially a significant impact on the Group's results. The assessment of the "material impact" of each activity on the risk profile was made at the consolidated Group level.

Within the activities identified, the material impact of individual positions on the risk profile of the company was assessed by the Risk, Compliance and Human Resources Divisions in order define the identified populations, on the basis of two criteria:

- the level and type of risk of the activity;
- the managerial/decisional level of the position with regard to risk management and compliance.

Accordingly, the regulated population covers categories of employees having individually or collectively a significant impact on the Group's risk profile (hereinafter "individually regulated" and "collectively regulated", respectively). Lastly, pursuant to Article 31-4 of Regulation No. 97-02, a level of remuneration comparable to that of risk takers was also drawn upon as a criterion of inclusion in the perimeter.

As in 2010, the perimeter of the regulated population in 2011 therefore comprises:

- the Group's Chief Executive Officers and senior executives,
- within Corporate and Investment Banking, senior management, financial market professionals, senior bankers, certain professionals in financing and coverage activities,
- executive managers in Private Banking and Retail Banking;
- within control functions, the main managers of the Risk Division, the Compliance Division, the Internal Audit Division, the Finance Division and the Human Resources Division, as well as senior staff in charge of operational risks in the perimeter of identified activities.

2.3 2011 variable remuneration policy applied to the regulated population

Allocation of variable remuneration is not contractual, it depends on both individual and collective performance and takes into account previously defined quantitative and qualitative criteria. It takes into account the economic, social, and competitive context. In order to avoid any conflicts of interest, there is no direct link between variable remuneration and the amount of Net Banking Income generated.
The criteria used to set variable remuneration pools, as well as their allocation, take into account all risks through quantitative and qualitative adjustments (cf. diagram page 23).

A significant part is deferred over three years and subject to continued employment and performance conditions of the business line and/or activity concerned. As such, under the malus clause, when performance conditions are not met, the deferred component of variable remuneration is partially or fully forfeited. Furthermore, any excessive risk taking or any behaviour deemed unacceptable by General Management may result in a reduction or total forfeiture of this deferred component.

2.3.1 The link between variable remuneration and performance and alignment of variable remuneration with (*ex ante*) risk

2.3.1.1 Determination of variable remuneration pools

Variable remuneration pools are set by business line, at a global level, in order to ensure financial solidarity between the various activities and avoid conflicts of interest.

All variable remuneration pools within Corporate and Investment Banking are calculated on the basis of the net normalised profit of the activity, in other words net banking income after deduction of:

- liquidity costs,
- direct and indirect overheads,
- the cost of risk,
- the cost of capital.

The methodology used to take these items into account has been approved by the Group's Risk Division and Finance Division. It complies with the relevant regulatory requirements.

The setting of the overall pool, as well as its allocation to business lines, depends on the aforementioned quantitative factors but also on several qualitative factors.

These qualitative factors include:

- market practices in terms of remuneration (i.e. historical data as well as forecasts supplied by consulting firms);
- general conditions in the markets in which results were generated;
- the stage of maturity of the activity;
- the independent assessment carried out by the Risk Division and the Compliance Department regarding risk management and regulatory compliance. This assessment is carried out at the level of every sub-business line of the Corporate and Investment Banking and Private Banking, Asset Management and Global Investment Management Services divisions. Every sub-business line within each business line is assessed by the Risk Division with respect to the way it manages counterparty risks, market risks and operational risks and by the Compliance Department with respect to managing non-compliance risk. Thus, the assessment made by the Risk and Compliance experts on the collective management of risks has a weighting effect on the manner in which variable remuneration pools are allocated between sub-business lines.

Within the Corporate and Investment Banking division, part of the variable remuneration pool of each business line is allocated to a transversal pool that is used to finance variable remuneration for activities still in their development stage.

With respect to the Private Banking, Asset Management and Global Investment Management Services division, variable remuneration pools are fixed taking into account changes in operating income (after deduction of the net cost of risk), less cost of capital.

With respect to control functions, variable remuneration pools are determined independently of the results of the business activities they control. They are set according to the Group's financial results.

For the Group's senior managers (Chief Executive Officers, Executive Committee and Group Management Committee), variable remuneration is not based on a collective pool but is determined individually on the basis of the Group's financial results, the results of the business activity they supervise, the extent to which they have met their qualitative and quantitative objectives and taking into account market practices as reported by remuneration surveys.

Moreover, the Finance Division includes the proposed variable remuneration pool in the budget forecasts that are used as a basis to forecast regulatory capital ratios. In this respect, variable remuneration is taken into account alongside other factors in capital planning and in terms of its adequacy with respect to the objectives set by the Bank. General Management reserves the right, at its sole discretion, to re-calibrate variable remuneration pools if they hinder the Bank from meeting the level of capital required to reach the target ratio.

2.3.1.2 Individual allocation of variable remuneration

The individual allocations of variable remuneration components for the regulated population are, as for the entire Group, correlated with the annual individual performance appraisal that takes into account the extent to which quantitative and qualitative objectives have been met.
By consequence, there is no direct or automatic link between the financial results of an individual employee and his or her level of variable remuneration insofar as employees are assessed on their results, those of his/her activity and the way in which said results were achieved.

The objectives set are in accordance with the SMART method (the objectives are Specific, Measurable, Accessible, Realistic and fixed within a Timeframe). This means that the objectives are clearly identified and can be assessed by indicators that are known to the employee.

The qualitative objectives are tailored to the individual employee, in relation to the employee's professional activity and adapted to the position held. These behavioural objectives may include the quality of risk management, the means and behaviours used to achieve results, cooperation and teamwork and personnel management. Such qualitative objectives are listed in a common reference document that is used throughout the Group.

In addition to the individual appraisal carried out by line managers, the Risk Division and the Compliance Department independently assess individually regulated employees and review in particular:

- their sense of risk, technical expertise with respect to risks and compliance with policies and procedures related to risk management,
- whether they perform in accordance with regulations and internal procedures in terms of compliance, as well as the extent to which they are transparent *vis-à-vis* clients with respect to products and the associated risks.

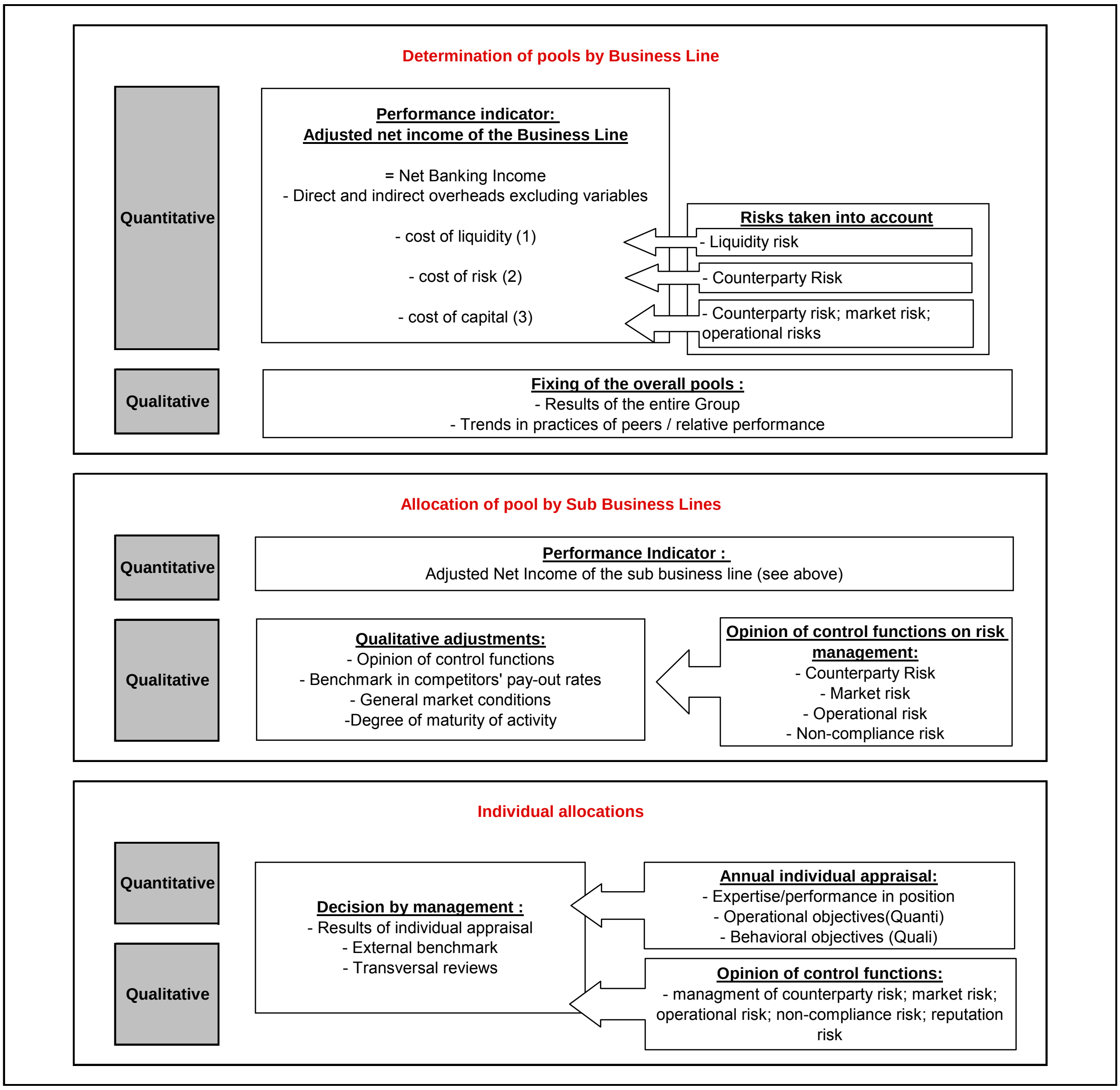
The senior management of these business divisions, General Management and the Group Human Resources Division take their conclusions into consideration when deciding whether to approve the overall variable remuneration pools and the way in which they are allocated at an individual level.

The process is documented by the Human Resources Division and its conclusions are submitted for approval to the Compensation Committee of Société Générale.

In addition, the competitive context in the market place is taken into account by participating in remuneration benchmark surveys (carried out by type of business and geographic area), which provide insight into the remuneration levels practiced by the Bank's main competitors.

Lastly, the Group conducts transversal reviews across the different business lines for comparable job functions, to ensure consistency of remuneration between the various Group activities and to facilitate internal mobility.

Taking into account performance and risks ex ante



(1) Cost of liquidity is invoiced to Business Lines on the basis of an internal grid that takes into account the length and currency of transactions, as well as the market conditions

(2) For market, private banking, asset management and investor services activities: net cost of risk (accounting provisions for risks for the year under consideration)
For financing and coverage activities : expected losses in 1 year on the portfolio + 10% of the accounting provisions for risks for the year

(3) The capital charge applied to variable remuneration pools corresponds to the cost of capital (13%) applied to normative capital (7% of Risk Weighed Assets, RWAs) taking into account accordingly counterparty, market and operational risks

2.3.2 The payout process for variable remuneration

The variable remuneration awarded for 2011 will be paid out according to the rules set out in the relevant regulations.

For the 2011 financial year, deferred variable remuneration accounts for nearly 50% of the total variable remuneration paid to the regulated population. With respect to individual employees, the deferred component is proportional to the level of variable remuneration. This percentage is at least 40% for individually regulated employees and may rise to 70% for the highest variable remuneration levels.

More than 50% of variable remuneration is paid out in the form of Société Générale performance shares or equivalent share indexed instruments (66% of the non vested portion of deferred variable remuneration and 50% of the vested component) for individually regulated employees.

Accordingly, the part paid immediately in cash cannot exceed 30% for individually regulated employees, and can even fall to 15% for the highest variable remuneration levels (cf. diagram).

Individual variable remuneration breaks down into four parts:

> a component paid in cash in March of the year following the close of the financial year;
> a deferred component paid in cash (which is not indexed to the share price) conditional on the employee remaining in the Bank and the conditions described hereafter in 2.3.3;
> a deferred component in the form of shares or equivalent share indexed instruments, for which the final amount paid to the employee depends on the Société Générale share price at the end of this period.
> a deferred component in Société Générale performance shares or equivalent share indexed performance units:
  - vesting is conditional on the employee remaining employed by the Bank and depends on the extent to which pre-determined performance conditions have been met,
  - and is subject to a retention period post-vesting, where the final value depends on the Société Générale share price at the end of this period.

The retention period lasts six months for instruments indexed to the Société Générale share price. With respect to performance shares, the retention period is two years in addition to the two-year vesting period, in accordance with French regulations.

For collectively regulated employees, some of the payment rules applied to variable remuneration have been adapted in accordance with the proportionality principle (cf. diagram).

All employees receiving deferred variable remuneration are prohibited from using hedging or insurance strategies during both the vesting period and the retention period.

Structure of remuneration (excluding Corporate Officers)

		Variable remuneration				
			Definitive payment/allocation deferred over time			
Categories of employees	**Fixed remuneration**	**Vested part**		**Non-vested part**		
				40% to 70% of variable remuneration		
- Group Senior Executives (Executive Committee and Group Management Committee) - Individually regulated employees (1)	Fixed salary	Cash 50% upfront	Shares or equivalents (2) 50% deferred	Deferred cash 33% deferred component	Performance shares or equivalents 33% deferred component	Performance shares or equivalents 33% deferred component
		March 2012	*October 2012**	*March 2013**	*October 2014 / March 2016**	*October 2015**
				% of deferral depends on level of variable		
- Collectively regulated employees (3) - Other employees subject to Group deferral plan (4) - Variable remuneration above € 100,000	Fixed salary	Cash 100% upfront		Deferred cash 33% deferred component	Performance shares or equivalents 33% deferred component	Performance shares or equivalents 33% deferred component
		March 2012		*March 2013**	*October 2014 / March 2016**	*October 2015**

**Date of availability/payment, taking into account the post-vesting retention period (6 months for share equivalents and 2 years for performance shares)*

(1) Employees identified as having individually a material impact on the Group's risk profile
(2) Shares or equivalents remain subject to the potential application of the malus clause during the retention period
(3) Employees who collectively have a material impact on the Group's risk profile
(4) Employees of SG CIB; GIMS and the Group's Central Departments

2.3.3 Performance conditions and risk alignment for deferred variable remuneration (*ex post*)

Vesting of the deferred remuneration component depends entirely on fulfilment of (i) a performance condition and (ii) a condition related to the appropriate management of risks and compliance with rules of professional conduct.

Performance conditions are tailored according to the division and activity. If a minimum performance level is not met every year, deferred variable remuneration is partially or entirely forfeited (malus principle mentioned in Article 31.4 of Regulation No. 97-02).

Performance thresholds are set by the Finance Division and are approved by the Board of Directors.

Performance conditions are set according to the level of responsibility, and are increasingly demanding in line with the beneficiary's hierarchical level. Société Générale senior executives are subject to specific performance conditions, in line with the objectives set out in the Group's strategic plan.

The performance conditions applied to deferred remuneration, by managerial layer, are summarised in the following table:

Managerial layer		**Vesting in March 2013**	**Vesting in March 2014**	**Vesting in March 2015**
		Cash	Shares or equivalents with retention period	Shares or equivalents with retention period
Executive Committee	**Business line**	2012 operating income (*)	Annualised relative TSR (*) between 2011 and 2013	Annualised relative TSR (*) between 2011 and 2014
	Other Functions	Core Tier One Basel 2.5 at 31 Dec. 2012 > Core Tier One Basel 2.5 at 31 Dec. 2011		
Management Committee	**Business line**	CIB (**): 2012 operating income PRIV (**): 2012 cost of risk Other: 2012 operating income	CIB (**): 2013 operating income PRIV (**): 2013 cost of risk Other: 2013 operating income	Annualised relative TSR (*) between 2011 and 2014
	Other Functions	Core Tier One Basel 2.5 at 31 Dec. 2012 > Core Tier One Basel 2.5 at 31 Dec. 2011	Core Tier One Basel 2.5 at 31 Dec. 2013 > Core Tier One Basel 2.5 at 31 Dec. 2011	
Other employees with a non-vested deferred component including regulated population	**CIB, PRIV (**)**	CIB (**): 2012 operating income PRIV (**): cost of risk 2012	CIB (**): 2013 operating income PRIV (**): cost of risk 2013	CIB (**): 2014 operating income PRIV (**): cost of risk 2014
	Other business lines and Other Functions	GNI (*) 2012 Group	GNI (*) 2013 Group	GNI (*)2014 Group

(*) TSR: Total Shareholder Return / GNI: Group net income

(**) CIB: Corporate and Investment Banking / PRIV: Private Banking

In addition, any excessive risk taking or any behaviour deemed unacceptable by General Management may result in these deferred remuneration components being reduced or forfeited.

2.3.4 Policy concerning guaranteed remuneration

The awarding of guaranteed variable remuneration, in the context of an employee being hired is:

> strictly limited to one year (in compliance with Regulation n°97-02);
> subject to the terms of the deferral remuneration plan applicable for the given financial year.

2.3.5 Severance payments

Discretionary payments (i.e. payments in excess of severance payments set by law or a collective bargaining agreement due under the binding provisions of labour law), linked to the early termination of an employment contract or the early rescinding of a mandate, are not under any circumstances set contractually in advance (e.g. golden parachutes are strictly forbidden). They are determined at the time the employee leaves the Bank, by taking into account the beneficiary's performances, assessed in the light of the collective performances of the activity the employee belongs to as well as the performances of the Group as a whole.

PART 3. CHIEF EXECUTIVE OFFICERS

3.1 Remuneration principles

The remuneration of Chief Executive Officers complies with the European "Capital Requirements Directive" (CRDIII) Directive of 24 November 2010, transposed in France via Regulation No. 97-02. It is in accordance with the recommendations made by the AFEP-MEDEF Corporate Governance Code. Accordingly, the Board of Directors defines the remuneration of Chief Executive Officers, on a proposal of the Compensation Committee (cf. 1.1. above).

The Board of Directors sets remuneration principles of Chief Executive Officers by taking into account the business environment and competitive context:

- fixed remuneration rewards experience, responsibilities and takes into account market practices;
- annual variable remuneration rewards performances during the year and the contribution of Chief Executive Officers to the success of the Société Générale Group. It is assessed through two dimensions:
  - a quantitative component, which is capped at a maximum of 60% of annual variable remuneration. It is based on the achievement of objectives linked to the Group's annual intrinsic performance and the specific supervision scope of each Chief Executive Officer. It is based on reaching financial indicators set in the Group's budget targets, such as operating income, cost/income ratio, etc. Results are restated for purely accounting items related to the marked-to-market value of Société Générale debt and the marked-to-market value of its CDS, in order to assess the Company's real performance;
  - a qualitative component, capped at a maximum of 40% of annual variable remuneration. It is based on the achievement of key objectives underpinning the success of the company's strategy and set at the beginning of the financial year.
- the long-term incentive scheme is aimed at ensuring that chief executives officers are aligned with the interests of shareholders and provides incentive to deliver long-term performance. Pursuant to the CRD III Directive and the AFEP-MEDEF Corporate Governance Code, its vesting depends on the Group's long-term performance;
- the rules set for paying out variable remuneration combine short-term and long-term horizons with payments in cash and in shares (or equivalents). This approach aims to ensure sound risk management in the long run while aligning Chief Executive Officers with shareholders' interests;

  This approach in terms of payment of the variable component induces an uncertain element since it depends to a significant extent on the Group's performance and moves in the Société Générale share price.

The variable remuneration paid to the Chief Executive Officer and the Deputy Chief Executive Officers is reduced by the amount of any attendance fees they may receive both from Société Générale Group companies and companies outside the Group of which they are Directors. In compliance with the AFEP-MEDEF Corporate Governance Code, it is capped as a percentage of annual fixed remuneration: 150% for Frédéric Oudéa and 120% for the Deputy Chief Executive Officers.

3.2 Remuneration for 2011

The remuneration of Chief Executive Officers for the 2011 financial year was set at the Board of Directors' meetings held in March 2012 and the relevant data were published on Société Générale's web site. They are reported in Part 4.2 hereafter in compliance with Regulation No. 97-02.

In the context of the major economic crisis that is affecting the banking sector and the results of Société Générale Group, the Board decided to act in line with the policy implemented by General Management for all Group employees with respect to the limitation of fixed salary costs.

Furthermore, on a proposal from Mr Frédéric Oudéa on behalf of all Chief Executive Officers, they will not receive any cash payment in 2012 relative to their 2011 variable remuneration awards which will be, entirely, deferred in the form of shares or share equivalents, transferable over 3 years (in 2013, 2014 and 2015). 60% of the variable remuneration is subject to the achievement of objectives in terms of Core Tier One.

3.2.1 Remuneration of the Chief Executive Officer

The fixed remuneration of the Chief Executive Officer was revised on January 1, 2011.

It amounts to €1,000,000 per year.

His annual variable remuneration was set by the Board of Directors after assessing his performance for 2011:

> the quantitative component of variable remuneration awarded for the 2011 financial year was determined according to the achievement of the Group's budgeted objectives with regard to earnings per share and gross operating income;

> the qualitative component was assessed by taking into account pre-defined specific objectives related to various aspects such as strategy, human resources management, performance management, the Ambition SG 2015 transformation project and Social and Environmental Responsibility.

On the basis of an overall achievement rate 46% for these objectives, the gross annual variable remuneration awarded to Mr Frédéric Oudéa totals €682,770 (down 43% in comparison with 2011) and can be compared with that of previous years in the following table:

	For information purposes, gross variable remuneration for financial year 2008	For information purposes, gross variable remuneration for financial year 2009	For information purposes, gross variable remuneration for financial year 2010	**Gross variable remuneration for 2011 financial year**	**2011 / 2010**
Total (1)	€0 (2)	€0 (2)	€1,196,820	**€682,770**	**-43%**
o/w component paid in cash in 2011			*€598,400*	***€0***	

(1) Total calculated based on value at grant date. The annual variable component for 2010 broke down as follows: one half in cash and paid upfront and one half in the form of share equivalents valued at €49.20 (average price at grant date). In practice, the actual amounts paid relative to the part granted in share equivalents were 47% lower than their value at grant date.

(2) Mr Frederic Oudéa relinquished his variable remuneration for financial years 2008 and 2009

Mr Frédéric Oudéa did not receive any stock option in 2012, as in 2011.

As Mr Frédéric Oudéa terminated his employment contract upon appointment as Chairman and Chief Executive Officer, he does not benefit from any supplementary retirement plan. To offset the loss of all his rights to the supplementary pension plan, and for which contributions had been paid as a salaried executive manager of the Group, the Chairman and Chief Executive Officer receives compensation totalling EUR 300,000 per year subject to income tax and social security contributions. It is not taken into account when determining his variable remuneration component.

The following table shows the cash remuneration and shares vested to Mr Frédéric Oudéa in respect of his mandates as Group Chief Executive Officer and, subsequently, Chairman & Chief Executive Officer, after the impact of the CRD III Directive:

	2009	2010	2011	2012
Gross annual fixed salary (a)	€850,000	€850,000	€1,000,000 €	€1,000,000
Gross cash payment as component of annual variable remuneration (b)	€0	€0	€598,400	€316,311
Total (a+b)	**€850,000**	**€850,000**	**€1,598,400**	**€1,316,311**
Number of performance shares vested	0	0	0	0
Comments	Mr Frédéric Oudéa relinquished the variable component of his remuneration and all stock options and share grants	Mr Frédéric Oudéa relinquished the variable component of his remuneration and all stock options and share grants	The amount paid corresponds to the payment in cash of the variable component of remuneration for financial year 2010	The amount paid corresponds to the payment in share equivalents of the variable component of remuneration for financial year 2010. The amount actually paid is 47% lower than the initial value at grant date in March 2011.

3.2.2 The 2011 remuneration of the Deputy Chief Executive Officers

The fixed remuneration of the Deputy Chief Executive Officers was set in March 2011, when their mandates were renewed, at €650,000 for Messrs Cabannes and Sammarcelli and at €700,000 for Mr Sanchez Incera.

Their annual variable remuneration was set by the Board of Directors after assessing their performance in 2011:

- the quantitative component of variable remuneration awarded for the 2011 financial year was determined according to:
  - the achievement of the Group's budget objectives in terms of earnings per share and gross operating income;
  - the fulfilment of budget objectives for each deputy Chief Officer's scope of supervision in terms of gross operating income and pre-tax Group net income. The quantitative component of the variable remuneration awarded to Mr Cabannes, furthermore, includes an objective related to the Group's cost/income ratio;

- the qualitative component was assessed by the Board based on the extent to which specific pre-defined objectives set for the General Management team and for each Deputy Chief Executive Officer were met.

The gross annual variable remuneration of Mr Séverin Cabannes amounts to €310,144 (down 53%) for an overall achievement rate of 40%, €487,937 (down 28%) for Mr Jean-François Sammarcelli for an overall achievement rate of 63% and €391,440 (down 41%) for Mr Bernardo Sanchez Incera for an overall achievement rate of 47%.

	For information purposes, gross variable remuneration in previous financial years		Gross variable remuneration for financial year 2010		**Gross variable remuneration for financial year 2011**		2011 / 2010
	2008	2009	Total (1)	o/w component paid in cash in 2011	**Total (1)**	**o/w component paid in cash in 2012**	
Mr Cabannes	€0 (2)	€320,000 €	€665,281	€332,640	**€310,144**	**€0 €**	-53%
Mr Sammarcelli	Non applicable (3)		€675,826	€337,920	**€487,937**	**€0 €**	-28%
Mr Sanchez Incera	Non applicable (3)		€667,662	€333,840	**€391,440**	**€0 €**	-41%

(1) Total calculated based on value at grant date. The annual variable component for 2010 broke down as follows: one half in cash and paid upfront and one half in the form of share equivalents valued at €49.20 (average price at grant date). In practice, the actual amounts paid relative to the part granted in share equivalents were 47% lower than their value at grant date.
(2) Mr Séverin Cabannes relinquished his variable remuneration for financial year 2008
(3) Messrs Sammarcelli and Sanchez Incera were appointed Chief Executive Officers of the Société Générale Group on 1 January 2010.

3.3 Principles of determination of annual variable remuneration for financial year 2012

For 2012, the Board decided to renew the principles and structure of remuneration set for 2011 with respect to annual variable remuneration.

The following criteria will be taken into account to determine annual variable remuneration:

- regarding 60% of variable remuneration, a series of quantitative objectives related to the Group's financial performance (indicators covering EPS, Group gross operating income and cost/income ratio for all Chief Executive Officers plus, for each Deputy Chief Executive Officer, net income before tax and gross operating income achieved within their supervision scope),
- for the remaining 40%, individual objectives related primarily to the strategy of the Group and its business lines, balance sheet management, cost control and optimisation of organisation, internal and risk controls, human resources management and social and environmental responsibility.

Every component of annual variable compensation is to remain capped at a percentage of fixed remuneration, as was the case in 2011(cf. 3.1. above).

As of the date of drafting of this report, the Board of Directors has not taken any decision whether to award a long-term incentive scheme to the Chief Executive Officers.

3.4 Requirements regarding the ownership and holding of Société Générale shares

Since 2002, the Group's Chief Executive Officers must hold a minimum number of Société Générale shares set at:

- 80,000 shares for the Chairman and Chief Executive Officer;
- 40,000 shares for the Deputy Chief Executive Officers.

This minimum must be reached by the end of a five-year mandate. As long as this is not the case, the Chief Executive Officers must retain 50% of the vested shares granted through Société Générale share plans as well as all vested shares from the exercising of options after deducting the cost of financing the said exercising of options and the corresponding taxes and social security charges.

The shares can be held directly or indirectly through the Group Savings Plan in the case of Chief Executive Officers who are former employees.

Furthermore, in accordance with the legislation in force, Chief Executive Officers are required to hold a proportion of the vested shares granted through SG share plans or from exercising the options awarded under stock option plans in a registered account until the end of their mandates. With regard to shares, this proportion has been set by the Board at 20% of vested shares from each grant and, for options, at 40% of the capital gains made on exercising the options, net of tax and any other mandatory deductions and minus any capital gains used to finance the acquisition of these shares.

Chief Executive Officers are therefore required to hold a significant and increasing number of shares. They are strictly forbidden from hedging their shares or their options throughout the vesting and retention period.
Each year, Chief Executive Officers must provide the Board of Directors with all the necessary information to ensure that these obligations are met in full.

3.5 Complementary information relative to Mr Frédéric Oudéa's mandate

- As Mr Frédéric Oudéa has terminated his employment contract, he does not benefit from any supplementary company pension scheme.

- Moreover, he does not benefit from any contractual severance payment ("golden parachute").

- Lastly, should his position as Chief Executive Officer be terminated, Mr Frederic Oudéa would be bound by a non-compete clause that would prohibit him from accepting a position in a credit institution or insurance company listed in France or outside France as well as an unlisted credit institution in France. In exchange, he could continue to receive his fixed remuneration. Both parties would however be entitled to waive this clause. As of the renewal of his mandate of Chief Executive Officer on 24 May 2011, the length of this non-compete clause was increased to 18 months from 12 months. By consequence, the payment that could potentially be made should he leave the Group would be lower than the 2-year ceiling recommended by the AFEP-MEDEF Corporate Governance Code.

PART 4. INFORMATION ABOUT REMUNERATION FOR FINANCIAL YEAR 2011

4.1 The regulated population (individuals whose professional activities have a material impact on the risk profile of the company)

Remuneration awarded for the financial year:

	Number of beneficiaries	Total remuneration in €m	Total amount of fixed remuneration in €m	Total amount of variable remuneration in €m *
Group Total	**3,546**	**833**	**423**	**410**
o/w Corporate and Investment Banking	3,469	794	407	387
o/w Other activities and Central Group Functions	77	39	16	23
***o/w Vested component paid or delivered in €m(2)**	**-**	**-**	**-**	**209**
** o/w Conditional deferred component in €m (1)(2)*	-	-	-	*201*

(1) Payable in four instalments between October 2012 and October 2015, o/w €44 million due in October 2012

(2) Based on the value at award date

The variable remuneration pool for the regulated population is down 44% in comparison with 2010, reflecting the Group's poorer financial performance.

Those professionals whose variable remuneration is below 100 000€ have their variable remuneration paid out in full in the year of award.

*** o/w** Payment or conditional award in cash **in €m**	*** o/w award in shares or equivalent instruments in €m (2)**
261	149

(2) Based on the value at award

The above amounts break down in the following manner:

Cash in €m		**Shares or equivalent instruments in €m**	
Upfront	**Deferred**		
Vested	Non vested	Vested (3)	Non vested
209	52	44	105

(3) Still subject to the potential application of the malus clause during the retention period

Outstanding deferred variable remuneration

The amount of outstanding deferred remuneration awarded for previous financial years corresponds this year to the outstanding deferred variable remuneration awarded with respect to 2010 and 2009 (i.e. the first year in which the new disclosure requirements apply). The data concerning 2009 are based on the perimeter concerned by the 2009 remuneration disclosure, i.e. "financial market professionals". As the 2010 and 2011 perimeters are wider (cf. "perimeter of the regulated population"), any comparison between 2009, on the one hand, and 2010 and 2011, on the other hand, would not be based on equivalent perimeters.

Amounts of conditional deferred remuneration in €m (1)

With respect to 2011 financial year	**With respect to prior financial years**	
	With respect to 2010	**With respect to 2009 (*)**
201	216	113

(*) 2009 perimeter of financial market professionals

(1) Expressed as value at award date

All outstanding deferred variable remuneration is exposed to possible explicit adjustments (performance conditions and clause concerning appropriate risk management and/or implicit adjustments (indexed to share price).

Deferred variable remuneration paid out or reduced through performance adjustments for the financial year:
(This information is disclosed by award year from 2009, i.e. the first year of application of the disclosure requirements).

Year of award	**Amount of deferred remuneration vested in €m -** **Value at award**	**Amount of deferred remuneration reduced through performance adjustments**	**Amount of deferred remuneration vested in €m -** Value at time of vesting/of payment
2010	185	0	111
2009 (*)	102	0	59

(*) 2009 perimeter of financial market professionals

Sign-on and severance payments made during the financial year:
(This information is based on the 2011 disclosure perimeter.)

Total amount of severance payments made and number of beneficiaries		Sign-on payments made and number of beneficiaries	
Amount paid out in €m	Number of beneficiaries	Amount paid out in €m	Number of beneficiaries
22.4	149	0.4	10

Severance awards:

Amount of severance payments awarded during the financial year	
Total amount	Number of beneficiaries
0	0
Highest such award	
0	

4.2. Chief Executive Officers

Chief Executive Officers in the 2011 financial year were Messrs Oudéa, Cabannes, Sammarcelli and Sanchez Incera.

The remuneration of Chief Executive Officers led to a specific disclosure following the Board of Directors meeting held on 21 March 2012 that approved the variable remuneration awards for 2011.

Remuneration awarded for the financial year:

Number of beneficiaries	Total remuneration in €m	Total fixed remuneration in €m	Total variable remuneration in €m*
4	4.9	3.0	1.9

Nota Bene: in addition to these amounts, Mr Oudéa received €0.3m in compensation to offset the loss of all his rights to the supplementary pension plan benefiting the Group's senior managers.

*o/w Vested component paid or delivered in €m	*o/w Conditional deferred component in €m (1)(2)
0	1.9

* o/w payment or conditional award in cash in €m	*o/w allocation in shares or equivalent instruments in €m (1)
0	1.9

(1) o/w €0.749 million due in March 2013.

(2) Expressed as value at award date

Outstanding deferred variable remuneration

The amount of outstanding deferred variable remuneration for prior financial years corresponds, this year, to the outstanding deferred variable remuneration awarded with respect to 2009, i.e. the first year of application of the disclosure requirements, as well as with respect to 2010.

Amounts of deferred conditional remuneration in €m (2)

With respect to 2011 financial year	With respect to prior financial years	
	With respect to 2010 (3)	With respect to 2009
1.9	1.4	0

(2) Expressed as value at award date

(3) Furthermore, Chief Executive Officers were awarded 92,302 performance shares which will vest only if the performance conditions approved by the General Shareholders' Meeting of 25 May 2010 are met. These shares will not be available to beneficiaries for 4 years. Their accounting value (IFRS 2) totals €1.3 million.

Deferred conditional remuneration paid out or reduced through performance adjustments for the financial year:
(This information is disclosed by award year from 2009, i.e. the first year of application of the disclosure requirements)

Year of award	**Amount of deferred remuneration vested in €m -** **Value at award**	**Amount of deferred remuneration reduced through performance adjustments**	**Amount of deferred remuneration vested in €m -** Value at time of vesting/of payment
2010	1.6	0	0.8
2009	0	0	0

Sign-on and severance payments made during the financial year:

Total amount of severance payments made and number of beneficiaries		**Sign-on payments made and number of beneficiaries**	
Amount paid out in €m	*Number of beneficiaries*	**Amount paid out in €m**	*Number of beneficiaries*
0	0	0	0

Severance awards:

Amount of severance payments awarded during the financial year	
Total amount	**Number of beneficiaries**
0	0
Highest such award	
0	

4.1 Provisioning of doubtful loans

DOUBTFUL LOANS* (INCLUDING CREDIT INSTITUTIONS)

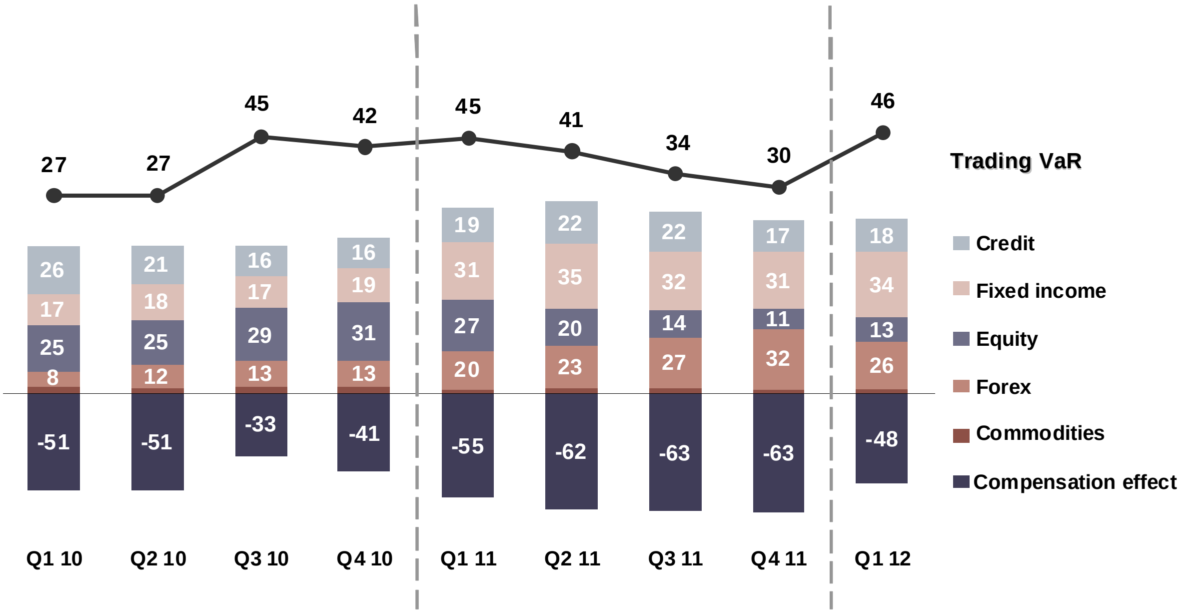
	31/12/2010	31/12/2011	31/03/2012
Customer loans in EUR bn *	**426.0**	**425.5**	**430.8**
*Doubtful loans in EUR bn **	*23.1*	*24.1*	*25.6*
*Collateral relating to loans written down in EUR bn **	*4.1*	*4.7*	*5.4*
Provisionable commitments in EUR bn *	**19.0**	**19.4**	**20.2**
Provisionable commitments / Customer loans *	***4.5%***	***4.6%***	***4.7%***
Specific provisions in EUR bn *	**12.5**	**13.5**	**14.1**
Specific provisions / Provisionable commitments *	***66%***	***69%***	***70%***
Portfolio-based provisions in EUR bn *	**1.2**	**1.3**	**1.2**
Overall provisions / Provisionable commitments *	***72%***	***76%***	***76%***

* Excluding legacy assets

4.2 Change in trading VaR

Quarterly average 99% Value at Risk (VaR), a composite indicator used to monitor the bank's daily risk exposure, notably for its trading activities, in millions of euros:

Quarterly average of 1-day, 99% Trading VaR (in EUR m)



Since January 1, 2008, the parameters for credit VaR have excluded positions on hybrid CDOs, which are now accounted for prudentially in the banking book.

4.3 Legal risks *(update of the 2012 Registration document - pages 235 to 237)*

- Since 2003, Societe Generale had set up "gold consignment" lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold reserves held at Goldas. These suspicions were rapidly confirmed following the failed payment (EUR 466.4 million) of gold purchased. In order to recover the sums owed by the Goldas Group and to protect its interests, Societe Generale brought civil proceedings in England and Turkey against its insurance carriers and Goldas Group entities. Goldas, for its part, has recently launched various proceedings in Turkey against Societe Generale who intends to vigorously oppose the claims articulated against it. Societe Generale also brought proceedings against its insurers in the United Kingdom. The action has been discontinued by consent, without any admission of liability by any party. A provision has been made.

- In the early 2000s, the French banking industry decided the transition towards a new digital system for clearing checks in order to rationalise their processing.

  To support this reform (known as EIC – Echange d'Images Chèques) which has contributed to the improvement of check payments security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.

  On 20 September 2010, after several years of investigation, the French competition authority considered that the joint implementation and the fixing of the amount of the CEIC and of two additional fees for 'related services', were in breach of competition law rules. The authority fined all the participants to the agreement (including the Banque de France) a total of around EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its affiliate, a fine of EUR 7.0 million.

  However, in its 23 February 2012 order, the French Court of Appeal upheld the absence of any competition law infringement, allowing the banks to recoup the fines paid. The French competition authority has filed an appeal before the Supreme Court.

- Societe Generale, along with other financial institutions, has received formal requests for information from several regulators in Europe and the United States, in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates ("LIBOR") and submissions to the European Banking Federation for setting EURIBOR, as well as trading in derivatives indexed to the same benchmarks. Societe Generale is cooperating fully with the investigating authorities. Societe Generale, along with other financial institutions, had also been named as a defendant in a putative class action in the United States alleging violations of, among other laws, United States antitrust laws and the United States Commodity Exchange Act in connection with its involvement in the setting of US dollar LIBOR rates and trading in derivatives indexed to LIBOR. The case was consolidated with other class actions before the US District Court in Manhattan. An amended complaint was filed on 2 May 2012 and Societe Generale was not named as a defendant.

4.4 Regulatory ratios

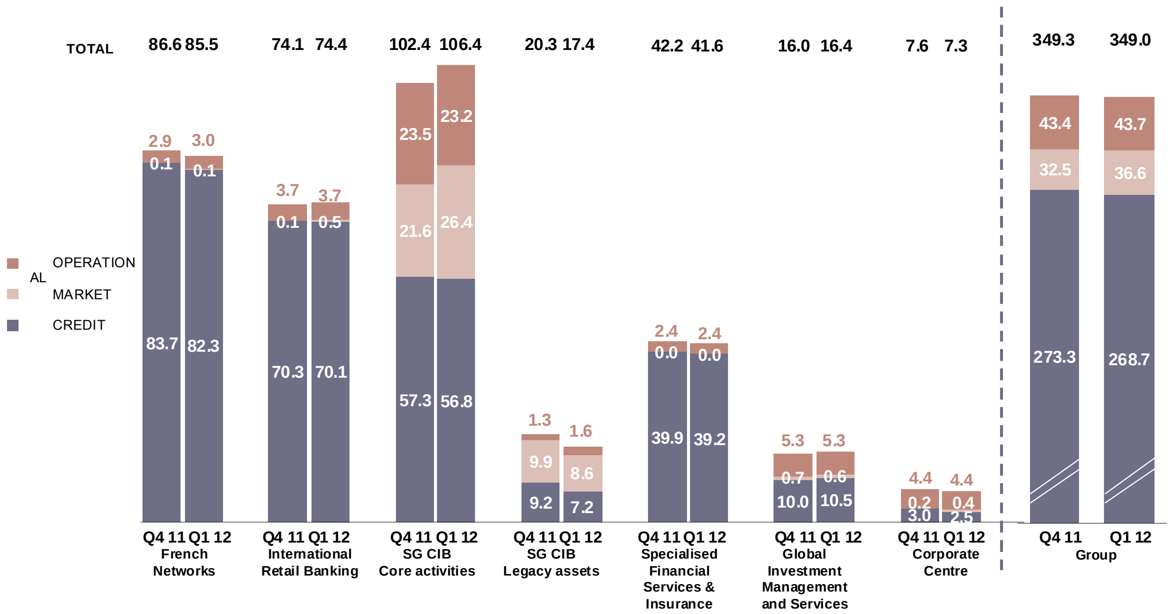
4.4.1 Prudential ratio management

During Q1 2012, Societe Generale proceeded with no new subordinated note issue at Group level as part of the management of its prudential solvency ratios.

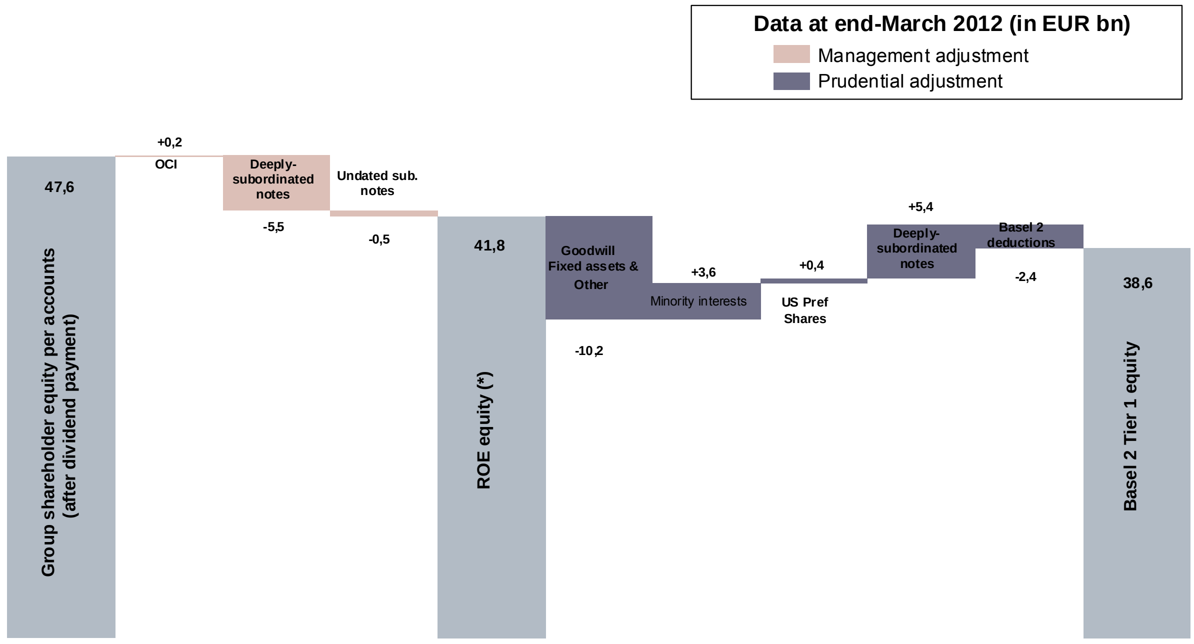
Over this same period, the Group redeemed, on the first call date, the Upper Tier 2 subordinated notes issue implemented in March 2007, representing GBP 350 million.

4.4.2 Extract from the presentation dated May 3, 2012 : First quarter 2012 (and supplements)

BASEL 2.5 (CRD3) RISK-WEIGHTED ASSETS (in EUR bn)



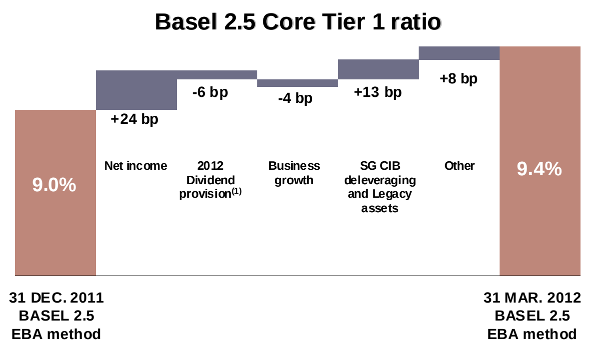
CALCULATION OF ROE AND TIER 1 EQUITY

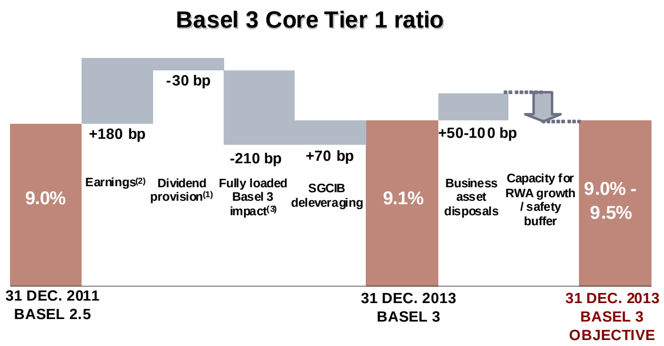


(*) Data at period end; the average capital at period-end is used to calculate ROE

ON TRACK TO REACH OUR BASEL 3 CAPITAL OBJECTIVE WITHOUT CAPITAL INCREASE

- Solvency boosted by strong capital generation and deleveraging efforts during Q1
  - **Basel 2.5 Core Tier 1 ratio: up 35bp in Q1**
  - **Dismantling of CDO of RMBS**
- Basel 3 CT1 ratio objective of 9-9.5% to be reached by end 2013 without capital increase
  - **Basel 3 impact fully mitigated by earnings generation and SG CIB deleveraging**
  - **Business asset disposals to provide additional capital buffer and room for selective organic growth**





(1) Assuming 25% payout and scrip dividend option (60% success rate)
(2) Bloomberg consensus as of 25/04/12
(3) Internal estimate

4.5 Pillar 3 report (Information at december 31, 2011)

The Pillar 3 report is presented in Appendix 1 of the present update of the 2012 Registration Document, page 85.

5 - Chapiter 10 : Financial information:

5.1 First Quarter 2012 Results *(press release dated may 3, 2012)*

Q1 2012: SOLID PERFORMANCE:

GROUP NET INCOME OF EUR 732M,

EPS[(1)] EUR 0.88

STRONG CAPITAL GENERATION:

CORE TIER 1 RATIO OF 9.4%[(2)], +35BP/Q4 11

CONTINUED DELEVERAGING

- **NBI: EUR 6.3bn, (+5.0% vs. Q4 11), (-4.7% vs. Q1 11)**

  Resilient commercial activity for retail banking inside and outside France, sharp upturn in Corporate and Investment Banking activity
- **Operating expenses down -1.0% vs. Q1 11**
- **Cost of risk under control: EUR 902m, +2.7% vs. Q1 11**
- **Ongoing deleveraging efforts, stable risk-weighted assets in Q1**

CONFIRMATION OF THE BASEL 3 CORE TIER 1 RATIO TARGET OF BETWEEN 9% AND 9.5% BY 2013 WITHOUT A CAPITAL INCREASE

(1) after deducting interest, net of tax effect, to be paid to holders of deeply subordinated notes and undated subordinated notes (respectively EUR 66 million and EUR 6 million). At end-March 2012, the capital gain net of tax and accrued unpaid interest relating to buybacks of deeply subordinated notes amounted to EUR 2 million.

(2) according to EBA Basel 2.5 standards (Basel 2 standards incorporating CRD3 requirements)

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

The Board of Directors of Societe Generale met on May 2nd, 2012 and examined the Group's financial statements for Q1 2012. Q1 Group net income was EUR 732 million and net banking income totalled EUR 6,311 million.

When restated for the revaluation of own financial liabilities, the Group's net banking income amounted to EUR 6,492 million (-7.0% vs. Q1 11) and Group net income to EUR 851 million.

The first quarter of the year was marked by reduced turbulence in the financial markets following and due to the implementation of the European Central Bank's long-term refinancing operations (LTRO) and the finalisation of the Greek bailout plan. This normalisation led to a sharp upturn in Corporate and Investment Banking activities. At the same time, deleveraging continued through the disposal of legacy assets and financing assets.

The French Networks' results were characterised by resilient commercial activity despite the slowdown in the French economy. International Retail Banking continued with its selective expansion strategy in regions with strong growth potential, notably Africa and the Mediterranean Basin. The reorganisation initiated in Russia continued.

Despite resource constraints, Specialised Financial Services & Insurance and Global Investment Management and Services generally made a significantly increased contribution to Group net income, despite a globally sluggish environment.

Against this backdrop, the Group continued to focus on the selective development of its franchise and the optimised allocation of scarce resources. This prudent policy enabled the Basel 2.5 Core Tier 1 ratio to progress +35 basis points in Q1 to 9.4% at March 31st, 2012 (for a minimum European Banking Authority capital requirement of 9% at June 30th, 2012).

Commenting on the Group's Q1 2012 results, Frédéric Oudéa, Chairman and CEO, stated: "**Societe Generale pursued its transformation, while continuing to adopt a dynamic approach in financing the economy. The healthy Q1 results are underpinned by the balanced development of our franchises, underlined by good control of our cost of risk. We continued to strengthen the Group's capital base, particularly its equity, with a substantially increased Core Tier 1 ratio in Q1. We maintain the priority given to rigorous risk management, controlling operating expenses, reducing our liquidity needs and strengthening our capital. The results for Q1 12 and the prospects for the next two years provide further evidence of our ability to meet the Basel 3 requirements by end-2013 without a capital increase."**

1. GROUP CONSOLIDATED RESULTS

In EUR m	Q1 11	Q1 12	Change Q1 vs Q1
Net banking income	**6,619**	**6,311**	**-4.7%**
On a like-for-like basis*			***-4.9%***
Operating expenses	**(4,376)**	**(4,333)**	**-1.0%**
On a like-for-like basis*			***-0.8%***
Gross operating income	**2,243**	**1,978**	**-11.8%**
On a like-for-like basis*			***-12.8%***
Net cost of risk	**(878)**	**(902)**	**+2.7%**
Operating income	**1,365**	**1,076**	**-21.2%**
On a like-for-like basis*			***-23.0%***
Group net income	**916**	**732**	**-20.1%**

	Q1 11	Q1 12
Group ROTE (after tax)	**11.3%**	**7.9%**

▪ **Net banking income**

The Group's net banking income totalled EUR 6.3 billion in Q1 12. This was lower than in Q1 11 (-4.7%) but higher than in Q4 11 (+5.0%).

If the revaluation of own financial liabilities is stripped out, revenues amounted to EUR 6,492 million. They were 7.0% lower than in Q1 11 but experienced a sharp rebound compared with Q4 11 (+22.3%). This trend stems primarily from Corporate and Investment Banking revenues, which picked up substantially compared with Q4 11.

- The **French Networks** posted revenues of EUR 2,046 million in Q1 12, stable (excluding PEL/CEL effect) vs. Q1 11. Given the unfavourable macroeconomic environment, this performance underlines the quality of the French Networks' commercial activity;
- **International Retail Banking's** net banking income totalled EUR 1,226 million in Q1 12 (+3.6%* vs. Q1 11). Good performances in Africa and the Mediterranean Basin were supplemented by a sustained level of activity in Central and Eastern Europe (excluding Greece), and helped offset the slight slowdown observed in Russia;
- **Corporate and Investment Banking's** core activities saw their revenues shrink -13.8%* in Q1 12 vs. Q1 11 to EUR 1,924 million, mainly due to disposal costs for financing assets. When restated for the net discount on assets sold, core activities' net banking income fell -3.9% vs. a very good Q1 11 and rose +61.5% vs. Q4 11. Client-driven activity, which was hampered at end-2011 by the effects of the European sovereign debt crisis, picked up in this division, buoyed by the reduced turbulence in the markets. Fixed Income, Currencies & Commodities posted an excellent first quarter compared with 2011, whereas Equity activities, which enjoyed very high revenues in Q1 11, saw their performance return closer to a historic level. At the same time, Financing & Advisory revenues were reduced by the net discount on assets sold during Q1 (EUR -226 million in Q1 12 after EUR -152 million in Q4 11);

  Corporate and Investment Banking's legacy assets made a negative contribution of EUR -57 million to the division's revenues in Q1 12 (vs. a positive contribution to net banking income of EUR 42 million in Q1 11).

Corporate and Investment Banking's revenues totalled EUR 1,867 million in Q1 12, or -18.1%* vs. the same period in 2011. They were 2.9 times higher than in Q4 11.

- **Specialised Financial Services and Insurance's** revenues totalled EUR 849 million in Q1 12 (-3.3%* vs. Q1 11), underpinned by the increase in the Insurance activity (+12.4%* to EUR 167 million in Q1 12). In contrast, Specialised Financial Services experienced a slowdown (-6.5%* to EUR 682 million), consistent with its strategy of optimising scarce resources.
- The net banking income of **Global Investment Management and Services** was lower (-6.5%* vs. Q1 11) at EUR 553 million. However, it was higher than in Q4 11 (EUR 500 million). Overall, the division's revenues continued to be affected by the market situation (persistently weak indices, unfavourable interest rate trend).

The accounting impact on net banking income of the revaluation of the Group's own financial liabilities was EUR -181 million in Q1 12.

- **Operating expenses**

Operating expenses amounted to EUR 4,333 million in Q1 12, down -0.8%* vs. Q1 11, illustrating the Group's ongoing efforts to control costs. These efforts have continued for several quarters via initiatives in all the Group's divisions. In particular, Corporate and Investment Banking's social plan entered its operational phase in France at the beginning of April.

- **Operating income**

The Group's gross operating income totalled EUR 2.0 billion in Q1 12 (vs. EUR 2.2 billion in Q1 11 and EUR 1.6 billion in Q4 11).

The Group's **net cost of risk** amounted to EUR -902 million in Q1 vs. EUR -878 million in Q1 11. This trend underlines the good control of cost of risk and the quality of the Group's portfolios, in a deteriorated macroeconomic environment.

Despite a challenging environment, the Group's cost of risk (expressed as a fraction of outstanding loans) amounted to 69[1] basis points for Q1 12. This was slightly lower than in Q4 11 and Q1 11.

- Taking into account the seasonal effect of Q4 11, the **French Networks'** cost of risk exhibited a slight uptrend (44 basis points in Q1 12), in line with the macroeconomic environment.
- Apart from the contrasting country trends, there was no significant change in the global underlying trend of **International Retail Banking's** cost of risk, which amounted to 181 basis points in Q1 12.
- The cost of risk for **Corporate and Investment Banking's** core activities remained low at 17 basis points. Legacy assets' net cost of risk was EUR -115 million (EUR -81 million in Q4 11) and focused on CDOs of RMBS.
- **Specialised Financial Services'** cost of risk (121 basis points) fell by 29 basis points vs. Q4 11 and by 34 basis points vs. Q1 11, mainly in Consumer Finance.

Moreover, the Group's NPL coverage ratio was stable vs. Q4 11 at 76% in Q1 12.

The Group's operating income totalled EUR 1,076 million in Q1 12 (EUR 1,365 million in Q1 11), compared with EUR 534 million in Q4 11.

- **<u>Net income</u>**

After taking into account tax (the Group's effective tax rate was 27.4% in Q1 12 vs. 27.1% in Q1 11) and non-controlling interests, Group net income totalled EUR 732 million for Q1 12 (vs. EUR 916 million in Q1 11, -21.4%*). If the revaluation of own financial liabilities is stripped out, Group net income totalled EUR 851 million, while the income generated by the Group's core activities was more than EUR 1 billion in Q1.

Group ROE after tax was 6.4% in Q1 12 and ROTE was 7.9%. Earnings per share amounts to EUR 0.88 for 2012, after deducting interest payable to holders of deeply subordinated notes and undated subordinated notes[2].

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[1] Annualised calculation, excluding litigation issues, legacy assets and Greek sovereign debt write-down, in respect of assets at the beginning of the period

[2] The interest, net of tax effect, payable to holders of deeply subordinated notes and undated subordinated notes at end-March 2012 amounts to respectively EUR 66 million and EUR 6 million. At end-March 2012, the capital gain net of tax and accrued unpaid interest relating to buybacks of deeply subordinated notes amounted to EUR 2 million.

2. THE GROUP'S FINANCIAL STRUCTURE

Group shareholders' equity totalled EUR 47.8 billion[1] at March 31st, 2012 and tangible net asset value per share was EUR 45.41 (i.e. net asset value per share of EUR 56.10, including EUR -0.16 of unrealised capital losses). The Group acquired 16.9 million Societe Generale shares in Q1 12 under the liquidity contract concluded on August 22nd, 2011. Over this period, Societe Generale also proceeded to dispose of 17.1 million shares through the same liquidity contract. All in all, at end-March, 2012, Societe Generale possessed 27.4 million shares (including 9.0 million treasury shares), representing 3.54% of the capital (excluding shares held for trading purposes). At this date, the Group also held 3.1 million purchase options on its own shares to cover stock option plans allocated to its employees.

The Group's funded balance sheet, after the netting of insurance, derivatives, repurchase agreements and adjustment accounts, totalled EUR 651 billion at March 31st, 2012, up EUR +15 billion vs. end-2011. Shareholders' equity, customer deposits and medium/long-term resources represented EUR 531 billion, or approximately 82% of the total, vs. 81% at end-2011, and covered 109% of the Group's long-term uses of funds, which were slightly lower over the period (-1% at EUR 489 billion).

These developments underline the efforts made to reinforce the Group's stable resources through an active policy to promote customer deposit inflow, which rose +1.3% to EUR 340 billion, as well as the success of the strategy to extend the maturities of refinancing sources. At the same time, shareholders' equity increased +1.9% to EUR 52 billion.

The Group's debt issues since the beginning of the year enabled it to attain the lower limit of its medium/long-term refinancing programme (between EUR 10 billion and EUR 15 billion for 2012) as early as March. As of April 23rd, Societe Generale had issued EUR 11.3 billion of debt under this programme (including EUR 2.6 billion pre-financed in 2011). The average maturity of debt issued since January 1st, 2012 was 6.3 years, for an average cost of around 148 basis points above the 6-month Euribor rate. The Group intends to continue to issue debt in 2012, depending on market conditions, in order to pre-finance its activity in respect of 2013.

The Group's **risk-weighted assets** were stable in Q1 12, at EUR 349.0 billion (vs. EUR 349.3 billion at end-2011). In accordance with the deleveraging strategy adopted for several quarters, the risk-weighted assets of Corporate and Investment Banking's legacy assets portfolio continued to decline significantly (-14.6%). Conversely, the outstandings of Corporate and Investment Banking's core activities rose +4.0% on the back of the pick-up in Global Markets activities in a period of reduced turbulence in the financial markets. At the same time, Specialised Financial Services' outstandings continued to fall, with a decline of -1.4% in the outstandings of the division overall in Q1 12 (-0.8% when adjusted for changes in Group structure).

The Group's Tier 1 ratio was 11.1% at March 31st, 2012 (10.7% at end-2011), while the **Core Tier 1** ratio, which was 9.0% at December 31st, 2011, under "Basel 2.5" and calculated according to European Banking Authority (EBA) rules, amounted to 9.4% at end-March 2012, representing an increase of 35 basis points in one quarter. The increase is mainly due to the income generation in Q1 (+19 basis points, net of the dividend provision) and actions undertaken to optimise the legacy assets portfolio and dispose of lines in Corporate and Investment Banking's credit portfolio (+13 basis points).

The current prudential rules will be reinforced from January 1st, 2013 through the implementation of new requirements ("Basel 3" rules). The regulatory adjustments' impact on the Group's ratios is estimated at -210

[1] This figure includes notably (i) EUR 5.2 billion of deeply subordinated notes, EUR 0.5 billion of undated subordinated notes and (ii) EUR -0.2 billion of net unrealised capital losses.

basis points. This estimate remains provisional, since some regulatory items are not stabilised, for example the prudential treatment of insurance subsidiaries.

In light of this situation, since 2010, the Group has embarked on a strategy to strengthen its capital. This would enable it to achieve a Core Tier 1 ratio, calculated according to the new rules, of more than 9% by end-2013.

The Core Tier 1 ratio of 9.0% achieved at December 31st, 2011 would therefore be reinforced by +150 basis points due to income generation, net of dividends to be paid to shareholders[2], and +70 basis points related to SG CIB's deleveraging. These two items would help offset the estimated prudential cost of the new measures.

These developments point to a Core Tier 1 ratio, calculated according to the new standards, of 9.1% as at December 31st, 2013. This ratio could be reinforced by the effect of non-strategic asset disposals, for an amount ranging from 50 to 100 basis points, which will provide a capital and selective growth margin for the Group.

On this basis, the Group confirms its capital objective, calculated according to "Basel 3" rules which will be specified in CRD4, by end-2013, an objective of between 9% and 9.5%.

The Group is rated A1 by Moody's, A by S&P and A+ by Fitch.

[2] Source: Bloomberg consensus on April 25th, 2012, and given a dividend payout ratio of 25% and a scrip dividend subscription rate of 60% in 2013.

3. FRENCH NETWORKS

In EUR m	Q1 11	Q1 12	Change Q1 vs Q1
Net banking income	**2,038**	**2,046**	**+0.4%**
			+0.3%(a)
Operating expenses	**(1,324)**	**(1,347)**	**+1.7%**
Gross operating income	**714**	**699**	**-2.1%**
			-2.4%(a)
Net cost of risk	**(179)**	**(203)**	**+13.4%**
Operating income	**535**	**496**	**-7.3%**
Group net income	**352**	**326**	**-7.4%**

(a) Excluding PEL/CEL

In a challenging environment (euro zone crisis), which continued to adversely affect business and saver confidence, the **French Networks** experienced resilient commercial activity. They posted stable Q1 revenues, with approximately 61,000 net openings of personal current accounts in the first quarter.

In a life insurance market impacted by a EUR 2 billion net outflow in France in Q1, the French Networks enjoyed a positive net inflow of EUR 419 million. There was a substantial increase in property and casualty insurance in the Societe Generale network, with the number of new policies up +11.4%[b] in the first quarter.

The substantial mobilisation of the network in serving its customers provided further confirmation of the Group's active contribution in supporting the economy, with 4.0% growth in outstanding loans in Q1. Outstanding investment loans for business customers rose 3.0% to EUR 63.9 billion. Although new housing loan business was down -26.2%, it performed much better than the market which shrank -36.7%[c] in Q1.

In an intensely competitive environment for deposit inflow, balance sheet outstandings were 1.8% higher than in Q1 11. They picked up substantially vs. Q4 11 (+4.0%), amounting to EUR 136.6 billion. This was primarily due to regulated savings schemes (+9.8%[a] vs. Q1 11), driven by the Livret A and ordinary (CSL) savings accounts.

The **loan /deposit ratio** stood at 128% in Q1 11 and improved by 4 points vs. Q4 11 (132%).

In terms of **revenues**, the French Networks demonstrated resilience, with net banking income of EUR 2,046 million, slightly higher (+0.3%[a] vs. Q1 11), with stable interest income and commissions. The fact that interest income remained unchanged at EUR 1,180[a] million can be explained primarily by the growth in outstanding commercial loans, which offset a generally unfavourable rate effect. At EUR 866 million, the stable level of commissions was due to the 3.3% rise in service commissions, driven by business

(a) Excluding PEL/CEL effect

(b) Multi-risk home and car insurance

(c) Source: Crédit Logement

customers (+8.7%), which offset the 11.7% decline in financial commissions for individual customers on the back of lower financial transaction volumes.

Despite the investments related to the Group's transformation and Société Marseillaise de Crédit's successful integration in the Crédit du Nord IT system in April 2012, the increase in operating expenses remained controlled (+1.7% vs. Q1 11). The cost to income ratio stood at 65.8%[(a)].

The French Networks' gross operating income was down -2.4%[(a)] at EUR 699 million in Q1 12 vs. EUR 714 million in Q1 11.

At 44 basis points in Q1 12, the French Networks' cost of risk was slightly higher than in Q1 11 (40 basis points), which benefited from a more favourable economic environment. However, it was lower than in Q4 11 which included the effect of a seasonal increase.

The French Networks' contribution to Group net income totalled EUR 326 million in Q1 12, down -7.4% vs. Q1 11.

(a) Excluding PEL/CEL effect

4. INTERNATIONAL RETAIL BANKING

In EUR m	Q1 11	Q1 12	Change Q1 vs Q1
Net banking income	**1,189**	**1,226**	**+3.1%**
On a like-for-like basis*			***+3.6%***
Operating expenses	**(738)**	**(758)**	**+2.7%**
On a like-for-like basis*			***+2.9%***
Gross operating income	**451**	**468**	**+3.8%**
On a like-for-like basis*			***+4.7%***
Net cost of risk	**(323)**	**(350)**	**+8.4%**
Operating income	**128**	**118**	**-7.8%**
On a like-for-like basis*			***-5.7%***
Group net income	**44**	**45**	**+2.3%**

In a challenging environment, **International Retail Banking** consolidated its growth strategy, with controlled expansion of the franchise and revenues up +3.6%* on an annual basis.

In particular, commercial activity remained dynamic, with growth in the main outstandings in all regions. Outstanding loans increased +5.0%* to EUR 68.2 billion and outstanding deposits rose +4.3%* to EUR 69.2 billion vs. Q1 11. Overall, the loan/deposit ratio remained close to one (99% at end-March 2012).

In the **Mediterranean Basin**, the franchise continued to expand at a steady rate, with the opening of 88 branches since end-Q1 11, including 21 new branches in Morocco. Commercial activity grew substantially, with outstanding loans up +5.8%* vs. Q1 11 and deposits up +0.2%* over the same period. Net banking income benefited from this momentum and also rose (+12.6%*).

In **Sub-Saharan Africa**, the growth in outstandings amounted to +6.7%* for loans and +8.9%* for deposits in Q1 12. This performance resulted in net banking income growth of 25.5%* vs. a Q1 11 hit by the crisis in Côte d'Ivoire. Moreover, the branch network continued to expand with the opening of 22 branches since Q1 11. Additionally, the setting up of a new subsidiary in the Congo saw the opening of the first branch in Pointe-Noire. The Group has enhanced its range of products by offering innovative solutions: accordingly, in March 2012, the Group rolled out "Monifone" in Cameroon. This multi-operator mobile phone money transfer and invoice payment offering comes in the wake of "Yoban'tel", developed by Société Générale de Banque in Senegal.

In **Russia,** revenues were slightly lower (-1.6% in absolute terms, -2.8%*) than in Q1 11 due to weak commercial activity, notably in the corporate segment, in a post-merger environment.

In **Central and Eastern Europe** excluding Greece, commercial activity continued to enjoy buoyant growth with, in particular, strong deposit inflow (+11.7%* vs. Q1 11). Against this backdrop, revenues were up +2.5%*, confirming the return of a positive commercial momentum.

In the **Czech Republic,** Komerční Banca maintained a good commercial performance in Q1, both for loans (+12.9%*) and deposits (+6.0%*). The contribution to Group net income amounted to EUR 63 million. The loan/deposit ratio stood at 77%, with loans amounting to EUR 17.5 billion and deposits to EUR 22.8 billion.

In **Romania**, commercial activity was dynamic despite a still deteriorated environment. Deposits rose +8.0%* and loans +1.2%* vs. Q1 11, due to ongoing restrictive loan approval conditions. Net banking income rose +6.1%* and the cost to income ratio improved by +5.7 points vs. Q1 11, reaping the benefits of cost-cutting measures.

International Retail Banking's revenues totalled EUR 1,226 million, up +3.1% in absolute terms (+3.6%*) vs. Q1 11.

At EUR 758 million, operating expenses were up +2.7% vs. Q1 11. However, they were lower than in Q4 11 (-1.9%*), notably in Romania (-3.0%*), the Czech Republic (-9.5%*) and Central and Eastern Europe excluding Greece (-8.1%*).

The division's gross operating income was EUR 468 million in Q1 12, up +4.7%* vs. Q1 11 (+3.8% in absolute terms).

International Retail Banking's cost of risk amounted to 181 basis points in Q1 12, slightly higher than in Q1 11 (174 basis points), but improved substantially vs. Q4 11 (206 basis points).

International Retail Banking's contribution to Group net income totalled EUR 45 million in Q1 12, up +2.3% vs. Q1 11.

5. CORPORATE AND INVESTMENT BANKING

In EUR m	Q1 11	Q1 12	Change Q1 vs Q1
Net banking income	**2,280**	**1,867**	**-18.1%**
On a like-for-like basis*			***-18.1%***
Financing and Advisory	**641**	**276**	**-56.9%**
Global Markets (1)	**1,597**	**1,648**	**+3.2%**
Legacy assets	**42**	**(57)**	**NM**
Operating expenses	**(1,315)**	**(1,220)**	**-7.2%**
On a like-for-like basis*			***-5.7%***
Gross operating income	**965**	**647**	**-33.0%**
On a like-for-like basis*			***-34.4%***
Net cost of risk	**(134)**	**(153)**	**+14.2%**
O.w. Legacy assets	**(96)**	**(115)**	**+19.8%**
Operating income	**831**	**494**	**-40.6%**
On a like-for-like basis*			***-42.2%***
Group net income	**591**	**351**	**-40.6%**

(1) O.w. "Equities" EUR 655m in Q1 12 (EUR 884m in Q1 11) and "Fixed income, Currencies and Commodities" EUR 993m in Q1 12 (EUR 713m in Q1 11)

Corporate and Investment Banking posted solid Q1 12 revenues, in a more favourable environment than in H2 11, primarily marked by the second LTRO auction in Europe, the success of Greek debt restructuring and signs of recovery in the US. Against this backdrop, Corporate and Investment Banking's results were principally driven by market activities, which benefited from renewed investor appetite and the easing of market conditions (rise in the main equity markets, decline in volatility and credit spreads). Revenues totalled EUR 1,867 million in Q1 12 (including EUR -57 million in respect of legacy assets and EUR -226 million in respect of the net discount on assets sold) vs. EUR 2,280 million in Q1 11 and EUR 655 million in Q4 11. The revenues of SG CIB's core activities, excluding the net discount on assets sold, amounted to EUR 2,150 million.

At EUR 1,648 million, **Market Activities** enjoyed an excellent Q1 12, particularly **Fixed Income, Currencies & Commodities** which benefited from strong client-driven activity and a buoyant environment, while **Equity** revenues picked up substantially vs. Q4 11. Overall, revenues were up +1.7%* vs. Q1 11 (+3.2% in absolute terms), and more than doubled vs. Q4 11.

Equity activities posted revenues of EUR 655 million in Q1 12, down -25.8% vs. a very good Q1 11, but up +60.6% vs. Q4 11. Despite weak market volumes during the quarter, client-driven activity proved robust, particularly for flow products. At end-March 2012, Lyxor's assets under management totalled EUR 76.3 billion, up +3.7% vs. end-2011.

Fixed Income, Currencies & Commodities enjoyed high revenues of EUR 993 million in Q1 12, up +39.2% vs. Q1 11. The figure was substantially higher than in Q4 11 (x2.7). The performance was driven by flow products, notably rates and credit, and to a lesser extent commodities.

At EUR 276 million, **Financing & Advisory** revenues were lower than in Q1 11 (-55.0%* and -56.9% in absolute terms) primarily due to the net discount on assets sold (EUR 226 million, for total asset sales of EUR 4.9 billion). When restated for these costs, the revenue decline is more moderate (-21.7% in absolute terms vs. Q1 11) and can be explained by weaker financing business volumes. However, structured financing posted satisfactory revenues in the infrastructure and natural resources financing segments. Moreover, debt underwriting enjoyed its best performance since Q3 09. The good performance of equity underwriting helped SG CIB boost its market share (to 4.8% in Q1 12 in "EMEA equity and equity related issuances" – *Thomson Financial*). The business line played a leading role in several deals in Q1 12. SG CIB was joint bookrunner in Unicredit's EUR 7.5 billion capital increase. It was also an active bookrunner in the project bond issuance for Gatwick Airport. SG CIB signed several significant mandates (Daimler Finance North America, Deutsche Telekom and Dolphin Energy Ltd), demonstrating the development of its US dollar bond issuance capabilities in respect of European clients.

Legacy assets' contribution to revenues was EUR -57 million in Q1 12. The reduction in exposure under way for several quarters continued and amounted to EUR 2.1 billion in nominal terms in Q1 12 (with sales representing EUR 1.5 billion).

Corporate and Investment Banking's operating expenses totalled EUR 1,220 million, significantly lower (-5.7%* and -7.2% in absolute terms) than in Q1 11 and down -6.1% vs. Q4 11, due to the effects of the cost adjustment plan initiated in 2011. Core activities' Q1 12 cost to income ratio was 62.7% and 56.1% excluding the net discount on assets sold. Gross operating income totalled EUR 647 million.

The Q1 12 **net cost of risk** for core activities was low (17 basis points). At EUR 115 million in Q1, legacy assets' cost of risk was mainly focused on CDOs of RMBS.

Corporate and Investment Banking's operating income totalled EUR 494 million in Q1 12. The contribution to Group net income was EUR 351 million.

6. SPECIALISED FINANCIAL SERVICES AND INSURANCE

In EUR m	Q1 11	Q1 12	Change Q1 vs Q1
Net banking income	**873**	**849**	**-2.7%**
On a like-for-like basis*			***-3.3%***
Operating expenses	**(470)**	**(455)**	**-3.2%**
On a like-for-like basis*			***-3.4%***
Gross operating income	**403**	**394**	**-2.2%**
On a like-for-like basis*			***-3.3%***
Net cost of risk	**(213)**	**(166)**	**-22.1%**
Operating income	**190**	**228**	**+20.0%**
On a like-for-like basis*			***+16.3%***
Group net income	**131**	**163**	**+24.4%**

The **Specialised Financial Services and Insurance** division comprises:

(i) **Specialised Financial Services** (operational vehicle leasing and fleet management, equipment finance, consumer finance).

(ii) **Insurance** (Life, Personal Protection, Property and Casualty)

Specialised Financial Services and Insurance's contribution to the Group's results rose substantially vs. Q1 11. This performance testifies to the robustness of the Insurance activities and the quality of the Specialised Financial Services business whose profitability continued to increase despite resource constraints (capital and liquidity).

Within **Specialised Financial Services, operational vehicle leasing and fleet management** continued to enjoy steady growth in its vehicle fleet in all its main European markets. Accordingly, the fleet grew 7.7%[1] vs. end-March 2011, to 922,000 vehicles.

New **Equipment Finance** business was down -12.0%* vs. Q1 11 at EUR 1.6 billion (excluding factoring), against the backdrop of a tougher environment in Germany. New business margins remained at a healthy level. Outstandings amounted to EUR 18.2 billion excluding factoring, down -3.9%* vs. end-March 2011.

In **Consumer Finance,** new business declined -3.3%* vs. Q1 11 to EUR 2.5 billion due to changes in the regulatory environment and an increasingly selective approach. New business margins held up well, while outstandings remained stable year-on-year at EUR 22.7 billion (+0.9%* vs. end-March 2011).

Specialised Financial Services' net banking income fell -6.5%* vs. Q1 11 to EUR 682 million due to the decline in outstandings. Operating expenses amounted to EUR -390 million, down -5.6%* vs. Q1 11 which included restructuring costs (Italy). Gross operating income was 7.7%* lower than in Q1 11 and amounted to EUR 292 million. The cost to income ratio was 57.2%.

[1] When adjusted for changes in Group structure

There was a significant improvement in **Specialised Financial Services'** cost of risk in Q1. It went from EUR 213 million in Q4 11 (150 basis points) to EUR 166 million in Q1 12 (121 basis points) due to the recovery in Italy.

The **Insurance** activity turned in a solid performance. Life insurance net inflow was positive in France at EUR 232 million in Q1. Personal protection insurance premiums grew +18%* vs. Q1 11, driven primarily by the international activities. Property and casualty insurance premiums grew +8.9%* vs. Q1 11 and testify, in particular, to the strong commercial dynamism in car insurance.

The **Insurance** activity's net banking income totalled EUR 167 million in Q1 12, up +12.4%* vs. Q1 11.

All in all, **Specialised Financial Services and Insurance's** operating income came to EUR 228 million in Q1, which was 16.3%* higher than in Q1 11.

The division's contribution to Group net income rose +24.4% vs. Q1 11 to EUR 163 million.

7. GLOBAL INVESTMENT MANAGEMENT AND SERVICES

In EUR m	Q1 11	Q1 12	Change Q1 vs Q1
Net banking income	**580**	**553**	**-4.7%**
On a like-for-like basis*			***-6.5%***
Operating expenses	**(484)**	**(484)**	**0.0%**
On a like-for-like basis*			***-2.2%***
Operating income	**84**	**61**	**-27.4%**
On a like-for-like basis*			***-27.4%***
Group net income	**97**	**81**	**-16.5%**
o.w. Private Banking	43	36	***-16.3%***
o.w. Asset Management	40	37	***-7.5%***
o.w. SG SS & Brokers	14	8	***-42.9%***

Global Investment Management and Services consists of three activities:

(i) **Private Banking** (Societe Generale Private Banking)
(ii) **Asset Management** (Amundi, TCW)
(iii) **Societe Generale Securities Services** (SGSS) and **Brokers** (Newedge).

Global Investment Management and Services made a satisfactory contribution to Group net income in Q1 12. **Private Banking** consolidated its assets under management at EUR 85.4 billion (vs. EUR 84.7 billion at end-2011). **Securities Services** again demonstrated its dynamism with the signature of new mandates, as well as an increase in outstanding assets under custody and assets under administration vs. end-December 2011. **Newedge** maintained its leadership position with an increased market share. Finally, TCW 's **Asset Management** activity maintained its 2011 momentum, with a significant Q1 inflow.

In Q1 12, the macroeconomic environment was marked by a slight rise in equity markets and persistently low interest rates. At EUR 553 million, the division's revenues were down -6.5%* vs. Q1 11, (-4.7% in absolute terms). At EUR 484 million, operating expenses fell -2.2%* vs. Q1 11, benefiting from operating efficiency efforts. Gross operating income amounted to EUR 69 million, down -28.1%* vs. Q1 11. The division's contribution to Group net income came to EUR 81 million, vs. EUR 97 million in Q1 11.

Private Banking

Despite a EUR 0.8 billion outflow, assets under management totalled EUR 85.4 billion at end-March 2012 (EUR 84.7 billion at end-2011). This included a favourable "market" effect of EUR +1.9 billion, a "currency" impact of EUR -0.2 billion and a "structure" effect of EUR -0.3 billion.

At EUR 200 million, the business line's revenues declined -10.7%* (-9.1% in absolute terms) vs. Q1 11. The margin rate improved by +1 basis point vs. the last two quarters, to 94 basis points (excluding non-recurring items).

At EUR 148 million, operating expenses remained under control. They were 6.9%* lower than in Q1 11 (-4.5% in absolute terms), benefiting from the operating adjustments implemented in H2 2011.

As a result, gross operating income totalled EUR 52 million in Q1 12 (vs. EUR 65 million in Q1 11). The business line's contribution to Group net income amounted to EUR 36 million (vs. EUR 43 million in Q1 11).

Asset Management

TCW enjoyed a significant inflow of EUR 1.7 billion in Q1, providing further evidence of the positive commercial momentum which began in 2011. After taking into account a “market” effect of EUR +4.5 billion, a “currency” impact of EUR -2.8 billion and a “structure” effect of EUR +1.4 billion, assets under management totalled EUR 95.9 billion at end-March (vs. EUR 91 billion at end-December 2011).

At EUR 85 million, revenues were down -7.6%* (-4.5% in absolute terms) vs. Q1 11, due to a decline in performance commissions.

Gross operating income came to EUR 1 million in Q1 12 vs. EUR 11 million in Q1 11.

The business line’s contribution to Group net income was EUR 37 million (vs. EUR 40 million in Q1 11), including a EUR 37 million contribution from Amundi.

Societe Generale Securities Services (SGSS) and Brokers (Newedge)

Securities Services provided further evidence of its healthy commercial momentum, with the signature of new custody mandates in France and new transfer agent and transfer bank mandates in Italy. At EUR 3,358 billion, outstanding assets under custody rose +0.9% vs. end-December 2011. At EUR 429 billion, assets under administration increased +3.9% vs. end-December 2011. In an unfavourable market environment, the **Broker** activity experienced an improvement in its market share to 12.7% in Q1 12 (+0.5 points vs. Q1 11).

In a continuing low interest rate environment and with unstable equity markets, Securities Services and Brokers posted resilient revenues of EUR 268 million (EUR 271 million in Q1 11).

Operating expenses were stable at EUR 252 million. Operating income amounted to EUR 10 million (EUR 18 million in Q1 11). The contribution to Group net income totalled EUR 8 million vs. EUR 14 million a year earlier.

8. CORPORATE CENTRE

The **Corporate Centre's** gross operating income totalled EUR -299 million in Q1 12 (EUR -386 million in Q1 11).

It includes, in particular:

- the revaluation of the Group's own financial liabilities, amounting to EUR -181 million;
- the revaluation of credit derivative instruments used to hedge corporate loan portfolios, amounting to EUR -32 million in Q1 12 (EUR -5 million in Q1 11);
- the cost of risk for Greek sovereign debt borne by the Group (EUR -22 million).

9. CONCLUSION

With Group net income of EUR 732 million in Q1 12, and more than EUR 1 billion for its core activities, Societe Generale continued with its transformation in a rigorous and disciplined manner, while at the same time demonstrating its substantial capital-generating capacity. The Group remains vigilant regarding the quality of its expansion, rigorous in its management and determined to reduce its balance sheet and strengthen its capital.

The Q1 12 results, coupled with Corporate and Investment Banking's deleveraging efforts, therefore enabled the Group to generate 35 basis points of additional capital and achieve a Core Tier 1 ratio of 9.4% according to Basel 2 rules incorporating CRD3 requirements. The priority given to the optimisation of scarce resources (capital and liquidity) allows the selective development of the Group's activities and reinforces the prospect of sound growth for the businesses.

The Q1 performance provides further evidence of the Group's ability to achieve a capital ratio of between 9% and 9.5% according to Basel 3 rules by end-2013, without a capital increase, despite a still uncertain environment.

2012 financial communication calendar

May 22nd 2012	Annual General Meeting
August 1st 2012	Publication of second quarter 2012 results
November 8th 2012	Publication of third quarter 2012 results

APPENDIX 1: FIGURES AND QUARTERLY RESULTS BY CORE BUSINESS

CONSOLIDATED INCOME STATEMENT (in EUR millions)	1st quarter			
	Q1 11	Q1 12	Change Q1 vs Q1	
Net banking income	6,619	6,311	-4.7%	-4.9%*
Operating expenses	(4,376)	(4,333)	-1.0%	-0.8%*
Gross operating income	**2,243**	**1,978**	**-11.8%**	**-12.8%***
Net cost of risk	(878)	(902)	+2.7%	+3.3%*
Operating income	**1,365**	**1,076**	**-21.2%**	**-23.0%***
Net profits or losses from other assets	1	15	NM	
Net income from companies accounted for by the equity method	38	47	+23.7%	
Income tax	(370)	(299)	-19.2%	
Net income before minority interests	**1,034**	**839**	**-18.9%**	
O.w. non controlling Interests	118	107	-9.3%	
Group net income	**916**	**732**	**-20.1%**	**-21.4%***
Group ROTE (after tax)	11.3%	7.9%		
Tier 1 ratio at end of period	10.8%	11.1%		

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

NET INCOME AFTER TAX BY CORE BUSINESS (in EUR millions)	1st quarter		
	Q1 11	Q1 12	Change Q1 vs Q1
French Networks	**352**	**326**	**-7.4%**
International Retail Banking	**44**	**45**	**+2.3%**
Corporate & Investment Banking	**591**	**351**	**-40.6%**
Specialised Financial Services & Insurance	**131**	**163**	**+24.4%**
Global Investment Management and Services	**97**	**81**	**-16.5%**
o.w. Private Banking	43	36	-16.3%
o.w. Asset Management	40	37	-7.5%
o.w. SG SS & Brokers	14	8	-42.9%
CORE BUSINESSES	**1,215**	**966**	**-20.5%**
Corporate Centre	**(299)**	**(234)**	**+21.7%**
GROUP	**916**	**732**	**-20.1%**

CONSOLIDATED BALANCE SHEET

Assets (in billions of euros)	**March 31, 2012**	December 31, 2011	% change
Cash, due from central banks	52.4	44.0	+19%
Financial assets measured at fair value through profit and loss	445.9	422.5	+6%
Hedging derivatives	12.0	12.6	-5%
Available-for-sale financial assets	123.4	124.7	-1%
Due from banks	76.4	86.5	-12%
Customer loans	363.1	367.5	-1%
Lease financing and similar agreements	29.1	29.3	-1%
Revaluation differences on portfolios hedged against interest rate risk	3.5	3.4	+3%
Held-to-maturity financial assets	1.4	1.5	-7%
Tax assets and other assets	60.2	61.0	-1%
Non-current assets held for sale	0.4	0.4	-17%
Deferred profit-sharing	0.0	2.2	-100%
Tangible, intangible fixed assets and other	26.1	25.8	+1%
Total	**1,193.9**	1,181.4	+1%

Liabilities (in billions of euros)	**March 31, 2012**	December 31, 2011	% change
Due to central banks	2.0	1.0	x 2.1
Financial liabilities measured at fair value through profit and loss	400.9	395.2	+1%
Hedging derivatives	11.7	12.9	-9%
Due to banks	107.4	111.3	-4%
Customer deposits	342.9	340.2	+1%
Securitised debt payables	115.4	108.6	+6%
Revaluation differences on portfolios hedged against interest rate risk	4.4	4.1	+7%
Tax liabilities and other liabilities	60.5	60.7	-0%
Non-current liabilities held for sale	0.3	0.3	-3%
Underwriting reserves of insurance companies	84.0	83.0	+1%
Provisions	2.5	2.5	+1%
Subordinated debt	9.9	10.5	-6%
Shareholders' equity	47.8	47.1	+2%
Non controlling Interests	4.2	4.0	+5%
Total	**1,193.9**	1,181.4	+1%

QUARTERLY RESULTS BY CORE BUSINESSES

	2010 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2011 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2012 Basel 2* - IFRS (inc. IAS 32 & 39 and IFRS 4)			
(in EUR millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
French Networks												
Net banking income	1,892	1,931	1,913	2,055	2,038	2,038	2,035	2,054	2,046			
Operating expenses	-1,241	-1,240	-1,199	-1,378	-1,324	-1,293	-1,273	-1,358	-1,347			
Gross operating income	*651*	*691*	*714*	*677*	*714*	*745*	*762*	*696*	*699*			
Net cost of risk	-232	-216	-197	-219	-179	-160	-169	-237	-203			
Operating income	*419*	*475*	*517*	*458*	*535*	*585*	*593*	*459*	*496*			
Net income from other assets	4	1	0	1	1	0	1	-1	0			
Net income from companies accounted for by the equity method	3	1	2	2	2	2	2	4	2			
Income tax	-144	-162	-176	-155	-182	-199	-202	-156	-169			
Net income	*282*	*315*	*343*	*306*	*356*	*388*	*394*	*306*	*329*			
O.w. non controlling interests	3	3	3	4	4	4	4	4	3			
Group net income	*279*	*312*	*340*	*302*	*352*	*384*	*390*	*302*	*326*			
Average allocated capital**	8,192	8,103	7,786	8,119	8,288	8,219	8,256	8,305	8,529			
International Retail Banking												
Net banking income	1,183	1,240	1,250	1,257	1,189	1,260	1,229	1,339	1,226			
Operating expenses	-658	-699	-695	-717	-738	-754	-731	-765	-758			
Gross operating income	*525*	*541*	*555*	*540*	*451*	*506*	*498*	*574*	*468*			
Net cost of risk	-366	-334	-305	-335	-323	-268	-314	-379	-350			
Operating income	*159*	*207*	*250*	*205*	*128*	*238*	*184*	*195*	*118*			
Net income from other assets	4	0	-2	-1	4	0	-1	-3	0			
Net income from companies accounted for by the equity method	3	3	3	2	2	3	7	1	2			
Impairment losses on goodwill	0	0	0	1	0	0	0	0	0			
Income tax	-31	-40	-46	-39	-29	-53	-39	-40	-25			
Net income	*135*	*170*	*205*	*168*	*105*	*188*	*151*	*153*	*95*			
O.w. non controlling interests	21	45	56	64	61	72	61	78	50			
Group net income	*114*	*125*	*149*	*104*	*44*	*116*	*90*	*75*	*45*			
Average allocated capital**	4,596	4,661	4,806	4,929	5,078	5,000	5,068	5,098	5,151			

* Incorporating CRD3 requirements from Q4 11

** Cf. Methodology

	2010 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2011 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2012 Basel 2* - IFRS (inc. IAS 32 & 39 and IFRS 4)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Corporate and Investment Banking												
Net banking income	2,144	1,751	1,934	2,007	2,280	1,835	1,210	655	1,867			
Operating expenses	-1,152	-1,074	-1,159	-1,321	-1,315	-1,163	-971	-1,299	-1,220			
Gross operating income	*992*	*677*	*775*	*686*	*965*	*672*	*239*	*-644*	*647*			
Net cost of risk	-233	-142	-123	-270	-134	-147	-188	-94	-153			
Operating income	*759*	*535*	*652*	*416*	*831*	*525*	*51*	*-738*	*494*			
Net income from other assets	1	-3	0	-5	2	63	25	-14	0			
Net income from companies accounted for by the equity method	9	0	0	0	0	0	0	0	0			
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0			
Income tax	-225	-121	-181	-97	-239	-137	5	274	-138			
Net income	*544*	*411*	*471*	*314*	*594*	*451*	*81*	*-478*	*356*			
O.w. non controlling interests	3	1	3	3	3	2	4	4	5			
Group net income	*541*	*410*	*468*	*311*	*591*	*449*	*77*	*-482*	*351*			
Average allocated capital**	10,365	10,917	11,885	12,289	12,097	11,851	11,388	11,227	12,220			
Core activities												
Net banking income	2,167	1,680	2,024	1,894	2,238	1,792	1,247	1,179	1,924			
Financing and Advisory	602	656	729	757	641	655	616	403	276			
Global Markets	1,565	1,024	1,295	1,137	1,597	1,137	631	776	1,648			
o.w. Equities	*786*	*357*	*639*	*684*	*884*	*615*	*472*	*408*	*655*			
o.w. Fixed income, Currencies and Commodities	*779*	*667*	*656*	*453*	*713*	*523*	*159*	*368*	*993*			
Operating expenses	-1,140	-1,060	-1,139	-1,295	-1,299	-1,148	-958	-1,283	-1,206			
Gross operating income	*1,027*	*620*	*885*	*599*	*939*	*644*	*289*	*-104*	*718*			
Net cost of risk	-19	-45	-15	7	-38	-17	-70	-13	-38			
Operating income	*1,008*	*575*	*870*	*606*	*901*	*627*	*219*	*-117*	*680*			
Net income from other assets	1	-4	1	-5	2	63	25	-15	0			
Net income from companies accounted for by the equity method	9	0	0	0	0	0	0	0	0			
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0			
Income tax	-305	-133	-251	-158	-260	-169	-48	83	-196			
Net income	*713*	*438*	*620*	*443*	*643*	*521*	*196*	*-49*	*484*			
O.w. non controlling interests	3	1	4	2	3	2	3	5	5			
Group net income	*710*	*437*	*616*	*441*	*640*	*519*	*193*	*-54*	*479*			
Average allocated capital**	8,303	8,666	8,970	9,064	8,690	8,738	8,512	8,698	9,201			
Legacy assets												
Net banking income	-23	71	-90	113	42	43	-37	-524	-57			
Operating expenses	-12	-14	-20	-26	-16	-15	-13	-16	-14			
Gross operating income	*-35*	*57*	*-110*	*87*	*26*	*28*	*-50*	*-540*	*-71*			
Net cost of risk	-214	-97	-108	-277	-96	-130	-118	-81	-115			
Operating income	*-249*	*-40*	*-218*	*-190*	*-70*	*-102*	*-168*	*-621*	*-186*			
Net income from other assets	0	1	-1	0	0	0	0	1	0			
Net income from companies accounted for by the equity method	0	0	0	0	0	0	0	0	0			
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0			
Income tax	80	12	70	61	21	32	53	191	58			
Net income	*-169*	*-27*	*-149*	*-129*	*-49*	*-70*	*-115*	*-429*	*-128*			
O.w. non controlling interests	0	0	-1	1	0	0	1	-1	0			
Group net income	*-169*	*-27*	*-148*	*-130*	*-49*	*-70*	*-116*	*-428*	*-128*			
Average allocated capital**	2,062	2,251	2,915	3,225	3,407	3,113	2,876	2,529	3,019			

* Incorporating CRD3 requirements from Q4 11

** Cf. Methodology

	2010 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2011 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2012 Basel 2* - IFRS (inc. IAS 32 & 39 and IFRS 4)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Specialised Financial Services & Insurance												
Net banking income	849	926	888	876	873	871	850	849	849			
Operating expenses	-446	-466	-464	-465	-470	-458	-448	-470	-455			
Gross operating income	*403*	*460*	*424*	*411*	*403*	*413*	*402*	*379*	*394*			
Net cost of risk	-299	-311	-299	-265	-213	-214	-189	-213	-166			
Operating income	*104*	*149*	*125*	*146*	*190*	*199*	*213*	*166*	*228*			
Net income from other assets	0	-4	0	-1	-1	-1	-3	0	0			
Net income from companies accounted for by the equity method	-1	-7	1	-5	1	8	1	-43	3			
Impairment losses on goodwill	0	0	0	0	0	0	-200	0	0			
Income tax	-30	-41	-35	-42	-55	-56	-60	-48	-64			
Net income	*73*	*97*	*91*	*98*	*135*	*150*	*-49*	*75*	*167*			
O.w. non controlling interests	3	5	4	4	4	4	4	2	4			
Group net income	*70*	*92*	*87*	*94*	*131*	*146*	*-53*	*73*	*163*			
Average allocated capital**	4,929	5,008	5,138	5,011	5,153	5,149	5,252	5,237	5,198			
o.w. Specialised Financial Services												
Net banking income	723	796	762	746	728	718	700	697	682			
Operating expenses	-396	-415	-414	-412	-413	-402	-391	-407	-390			
Gross operating income	*327*	*381*	*348*	*334*	*315*	*316*	*309*	*290*	*292*			
Net cost of risk	-299	-311	-299	-265	-213	-214	-189	-213	-166			
Operating income	*28*	*70*	*49*	*69*	*102*	*102*	*120*	*77*	*126*			
Net income from other assets	0	-4	0	-2	-2	0	-2	-1	0			
Net income from companies accounted for by the equity method	-1	-7	1	-5	1	8	1	-43	3			
Impairment losses on goodwill	0	0	0	0	0	0	-200	0	0			
Income tax	*-8*	*-19*	*-13*	*-18*	*-29*	*-28*	*-34*	*-21*	*-36*			
Net income	19	40	37	44	72	82	-115	12	93			
O.w. non controlling interests	*3*	*4*	*4*	*4*	*4*	*4*	*3*	*2*	*3*			
Group net income	16	36	33	40	68	78	-118	10	90			
Average allocated capital**	3,708	3,761	3,850	3,789	3,861	3,790	3,864	3,805	3,814			
o.w. Insurance												
Net banking income	126	130	126	130	145	153	150	152	167			
Operating expenses	-50	-51	-50	-53	-57	-56	-57	-63	-65			
Gross operating income	*76*	*79*	*76*	*77*	*88*	*97*	*93*	*89*	*102*			
Net cost of risk	0	0	0	0	0	0	0	0	0			
Operating income	*76*	*79*	*76*	*77*	*88*	*97*	*93*	*89*	*102*			
Net income from other assets	0	0	0	1	1	-1	-1	1	0			
Net income from companies accounted for by the equity method	0	0	0	0	0	0	0	0	0			
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0			
Income tax	-22	-22	-22	-24	-26	-28	-26	-27	-28			
Net income	*54*	*57*	*54*	*54*	*63*	*68*	*66*	*63*	*74*			
O.w. non controlling interests	*0*	*1*	*0*	*0*	*0*	*0*	*1*	*0*	*1*			
Group net income	54	56	54	54	63	68	65	63	73			
Average allocated capital**	1,221	1,247	1,288	1,222	1,292	1,359	1,388	1,432	1,384			

* Incorporating CRD3 requirements from Q4 11

** Cf. Methodology

	2010 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2011 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2012 Basel 2* - IFRS (inc. IAS 32 & 39 and IFRS 4)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Investment Management and Services												
Net banking income	504	592	568	606	580	547	542	500	553			
Operating expenses	-466	-511	-504	-521	-484	-499	-486	-498	-484			
Gross operating income	*38*	*81*	*64*	*85*	*96*	*48*	*56*	*2*	*69*			
Net cost of risk	0	-5	5	-7	-12	-12	0	11	-8			
Operating income	*38*	*76*	*69*	*78*	*84*	*36*	*56*	*13*	*61*			
Net income from other assets	0	0	0	-1	2	0	-2	-6	2			
Net income from companies accounted for by the equity method	26	21	28	25	32	30	19	17	36			
Impairment losses on goodwill	0	0	0	0	0	0	0	-65	0			
Income tax	-9	-22	-17	-23	-21	-6	-13	-3	-18			
Net income	*55*	*75*	*80*	*79*	*97*	*60*	*60*	*-44*	*81*			
O.w. non controlling interests	0	1	0	-1	0	1	0	1	0			
Group net income	*55*	*74*	*80*	*80*	*97*	*59*	*60*	*-45*	*81*			
Average allocated capital**	1,688	1,778	1,730	1,687	1,664	1,702	1,725	1,751	1,817			
o.w. Private Banking												
Net banking income	162	163	203	171	220	194	190	158	200			
Operating expenses	-130	-134	-147	-140	-155	-155	-158	-151	-148			
Gross operating income	*32*	*29*	*56*	*31*	*65*	*39*	*32*	*7*	*52*			
Net cost of risk	0	-1	0	-3	-11	0	2	8	-2			
Operating income	*32*	*28*	*56*	*28*	*54*	*39*	*34*	*15*	*50*			
Net income from other assets	0	0	-1	1	0	0	0	2	0			
Net income from companies accounted for by the equity method	0	0	0	0	0	0	0	0	0			
Income tax	-8	-5	-13	-7	-10	-8	-7	-4	-14			
Net income	*24*	*23*	*42*	*22*	*44*	*31*	*27*	*13*	*36*			
O.w. non controlling interests	0	0	0	0	1	0	-1	0	0			
Group net income	*24*	*23*	*42*	*22*	*43*	*31*	*28*	*13*	*36*			
Average allocated capital**	509	576	597	603	635	617	639	649	680			
o.w. Asset Management												
Net banking income	83	135	109	150	89	80	73	102	85			
Operating expenses	-94	-133	-116	-114	-78	-87	-78	-99	-84			
Gross operating income	*-11*	*2*	*-7*	*36*	*11*	*-7*	*-5*	*3*	*1*			
Net cost of risk	0	-3	4	-4	1	-1	0	0	0			
Operating income	*-11*	*-1*	*-3*	*32*	*12*	*-8*	*-5*	*3*	*1*			
Net income from other assets	0	0	0	-1	0	0	0	0	0			
Net income from companies accounted for by the equity method	26	21	28	25	32	30	19	17	37			
Income tax	4	0	1	-10	-4	3	2	-2	-1			
Net income	*19*	*20*	*26*	*46*	*40*	*25*	*16*	*18*	*37*			
O.w. non controlling interests	0	0	0	0	0	0	0	0	0			
Group net income	*19*	*20*	*26*	*46*	*40*	*25*	*16*	*18*	*37*			
Average allocated capital**	548	474	453	451	469	478	447	451	472			
o.w. SG SS & Brokers												
Net banking income	259	294	256	285	271	273	279	240	268			
Operating expenses	-242	-244	-241	-267	-251	-257	-250	-248	-252			
Gross operating income	*17*	*50*	*15*	*18*	*20*	*16*	*29*	*-8*	*16*			
Net cost of risk	0	-1	1	0	-2	-11	-2	3	-6			
Operating income	*17*	*49*	*16*	*18*	*18*	*5*	*27*	*-5*	*10*			
Net income from other assets	0	0	1	-1	2	0	-2	-8	2			
Net income from companies accounted for by the equity method	0	0	0	0	0	0	0	0	-1			
Impairment losses on goodwill	0	0	0	0	0	0	0	-65	0			
Income tax	-5	-17	-5	-6	-7	-1	-8	3	-3			
Net income	*12*	*32*	*12*	*11*	*13*	*4*	*17*	*-75*	*8*			
O.w. non controlling interests	0	1	0	-1	-1	1	1	1	0			
Group net income	*12*	*31*	*12*	*12*	*14*	*3*	*16*	*-76*	*8*			
Average allocated capital**	631	728	680	633	560	607	639	651	665			

* Incorporating CRD3 requirements from Q4 11

** Cf. Methodology

	2010 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2011 Basel 2 - IFRS (inc. IAS 32 & 39 and IFRS 4)				2012 Basel 2* - IFRS (inc. IAS 32 & 39 and IFRS 4)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Corporate Centre												
Net banking income	9	239	-252	56	-341	-48	638	613	-230			
Operating expenses	-38	-75	-18	-38	-45	-74	-109	-11	-69			
Gross operating income	*-29*	*164*	*-270*	*18*	*-386*	*-122*	*529*	*602*	*-299*			
Net cost of risk	-2	-2	1	-4	-17	-384	-332	-163	-22			
Operating income	*-31*	*162*	*-269*	*14*	*-403*	*-506*	*197*	*439*	*-321*			
Net income from other assets	3	-6	0	20	-7	1	0	-48	13			
Net income from companies accounted for by the equity method	0	0	-1	4	1	-3	3	5	4			
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0			
Income tax	64	-45	83	-8	156	134	-146	-208	115			
Net income	*36*	*111*	*-187*	*30*	*-253*	*-374*	*54*	*188*	*-189*			
O.w. non controlling interests	32	40	41	47	46	33	-4	11	45			
Group net income	*4*	*71*	*-228*	*-17*	*-299*	*-407*	*58*	*177*	*-234*			
Group												
Net banking income	6 581	6 679	6 301	6 857	6 619	6 503	6 504	6 010	6 311			
Operating expenses	-4 001	-4 065	-4 039	-4 440	-4 376	-4 241	-4 018	-4 401	-4 333			
Gross operating income	*2 580*	*2 614*	*2 262*	*2 417*	*2 243*	*2 262*	*2 486*	*1 609*	*1 978*			
Net cost of risk	-1 132	-1 010	-918	-1 100	-878	-1 185	-1 192	-1 075	-902			
Operating income	*1 448*	*1 604*	*1 344*	*1 317*	*1 365*	*1 077*	*1 294*	*534*	*1 076*			
Net income from other assets	12	-12	-2	13	1	63	20	-72	15			
Net income from companies accounted for by the equity method	40	18	33	28	38	40	32	-16	47			
Impairment losses on goodwill	0	0	0	1	0	0	-200	-65	0			
Income tax	-375	-431	-372	-364	-370	-317	-455	-181	-299			
Net income	*1 125*	*1 179*	*1 003*	*995*	*1 034*	*863*	*691*	*200*	*839*			
O.w. non controlling interests	62	95	107	121	118	116	69	100	107			
Group net income	*1 063*	*1 084*	*896*	*874*	*916*	*747*	*622*	*100*	*732*			
Average allocated capital	35 339	36 503	37 187	37 538	37 972	*38 772*	*40 114*	*41 072*	41 601			
Group ROE (after tax)	11,1%	10,9%	8,7%	8,4%	8,8%	6,9%	5,4%	3,1%	6,4%			
C/I ratio (excluding revaluation of own financial liabilities)	61,7%	63,3%	63,2%	66,3%	62,7%	65,4%	70,7%	82,9%	66,7%			

* Incorporating CRD3 requirements from Q4 11

APPENDIX 2: MÉTHODOLOGY

1- The Group's Q1 consolidated results as at March 31st, 2012 were examined by the Board of Directors on May 2nd, 2012.

The financial information presented in respect of Q1 2012 has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This financial information does not constitute a set of financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting". Societe Generale's management intends to publish summarised interim consolidated financial statements for the six-month period ended June 30th, 2012.

2- Group ROE is calculated on the basis of average Group shareholders' equity under IFRS excluding (i) unrealised or deferred capital gains or losses booked directly under shareholders' equity excluding conversion reserves, (ii) deeply subordinated notes, (iii) undated subordinated notes recognised as shareholders' equity ("restated"), and deducting (iv) interest payable to holders of deeply subordinated notes and of the restated, undated subordinated notes. The net income used to calculate ROE is based on Group net income excluding interest, net of tax impact, to be paid to holders of deeply subordinated notes for the period and, since 2006, holders of deeply subordinated notes and restated, undated subordinated notes (EUR 72 million at end-March 2012), and the capital gain net of tax and accrued unpaid interest relating to buybacks of deeply subordinated notes amounting to EUR 2 million at end-March 2012.

As from January 1st, 2012, the allocation of capital to the different businesses is based on 9% of risk-weighted assets at the beginning of the period, vs. 7% previously. The published quarterly data related to allocated capital have been adjusted accordingly. At the same time, the normative capital remuneration rate has been adjusted for a neutral combined effect on the businesses' historic revenues.

3- For the calculation of **earnings per share**, "Group net income for the period" is corrected (reduced in the case of a profit and increased in the case of a loss) for interest, net of tax impact, to be paid to holders of:

(i) deeply subordinated notes (EUR 66 million at end-March 2012),

(ii) undated subordinated notes recognised as shareholders' equity (EUR 6 million at end-March 2012).

Earnings per share is therefore calculated as the ratio of corrected Group net income for the period to the average number of ordinary shares outstanding, excluding own shares and treasury shares but including (a) trading shares held by the Group and (b) shares held under the liquidity contract.

4- Net assets are comprised of Group shareholders' equity, excluding (i) deeply subordinated notes (EUR 5.2 billion), undated subordinated notes previously recognised as debt (EUR 0.5 billion) and (ii) interest payable to holders of deeply subordinated notes and undated subordinated notes, but reinstating the book value of trading shares held by the Group and shares held under the liquidity contract. **Tangible net assets** are corrected for net goodwill in the assets and goodwill under the equity method. In order to calculate Net Asset Value Per Share or Tangible Net Asset Value Per Share, the number of shares used to calculate book value per share is the number of shares issued at December 31st, 2011, excluding own shares and treasury shares but including (a) trading shares held by the Group and (b) shares held under the liquidity contract.

5- The Societe Generale Group's **Core Tier 1 capital** is defined as Tier 1 capital minus the outstandings of hybrid instruments eligible for Tier 1 and a share of Basel 2 deductions. This share corresponds to the ratio between core Tier 1 capital excluding hybrid instruments eligible for Tier 1 capital and Core Tier 1 capital.

As from December 31st, 2011, Core Tier 1 capital is defined as Basel 2 Tier 1 capital minus Tier 1 eligible hybrid capital and after application of the Tier 1 deductions provided for by the Regulations.

6-The Group's **ROTE** is calculated on the basis of tangible capital, i.e. excluding cumulative average book capital (Group share), average net goodwill in the assets and underlying average goodwill relating to shareholdings in companies accounted for by the equity method. The net income used to calculate ROTE is based on Group net income excluding interest, interest net of tax on deeply subordinated notes for the period (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for deeply subordinated notes and the redemption premium for government deeply subordinated notes), interest net of tax on undated subordinated notes recognised as shareholders' equity for the current period (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for undated subordinated notes) and the capital gain net of tax and accrued unpaid interest relating to buybacks of deeply subordinated notes amounting to EUR 2 million at end-March 2012.

Information on the 2012 financial year results is also available on Societe Generale's website www.societegenerale.com in the "Investor" section.

6 - Chapiter 11 : Legal information

6.1 Director's charter*

(Updated on April 13, 2012)

(Updated on April 13, 2012)

Preamble

Societe Generale applies the April 2010 AFEP-MEDEF Corporate Governance Code for listed companies. The Board's organisation and operating procedures are defined in these Internal Rules.

These Internal Rules are included in the Company's Registration Document.

Article 1: Powers

The Board shall deliberate on any issue that falls within the scope of the powers ascribed to it by law or by regulations.

Moreover, the Board:

a) approves the Group's strategy and reviews it at least once a year;

b) approves all strategic investments and transactions, notably acquisitions or disposals, liable to have a material impact on the Group's earnings, its balance sheet structure or its risk profile.

This prior approval process concerns:

- organic growth operations where these represent a unit amount in excess of EUR 250 million and have not already been approved within the framework of the annual budget or the strategic plan;

- acquisitions for a unit amount exceeding 3% of the Group's consolidated shareholders' equity or 1.50% of consolidated shareholders' equity where acquisitions do not comply with the development priorities approved in the strategic plan;

- disposals for a unit amount exceeding 1.50% of the Group's consolidated shareholders' equity;

- partnerships involving a cash payment exceeding 1.50% of the Group's consolidated shareholders' equity;

- transactions that would result in a substantial deterioration of the Group's risk profile.

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* *This document does not form part of Societe Generale's By-laws. It is not enforceable against third-parties. It may not be cited by third-parties or shareholders as evidence against Societe Generale.*

If, for reasons of urgency, it is impossible to convene a meeting of the Board to deliberate on a transaction that falls within the aforementioned categories, the Chairman shall do his utmost to obtain the opinion of all the Directors before taking a decision. He shall keep the Vice-Chairman informed.

The Chairman assesses the appropriateness of convening the Board to deliberate on a transaction that does not fall within the aforementioned categories on a case-by-case basis.

During each Board meeting, the Chairman shall report on the transactions concluded since the previous meeting, as well as on the main projects in progress that are liable to be concluded before the next Board meeting.

c) deliberates on modifications to the Group's management structures prior to their implementation and is informed of the principal changes to its organisation;

d) notably ensures the adequacy of the Group's risk management infrastructures, monitors the global risk exposure of its activities and approves the risk budgets for market and credit risk. At least once a year, it examines the main aspects of, and major changes to, the Group's risk management strategy;

e) deliberates at least once a year on its operation and that of its Committees, and on the conclusions of their periodic evaluation;

f) sets the compensation of the Chief Executive Officers, particularly their basic fixed salaries, performance-linked pay and benefits in kind, as well as stock option or performance share allocations and post-employment benefits;

g) establishes the remuneration policy rules applicable within the Group, particularly those regarding employees whose activities have a significant impact on the Group's risk profile, and ensures that the internal control systems effectively verify the rules' compliance with the regulations and professional standards and are suitable for meeting risk management objectives;

h) deliberates once a year on the Company's policy regarding professional and wage equality between male and female employees;

i) approves the "Corporate Governance" chapter of the Registration Document, which notably includes the Report of the Chairman on Corporate Governance and Internal Control and Risk Management Procedures and the activity report of the Board, the Committees and the Vice-Chairman, the presentation of the Board of Directors and the General Management and the policy followed for the remuneration of Chief Executive Officers and employees, as well as stock option subscription or purchase plans and share award plans;

j) ensures the accuracy and sincerity of the parent company and consolidated financial statements and the quality of the information communicated to shareholders and the market.

<u>Article 2: The Chairman and Vice-Chairman of the Board of Directors</u>

a) The Chairman calls and chairs the Board of Directors' meetings. He sets the timetable and the agenda of Board meetings. He organises and manages the work of the Board of Directors and reports on its activities to the General Meeting. He chairs the General Meetings of Shareholders.

The Chairman ensures that the Company's bodies, including the Board Committees, operate correctly and consistently with the best principles of corporate governance. He may request the opinion of the Committees on specific questions. He produces the report on the organisation of the Board's work and on internal control and risk management procedures.

He ensures that the Directors are in a position to fulfill their duties and that they are provided with the appropriate information.

He speaks alone in the Board's name, barring exceptional circumstances or specific assignments entrusted to another Director.

As the Chief Executive Officer, he proposes and implements the Company's strategy, within the limits defined by French Law and in compliance with the Company's corporate governance rules and the strategies determined by the Board of Directors.

b) The Board of Directors may appoint a Vice-Chairman to assist the Chairman in his tasks, particularly the organisation and correct operation of the Board and its Committees, and the supervision of corporate governance, internal control and risk management.

Consequently the Vice-Chairman chairs the Audit, Internal Control and Risk Committee and is a member of the Nomination and Corporate Governance and the Compensation Committees. He may question the members of the Group Executive Committee and the managers responsible for drawing up financial statements, internal control, risk management, compliance and internal audits, and more generally the Group's management executives and Statutory Auditors. He is provided with the information and documents he deems necessary to accomplish his assignments.

At least once a year he holds a meeting with the Directors who are not employees of the Group, from which the Chairman and Chief Executive Officer is excluded, notably to evaluate the Chief Executive Officers.

In agreement with the Chairman and Chief Executive Officer, he may represent the Company during meetings with third-parties about corporate governance, internal control and risk management.

Article 3: Meetings

The Board shall meet at least six times a year.

The Directors participating in the Board meeting via videoconferencing or any other telecommunications equipment that allows their identification and active participation, shall be considered present for calculation of the quorum and majority. To this end, the means chosen must transmit at least the voice of the participating members and comply with specifications that permit continuous and simultaneous transmission of the debates.

This provision is not valid where the Board has been convened to establish and approve the parent company and consolidated financial statements and the Management Report.

Notices to attend Board meetings issued by the Secretary of the Board or the Corporate Secretary may be sent by letter, fax or electronic mail, or by any other means, including verbally.

On the decision of the Chairman, the Deputy Chief Executive Officers or other Group management executives or, where relevant, people who are not members of the Board and are able to contribute usefully to discussions, may attend all or part of meetings of the Board of Directors.

Article 4: Information provided to the Board of Directors

Each Director shall receive all the documents and information necessary for him to accomplish his mission.

Prior to the Board and Committee meetings, a file containing agenda items requiring special analysis and prior reflection, will be made available or posted online whenever confidentiality rules allow.

Moreover, between meetings, the Directors shall receive any relevant information, including any critical reviews, about significant events or transactions concerning the Company. In particular, they shall receive copies of press releases issued by the Company.

At least once a year, the Board is informed of and regularly discusses Group policy with respect to human resources, information systems and organisation.

Article 5: Training of Directors

Each Director may benefit, either at the time of his appointment or during the term of his mandate, from any training that he deems necessary for the exercise of his duties.

This training shall be organised and proposed by the Company, which shall bear its cost.

Article 6: The Board's Committees

In certain areas, the Board's resolutions are prepared by specialised Committees composed of Directors appointed by the Board, who examine the issues within their competencies and submit their opinions and proposals to the Board.

These Committees shall act under the responsibility of the Board.

The Committees may, in the course of their respective duties, request the communication of any relevant information, hear reports from the Group's Chief Executive Officers and senior managers and, after informing the Chairman, request that external technical studies be conducted, at the expense of the Company. The Committees shall subsequently report on the information obtained and the opinions collected.

There are three permanent Committees:

- the Audit, Internal Control and Risk Committee;

- the Compensation Committee;
- the Nomination and Corporate Governance Committee.

The Board may create one or more “ad hoc” Committees.

The Audit, Internal Control and Risk Committee shall be chaired by the Vice-Chairman or, in his absence, by a Chairman appointed by the Board of Directors based on a proposal made by the Nomination and Corporate Governance Committee.

The Compensation Committee and the Nomination and Corporate Governance Committee shall be chaired by a Chairman appointed by the Board of Directors based on a proposal made by the Nomination and Corporate Governance Committee.

The secretarial functions for each Committee shall be the responsibility of a person appointed by the Chairman of the Committee.

The Chairman of each Committee shall report to the Board on the Committee’s work. A written report of the Committee’s activities shall be regularly sent to the Board.

Each Committee shall present the Board with its annual work program.

<u>Article 7: The Compensation Committee</u>

The Compensation Committee:

a) proposes to the Board, in accordance with the guidelines given by the AFEP-MEDEF Corporate Governance Code and with the professional standards, the policy governing the remuneration of the Chief Executive Officers and Directors, and particularly the determination criteria, structure and amount of this remuneration, including allowances and benefits in kind, personal protection insurance or pension benefits, as well as any compensation received from Group companies, and ensures that the policy is properly applied;

b) prepares the annual performance appraisal of the Chief Executive Officers;

c) submits a proposal to the Board of Directors for the performance share and stock option award policy and formulates an opinion on the list of beneficiaries;

d) prepares the decisions of the Board relating to the employee savings plan;

e) examines each year and gives the Board of Directors its opinion on the General Management’s proposals for the remuneration policy principles applicable within the Group, the policy for the compensation of employees referred to by regulation No. 97-02 on internal control, particularly employees whose activities have a significant impact on the Group’s risk profile, and makes sure with the General Management that the policy is being implemented. It also ensures that the General Management and Risk Management and Compliance do in fact cooperate in the definition and application of this policy, as required by professional standards, and that due consideration is given to the opinions of Risk Management and Compliance;

f) checks that the report made to it by the General Management complies with regulation No. 97-02 and is consistent with the applicable professional standards. It receives all the information necessary for it to complete its mission and particularly the annual report sent to the French Prudential Control Authority (*Autorité de contrôle* *prudentiel*) and compensation for individual amounts above a threshold that it determines. It shall call on the internal audit departments or outside experts where necessary. It reports to the Board on its activities. It may perform the same tasks for the Group companies monitored by the French Prudential Control Authority (*Autorité de contrôle prudentiel*) on a consolidated or sub-consolidated basis;

g) gives the Board of Directors its opinion on the section of the Registration Document dealing with these issues and produces an Annual Activity Report, submitted to the Board for its approval, which is then inserted in the Registration Document.

It is made up of at least three Directors, who may not be Chief Executive Officers of the Company, nor linked to the Company or one of its subsidiaries by an employment contract. At least two-thirds of its members shall be independent according to the definition given in the AFEP-MEDEF Corporate Governance Code and have the expertise to analyse the remuneration policies and practices according to all the relevant criteria, including the Group risk policy.

Article 8: The Nomination and Corporate Governance Committee

This Committee is assigned the task of submitting proposals to the Board for the nomination of Directors and for the appointment of successors to the Chief Executive Officers, especially where a position becomes vacant unexpectedly, after carrying out any necessary inquiries.

It provides the Board with proposals for appointments to the Board's Committees.

It may propose the appointment of a Vice-Chairman.

The Committee carries out preparatory work for the examination by the Board of Directors of corporate governance issues. It is responsible for the evaluation of the Board of Directors' performance, which is carried out each year.

It submits a proposal to the Board of Directors for the presentation of the Board of Directors to be included in the Registration Document and notably the list of independent Directors.

It gives the Board of Directors its opinion on the section of the Registration Document dealing with these issues and produces an Annual Activity Report, submitted to the Board for its approval, which is then inserted in the Registration Document.

The Nomination and Corporate Governance Committee is informed prior to the appointment of any member of the Group's Executive Committee and any corporate department heads who do not sit on this Committee. It is informed of the list of replacements for these senior managers.

It is made up of at least three Directors, who may not be Chief Executive Officers of the Company, nor linked to the Company or one of its subsidiaries by an employment contract. At least two-thirds of its members shall be independent according to the definition given in the AFEP-MEDEF Corporate Governance Code and have the expertise to analyse the nomination, corporate governance policies and practices according to all the relevant criteria.

Article 9: The Audit, Internal Control and Risk Committee

This Committee's mission is to monitor issues concerning the production and control of accounting and financial information, and to monitor the efficiency of the internal control and risk assessment, monitoring and management systems.

It is particularly in charge of:

- ensuring monitoring of the process for drawing up financial information, particularly examining the quality and reliability of the systems in place and making suggestions for their improvement, and verifying that corrective actions have been implemented if faults are found in the procedure;

- analysing the draft financial statements to be submitted to the Board in order, in particular, to verify the clarity of the information provided and to offer an assessment of the relevance and consistency of the accounting methods used to draw up parent company and consolidated financial statements;

- ensuring the independence of Statutory Auditors, in particular by reviewing the breakdown of the fees paid by the Group to them as well as to the network to which they may belong and through prior approval of all assignments that do not fall within the framework of a statutory audit of accounts, but which may be the consequence of, or a supplement to, the same, all other assignments being prohibited; implementing the procedure for selecting the Statutory Auditors and submitting an opinion to the Board of Directors concerning the appointment or renewal of such as well as their remuneration;

- examining the work program of the Statutory Auditors and more generally ensuring the supervision of account monitoring by the Statutory Auditors;

- offering an assessment of the quality of internal control, in particular the consistency of risk assessment, monitoring and management systems, and proposing additional actions where appropriate. To this end, the Committee is responsible primarily for:

  - reviewing the Group's internal audit program and the Annual Report on Internal Control drawn up in accordance with banking regulations, as well as formulating an opinion on the organisation and operation of the internal control departments;

  - reviewing the follow-up letters sent by the French Banking Commission (*Commission bancaire*) and issuing an opinion on draft responses to these letters;

  - examining the market risk and structural interest rate risk control procedures and being consulted about setting risk limits;

  - formulating an opinion on the Group's global provisioning policy, as well as on specific provisions relating to large sums;

  - examining the annual risk assessment and control procedures report in accordance with the French banking regulations;

  - reviewing the policy concerning risk management and off-balance sheet commitment monitoring, in particular in the light of memoranda drafted to this end by the Finance Division, the Risk Division and the Statutory Auditors.

Aside from the persons referred to in Article 6, the Committee may interview, under conditions it shall establish, the Statutory Auditors and the managers in charge of drawing up financial statements, internal control, risk management, compliance and internal audits. The Statutory Auditors shall be invited to the meetings of the Audit, Internal Control and Risk Committee unless the Committee decides otherwise.

It gives the Board of Directors its opinion on the section of the Registration Document dealing with these issues and produces an Annual Activity Report, submitted to the Board for its approval, which is then inserted in the Registration Document.

The Audit, Internal Control and Risk Committee shall consist of at least three Directors appointed by the Board of Directors, who have appropriate financial, accounting, auditing, internal control or risk management expertise. They may not be Chief Executive Officers of the Company, nor linked to the Company or one of its subsidiaries by an employment contract, nor members of the Compensation Committee, except for the Vice-Chairman. At least two-thirds of its members shall be independent according to the definition given in the AFEP-MEDEF Corporate Governance Code. At least one of the independent members must have specific accounting and financial expertise.

Article 10: Conflicts of interest

Any Director faced with a conflict of interest, or even a potential conflict of interest, especially when it concerns his role within another company, should inform the Board and abstain from voting on the corresponding resolution.

The Chairman may also request that he does not participate in the deliberating process.

Article 11: Directors' attendance fees

The global amount of the attendance fee is set at the General Meeting.

The Chairman and Chief Executive Officer does not receive any attendance fees.

The global amount of the attendance fee is divided into two parts: one fixed part equal to one-third of the global amount and one variable part equal to two-thirds.

The Vice-Chairman receives 35% of the fixed part of the annual attendance fee as a special attendance fee, calculated pro-rata to the duration of his mandate over the period.

After allocation of the Vice-Chairman's share, the fixed part of the attendance fee allocated to the other Directors, calculated pro-rata to the duration of their mandate over the period, is split as follows:

- four shares for the Chairman of the Audit, Internal Control and Risk Committee;
- three shares for the members of the Audit, Internal Control and Risk Committee;
- two shares for the Chairman of the Nomination and Corporate Governance and Compensation Committees;
- one share for the other Directors.

The variable part of the attendance fee is shared between the Directors at the end of the year according to the number of Board meetings or working meetings of the Board and Committee meetings that they have attended. However, meetings of the Compensation Committee and the Nomination and Corporate Governance Committee held on the same day are taken into account as one unit for common members of the two Committees.

The compensation paid to the Non-Voting Directors for their participation in Board meetings is equal to the attendance fee paid to Directors who are not members of a Committee, according to the terms defined above.

Article 12: Reimbursement of expenses

Directors' and Non-Voting Directors' travel, accommodation, meals and assignment-related expenses linked to Board or Committee meetings, the General Meeting of Shareholders or any other meetings associated with the duties of the Board or Committees, are paid for or reimbursed by Societe Generale, upon submission of receipts.

The Company pays for the Vice-Chairman's office, secretariat and communication expenses in relation with his duties.

The Secretary of the Board of Directors receives and checks these receipts and ensures that the amounts due are paid for by the Company or reimbursed.

Article 13: Confidentiality

Each Director or Non-Voting Director should consider himself bound by professional secrecy with regard to confidential information received in his capacity as Director or Non-Voting Director, and with regard to the opinions expressed by each Board member.

7 - Chapter 12: Person responsible for updating the Registration Document

7.1 Person responsible for updating the Registration Document

Mr. Fréderic OUDEA, Chairman and Chief Executive Officer of Societe Generale

7.2 Statement of the person responsible for updating the Registration Document

I hereby certify, having taken all reasonable measures to this effect and to the best of my knowledge, that the information contained in the present update of the 2012 Registration Document is in accordance with the facts and that it makes no omission likely to affect its import.

I have received a completion letter from the Statutory Auditors, stating that they have verified the information contained in the present update about the Group's financial position and accounts and that they have read the 2012 Registration Document and its update A-01 in their entirety.

The historical financial information presented in the 2012 Registration Document has been discussed in the Statutory Auditors' reports found on pages 363 to 364 and 426 to 427 of the 2012 Registration Document, and those enclosed for reference purposes for the financial years 2009 and 2010, found on pages 331 to 332 and 404 to 405 of the 2010 Registration Document and on pages 343 to 344 and 416 to 417 of the 2011 Registration Document. The Statutory Auditors' reports on the 2010 parent company financial statements and the 2009 parent company and consolidated financial statements contain observations.

Paris, May 7, 2012

M. Frédéric OUDEA
Chairman and Chief Executive Officer of Societe Generale

7.3 Persons responsible for the audit of the financial statements

Statutory auditors

Name : Cabinet Ernst & Young Audit
represented by Philippe Peuch-Lestrade
Adress : 1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
Date of first appointment : April 18, 2000
Term of mandate: 6 fiscal years
End of current mandate: at the close of the Ordinary General Meeting which will approve the financial statements for the year ended December 31, 2011..

Name: Société Deloitte et Associés
représentée par M. Jean-Marc Mickeler
Address: 185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
Date of first appointment: April 22, 2003
Term of mandate: 6 fiscal years
End of current mandate: at the close of the Ordinary General Meeting which will approve the financial statements for the year ended December 31, 2011.

Substitute statutory auditors

Name: Robert Gabriel GALET
Address: 1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
Date of first appointment: May 30, 2006
Term of mandate: 6 fiscal years

Name: Alain PONS
Address: 185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
Date of first appointment: April 22, 2003
Term of mandate : 6 fiscal years

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Appendix 1 : Pillar 3 Report

PILLAR 3 REPORT

DISCLOSURES AS AT DECEMBER 31, 2011

BUILDING TOGETHER

TEAM SPIRIT SOCIETE GENERALE

Except where indicated otherwise, all figures provided in this report are as of December 31, 2011 and stated in millions of Euros. The drawing-up process of Societe Generale's Pillar 3 report and the data contained in it are not subject to review by the Group's statutory auditors.

This document is a free translation of the French original report (Rapport Pilier III) issued on 10th April 2012. Only the French version has been submitted to the Regulator and is therefore legally binding.

Abbreviations: millions of Euros = EURm
billions of Euros = EURbn

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INTRODUCTION

THE BASEL 2 REGULATORY FRAMEWORK

Following the first Basel Accord, known as Basel 1 and published in 1988, the Basel Committee on Banking Supervision proposed a new set of recommendations in 2004 in order to measure credit risk more accurately. They include, in particular, taking into account the borrower's credit profile through a financial rating system specific to each credit institution. These recommendations, known as Basel 2, are based on the following three pillars:

- **Pillar 1** sets minimum solvency requirements and defines the rules that banks must follow to measure risks and calculate associated capital requirements, according to standard or more advanced methods.
- **Pillar 2** relates to the discretionary supervision implemented by national banking supervisors, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar I, and to calibrate additional capital requirements with regard to the risks faced by these institutions.
- **Pillar 3** encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to make a better assessment of capital, risk exposure, risk assessment processes and hence capital adequacy of the institution.

The Basel 2 framework was enshrined into European legislation with the enactment of the Capital Requirements Directive (CRD), which was transposed into French law through the February 20, 2007 Decree.

CRD 3 or Basel 2.5

Regarding market risk, to better incorporate the risk of default or rating migration for assets in the trading portfolio (tranched and untranched assets), and to reduce the procyclicality of Value at Risk (VaR), in July 2009 the Basel Committee published new proposals known as Basel 2.5.

Rating migration risk and default risk for issuers in the trading portfolio are subject to two capital charges in respect of specific market risk, namely the IRC (Incremental Risk Charge), applied to untranched assets and the CRM (Comprehensive Risk Measurement), specific to correlation trading portfolios. Moreover, the regulator requires a stressed VaR calculation. Stressed VaR is similar to VaR but is estimated over a previous crisis period. These proposals were transposed into European law via the Capital Requirements Directive 3 (CRD 3) in July 2010 and have been in effect since December 31, 2011.

SOCIETE GENERALE'S PILLAR 3 REPORT

Published under the joint responsibility of the Group's Finance and Risk divisions, Societe Generale's Pillar 3 report intends to provide detailed insight into the Group's capital and risk management, as well as quantitative information on the calculation of the Group's consolidated solvency ratios, as they result from the implementation of Pillar 1.

Published yearly, on the basis of the year-end figures, Societe Generale's Pillar 3 report is available on the Group's website (www.societegenerale.com) and on the investor relations website (www.investor.socgen.com).

SCOPE OF PRUDENTIAL REPORTING

Societe Generale is subject to consolidated regulatory reporting to its home supervisor, the “Autorité de Contrôle Prudentiel”. The Pillar 3 report is therefore drawn up on a consolidated basis, in accordance with regulations. The contribution of selected key subsidiaries to the Group’s total risk-weighted assets can be found in chapter 1 of this report.

Table 01: **Difference between the accounting scope and the prudential scope**

Type of entity	Accounting treatment	Prudential treatment under Basel 2
Subsidiaries with a finance activity	Full or proportional consolidation	Capital requirement based on the subsidiary’s activities
Subsidiaries with an insurance activity	Full or proportional consolidation	Capital deduction
Holdings, joint ventures with a finance activity by nature	Equity method	Capital deduction (50% Tier 1 and 50% Tier 2)
Venture capital investments treated as holdings	Full or proportional consolidation	Underlying investments are weighted individually and added to the risk-weighted assets of the prudential scope

The Group’s prudential reporting scope includes all fully and proportionally consolidated subsidiaries, the list of which is available in the Group’s Registration Document available on the Group’s website (www.societegenerale.com) or on the website dedicated to investors (www.investor.socgen.com), with the exception of insurance subsidiaries, which are subject to separate capital supervision. For regulatory purposes, Societe Generale’s investments in insurance companies, as well as in affiliates consolidated by the equity method, are deducted from the Group’s total regulatory capital.

The main Group companies outside the prudential reporting scope are as follow

Table 02: **Subsidiaries excluded from the prudential scope**

Company	Activity	Country
Antarius	Insurance	France
Catalyst Re International	Insurance	Bermuda
Génécar	Insurance	France
Généras	Insurance	Luxembourg
Inora Life	Insurance	Ireland
Komerčni Pojstovna	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradéa Vie	Insurance	France
Société Générale Ré	Insurance	Luxembourg
Sogécap	Insurance	France
Sogecap Life Insurance	Insurance	Russia
Sogelife	Insurance	Luxembourg
Sogéssur	Insurance	France
SG Banque au Liban	Banking	Lebanon
La Banque Postale Financement	Banking	France
Amundi	Asset Management	France

STATUS OF CONSOLIDATED SUBSIDIARIES

Regulated financial subsidiaries and affiliates outside Societe Generale's prudential consolidation scope are all in compliance with their respective solvency requirements.

More generally, all regulated Group undertakings are subject to solvency requirements set by their respective regulators.

REPORT ON COMPENSATION PRACTICES AND POLICIES

In accordance with the recommendations of the Basel Committee of July 2011 and the provisions of the European Union Directive 2010/76/EU of November 24, 2010 (CRD3), Societe Generale publishes an annual report on its compensation practices and policies.

The purpose of this report is to detail the link between the Group's compensation policy and risk strategy, present comprehensive information on the compensation policy for executive board members and employees whose professional activities have a material impact on the company's risk profile, as well as quantitative data on the compensation of these two categories of employees. This is a separate report from the Pillar 3 report, available on the Group's website in the regulated information section and also included in an update to the Group's Registration Document.

1

CAPITAL ADEQUACY

COMPOSITION OF REGULATORY CAPITAL

Societe Generale's regulatory capital, reported according to International Financial Reporting Standards (IFRS), consists of the following components:

Tier 1 Capital

Tier 1 capital comprises own funds elements less prudential deductions:

- Common stock (net of share buybacks and treasury stock).
- Retained earnings, including translation reserves and changes in the fair value of assets available for sale and hedging derivatives, net of tax.
- Non-controlling interests.
- Certain deeply subordinated instruments and preferred shares that qualify as Tier 1 capital for regulatory purposes, which are described below.

Less prudential deductions:

- Estimated dividend payment.
- Goodwill.
- Intangible assets.
- Unrealised capital gains and losses on available-for-sale (AFS) assets, excluding shares and other equity instruments, and cash flow hedges. However, 45% of unrealised capital gains on AFS securities and tangible assets are included in Tier 2 capital.
- Income on own credit risk.

Moreover, under the Basel 2 capital framework, other deductions are made in equal amounts from Tier 1 and from Tier 2 capital:

1. Investments and subordinated claims towards non-consolidated banks or financial institutions if the shares held represent an interest of more than 10% of the entity's capital.
2. Securitisation exposures weighted at 1,250% where such exposures are not included in the calculation of total risk-weighted assets.
3. Expected loss on equity portfolio exposures.
4. Positive differences, if any, between expected losses on loans and receivables risk-weighted using the Internal Ratings Based (IRB) approach and the sum of related value adjustments and collective impairment losses.

Tier 2 Capital

Tier 2 capital (or supplementary capital) includes:

- Perpetual subordinated debt (upper Tier 2).
- Positive differences, if any, between i) the sum of value adjustments and collective impairment losses related to loan and receivables exposures risk-weighted using the IRB approach, and ii) expected losses, is included in upper Tier 2 up to 0.6% of the total risk-weighted assets.
- Dated subordinated debt (lower Tier 2).

Moreover, using the option offered by the Financial Conglomerates Directive, equity interests of more than 20% held in insurance affiliates and any investment qualifying as regulatory capital for insurance solvency requirements are deducted from total own funds until December 31, 2012, if acquired prior to January 1, 2007.

DEBT INSTRUMENTS QUALIFYING AS TIER 1 CAPITAL FOR REGULATORY PURPOSES

Societe Generale's obligations relating to the principal and interest of US preferred shares issued by indirect subsidiaries benefiting from its guarantee and deeply subordinated notes directly issued by the bank share the following features:

- These instruments are perpetual and constitute unsecured, deeply subordinated obligations ranking junior to all other obligations of the Bank, including dated and undated subordinated debt, and senior only to common stock.
- In addition, Societe Generale may elect, and in certain circumstances may be required, not to pay the interest and coupons linked to these instruments. The interest not paid as a result is not cumulative and will be irrevocably lost by all holders of these instruments.
- Under certain circumstances, notably with regard to the bank's compliance with minimum solvency requirements, Societe Generale has the possibility to use principal and interest to absorb losses.
- Subject to the prior approval of the Autorité de Contrôle Prudentiel, Societe Generale has the option to redeem these instruments on certain dates, but not earlier than five years after their issuance date.
- The combined outstanding amount of these instruments cannot exceed 35% of the Bank's total Tier 1 capital. In addition, the combined outstanding amount of instruments with a step-up clause (so-called «innovative instruments») may not exceed 15% of the bank's total Tier 1 capital base.

Table 03: **Total amount of debt instruments qualifying as capital**

Issuance date	Currency	Nominal amount issued (in EUR m)	Value in EUR m December 31, 2011	Value in EUR m December 31, 2010
US preferred shares			**420**	**968**
Oct-01[1]	USD	425	0	318
Oct-03[1]	EUR	420	420	650
Deeply subordinated notes			**5,496**	**6,571**
Jan-05[1]	EUR	732	732	1,000
Apr-07[1]	USD	808	624	823
Apr-07[1]	USD	63	49	150
Dec-07[1]	EUR	469	469	600
May-08	EUR	797	797	1,000
Jun-08	GBP	506	605	813
Jul-08[1]	EUR	100	100	100
Feb-09	USD	450	348	337
Sep-09[1]	EUR	1,000	1,000	1,000
Oct-09	USD	1,000	773	748
Total			**5,916**	**7,539**

Note 1: innovative instruments

Hybrid debt eligible as Tier 1 Capital

- In the fourth quarter of 2001, Societe Generale issued USD 425m in preferred shares through a wholly-owned US subsidiary, with a step-up clause coming into effect after 10 years. These shares entitle holders to a non-cumulative dividend, payable quarterly, at a fixed rate of 6.302% of nominal value on USD 335m of the issue, and at a variable rate of Libor +0.92% on the remaining USD 90m. This issue was fully redeemed in the fourth quarter of 2011.
- In the fourth quarter of 2003, Societe Generale issued EUR 650m of preferred shares through a wholly-owned US subsidiary (paying a non-cumulative dividend of 5.419% annually) with a step-up clause coming into effect after 10 years.
- In January 2005, the Group issued EUR 1bn of deeply subordinated notes (Titres Super Subordonnés – TSS), paying 4.196% annually for 10 years and, as from January 26, 2015, 3-month Euribor +1.53% per annum payable quarterly.
- In April 2007, the Group issued USD 200m of deeply subordinated notes, paying 3-month USD Libor +0.75% annually and then, from April 5, 2017, 3-month USD Libor +1.75% annually.
- In April 2007, the Group issued USD 1,100m of deeply subordinated notes, paying 5.922% twice yearly and then, from April 5, 2017, 3-month USD Libor +1.75% annually.
- In December 2007, the Group issued EUR 600m of deeply subordinated notes paying 6.999% annually and then, from December 19, 2017, 3-month Euribor +3.35% per annum payable quarterly.
- In May 2008, the Group issued EUR 1,000m of deeply subordinated notes paying 7.756% annually and then, from May 22, 2013, 3-month Euribor +3.35% per annum payable quarterly.
- In June 2008, the Group issued GBP 700m of deeply subordinated notes paying 8.875% annually and then, from June 18, 2018, 3-month Euribor +3.40% per annum payable quarterly.
- In July 2008, the Group issued EUR 100m of deeply subordinated notes paying 7.715% annually and then, from July 9, 2018, 3-month Euribor +3.70% per annum payable quarterly.
- In February 2009, the Group issued USD 450m of deeply subordinated notes paying 9.5045% twice yearly and then, from February 29, 2016, 3-month Libor +6.77% per annum payable quarterly.
- In September 2009, the Group issued EUR 1,000m of deeply subordinated notes paying 9.375% annually and then, from September 4, 2019, 3-month Euribor +8.9% per annum payable quarterly.
- In October 2009, the Group issued USD 1,000m of deeply subordinated notes, paying 8.75% annually with no step-up clause.

From an accounting perspective, given the discretionary nature of the decision to pay dividends to shareholders, preferred shares issued by the Group are classified as equity and recognised under Non-controlling interests. Remuneration paid to preferred shareholders is recorded under non-controlling interests in the income statement.

Deeply subordinated notes are classified as equity under IFRS and recognised under *Equity instruments and associated reserves*.

In October 2011, the Group made two buyback offers for its Tier 1 hybrid debt. The securities eligible for the offers totalled around EUR 6.5bn, with the maximum buyback limit set at EUR 1.4bn (nominal). The transaction was successful and the target maximum amount (EUR 1.4bn) was redeemed.

This transaction enhanced the quality of the Group's regulatory capital, as the accounting income on the transaction generated Core Tier 1 capital.

CALCULATION OF REGULATORY RATIOS

The implementation of the Basel 2 framework is accompanied by a transitional period (extended until the end of 2011) during which Basel 2 capital requirements (calculated as 8% of risk-weighted assets and in accordance with current regulations and the French ministerial act of February 20, 2007, amended on August 25, 2010) may not be less than 80% of the capital requirements under the previous standard (Basel 1 or Cooke).

Table 04: **Regulatory capital and Basel 2 solvency ratios**

(in EUR m)	December 31, 2011	December 31, 2010
Consolidated shareholders' equity, Group share (IFRS)	**47,067**	**46,421**
Deeply subordinated notes	(5,297)	(6,411)
Perpetual subordinated notes	(930)	(892)
Consolidated shareholders' equity, Group share, net of deeply subordinated and perpetual subordinated notes (TSS and TSDI)	**40,840**	**39,118**
Non-controlling interests	3,443	3,359
Deeply subordinated notes	5,496	6,571
US preferred shares	420	968
Intangible assets	(1,511)	(1,386)
Goodwill	(7,942)	(8,451)
Proposed dividends and coupons payable on TSS and TSDI	(184)	(1,484)
Other regulatory adjustments	(382)	171
Tier 1 capital	**40,181**	**38,866**
Basel 2 deductions (1)	(2,717)	(3,503)
Total Tier 1 capital	**37,464**	**35,363**
Upper Tier 2 capital	1,555	1,236
Lower Tier 2 capital	9,187	11,255
Total Tier 2 capital	**10,742**	**12,491**
Basel 2 deductions (1)	(2,717)	(3,503)
Holdings in Insurance affiliates (2)	(4,062)	(3,845)
Total regulatory capital (Tier 1 + Tier 2)	**41,428**	**40,506**
Total risk-weighted assets	**349,275**	**334,795**
Risk-weighted assets for credit risk	276,297	274,646
Risk-weighted assets for market risk (3)	32,536	13,078
Risk-weighted assets for operational risk	43,442	47,071
Effect of transitional measures on the risk-weighted assets used to calculate the Tier 1 ratio (4)		9,067
Effect of transitional measures on the risk-weighted assets used to calculate the total ratio (4)		6,651
Solvency ratios		
Tier 1 ratio	10.7%	10.6%
Total capital adequacy ratio	11.9%	12.1%
Tier 1 ratio after effect of the transitional measures (4)	10.7%	10.3%
Total capital adequacy ratio after effect of the transitional measures (4)	11.9%	11.9%

(1) Basel 2 deductions are taken 50% from Tier 1 capital and 50% from Tier 2 capital. The implementation of Basel 2.5 generated additional deductions of EUR 145 million at December 31, 2011.

(2) Including EUR -2.8 billion for the value of investments in insurance subsidiaries and affiliates accounted for by the equity method; Societe Generale uses the option provided by the Financial Conglomerates Directive allowing the deduction of equity holdings in insurance companies accounted for by the equity method from total capital requirements.

(3) Including EUR 25.1 billion in 2011 related to Basel 2.5 requirements.

(4) Additional floor capital requirements.

At December 31, 2011, the Group's **Tier 1 ratio** was 10.7% (10.6% at end-2010), and the Core Tier 1 ratio rose sharply (+1.4 points) to 9.9%, compared with 8.5% at end-2010 (calculated using the same standard and method). This improvement reflects the considerable efforts to transform the Group undertaken since 2010, focusing on reinforcing capital, strictly managing scarce resources (capital and liquidity) and closely monitoring risk, in order to anticipate regulatory developments linked to the roll-out of the new Basel 2.5 regulations at end-2011 and Basel 3 at end-2013.

Table 05: **Basel 2 deductions**

(in EUR m)	December 31, 2011	December 31, 2010
Unconsolidated banking affiliates > 10%	682	792
Book value of investments in financial subsidiaries accounted for by the equity method	916	847
Subordinated loans to credit institutions > 10%	764	725
Deductions in respect of securitisation positions	3,044	4,256
Expected losses on equity portfolio exposures	26	32
Expected losses on outstandings risk-weighted using the internal method, net of related value adjustments and collective impairment losses	-	355
Total Basel 2 deductions	**5,432**	**7,006**

CAPITAL REQUIREMENTS

The Societe Generale Group has been using the advanced methods (IRB approach and AMA) to calculate its minimum capital requirements since January 1, 2008. The Group is continuing to extend the scope of application of the advanced methods. The following table presents the risk-weighted assets and the Group's capital requirements, classified by type of risk.

Table 06: **The Group's capital requirements and risk-weighted assets**

In EUR m	December 31, 2011		December 31, 2010	
Risk type	Minimum capital requirements	RWA	Minimum capital requirements	RWA
CREDIT RISK UNDER THE IRB APPROACH	**12,870**	**160,878**	**12,983**	**162,283**
Credit risk under the standard approach	8,994	112,419	8,989	112,363
Settlement/delivery risk	0	0	0	0
CREDIT, COUNTERPARTY AND DELIVERY RISK	**21,864**	**273,297**	**21,972**	**274,646**
Market risk using the internal model	2,149	26,858	928	11,603
Market risk under the standard approach	454	5,678	118	1,476
MARKET RISK(1)	**2,603**	**32,536**	**1,046**	**13,078**
Operational risk under AMA	3,152	39,400	3,453	43,163
Operational risk under the standard approach	323	4,042	313	3,907
OPERATIONAL RISK	**3,475**	**43,442**	**3,766**	**47,070**
TOTAL EXCLUDING THE BASEL 1 FLOOR EFFECT(2)	**27,942**	**349,275**	**26,784**	**334,795**

(1) In 2011, market risk is affected by the application of the CRD 3.

(2) Capital requirements and risk-weighted assets excluding the Basel 1 floor effect. The «Basel 1 floor effect» amounted to EUR 532m in capital requirements and EUR 6,651m in risk-weighted assets at December 31, 2010 and 0 at December 31, 2011.

The credit and counterparty risk exposures are presented according to the valuation method used, IRB approach and standard approach. Details of the calculations by type of credit risk exposure are available in Chapter 3 «Credit and Counterparty Risk».

Capital requirements on securitisation transactions are presented separately, with preference given to the IRB approach. Chapter 4 «Securitisation» provides a more detailed analysis of the Group's securitisation exposure. The Group's banking book equity investments are also calculated using mainly the IRB approach, as detailed in Chapter 5.

Similarly, market risk is calculated using the internal value-at-risk method. Additional details on the calculation using the internal method are available in Chapter 6 «Equity Risk». For the calculation of capital requirements in respect of operational risk, the advanced measurement approach (AMA) has been used since 2008, covering a scope that represents over 90% of total net banking income. Chapter 8 «Operational Risk» provides details on how operational risk is measured and monitored within the Group.

Increase in risk-weighted assets and capital requirements

Between December 31, 2010 and December 31, 2011, the Group's capital requirements and risk-weighted assets increased by EUR 1,158m and EUR 14,480m respectively. This increase primarily reflects the application of CRD 3. Excluding the impact of CRD 3, risk-weighted assets fell by 3.2% over the year, to EUR 324.2bn at December 31, 2011, compared with EUR 334.8bn at end-2010 (total impact of +21 basis points on the Core Tier 1 ratio).

INFORMATION ON KEY SUBSIDIARIES' CONTRIBUTION TO THE GROUP'S TOTAL RISK-WEIGHTED ASSETS

The contributions of the three key subsidiaries collectively contributing more than 10% of the Group's risk-weighted assets are as follows:

Table 07: **Key subsidiaries' contribution to the Group's risk-weighted assets**

	Crédit du Nord		Rosbank		Komerčni Banka	
(in EUR m)	IRB	Standard	IRB	Standard	IRB	Standard
Credit and counterparty risks	**10,867**	**7,580**	**569**	**11,084**	**9,841**	**1,597**
Sovereign	0	0	0	846	569	3
Credit institutions	208	117	0	613	746	163
Corporate	6,173	4,856	0	6,601	5,587	460
Retail	3,947	2,035	0	2,777	2,682	900
Securitisation	0	0	0	0	11	0
Equity investments	109	63	28	18	0	0
Other assets	430	509	541	229	246	71
Market risk	**91**		**296**		**13**	
Operational Risk	**876**		**1,570**		**699**	
Total for 2011	**19,414**		**13,519**		**12,150**	
Total for 2010	**17,535**		**13,153**		**12,121**	

The increase in Crédit du Nord's risk-weighted assets in 2011 mainly reflects strong new production in business loans and home loans. On a like-for-like basis, including BSGV in 2010 and 2011, Rosbank's risk-weighted assets were stable.

2

CAPITAL AND RISK MANAGEMENT POLICY

CAPITAL MANAGEMENT OBJECTIVES AND STRATEGY

Societe Generale's capital management is aimed at ensuring that the Group's solvency level is at all times consistent with its objectives of:

- Maintaining a high level of financial strength, closely correlated to the Group's overall risk profile and risk appetite.
- Preserving financial flexibility for funding internal and external growth.
- Ensuring the optimal deployment of capital across its various businesses to optimise the risk/reward on capital.
- Ensuring the strong resilience of the Group under stressed scenarios.
- Satisfying the expectations of various stakeholders: counterparties, debt obligors, rating agencies and shareholders.

The Group's internal solvency target is established in reference to its regulatory Core Tier 1 and Tier 1 ratios. Under the Pillar 1 framework, capital requirements arising from credit risk, market risk and operational risk are determined according to quantitative rules, which are further described in this Pillar 3 report.

CAPITAL MANAGEMENT PROCESS

The capital management process is administered by the Finance Department with the backing of the General Management under the supervision and control of the Board of Directors. Fully integrated within the Group's financial and strategic planning, the capital management process takes into account the Group's regulatory capital constraints as well as its own internal assessment of the amount of capital required to adequately cover risks, including in adverse scenarios.

The Internal Capital Adequacy Assessment Process (ICAAP), which is closely supervised by General Management, is based on a multi-pronged approach taking into account:

- Capital planning, updated at regular intervals notably in conjunction with budget and financial planning or the production of growth funding plans, based on a Group-wide simulation tool. This helps ensure at all times that sources and uses of capital are consistent with the Group's overall objectives and business needs.
- Business and risk cyclicality, to explicitly factor in the effect of credit cycles, while also taking into account risks outside the scope of Pillar 1 (e.g. business risk, interest rate risk etc.).
- Stress-testing: the Group continuously develops its comprehensive stress test procedure, incorporating the Group's full risk profile, which indicates its capacity to withstand macro-economic stress scenarios. They are integrated in the various components involved in the management of financial equilibrium, Core Tier 1 and Tier 1 ratios. The stress tests are conducted on a regular basis (at least once a year) as part of the budget process. The results of these stress tests are presented to the Risk Committee.
- The Group also participates in the European stress test exercises carried out by the competent European bodies: the Committee of European Banking Supervisors (CEBS) in 2010 and the European Banking Authority (EBA) in spring 2011. The results confirmed the Group's resilience, despite a severe stress scenario that included, in particular, shocks on sovereign outstandings.

Finally, in order to vet the outcome of its forward-looking capital management process, the Group supplements the capital planning exercise by conducting benchmarking with relevant peers, as well as by maintaining a constant dialogue with investors, financial analysts and rating agencies.

FORMALISATION OF RISK APPETITE

Since 2009, the Risk division and Finance division have led a coordinated effort, in conjunction with the operating divisions, to formally define the Group's risk appetite through an analysis of the main business lines' risk/reward profile. This effort, which has been part of the Group's annual budget process since 2011, establishes the indicators used to assess the Group's financial solidity, capital adequacy, leverage and liquidity. These indicators are presented to the Audit, Internal Control and Risk Committee, as well as to the Board of Directors.

The Group's decision-making bodies are thus provided with additional strategic oversight tools used to determine targets and allocate scarce resources to the business lines.

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 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 various 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.

TYPES OF RISKS

Given the diversity and changes in the Group's activities, its risk management focuses on the following main categories of risks, any of which could adversely affect its performance:

- **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 more counterparties, or to one or more homogeneous groups of counterparties;
- **market risk:** the 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 other assets, including real estate assets;
- **operational risks (including accounting and environmental risks):** risk of losses or sanctions due to inadequacies or failures in internal procedures or systems, human error or external events;
- **investment portfolio risk:** risk of unfavourable changes in the value of the Group's investment portfolio;

- **non-compliance risk** (including legal, tax and reputational risks): risk of legal, administrative or disciplinary sanction, material financial losses or reputational damage arising from failure to comply with the provisions governing the Group's activities;
- **structural interest and exchange rate risk:** risk of loss or of write-downs in the Group's assets arising from variations in interest or exchange rates. Structural interest and exchange rate risk arises from commercial activities and transactions entered into by the Group's corporate centre (operations involving equity capital, investments and bond issues);
- **liquidity risk:** the risk of the Group not being able to meet its cash or collateral requirements as they arise and at reasonable cost;
- **strategic risk:** risks tied to the choice of a given business strategy or resulting from the Group's inability to execute its strategy;
- **business risk:** risk of losses if costs exceed revenues.
- **risk related to insurance activities:** through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to the insurance business. These include premium pricing risk, mortality risk and structural risk of life and non-life insurance activities, including pandemics, accidents and catastrophic events (such as earthquakes, windstorms, industrial disasters, or acts of terrorism or war);
- **risk related to specialised finance activities:** through its Specialised Financial Services division, mainly in its operational vehicle leasing subsidiary, the Group is exposed to residual value risk (when the net resale value of an asset at the end of the lease is less than estimated).

Any of these risks could materially adversely affect the Group's business, results of operations and financial condition.

Lastly, it should be noted that Societe Generale provides liquidity to other counterparties, such as securitisation vehicles, via liquidity lines drawn down when the counterparty is unable to refinance itself on the markets.

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 field management 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 risk approach and 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 business 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 Company'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 controls the global risk exposure of its activities and approves the risk limits for market risks. 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 it).

THE AUDIT, INTERNAL CONTROL AND RISK COMMITTEE

The Board of Directors' 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 existing procedures, laws and regulations. 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 provisioning 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 LARGE EXPOSURE 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 also 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 development of the Group's businesses and profitability. In exercising its functions, it reconciles independence from and close cooperation 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 policy, 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.

Against the backdrop of the financial crisis and in order to comply with changes to the Group, the reorganisation of the Risk Division has continued, with the main goals of:

- reinforcing market risk monitoring in response to environmental changes and the Group's requirements;
- implementing risk monitoring for the Group's insurance subsidiaries;
- providing broader overall risk monitoring coverage in the French and International Retail Banking networks; developing a Group risk-awareness culture, particularly through the initiatives of the multi-year Enterprise Risk Management (ERM) project sponsored by the General Management.

NEW PRODUCTS PROCEDURES

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

- all associated risks are fully identified and 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 and image 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, capital requirements and equity structure are managed by the Financial and Capital Management Department.

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

- the Financing and ALM Department, which is dedicated to structural risk management. It also monitors and coordinates all Group treasury functions (external Group financing, internal entity financing, centralised collateral management). What's more, it manages the Financial Centre and executes financial transactions;
- the ALM Risk Monitoring Department, which is dedicated to Group structural risk management, and in particular verification of models, monitoring of compliance with limits and management practices by the Group's business divisions, business lines and entities.

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.

OTHER DIVISIONS

The Group Corporate Secretariat also deals with compliance, ethics, legal and tax risks.

Finally, the bank's risk management principles, procedures and infrastructures and their implementation are monitored by the Audit team and the General Inspection Department.

(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.*

3

CREDIT AND COUNTERPARTY RISK – CREDIT RISK MITIGATION

CREDIT RISK MANAGEMENT: ORGANISATION AND STRUCTURE

The Risk Division has defined a control and monitoring system, in conjunction with the divisions and based on the credit risk policy, to provide a framework for the Group's credit risk management. The credit risk policy is periodically reviewed and validated by the Audit, Internal Control and Risk Committee.

Credit risk supervision is organised by division (French Networks, International Retail Banking, Specialised Financial Services and Insurance, Global Investment Management and Services and Corporate and Investment Banking) and is supplemented by departments with a more cross-business approach (monitoring of country risk and risk linked to financial institutions). The team that handles counterparty risk on market transactions reports to the Market Risk Department.

Within the Risk Division, each of these departments is responsible for:

- setting global and individual credit limits by client, client group or transaction type;
- authorising transactions submitted by the sales departments;
- validating credit score or internal client rating criteria;
- monitoring and supervision of large exposures and various credit portfolios;
- approving specific and general provisioning policies.

In addition, a specific department performs comprehensive portfolio analyses and provides the associated reports, including those for the supervisory authorities. A monthly report on the Risk Division's activity is presented to CORISQ and specific analyses are submitted to the General Management.

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, purpose and nature, the structure 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.

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 lien and the risk unit examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management;
- this business line and risk unit must be independent from each other;
- credit decisions are based on internal risk ratings (counterparty rating—obligor rating), as provided by the business lines and approved by the Risk Division.

The Risk Division submits recommendations to 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 CORISQ is supplemented by the Large Exposures Committee.

PERMANENT AND PERIODIC RISK MONITORING

The Group's risk information systems centralise the operating entities' commitments in a single database and reconcile total counterparty exposure with the corresponding authorisations. These risk information systems are overseen by the Risk Division in close cooperation with the IT departments by defining the applicable standards.

The Risk Division fulfils a permanent monitoring role by detecting limit breaches and monitoring their resolution.

Furthermore, a Level 1 control is performed by all Group operating units, which are equipped with information systems enabling them to check, on a daily basis, that the exposure limits set for each counterparty have not been exceeded.

The Inspection and Audit Division carries out regular risk audits, including credit application reviews, spanning all Group divisions, whose conclusions are sent to the heads of the operating divisions, the Risk Division and the General Management for some parameters.

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 complement to the models for these portfolios.

The main outputs from Societe Generale's credit risk models, which are used as key variables for the calculation of RWA under IRB and are selectively detailed further in this report, are:

- Exposure is defined as all assets (e.g. loans, receivables, accruals, etc.) associated with market or customer transactions, recorded on- and off-balance sheet.
- Exposure at Default (EAD), which combines the drawn portion of loans as well as the conversion of off-balance sheet commitments into on-balance sheet exposure through the CCF;
- PD, which measures the financial strength of a counterparty and the likelihood of its failure to make timely payments through its estimated one-year default probability;
- LGD, which is an estimation of the loss incurred through exposure to a defaulting counterparty;
- Maturity of the exposure, which helps factor in the likelihood of the counterparty's rating migrating over time;
- Expected Loss (EL), which is the potential loss incurred, taking into account the quality of the transaction's structuring and any risk mitigation measures such as obtaining collateral. More simply put, EL equals EAD x PD x LGD (except for defaulted exposures);

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 underlying 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 corporate has also been calibrated against long-term default statistics obtained from an external rating agency.

RISK-MODELLING GOVERNANCE

Governance consists in developing, validating, monitoring and making decisions on changes with respect to internal rating models. A dedicated department within the Risk Division is specifically in charge of defining the bank's process for evaluating the key credit metrics used under the AIRB method (PD, LGD, CCF), and validating the internal rating models.

A screening committee (the Comité Modèles) and a decision making committee (the Comité Experts) are actively involved in the process. The conclusions of the audits by the independent model control entity are formally presented to the modelling entities at the meetings of the Comité Modèles. Most of the discussion centres on the technical and statistical issues raised by the audit's conclusions. This committee also screens the issues to be put before the Comité Experts.

The Comité Experts is placed under the authority of the Group Chief Risk Officer and the Heads of the relevant divisions. The committee's role is to validate, from a banking perspective, the risk parameters proposed by the Comité Modèles. This Comité Experts is also the decision-making body for issues that have not been resolved by the Comité Modèles. Furthermore, it establishes the work priorities in terms of modelling.

The credit models used to model the Bank's capital requirements under the AIRB method are reviewed once a year in compliance with the related Basel 2 regulations, and may then be adjusted as needed. To this end, the modelling entities carry out annual backtesting and present their findings to the independent model control entity. The backtesting results and the opinion of the entity responsible for independently reviewing models based on their performance and risk indicator parameters are used as a basis for discussion by the Comité Modèles and Comité Experts.

The internal Basel parameters determined according to the IRB approach are also used for other Group risk and business management objectives:

- credit approval process: the Group's internal models generate an intrinsic indicator of the intrinsic quality of the counterparty (measured by the internal rating) and the proposed transaction (measured by the LGD). Furthermore, the limit authorisations allocated in the credit approval process are based on the ratings systems.
- profitability and pricing measurements: IRB parameters are incorporated into the calculation of a transaction's profitability. They are used to assess the cost of risk level to be included in the transaction's pricing details.
- stress testing: this is used notably to ensure the Group's capital adequacy given the risk incurred and to implement the Group's strategic and operational oversight (e.g. monitoring risks across the various business lines, establishing limits). To this end, internal models are key quantification tools employed in analysing the impact of economic scenarios on the Group's portfolios.
- measurement of risk appetite: risk appetite measurement is based in part on the Group's stress test system, and its purpose is to define the appropriate level of risk with respect to the Group's strategic targets. The internal Basel parameters serve as the reference for the quantitative risk assessments supporting this approach.
- overall portfolio management: the internal Basel parameters are the risk indicators applied in internal portfolio analyses, which are used to qualify the risk incurred in a given customer segment, sector or type of transaction, and to further develop knowledge of the Group's portfolio.

THE GROUP'S INTERNAL RATING SCALE

The following table presents Societe Generale's internal rating scale and the corresponding scales of the main External Credit Assessment Institutions[(1)], as well as the corresponding mean estimated probability of default.

Table 08: **Societe Generale's internal rating scale and corresponding scales of rating agencies**

Counterparty internal rating	FitchRatings' ratings	Moody's ratings	S&P ratings	1 year probability of default
1	AAA	Aaa	AAA	0.01%
2	AA+ to AA-	Aa1 to Aa3	AA+ to AA-	0.02%
3	A+ to A-	A1 to A3	A+ to A-	0.04%
4	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	0.30%
5	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2.16%
6	B+ to B-	B1 to B3	B+ to B-	7.93%
7	CCC+ to CCC-	Caa1 to Caa3	CCC+ to CCC-	20.67%
8,9 and 10	CC and below	Ca and below	CC and below	100.00%

Societe Generale's definition of a default replicates the definition provided in the Basel 2 framework, whereby a borrower has defaulted if at least one of the three following conditions has been verified:

- A significant deterioration in the borrower's financial condition that would prevent them from fulfilling their unguaranteed or uncollateralised credit obligations, and that will therefore likely entail a high probability of loss, and/or;
- One or several arrears have been outstanding for more than 90 days (180 days for public obligors) and/or out-of-court settlement proceedings have been initiated, and/or;
- Legal insolvency proceedings are in progress (the obligor has been declared bankrupt or placed under similar conservatory or creditor protection measures).

Finally, Societe Generale applies a principle of contagion whereby any obligation declared "in default" will result in the classifying as "in default" of all the obligor's debts, possibly as well as those of all companies belonging to the same economic entity.

(1) *For further details, see the paragraph on External Credit Assessment Institutions on page 50.*

SCOPE OF APPLICATION OF CAPITAL EVALUATION METHODS

In December 2007, Societe Generale obtained authorisation from its supervisory authorities to apply the internal ratings (IRB) method for most of its exposures – this is the most advanced method for calculating capital requirements in respect of credit risk.

Societe Generale has planned the transition to the IRB method over several years for some of its activities and exposures that are currently assessed using the standard method and a roll-out plan for this transition is being implemented.

The following table presents the scope of application of the Standard and IRB approaches for the Group:

Table 09: **Scope of application of the IRB and Standard approaches for the Group**

	IRB Approach	Standard Approach
French Networks	Majority of portfolios	Some retail customer portfolios including those of the Sogelease subsidiary
International Retail Banking	Mainly Komercni banka (Czech Republic)	The other subsidiaries
Corporate and Investment Banking	Majority of portfolios	-
Specialised Financial Services and Insurance	The subsidiaries Franfinance Particuliers, CGI, Fiditalia and GEFA	The other consumer finance subsidiaries. All the equipment finance subsidiaries and ALD excluding GEFA
Private Banking, Global Investment Management and Services	Mainly the subsidiaries SG Hambros, SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	The majority of the credit institution and corporate portfolios
Corporate Centre	Majority of portfolios	-

COUNTERPARTY RISK

Counterparty or replacement risk corresponds to the market value of transactions with counterparties. It represents the current cost to the Group of replacing transactions with a positive value should the counterparty default. Transactions giving rise to a counterparty risk are, inter alia, security repurchase agreements, security lending and borrowing and over-the-counter derivative contracts such as swaps, options and futures.

MANAGEMENT OF COUNTERPARTY RISK LINKED TO MARKET TRANSACTIONS

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).

In order to quantify the potential replacement risk, Societe Generale uses an internal model: the future fair value of trading transactions with counterparties is modelled, taking into account any netting and correlation effects. Estimates are derived from Monte Carlo models developed by the Risk Division, based on a historical analysis of market risk factors, and take into account guarantees and collateral.

Societe Generale uses two indicators to characterise the subsequent distribution resulting from the Monte-Carlo simulations:

- current average risk, suited to analysing the risk exposure for a portfolio of clients;
- credit VaR (or CVaR): the largest loss that would be incurred after eliminating the top 1% of the most adverse occurrences, used to set the risk limits for individual counterparties.

Societe Generale has also developed a series of stress test scenario used to calculate the exposure linked to changes in the fair value of transactions with all of its counterparties in the event of an extreme shock to one or more market parameters.

SETTING INDIVIDUAL COUNTERPARTY LIMITS

The credit profile of counterparties is reviewed on a regular basis and limits are set both according to the type and maturity of the instruments concerned. The intrinsic creditworthiness of counterparties and the reliability of the associated legal documentation are two factors considered when setting these limits. The credit analysis is also supplemented by relevant peer comparisons and market watch.

Information technology systems allow both traders and the Risk Division to ensure on a day-to-day basis that counterparty limits are not exceeded and that incremental authorisations are obtained as needed.

A significant weakening of 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 trading instruments.

CALCULATION OF THE COUNTERPARTY RISK-ADJUSTED CAPITAL WITHIN THE REGULATORY FRAMEWORK

Societe Generale uses the marked-to-market valuation method to calculate the counterparty risk-adjusted capital. The EAD relative to the bank's counterparty risk is determined by aggregating the positive market values of all transactions (replacement cost) and increasing the sum with an add-on. This add-on, which is calculated in line with the Capital Requirement Directive (CRD) guidelines, is a fixed percentage according to the type of transaction and the residual lifetime, which is applied to the transaction's nominal value. The effects of netting agreements and collateral are factored in by applying the netting rules as defined by the marked-to-market method and subtracting guarantees or collateral. Regulatory capital requirements also depend on the internal rating of the debtor counterparty.

The Group uses only the *Current Exposure Method (CEM)* to estimate EAD relating to counterparty risk.

CREDIT RISK ADJUSTMENT

An accounting reserve is established in respect of credit value adjustment (CVA) by counterparty, for the over-the-counter trading portfolio, in order to take account of counterparty risk.

WRONG WAY RISK

Wrong Way Risk (WWR) is the risk of the Group's exposure being negatively correlated with a counterparty's creditworthiness.

There are two types of WWR:

- specific WWR, where the underlying instrument for a given trade is very closely linked to the counterparty;
- general WWR, where there is a non-nil correlation between certain market parameters and the financial solidity of the Group's counterparty.

Examples of specific WWR:

- forward-selling equities issued by a given company to a client which is the same company, or buying a put option on an entity belonging to the same group;
- buying CDS for which the underlying instrument belongs to the same group as the CDS counterparty;

Examples of general WWR:

- forward-selling the currency of a high-risk country against the euro with a client;
- forward-selling a commodity to a commodity-producing client.

Wrong Way Risk is subject to identification procedures, specific exposure calculations, as well as specific and periodic monitoring of identified counterparties.

CREDIT RISK MITIGATION

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.

There are two major categories:

- Personal guarantees correspond to the commitment made by a third party to substitute for the primary debtor in the event of the latter's default. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category.
- Collateral.

In the case of netting agreements (subject to eligibility in accordance with Basel 2 regulations), the Group takes into account their impact by applying the compensatory effect based on the EAD used to calculate its risk-weighted assets.

For guarantees and credit derivatives, the Group takes into account their impact by substituting the guarantor's PD, LGD and risk-weighting formula for that of the borrower (the exposure is considered as a direct exposure to the guarantor) where the guarantor's risk-weighting is more favourable than the borrower's.

In the case of collateral (physical or financial), the Group's methodology related to the applicable credit risk mitigation depends on the Basel 2 approach.

Exposures under the IRB approach – two methodologies can be used:

- Credit risk mitigation (CRM) techniques can be incorporated in the LGD calculation, which itself is based on internal loss data and calculated using IRB models ("preliminary" LGD).
- CRM techniques are not incorporated in the LGD defined by the model. The impact of each CRM is taken into account individually in the LGD for each transaction.

Exposures under the standard approach: eligible CRM techniques (after regulatory deductions) are taken into account directly in EAD.

Table 10: **On and off-balance sheet personal guarantees (including credit derivatives) and collateral by exposure class**

Exposure class	Personal guarantees	Collateral
(in EUR bn) – Dec. 31, 2011		
Sovereign	5.3	0.1
Credit institutions	2.8	2.0
Corporate	22.0	44.9
Retail	52.2	35.9
TOTAL	**82.3**	**82.9**

Table 11: **Personal guarantees (including credit derivatives) and collateral related to on-balance sheet impaired and unimpaired outstanding loans**

	December 31, 2011		December 31, 2010[1]	
(in EUR bn)	Retail	Non-retail	Retail	Non-retail
Guarantees and collateral related to current, unimpaired outstanding loans	82.1	56.3	79.5	57.4
Guarantees and collateral related to past due, unimpaired outstanding loans	1.4	1.0	1.5	1.0
Guarantees and collateral related to impaired outstanding loans	2.3	2.4	2.1	1.9

(1) Amounts adjusted with respect to the Pillar 3 as at December 31, 2010.

The amounts of the guarantees and collaterals presented in the table above correspond to the amounts of the Basel 2 eligible guarantees and collaterals, limited to the amounts remaining due. Some guarantees and collaterals, among which personal guarantees provided by a business owner and pledge over unlisted securities, for instance, are not included in these amounts.

GUARANTEES AND COLLATERAL

Personal guarantees and collateral are used to partially or fully protect the bank against the risk of losses due to debtor insolvency and can be broken down as follows:

- Personal guarantees that encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (Crédit Logement in France), monoline or multiline insurers, public export agencies, etc. This category also includes Credit Default Swaps (CDS).
- Collateral which can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high quality investments and securities and also insurance policies. Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

The Group proactively manages its guarantees, with the aim of reducing its risk-taking, through diversification: physical collateral, personal guarantees and others (including CDS'). In addition, the Group has strengthened its policies on guarantees and collateral and the updating of their valuation (guarantee and collateral database and operational procedures).

During the credit approval process, an assessment of the value of the guarantees and collateral, their legal enforceability and the capacity of the guarantor to meet its obligations is undertaken. This process also ensures that the collateral or guarantee successfully meet the criteria required by the Capital Requirement Directive (CRD).

Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year.

The Risk 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 loan or upon the annual renewal of the credit application.

USE OF CREDIT DERIVATIVES[1]

In 2000, the Group's Corporate and Investment Banking Division set up a special department to manage its credit portfolio, known as CPM, or Credit Portfolio Management. Working in close cooperation with the Risk Division and the businesses, this unit seeks to reduce excessive portfolio concentrations and react quickly to any deterioration in the creditworthiness of a particular ounterparty.

Concentrations are measured using an internal model and individual concentration limits are defined for larger exposures.

Any concentration limit breach is managed over time by reducing exposures, hedging positions using credit derivatives and/or selling assets.

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

(1) Please refer to the section dedicated to this matter in the Note n°4 to the Consolidated Financial Statements on page 283 of the Registration Document

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.

The notional value of Corporate credit derivatives (Credit Default Swaps, CDS) purchased for this purpose is booked in off-balance sheet commitments under guarantee commitments received.

Total outstanding purchases of protection through Corporate 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 non-renewal of matured protection.

The widening of CDS spread 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 spread 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.

CREDIT INSURANCE

As well as turning to Export credit agencies (for example Coface and Exim) and multilateral 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 the sound reduction of risks.

MASTER NETTING AGREEMENTS

Societe Generale uses different techniques to reduce this 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, after any appropriate value adjustments ("haircuts") to reflect the lower quality and/or liquidity of the asset.

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

CREDIT RISK: QUANTITATIVE DISCLOSURES

The following tables set forth detailed information on the bank's global credit risk, notably with regard to total exposure, exposure at default and risk-weighted assets as at December 31, 2011. The information provided below is consistent with the bank's published financial statements at that date.

In most of the tables below, Societe Generale's credit risk exposures are laid out along the lines of the obligor categories defined in the Basel 2 framework (the "Basel exposure class"):

Table 12: **Societe Generale's credit risk exposures by obligor category**

Sovereign:	Claims or contingent claims on central governments, regional governments, local authorities or public sector entities as well as on multilateral development banks and international organisations.
Credit institutions:	Claims or contingent claims on regulated credit institutions, as well as on governments, local authorities and other public sector entities that do not qualify as sovereign counterparties.
Corporate:	Claims or contingent claims on corporates, which include all exposures not covered in the portfolios defined above. In addition, small/medium-sized enterprises are included in this category as a sub-portfolio, and defined as entities with total annual sales below EUR m 50.
Retail:	Claims or contingent claims on an individual or individuals, or on a small or medium-sized entity, provided in the latter case that the total amount owed to the credit institution does not exceed EUR m 1.
	Retail exposure is further broken down into residential mortgages, revolving credit and other forms of credit to individuals, the remainder relating to exposures to very small entities and self-employed.
Securitisation:	Claims relating to securitisation transactions.

The following tables provide a breakdown of Societe Generale's credit risk exposures, EAD before the risk mitigation effect and risk-weighted assets (RWA) relating to the Group's on- and off-balance sheet exposures after factoring in risk mitigation. They include the residual value risk.

Information is also provided for defaulted exposures.

These quantitative disclosures are presented according to their valuation approaches (Standard or IRB), exposure class and geographical region, as necessary.

Table 13: **Summary of quantitative credit and counterparty risk disclosures**

Table 14: **Credit risk exposure, exposure at default (EAD) and risk-weighted assets (RWA) by approach and exposure class**

Dec. 31, 2011	IRB approach			Standard approach			Total			Average[(1)]	
Global portfolio *(In EUR bn)*	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Sovereign	124.1	113.1	5.8	3.8	3.8	1.5	127.9	116.9	7.2	116.1	7.6
Institutions	138.8	109.4	11.6	14.0	9.4	3.4	152.7	118.8	14.9	158.4	15.4
Corporates	313.6	233.1	94.3	113.4	69.0	64.3	426.9	302.0	158.6	431.7	157.0
Retail	133.9	132.0	23.8	60.7	51.8	33.9	194.7	183.9	57.7	193.0	57.2
Securitisation	24.4	23.4	4.9	0.8	0.8	0.5	25.2	24.2	5.4	34.3	5.7
TOTAL	**734.7**	**611.1**	**140.4**	**192.7**	**134.8**	**103.5**	**927.4**	**745.9**	**243.8**	**933.4**	**242.9**

Dec. 31, 2010	IRB approach			Standard approach			Total			Average[(1)]	
Global portfolio *(In EUR bn)*	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Sovereign	70.4	66.0	6.4	3.8	3.7	1.3	74.1	69.7	7.7	68.5	7.0
Institutions	131.3	111.1	11.5	15.2	10.4	4.0	146.5	121.4	15.6	159.5	16.0
Corporates	315.1	230.9	94.2	113.6	69.3	64.2	428.8	300.2	158.3	406.2	156.2
Retail	131.7	129.0	23.7	58.1	50.2	33.0	189.9	179.2	56.7	183.1	55.4
Securitisation	39.1	38.0	6.0	2.8	1.0	0.5	41.9	39.0	6.5	43.7	6.8
TOTAL	**687.6**	**575.0**	**141.8**	**193.5**	**134.6**	**103.0**	**881.2**	**709.6**	**244.9**	**861.1**	**241.4**

(1) The average exposure and RWA are determined by aggregating the total gross exposure and RWA at the end of the last four quarters and dividing the result by 4.

The credit risk exposure and EAD of the Group as at December 31, 2011 have increased since December 31, 2010, mainly for the Sovereign class.

Exposure to the Sovereign class was higher as a result of the Group's liquidity management strategy, especially in the US and France.

Moreover, there was a significant decline regarding securitisation exposure due to sales and, to a lesser extent, amortisation.

Table 15: **Retail credit risk exposure, exposure at default (EAD) and risk-weighted assets (RWA) by approach and exposure class**

Dec. 31, 2011	IRB approach			Standard approach			Total			Average[1]	
Retail portfolio *(In EUR bn)*	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Residential mortgages	77.4	77.4	7.7	14.5	13.8	4.9	91.9	91.2	12.6	89.3	11.4
Revolving credit	9.7	7.2	2.7	5.4	3.2	2.5	15.2	10.4	5.2	15.9	5.3
Other credit to individuals	31.6	31.7	8.0	28.4	24.6	18.8	59.9	56.3	26.8	60.6	27.4
Very small enterprises and self-employed	15.2	15.7	5.3	12.4	10.1	7.8	27.6	25.9	13.1	27.2	13.1
TOTAL	**133.9**	**132.0**	**23.8**	**60.7**	**51.8**	**33.9**	**194.7**	**183.9**	**57.7**	**193.0**	**57.2**

Dec. 31, 2010	IRB approach			Standard approach			Total			Average[1]	
Retail portfolio *(In EUR bn)*	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Residential mortgages	71.7	71.8	6.2	13.2	12.9	4.7	85.0	84.6	10.9	81.6	10.0
Revolving credit	11.0	7.6	2.9	5.2	3.3	2.5	16.2	11.0	5.5	15.8	5.3
Other credit to individuals	34.1	34.3	9.1	28.1	24.3	18.5	62.2	58.6	27.5	59.4	26.9
Very small enterprises and self-employed	14.8	15.4	5.5	11.6	9.7	7.3	26.4	25.1	12.8	26.4	13.1
TOTAL	**131.7**	**129.0**	**23.7**	**58.1**	**50.2**	**33.0**	**189.9**	**179.2**	**56.7**	**183.1**	**55.4**

Note 1: The average exposure and RWA are determined by aggregating the total gross exposure and RWA at the end of the last four quarters and dividing the result by 4.

Breakdown of credit risk

Table 16: **Credit and counterparty risk exposure by approach and exposure class**

Dec. 31, 2011	IRB approach			Standard approach			Total		
Exposure Class *(In EUR bn)*	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL
Sovereign	117.9	6.2	124.1	3.5	0.3	3.8	121.5	6.5	127.9
Institutions	82.0	56.7	138.8	11.1	2.9	14.0	93.1	59.6	152.7
Corporates	272.8	40.7	313.6	110.8	2.6	113.4	383.6	43.3	426.9
Retail	133.9	0.1	133.9	60.7	0.0	60.7	194.6	0.1	194.7
Securitisation	23.9	0.5	24.4	0.8	0.0	0.8	24.8	0.5	25.2
TOTAL	**630.6**	**104.1**	**734.7**	**187.0**	**5.7**	**192.7**	**817.6**	**109.9**	**927.4**

Dec. 31, 2010	IRB approach			Standard approach			Total		
Exposure Class *(In EUR bn)*	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL
Sovereign	59.0	11.4	70.4	3.0	0.8	3.8	61.9	12.2	74.1
Institutions	72.8	58.5	131.3	14.2	1.1	15.2	87.0	59.6	146.5
Corporates	279.5	35.7	315.1	110.9	2.7	113.6	390.4	38.4	428.8
Retail	131.6	0.1	131.7	58.1	0.0	58.1	189.7	0.2	189.9
Securitisation	38.4	0.7	39.1	2.8	0.0	2.8	41.1	0.7	41.9
TOTAL	**581.2**	**106.4**	**687.6**	**189.0**	**4.6**	**193.5**	**770.2**	**111.0**	**881.2**

Table 17: **Credit and counterparty exposure at default (EAD) by approach and exposure class**

Dec. 31, 2011	IRB approach			Standard approach			Total		
Exposure Class *(In EUR bn)*	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL
Sovereign	107.0	6.2	113.1	3.5	0.3	3.8	110.5	6.5	116.9
Institutions	52.7	56.7	109.4	6.6	2.8	9.4	59.4	59.5	118.8
Corporates	192.4	40.7	233.1	66.4	2.5	69.0	258.8	43.3	302.0
Retail	132.0	0.1	132.0	51.8	0.0	51.8	183.8	0.1	183.9
Securitisation	22.9	0.5	23.4	0.8	0.0	0.8	23.8	0.5	24.2
TOTAL	**507.0**	**104.1**	**611.1**	**129.2**	**5.6**	**134.8**	**636.2**	**109.7**	**745.9**

Dec. 31, 2010	IRB approach			Standard approach			Total		
Exposure Class *(In EUR bn)*	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL	Credit risk	Counterparty risk	TOTAL
Sovereign	54.6	11.4	66.0	2.9	0.8	3.7	57.5	12.2	69.7
Institutions	52.6	58.5	111.1	9.4	1.0	10.4	62.0	59.5	121.4
Corporates	195.2	35.7	230.9	66.6	2.7	69.3	261.9	38.4	300.2
Retail	128.9	0.1	129.0	50.2	0.0	50.2	179.1	0.2	179.2
Securitisation	37.3	0.7	38.0	1.0	0.0	1.0	38.3	0.7	39.0
TOTAL	**468.6**	**106.4**	**575.0**	**130.1**	**4.5**	**134.6**	**598.7**	**110.9**	**709.6**

Table 18: **Corporate credit exposure at default (EAD) by industry sector**

Industry sector	Corporates December 31, 2011		Corporates December 31, 2010	
(In EUR bn)	EAD	Breakdown in %	EAD	Breakdown in %
Finance & insurance	57.3	19.0%	57.9	19.3%
Real estate	23.1	7.6%	24.4	8.1%
Public administration	0.3	0.1%	0.4	0.1%
Food & agriculture	14.8	4.9%	15.0	5.0%
Consumer goods	7.1	2.3%	8.1	2.7%
Chemicals, rubber, plastics	6.1	2.0%	6.4	2.1%
Retail trade	14.1	4.7%	13.9	4.6%
Wholesale trade	22.7	7.5%	23.6	7.9%
Construction	13.0	4.3%	12.7	4.2%
Transport equip. Manuf.	3.4	1.1%	3.3	1.1%
Education and Associations	1.1	0.4%	1.0	0.3%
Hotels and catering	5.1	1.7%	4.7	1.6%
Automobiles	5.3	1.8%	5.3	1.8%
Machinery and equipment	10.2	3.4%	10.6	3.5%
Forestry, paper	1.9	0.6%	2.1	0.7%
Metals, minerals	14.6	4.8%	13.6	4.5%
Media	3.6	1.2%	4.4	1.5%
Oil and Gas	17.1	5.7%	17.8	5.9%
Health , social services	2.6	0.9%	2.4	0.8%
Business services	23.3	7.7%	21.3	7.1%
Collective services	20.2	6.7%	20.4	6.8%
Personal & domectic services	0.2	0.1%	0.2	0.1%
Telecoms	9.3	3.1%	8.7	2.9%
Transport & logistics	25.6	8.5%	22.0	7.3%
TOTAL	**302.0**	**100%**	**300.2**	**100.0%**

Table 19: Exposure at default (EAD) by geographical region

Geography *(In EUR bn) – December 31, 2011*	Sovereign	Institutions	Corporates	Retail	Securitisation	Total Dec. 31, 2011	Breakdown in %	**Total December 31, 2010**
France	36.8	39.4	114.6	129.6	5.2	325.6	43.7%	**295.4**
EU (except France)	25.0	42.7	90.3	36.9	5.6	200.4	26.9%	**214.0**
- of which Eastern Europe countries	10.5	3.5	20.0	16.9	0.0	50.9	6.8%	**51.6**
Central and Eastern Europe (excluding EU)	4.9	2.1	14.5	10.3	0.0	31.7	4.3%	**26.2**
Africa / Middle East	8.7	2.0	20.5	5.1	0.1	36.3	4.9%	**34.2**
America	36.7	26.6	45.1	1.4	11.6	121.5	16.3%	**111.0**
Asia	4.8	6.0	17.2	0.6	1.8	30.4	4.1%	**28.9**
TOTAL	**116.9**	**118.8**	**302.0**	**183.9**	**24.2**	**745.9**	**100%**	**709.6**

Table 20: Retail exposure at default (EAD) by geographical region

Geographic region *(In EUR bn) – December 31, 2011*	Residential mortgages	Revolving credit	Other credit to individuals	Very small enterprises and self-employed	Total Dec. 31, 2011	Breakdown in %	**Total December 31, 2010**
France	76.2	8.1	29.8	15.5	129.6	70.5%	**127.9**
EU (except France)	10.1	1.8	15.9	9.0	36.9	20.0%	**39.0**
- of which Eastern Europe countries	8.4	0.9	5.8	1.7	16.9	9.2%	**16.9**
Central and Eastern Europe (excluding EU)	3.3	0.5	6.2	0.3	10.3	5.6%	**5.9**
Africa / Middle East	1.4	0.0	2.7	1.0	5.1	2.8%	**4.5**
America	0.1	0.0	1.3	0.0	1.4	0.8%	**1.4**
Asia	0.1	0.0	0.4	0.1	0.6	0.3%	**0.6**
TOTAL	**91.2**	**10.4**	**56.3**	**25.9**	**183.9**	**100%**	**179.2**

Table 21: Under the IRB approach for non-retail customers: credit risk exposure by residual maturity as at December 31, 2011

	Breakdown by residual exposure as at December 31, 2011				
Exposure *(In EUR bn)*	< 1 year	1 to 5 years	5 to 10 years	> 10 years	Total
Sovereign	53.8	58.7	7.6	4.0	124.1
Institutions	33.0	90.3	3.8	11.7	138.8
Corporates	101.8	165.3	24.3	22.2	313.6
Securitisation	10.8	12.6	0.0	1.1	24.4
TOTAL	**199.3**	**326.8**	**35.8**	**38.9**	**600.8**

Global credit risk by rating

Table 22: Under the IRB approach: credit risk exposure by exposure class and internal rating (excluding defaulted exposure) as at December 31, 2011

(In EUR bn)	Internal obligor rating	Gross exposure	On-balance sheet exposure	Off-balance sheet exposure	Average off-balance sheet CCF	EAD	RWA	Average LGD	Average RW[1]	Expected Loss
Sovereign	1	91.3	82.8	8.5	42%	84.8	0.0	0%	0%	0.0
	2	12.9	9.7	3.2	2%	9.6	0.4	20%	4%	0.0
	3	3.3	3.2	0.2	74%	3.1	0.3	27%	9%	0.0
	4	7.4	5.5	1.8	75%	6.9	0.9	11%	14%	0.0
	5	6.1	5.8	0.3	59%	5.7	3.2	28%	55%	0.0
	6	1.7	1.1	0.5	76%	1.5	0.4	12%	29%	0.0
	7	0.2	0.2	0.0	100%	0.2	0.1	18%	90%	0.0
Sub-total		**122.8**	**108.3**	**14.5**	**39%**	**111.8**	**5.4**	**5%**	**5%**	**0.0**
Institutions	1	15.2	12.4	2.7	76%	13.9	0.5	8%	4%	0.0
	2	33.9	15.9	18.0	91%	27.5	1.7	18%	6%	0.0
	3	73.1	38.7	34.4	93%	54.0	4.1	20%	8%	0.0
	4	11.4	6.3	5.1	88%	9.7	2.5	24%	27%	0.0
	5	3.9	2.7	1.2	66%	3.1	2.1	30%	66%	0.0
	6	0.6	0.4	0.2	53%	0.5	0.4	24%	80%	0.0
	7	0.4	0.2	0.2	46%	0.3	0.2	14%	65%	0.0
Sub-total		**138.4**	**76.6**	**61.8**	**90%**	**109.1**	**11.5**	**18%**	**11%**	**0.0**
Corporates	1	7.3	3.8	3.5	47%	5.4	0.7	72%	13%	0.0
	2	36.5	13.4	23.1	44%	21.3	3.0	39%	14%	0.0
	3	74.3	31.5	42.8	58%	53.3	6.9	31%	13%	0.0
	4	98.3	42.7	55.6	53%	70.3	24.5	29%	35%	0.1
	5	62.7	40.4	22.3	55%	52.3	32.6	27%	67%	0.3
	6	18.8	11.7	7.2	61%	15.9	16.8	27%	105%	0.3
	7	2.4	1.9	0.5	79%	2.2	3.3	29%	148%	0.1
Sub-total		**300.4**	**145.4**	**154.9**	**54%**	**220.7**	**87.8**	**31%**	**41%**	**0.8**
Retail	1	2.2	1.9	0.3	99%	2.2	0.2	100%	10%	0.0
	2	2.1	2.0	0.1	99%	2.2	0.2	100%	10%	0.0
	3	23.4	22.3	1.1	107%	23.5	0.6	24%	3%	0.0
	4	47.8	43.0	4.8	60%	46.0	3.2	20%	7%	0.0
	5	32.3	29.1	3.2	76%	31.6	6.8	21%	21%	0.1
	6	13.1	12.3	0.8	96%	13.3	5.0	24%	37%	0.2
	7	6.6	6.4	0.2	125%	6.9	4.2	24%	61%	0.4
Sub-total		**127.6**	**117.0**	**10.6**	**75%**	**125.7**	**20.2**	**24%**	**16%**	**0.7**
Corporates in IRB slotting		1.5	0.6	0.9	57%	1.1	0.7		64%	0.0
Receivables		2.5	2.5	0.0	-	2.6	1.6		62%	0.0
TOTAL		**693.1**	**450.4**	**242.7**	**50%**	**571.0**	**127.2**	**22%**	**22%**	**1.5**

Note 1: after taking into account the PD floor.

Table 23: **Under the IRB approach for retail customers: credit risk exposure by exposure class and internal rating (excluding defaulted exposure)**

(In EUR bn)	Internal obligor rating	Gross exposure	On-balance sheet exposure	Off-balance sheet exposure	Average off-balance sheet CCF	EAD	RWA	Average LGD	Average RW(1)	Expected Loss
Residential mortgages	1	0.2	0.2	0.0	100%	0.2	0.0	100%	10%	0.0
	2	1.9	1.8	0.1	100%	2.0	0.2	100%	10%	0.0
	3	18.9	18.1	0.7	100%	18.9	0.4	19%	2%	0.0
	4	33.0	32.3	0.7	100%	33.0	1.5	18%	5%	0.0
	5	15.2	14.8	0.4	100%	15.2	2.0	17%	13%	0.0
	6	4.4	4.3	0.1	100%	4.4	1.0	17%	22%	0.0
	7	2.6	2.5	0.1	100%	2.6	1.1	16%	43%	0.0
Sub-total		**76.2**	**74.2**	**2.0**	**100%**	**76.2**	**6.2**	**21%**	**8%**	**0.1**
Revolving credit	1	0.0	0.0	0.0	-	0.0	0.0	0%	0%	0.0
	2	0.0	0.0	0.0	-	0.0	0.0	0%	0%	0.0
	3	0.3	0.0	0.2	127%	0.3	0.0	45%	1%	0.0
	4	3.8	0.3	3.6	45%	1.9	0.1	43%	7%	0.0
	5	2.5	0.5	2.0	61%	1.8	0.4	38%	22%	0.0
	6	1.6	1.1	0.5	92%	1.6	0.8	37%	51%	0.0
	7	0.7	0.6	0.1	186%	0.8	0.9	43%	115%	0.1
Sub-total		**8.9**	**2.6**	**6.3**	**58%**	**6.4**	**2.3**	**40%**	**35%**	**0.1**
Other credit to individuals	1	2.0	1.7	0.3	99%	2.0	0.2	100%	10%	0.0
	2	0.2	0.2	0.1	99%	0.2	0.0	100%	10%	0.0
	3	4.3	4.1	0.2	108%	4.3	0.2	42%	5%	0.0
	4	7.3	6.8	0.4	104%	7.3	1.0	22%	14%	0.0
	5	9.1	8.5	0.6	104%	9.2	2.8	23%	31%	0.0
	6	4.1	4.0	0.1	104%	4.1	1.9	28%	45%	0.1
	7	1.7	1.7	0.0	115%	1.7	1.0	25%	61%	0.1
Sub-total		**28.7**	**27.0**	**1.8**	**103%**	**28.9**	**7.2**	**33%**	**25%**	**0.3**
Very small enterprises and self-employed	1	0.0	0.0	0.0	-	0.0	0.0	15%	2%	0.0
	2	0.0	0.0	0.0	-	0.0	0.0	0%	0%	0.0
	3	0.0	0.0	0.0	-	0.0	0.0	14%	2%	0.0
	4	3.7	3.6	0.1	100%	3.8	0.5	17%	13%	0.0
	5	5.4	5.2	0.2	100%	5.4	1.5	21%	28%	0.0
	6	3.0	2.9	0.1	100%	3.3	1.4	23%	42%	0.1
	7	1.6	1.6	0.0	-	1.7	1.1	26%	62%	0.1
Sub-total		**13.7**	**13.3**	**0.4**	**100%**	**14.2**	**4.5**	**21%**	**31%**	**0.2**
TOTAL		**127.6**	**117.0**	**10.6**	**75%**	**125.7**	**20.2**	**24%**	**16%**	**0.7**

(1) after taking into account the PD floor

Table 24: **Under the standard approach: credit risk exposure by exposure class and external rating**

		Credit exposure - December 31, 2011			Credit exposure - December 31, 2010		
(In EUR bn)	**External Rating**	**Gross exposure**	**EAD**	**RWA**	**Gross exposure**	**EAD**	**RWA**
Sovereign	AAA to AA-	1.2	1.2	0.0	1.4	1.3	0.0
	A+ to A-	0.0	0.0	0.0	0.0	0.0	0.0
	BBB+ to BBB-	1.8	1.8	0.9	1.6	1.6	0.8
	BB+ to B-	0.5	0.4	0.4	0.4	0.4	0.4
	<B-	0.0	0.0	0.0	0.0	0.0	0.0
	Without external rating	0.3	0.3	0.1	0.3	0.3	0.1
Sub-total		**3.8**	**3.8**	**1.4**	**3.8**	**3.7**	**1.3**
Institutions	AAA to AA-	10.9	6.8	1.0	6.8	7.7	1.4
	A+ to A-	0.6	0.6	0.3	0.3	0.3	0.1
	BBB+ to B-	2.4	2.0	2.0	8.2	2.5	2.5
	<B-	0.0	0.0	0.0	0.0	0.0	0.0
	Without external rating	0.0	0.0	0.0	-0.1	-0.1	0.0
Sub-total		**13.9**	**9.4**	**3.3**	**15.2**	**10.4**	**4.0**
Corporates	AAA to AA-	31.5	2.8	0.5	12.6	2.1	-0.3
	A+ to A-	1.4	1.0	0.5	3.8	3.2	1.5
	BBB+ to B-	17.9	16.5	16.3	40.9	16.6	16.6
	<B-	1.6	1.4	2.2	3.9	3.1	4.7
	Without external rating	55.0	44.3	41.5	52.5	44.3	41.7
Sub-total		**107.4**	**66.1**	**61.0**	**113.6**	**69.3**	**64.2**
Retail	Without external rating	60.7	51.8	33.9	58.1	50.2	33.0
TOTAL		**185.8**	**131.1**	**99.6**	**190.8**	**133.6**	**102.5**

Counterparty risk

Table 25: **Counterparty exposure at default (EAD) by exposure class**

Exposure class *(In EUR bn)*	Counterparty risk Dec. 31, 2011		Counterparty risk Dec. 31, 2010	
	EAD	RWA	EAD	RWA
Sovereign	6.5	0.4	12.2	0.5
Institutions	59.5	7.1	59.5	4.8
Corporates	43.3	18.3	38.4	16.1
Retail	0.1	0.0	0.2	0.0
Securitisation	0.5	0.1	0.7	0.1
TOTAL	**109.8**	**26.0**	**110.9**	**21.6**

The ten most important counterparties in terms of counterparty risk account for 32% of the Group's total exposure to counterparty risk. They are mainly institutional and sovereign counterparties.

Table 26: **Counterparty exposure at default (EAD) by geographical region**

Counterparty risk *(In EUR bn)*	EAD Dec. 31, 2011	EAD Dec. 31, 2010
France	19.1	18.1
EU (except France)	42.0	43.2
- of which Eastern Europe countries	3.1	3.5
Central and Eastern Europe (excluding EU)	0.5	0.2
Africa / Middle East	1.6	1.0
America	40.5	42.7
Asia	6.1	5.7
TOTAL	**109.8**	**110.9**

Table 27: **Under the IRB approach: counterparty exposure at default (EAD) by rating**

Counterparty risk - IRB approach *(In EUR bn)*	EAD Dec. 31, 2011	EAD Dec. 31, 2010
Internal obligor rating		
1	4.0	9.5
2	32.2	33.2
3	49.8	46.1
4	10.7	10.7
5	4.8	3.6
6	1.5	2.7
7	0.3	0.2
8 to 10	0.8	0.4
TOTAL	**104.1**	**106.4**

Unimpaired past due exposures, impaired exposures, value adjustments and expected losses

Table 28: **Breakdown of unimpaired past due exposures[1] by exposure class**

Exposure class *(in EUR bn)*	Dec. 31, 2011		Dec. 31, 2010[2]	
	Total	o/w past due amounts	Total	o/w past due of less than 31 days in %
Sovereign	0.0	22%	0.0	11%
Credit institutions	0.2	26%	0.3	68%
Corporate	2.6	55%	2.4	44%
Retail	4.5	64%	4.6	60%
Securitisation	-	-	-	-
TOTAL	**7.4**	**60%**	**7.3**	**55%**

(1) For further details on this scope, refer to the dedicated paragraph in Note 4 of the consolidated financial statements on page 287 of the Registration Document.
(2) Amounts adjusted with respect to the Pillar 3 as at December 31, 2010.

Table 29: Impaired on-balance sheet exposures and value adjustments by exposure class

Dec 31, 2011	Impaired on-balance sheet exposure			Individual value adjustments	Collective value adjusments	2011 net cost of risk
(In EUR bn)	Standard approach	IRB approach	Total			
Sovereign	0.0	1.2	1.2	0.8		
Institutions	0.1	0.2	0.3	0.2		
Corporates	5.8	5.6	11.4	6.3		
Retail	6.5	6.2	12.8	7.2		
Securitisation	0.0	3.5	3.5	2.1		
TOTAL	**12.4**	**16.8**	**29.2**	**16.6**	**1.3**	**4.3**

Dec 31, 2010	Impaired on-balance sheet exposure			Individual value adjustments(1)	Collective value adjusments	2010 net cost of risk
(In EUR bn)	Standard approach	IRB approach	Total			
Sovereign	0.0	0.1	0.1	0.1		
Institutions	0.0	0.4	0.4	0.2		
Corporates	5.8	5.3	11.0	5.6		
Retail	6.1	6.3	12.4	6.9		
Securitisation	0.0	3.7	3.7	2.1		
TOTAL	**11.9**	**15.7**	**27.6**	**14.9**	**1.2**	**4.2**

(1) Amounts adjusted with respect to the Pillar 3 as at December 31, 2010.

Table 30: Impaired on-balance sheet exposures by geography

(En Md EUR)	Impaired exposures Dec. 31, 2011	Individual value adjustments Dec. 31, 2011	Impaired exposures Dec. 31, 2010	Individual value adjustments Dec. 31, 2010(1)
France	10.0	4.9	9.4	4.5
EU (except France)	5.4	3.2	4.7	2.4
Central and Eastern Europe (excluding EU)	7.0	4.3	6.9	4.0
Africa / Middle East	2.0	1.3	1.5	1.2
America	4.2	2.6	4.8	2.6
Asia	0.6	0.2	0.3	0.1
TOTAL	**29.2**	**16.6**	**27.6**	**14.9**

(1) Amounts adjusted with respect to the Pillar 3 as at December 31, 2010.

Table 31: **Impaired on-balance sheet exposures by industry sector**

(in EUR bn)	Impaired exposures 2011	%	Impaired exposures 2010	%
Finance & insurance	4.1	14%	4.5	16%
Real Estate	1.7	6%	2.1	8%
Public administration	1.2	4%	0.1	1%
Food & agriculture	0.4	1%	0.5	2%
Consumer goods	0.6	2%	0.6	2%
Chemicals, rubber and plastics	0.3	1%	0.3	1%
Retail trade	0.6	2%	0.5	2%
Wholesale trade	1.6	5%	1.5	5%
Construction	0.7	2%	0.5	2%
Transport equip. manuf.	0.1	0%	0.0	0%
Education and Associations	0.0	0%	0.0	0%
Hotels & Catering	0.3	1%	0.3	1%
Automobiles	0.2	1%	0.2	1%
Machinery and equipment	0.3	1%	0.3	1%
Forestry, paper	0.1	0%	0.1	0%
Metals, minerals	0.5	2%	0.5	2%
Media	0.3	1%	0.2	1%
Oil and Gas	0.0	0%	0.0	0%
Health, social services	0.1	0%	0.1	0%
Business services	0.8	3%	0.6	2%
Collective services	0.1	0%	0.1	0%
Personal and domestic services	0.0	0%	0.0	0%
Telecom	0.0	0%	0.0	0%
Transport & logistics	1.0	3%	0.5	2%
Retail	12.8	44%	12.4	45%
Others	1.3	5%	1.7	6%
TOTAL	**29.2**	**100%**	**27.6**	**100%**

Table 32: **Under the IRB approach: expected losses (EL) on a one-year horizon by exposure class (excluding defaulted exposure)**

	Expected losses (EL), excluding defaulted exposure	
(in EUR bn)	**Dec. 31, 2011**	**Dec. 31, 2010**
Sovereign	0.0	0.0
Institutions	0.0	0.1
Corporates	0.8	0.9
Retail	0.7	0.7
Securitisation	0.0	0.0
TOTAL	**1.5**	**1.7**

The EL/EAD ratio stood at 0.26% at December 31, 2011, lower than at December 31, 2010 (0.32%). The ratio is calculated on sovereign, banking, institutions, corporate and retail portfolios.

The European Banking Federation's Pillar 3 working group suggests comparing the EL/EAD ratio with provision amounts in relation to gross exposures. This ratio stood at 2.37% at December 31, 2011, compared with 2.01% at end-2010.

A comparison between EL and realised losses is not relevant in our opinion insofar as the parameters of the expected loss calculation (PD, LGD, EAD) provide estimations throughout the cycle, whereas the realised loss presents a piece of accounting information pertaining to a particular year.

4
SECURITISATION

SECURITISATIONS AND BASEL 2.5

For the purpose of this report, Societe Generale's securitisation positions relate to securitisation exposures recorded on- and off-balance sheet and giving rise to capital requirements in respect of the bank's regulatory banking book and trading book.

As defined in the Capital Requirements Directive (CRD), securitisation refers to a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics:

- the transaction achieves significant risk transfer;
- payments in the transaction or scheme are contingent on the performance of the exposure or pool of exposures;
- the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or risk transfer scheme.

CRD3 contains measures aimed at increasing capital requirements for re-securitisation positions. Such positions held in the banking book or trading book are given weightings of 7% to 1,250% depending on their credit quality and subordination rank.

ACCOUNTING METHODS

The securitisation transactions that Societe Generale invests in are recognised in accordance with Group accounting principles, as set forth in the notes to the consolidated financial statements («Significant accounting principles»).

After initial recognition, securitisation positions booked to «Loans and receivables» are measured at amortised cost using the effective interest rate method and impairment may be recorded if appropriate.

Securitisation positions booked to «Available-for-sale financial assets» are measured at their fair value at the closing 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 changes in fair value in the income statement when the asset is sold or impaired, in which case they are reported as «Net gains or losses on available-for-sale financial assets». 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 acquisition cost (net of any repayments of principal and amortisation) and the current fair value, less any impairment of the financial asset that has already been booked through profit or loss.

For assets transferred from another accounting category, amortised cost is determined based on estimated future cash flows determined at the date of reclassification. The estimated future cash flows must be reviewed at each account 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.

Synthetic securitisations having Credit Default Swaps as their underlying instruments are subject to accounting recognition rules specific to trading derivatives.

In the financial year 2011, the main valuation methods applied to the following instruments by the Societe Generale Group are described below:

- In the absence of observable transactions, the valuation of unhedged super senior and senior tranches of CDOs (Collateralised Debt Obligations) exposed to the US residential mortgage market was carried out using data that is largely unobservable or not quoted in an active market. Societe Generale Group's approach focuses on the valuation of individual mortgage pools (structured bond underlying assets) in order to estimate the value of RMBS bonds and consequently the value of CDO tranches, using a conservative forward-looking credit stress scenario, as opposed to a marked-to-market approach. Four key variables are used to estimate the future cash flows of mortgage pools: probability of default, loss given default, pre-payment speed and default horizon. Once determined, these future cash flows are discounted at an average market rate. As of March 31, 2011, this measurement was refined with a waterfall method incorporating cash flows generated by CDOs and their underlying instruments.
- For Residential Mortgage Backed Securities (RMBS), the valuation method used since the second half of 2007 is based on prices observed on benchmark indexes such as the ABX. Renewed market liquidity has made it possible to reliably observe individual prices again. As a result, valuations have been based on external market prices since the first half of 2011.
- The CMBS (Commercial Mortgage Backed Securities) portfolio is valued using market parameters. Until December 31, 2010, the valuation of each US CMBS was based on the credit spread of its CMBX benchmark index (same vintage, same rating). However, given the renewed liquidity on the market, the Group has been able to use the credit spread on the market specific to each bond since the first half of 2011.

MONITORING OF SECURITISATION RISK

Regarding legacy assets, the Risk Division:

- validates all transactions linked to these assets (hedges, disposals, commutations, etc.);
- defines, measures and monitors positions using market risk metrics: VaR and stress tests;
- produces Marked-to-Stress and Impairment calculations, after defining and validating their assumptions;
- analyses each monoline counterparty in order to determine the adequate provisioning rate for Group exposures, and calculates the corresponding provisions;
- participates in the governance bodies of the subsidiary hosting these assets.

For letters of credit and liquidity facilities issued by the Bank to the securitisation vehicles it sponsors, Societe Generale received approval in 2009 to use its internal ratings-based approach, in accordance with the provisions of Section V. Accordingly, Societe Generale has developed an Internal Assessment Approach (IAA), whereby an internal rating is assigned to the Group's securitisation exposures, with each rating automatically resulting in a capital weighting based on an equivalence table defined by the regulator.

Like the Group's other internal models, the IAA meets the regulatory standards for the validation of internal models, as defined by the regulator. For example, an ex-post review of the model is performed annually to ensure that the configuration is sufficiently conservative, and the model is validated in accordance with a comprehensive, regulator-approved governance process.

Finally, the model is used to measure impacts in stress scenarios and as a transaction structuring tool.

External Credit Assessment Institutions used by Societe Generale:

Societe Generale uses external credit ratings to gauge credit risk on securitisation positions. These are assigned by rating agencies that have been granted External Credit Assessment Institution (ECAI) status by the Committee of European Banking Supervisors (CEBS).

Assets securitised by Societe Generale and securitised assets held or purchased by Societe Generale are generally rated by one or more ECAI rating agencies, such as Standard & Poor's, Moody's Investors Service, Fitch Ratings and DBRS.

SOCIETE GENERALE'S SECURITISATION ACTIVITIES

The following tables detail all the securitisation transactions in which the Group served as originator and/or sponsor. The exposures are shown based on the gross book value of their provisions at December 31, 2011 and December 31, 2010. These values are not comparable with the data presented in the Registration Document, mainly because they include assets transferred off-balance sheet. This information is based in part on the management reports for the instruments in question. All positions are banking book positions, as none of the bank's securitisation activity involves the trading book.

Table 33: **Total exposures securitised by the Group at December 31, 2011 and 2010, by exposure category, in the banking book**

	Securitised exposures at December 31, 2011				Securitised exposures at December 31, 2010			
(In EUR m)	Traditional securitisations		Synthetic securitisations		Traditional securitisations		Synthetic securitisations	
Underlying	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**
Residential mortgages	0	680	0	0	0	2,348	0	0
Commercial mortgages	0	125	0	0	0	152	0	0
Credit card receivables	0	1,058	0	0	0	1,359	0	0
Leasing	0	398	0	0	0	479	0	0
Loans to corporates and SMEs	0	0	138	0	0	0	349	0
Consumer loans	0	2,180	0	0	0	2,156	0	0
Trade receivables	0	3,116	0	0	0	3,092	0	0
Securitisations/Re-securitisations (1)	0	3,363	0	0	0	3,283	0	0
Other assets	0	969	0	0	0	1,182	0	0
Total	**0**	**11,889**	**138**	**0**	**0**	**14,052**	**349**	**0**

Note 1: No new re-securitisation positions have been initiated since 2010. The differences are attributable to EUR/USD exchange rate fluctuations

The following table shows exposures securitised by the Group, for which the underlying assets are past due, in default or impaired.

Table 34: **Securitised exposures with past due payments, in default or impaired at December 31, 2011 and 2010**

	Securitised exposures at December 31, 2011				Securitised exposures at December 31, 2010			
(In EUR m)	Past due		Defaulted or impaired		Past due		Defaulted or impaired	
Underlying	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**
Residential mortgages	0	22	0	1	0	92	0	1
Commercial mortgages	0	0	0	0	0	0	0	0
Credit card receivables	0	46	0	70	0	68	0	118
Leasing	0	1	0	1	0	2	0	5
Loans to corporates and SMEs	0	0	0	0	0	0	1	0
Consumer loans	0	70	0	3	0	70	0	8
Trade receivables	0	739	0	204	0	774	0	219
Securitisations/Re-securitisations	0	0	0	1,220	0	0	0	1,553
Other assets	0	0	0	0	0	0	0	0
Total	**0**	**878**	**0**	**1,500**	**0**	**1,006**	**1**	**1,905**

Note 1: the exposures at default on two US RMBS CDOs have been restated to align them with the management reports at end-December.

This information must be considered within the context of the specific structure of each transaction and vehicle, which cannot be described in this report. Taken separately, the level of payments in arrears or in default does not provide sufficient information on the types of exposures securitised by the Group, mainly because the definition of payments in arrears or in default can vary from one transaction to another.

Payments in arrears and defaulted or impaired assets have decreased with the stabilisation of the market and the improved quality of underlying assets. As in 2010, most defaulted or impaired assets were held in two US RMBS CDOs and in ABCP conduits related to credit card exposures and trade receivables.

Societe Generale's securitisation activities meet the following strategic objectives:

COMMERCIAL CONDUITS (SPONSOR)

Societe Generale has set up a number of special purpose entities known as ABCP conduits, used to provide financing to customers via the money markets, backed by assets such as trade receivables or consumer loans. These conduits are an integral part of the Group's commercial and investment banking activities. They help finance the working capital requirements of several of the bank's biggest clients.

The purpose of this business is to generate fees for structuring and managing these conduits. The credit risk related to the associated assets is transferred to third party investors, including the riskiest tranches. Societe Generale incurs some of the risk arising from this activity, however, in providing liquidity facilities, interest rate or foreign exchange swaps, and letters of credit for these conduits, or when it purchases commercial paper issued by the conduits. Ultimately, the underlying credit risk associated with the assets funded by the conduits is limited through the application of strict underwriting standards, high granularity and diversification as well as by over-collateralisation and other credit enhancement techniques.

The Group did slightly less business in commercial conduits in 2011 than in 2010. Two of four conduits were closed at December 31, 2011 in an effort to refocus the Group's activity on more liquid markets and more stable assets. The two remaining conduits (Antalis and Barton) maintained a solid level of activity. On the whole, exposures securitised in commercial conduits declined by 15% to EUR 11.9bn due to the sharp drop in securitised residential and commercial mortgage loans when two conduits were closed. Recently securitised exposures mainly involve trade receivables, consumer loans and credit card receivables in Europe and the US.

ON-BALANCE SHEET FINANCING (ORIGINATOR):

When conducting its origination, sponsorship or underwriting activities, associated with the securitisation of various asset classes, the bank may retain some of the underlying asset risks. The Group has been an originator exclusively for synthetic transactions. The steep drop in exposures compared to 2010 primarily reflects the unwinding of a synthetic CDO of loans to corporates and SMEs at the end of 2011.

In the interest of its refinancing activities, the Group continued to securitise part of its portfolio of French residential mortgage loans, benefiting or not from the backing of Crédit Logement. Two securitisation transactions were completed in 2011 for a total of nearly EUR 8.7bn, versus a single transaction in 2010 for EUR 1.9bn, all of which were fully subscribed by the Group. These activities are not detailed in Table 38 because they have no impact on the Group's regulatory capital, as no risk transfer took place as a result of these transactions. With the securities created in these transactions, the Group is able to expand its portfolio of assets eligible for European Central Bank refinancing.

On the whole, assets securitised by the Group with no risk transfer totalled EUR 14.4bn at December 31, 2011, of which EUR 2.7bn in consumer loans, EUR 1.1bn in auto loans, EUR 1.9bn in loans to professional customers and EUR 8.7bn in residential mortgages in France.

Table 35: **Assets pending securitisation at December 31, 2011**

(In EUR m)	Banking book	Trading book
Residential mortgages	1,439	0
Commercial mortgages	0	0
Credit card receivables	0	0
Leasing	667	0
Loans to corporates and SMEs	1,403	0
Consumer loans	0	0
Trade receivables	0	0
Securitisations/Re-securitisations	0	0
Other assets	0	0
TOTAL 2011	**3,508**	**0**

SOCIETE GENERALE AS AN INVESTOR:

In addition to assets arising from its main securitisation activities described above, which may be held on its balance sheet, Societe Generale may hold securitised assets as an investor, seeking to lock in a positive net interest margin and an adequate return on the capital employed. These positions can be held in the banking book or the trading book depending on the investment strategy associated with the position.

This activity is predominantly exercised by the Corporate and Investment Banking division. Since 2008, a large part of the securitisation investments have been run off as legacy assets. The Group's banking book positions also include exposures to ABCP conduits, mainly recorded off-balance sheet, developed for its aforementioned sponsorship activities. These exposures are predominantly linked to liquidity facilities and swaps necessary for the conduits. Societe Generale may also act as a market maker in certain types of securitisations, resulting in securitisation positions in the Group's trading book. As of December 31, 2011, CRD3 requires the same accounting treatment regardless of prudential classification.

While the Group's insurance subsidiaries may also hold securitised assets in their investment portfolios, they are outside the scope of the Basel II regulatory banking solvency standards.

The following tables show the exposures held or purchased by the Group by type of underlying assets and by region, separately for the banking book and trading book. These exposures cannot be compared with the securitisation exposures published in the 2010 and 2011 Registration Documents, mainly because the prudential scope is different from the accounting scope.

Table 36: Securitisation exposures held or purchased by type of underlying

	Securitisation exposures held or purchased (banking book)					
(In EUR m)	Dec. 31, 2011			Dec. 31, 2010		
Underlying	**On-balance sheet**	**Off-balance sheet**	**Total**	**On-balance sheet**	**Off-balance sheet**	**Total**
Residential mortgages	2,889	940	3,829	4,135	3,129	7,264
Commercial mortgages	1,537	172	1,709	6,372	202	6,575
Credit card receivables	128	1,463	1,590	136	1,811	1,946
Leasing	132	551	683	278	638	917
Loans to corporates and SMEs	1,958	0	1,958	5,914	0	5,914
Consumer loans	476	3,014	3,490	507	2,872	3,379
Trade receivables	376	4,307	4,683	297	4,119	4,416
Securitisations/Re-securitisations	5,169	0	5,169	6,903	0	6,903
Other assets	0	2,128	2,128	1,974	2,599	4,574
Total	**12,666**	**12,574**	**25,240**	**26,516**	**15,371**	**41,887**

At the end of December 2011, Societe Generale’s exposure to securitisation transactions in the banking book totalled EUR 25.2bn, of which EUR 12.7bn was recorded on the bank’s balance sheet and EUR 12.6bn off-balance sheet, mostly comprising liquidity facilities granted to commercial conduits for the bank’s sponsorship business. Societe Generale’s securitisation exposures cover all asset categories, with a slightly higher proportion of CDOs, trade receivables and residential mortgages.

Over the course of 2011, the Group’s securitisation exposures decreased by EUR 16.7bn, i.e. a decline of close to 40% on 2010 due to the Group’s determination to significantly reduce its legacy asset portfolio and, to a lesser extent, to refocus its commercial conduits business. All categories of exposures have declined, with the exception of trade receivables linked to ABCP conduits. The drop in on-balance sheet exposures resulted from disposals and value adjustments of legacy assets, particularly in commercial mortgages, loans to corporates and residential mortgages.

Table 37: **Securitisation exposures held or purchased by type of underlying, in the trading book**

	Securitisation exposures held or purchased (trading book)			
(In EUR m)	Dec. 31, 2011		Dec. 31, 2010	
Underlying	**Long positions**	**Short positions**	**Long positions**	**Short positions**
Residential mortgages	877	904	N/A	N/A
Commercial mortgages	8,009	5,023	N/A	N/A
Credit card receivables	0	0	N/A	N/A
Leasing	0	0	N/A	N/A
Loans to corporates and SMEs	10,511	10,960	N/A	N/A
Consumer loans	4	0	N/A	N/A
Trade receivables	0	0	N/A	N/A
Securitisations/Re-securitisations	3,616	4,512	N/A	N/A
Other assets	1,705	3,742	N/A	N/A
Total	**24,723**	**25,140**	N/A	N/A

At the end of December 2011, Societe Generale's securitisation exposures in the trading portfolio totalled EUR 24.7bn in long positions and EUR 25.1bn in short positions, of which 87% and 100% were recorded off-balance sheet, respectively.

Table 38: **Securitisation exposures held or purchased by region**

(In EUR m)	Dec. 31, 2011			Dec. 31, 2010	
	Banking book	**Trading book**		**Banking book**	**Trading book**
Underlying		**Long positions**	**Short positions**		
Americas	13,932	16,941	16,662	25,133	N/A
Asia	29	117	85	2,593	N/A
Europe	10,619	7,615	8,293	10,969	N/A
Others	659	50	100	3,192	N/A
Total	**25,240**	**24,723**	**25,140**	**41,887**	N/A

Banking book securitisation exposures to European assets were stable overall. Exposures to US assets dropped by half, however, due in large part to disposals of legacy assets. Lastly, securitisation exposures to Asian assets declined significantly as a result of disposals and the unwinding of two ABCP conduits. At end-December 2011, the Americas accounted for 55% of exposures, versus 42% for Europe.

PRUDENTIAL TREATMENT OF SECURITISATION EXPOSURES

Approach for calculating risk-weighted exposures

Whenever traditional or synthetic securitisations, in whose sponsorship, origination, structuring or management Societe Generale is involved, achieve a substantial and documented risk transfer compliant with the CRD, the underlying assets are excluded from the bank's calculation of risk-weighted exposures for traditional credit risk.

For the securitisation positions that Societe Generale may hold either on- or off-balance sheet, capital requirements are determined based on the bank's exposure, irrespective of its underlying strategy or role. For the trading book, long and short positions are offset within the limits set forth by regulation. Risk-weighted assets resulting from securitisation positions are calculated by applying the appropriate risk weights to the amount of the exposures.

Most of the Group's positions in securitised receivables, both in the banking book and the trading book, are valued using the Internal Ratings Based (IRB) approach, for which there are three calculation methods:

- First and foremost, the Ratings-Based Approach (RBA) must be applied to all rated exposures or those for which a rating can be inferred. Under this approach, finer risk weights are applied, notably reflecting the positions' seniority and granularity.
- The Supervisory Formula is a methodology for non-rated exposures, where the risk weight is based on five inputs associated with the nature and structure of the transaction. To use this approach, the capital charge must be calculated using the IRB approach for the portfolio of assets underlying the securitisation exposure.
- Finally, the positions arising from the Asset Backed Commercial Paper (ABCP) programmes' off-balance sheet exposures (such as liquidity facilities and letters of credit) are determined using the Internal Assessment Approach (IAA). An equivalence table defined by the regulator is used to calculate risk weights based on the internal rating determined by the model.

Less than 3% of the bank's securitisation exposures are valued using the Standardised Approach, whereby the risk-weighted assets are determined according to the credit rating attributed by an external rating agency to the securitisation exposures (e.g. 20% for instruments rated between AAA and AA- and 50% for instruments rated between A+ and A-, etc.).

The following table show the bank's securitisation exposures broken down by risk weight band at December 31, 2011 and at December 31, 2010.

Table 39: Securitisation exposures held or purchased, in the banking portfolio, by calculation method, and IRB weightings at December 31, 2011

(In EUR m)	Exposure at default (EAD)			RWA		
Risk weight band	**Securitisation positions**	**Re-securitisation positions**	**Total**	**Securitisation positions**	**Re-securitisation positions**	**Total**
6% - 10%	3,667	0	3,667	300	0	300
12% - 18%	618	0	618	98	0	98
20% - 35%	678	477	1,155	205	133	338
40% - 75%	278	18	296	204	10	214
100%	219	50	269	232	53	285
150% <= 250%	110	462	572	290	781	1,072
300% <= 425%	62	26	88	280	90	371
450% <= 650%	55	105	160	378	573	951
1,250% (1)	162	2,050	2,212	0	0	0
RBA method	**5,848**	**3,188**	**9,037**	**1,988**	**1,640**	**3,628**
IAA method	9,075	998	10,073	760	436	1,196
Supervisory formula method	1,457	0	1,457	102	0	102
Total	**16,380**	**4,186**	**20,566**	**2,850**	**2,076**	**4,926**

Note 1: Exposures weighted at 1,250% consist exclusively of wholly-provisioned exposures. Amounts resulting in capital deductions are shown in the exposure and capital requirements tables presented below.

Table 40: Securitisation exposures held or purchased, in the banking portfolio, by calculation method, and IRB weightings at December 31, 2010

(In EUR m)	Exposure at default (EAD)		RWA	
Risk weight band	**Securitisation positions**	**Re-securitisation positions**	**Securitisation positions**	**Re-securitisation positions**
6% - 10%	13,185	N/A	1,063	N/A
12% - 18%	1,858	N/A	267	N/A
20% - 35%	744	N/A	216	N/A
40% - 75%	758	N/A	498	N/A
100%	344	N/A	365	N/A
250%	124	N/A	329	N/A
425%	364	N/A	1,638	N/A
650%	54	N/A	374	N/A
1,250%	1,990	N/A	0	N/A
RBA method	**19,421**	N/A	**4,750**	N/A
IAA method	12,239	N/A	1,102	N/A
Supervisory formula method	2,100	N/A	159	N/A
Total	**33,760**	N/A	**6,011**	N/A

Table 41: **Securitisation exposures held or purchased, in the banking book, by calculation method, and standard approach weightings at December 31, 2011**

(In EUR m)	Exposure at default (EAD)				RWA			
	December 31, 2011		December 31, 2010		December 31, 2011		December 31, 2010	
	Securi-tisation positions	Re-securi-tisation positions	Securi-tisation positions	Re-securi-tisation positions	Securi-tisation positions	Re-securi tisation positions	Securi-tisation positions	Re-securi tisation positions
100% weighting	15	N/A	20	N/A	15	N/A	20	N/A
External ratings-based method	15	N/A	20	N/A	15	N/A	20	N/A
Transparency method	807	N/A	955	N/A	487	N/A	499	N/A
Total standard approach	**823**	N/A	**975**	N/A	**502**	N/A	**519**	N/A

At December 31, 2011, about 96% of the banking book securitisations were valued using the IRB method. Under this method, 44% of exposures were weighted using the RBA approach, 9% using the supervisory formula method and 49% using the IAA approach. The sharp drop in external ratings-based exposures can be attributed to the disposal of legacy assets, which are predominantly valued using this method. Under the standard approach, the bank's risk-weighted assets and the corresponding capital requirements in respect of its securitisation exposures were mainly valued using a transparency method.

Table 42: **Securitisation exposures held or purchased, in the trading book, valued using the standard approach at December 31, 2011**

(In EUR m)	December 31, 2011					
Risk weight band	**Long securitisation positions**	**Long re-securitisation positions**	**Total Long positions**	**Short securitisation positions**	**Short re-securitisation positions**	**Total Short positions**
6% - 10%	6,763	0	6,763	4,687	0	4,687
12% - 18%	80	0	80	123	0	123
20% - 35%	1,825	442	2,267	2,176	0	2,176
40% - 75%	392	20	412	395	0	395
100%	450	211	661	849	0	849
>100% <= 250%	520	94	614	681	0	681
>250% <= 425%	301	214	515	423	0	423
>425% <= 850%	959	173	1,132	950	113	1,063
1,250% 2	0	0	0	0	0	0
EAD subject to risk weight	**11,291**	**1,153**	**12,444**	**10,283**	**113**	**10,395**
Supervisory formula method	8,877	1,732	10,608	8,877	4,299	13,176
EAD after capital deductions	**20,167**	**2,885**	**23,052**	**19,159**	**4,412**	**23,571**
Capital-deducted positions	940	731	1,671	1,469	100	1,569
EAD before capital deductions	**21,107**	**3,616**	**24,723**	**20,628**	**4,512**	**25,140**

(1) All trading portfolio positions are weighted according to the standard method.
(2) Exposures weighted at 1,250% consist exclusively of wholly-provisioned exposures.

REGULATORY CAPITAL REQUIREMENTS

At the end of 2011 and 2010, Societe Generale's capital requirements in respect of securitisation exposures, measured using the standard approach and the internal ratings-based approach, were as follows:

Table 43: Capital requirements in respect of securitisation exposures held or purchased, in the banking book

(In EUR m)	Dec. 31, 2011									Dec. 31, 2010
	Exposure at default (EAD)			Risk-weighted assets			Capital requirements			Capital requirements
	IRB	Standard	Total	IRB	Standard	Total	IRB	Standard	Total	Total
Originator	**111**	**0**	**111**	**8**	**0**	**8**	**0**	**0**	**0**	**2**
On-balance sheet	111	0	111	8	0	8	0	0	0	2
Off-balance sheet	0	0	0	0	0	0	0	0	0	0
Investor	**11,198**	**15**	**11,214**	**3,548**	**15**	**3,563**	**278**	**1**	**280**	**379**
On-balance sheet	9,631	15	9,647	3,420	15	3,435	274	1	275	365
Off-balance sheet	1,567	0	1,567	128	0	128	5	0	5	14
Sponsor	**12,109**	**807**	**12,917**	**1,370**	**487**	**1,857**	**110**	**39**	**149**	**141**
On-balance sheet	2,102	805	2,908	176	485	660	14	39	53	52
Off-balance sheet	10,007	2	10,009	1,195	2	1,197	96	0	96	88
Total before ceiling	**23,419**	**823**	**24,242**	**4,926**	**502**	**5,428**	**388**	**40**	**428**	**522**
On-balance sheet	11,845	821	12,666	3,603	500	4,104	288	40	328	420
Off-balance sheet	11,574	2	11,576	1,323	2	1,325	100	0	101	103
Ceiling							6	0	6	0
Total after ceiling							**394**	**40**	**434**	**522**

At the end of 2011, capital requirements in respect of banking book securitisations fell by about 17%. The strongest decrease occurred in the Group's investment activity (-26% on 2010), whereas capital requirements in respect of the sponsorship activity increased slightly (+5% year-on-year). The decline in capital requirements for the investment activity was linked to a slight shift in exposures to higher risk weight bands, reflecting a deterioration in risk particularly in CDOs, which was largely offset, however, by the drop in outstandings, in line with the Group's determination to reduce its banking book investment exposures. In the sponsor activity, the limited rise in risk-weighted assets despite the decline in exposures was due in large part to a slight migration in the ratings of assets underlying the commercial conduits.

Table 44: **Capital requirements in respect of trading book securitisations at December 31, 2011**

(In EUR m)	Long positions	Short positions	Risk-weighted long positions	Risk-weighted short positions	Total risk-weighted positions	Capital requirements
Securitisation	20,167	19,159	1,386	931	1,386	N/A
Re-securitisation	2,885	4,412	421	2,881	2,881	N/A
TOTAL 2011	**23,052**	**23,571**	**1,807**	**3,812**	**3,812**	**305**

Positions in securitisation and re-securitisation products are defined according to their market value for securities and their market value-adjusted notional amount for credit derivatives. In accordance with the exception provided for under CRD3 until December 31, 2013, Societe Generale calculates its capital requirement as the maximum of risk-weighted long positions (Societe Generale bears the credit risk) and risk-weighted short positions (Societe Generale is hedged against credit risk).

Table 45: **Capital deductions by exposure category (banking book)**

	Capital deductions	
(In EUR m)	Banking book	
Underlying	**Dec. 31, 2011**	**Dec. 31, 2010**
Residential mortgages	710	915
Commercial mortgages	62	44
Credit card receivables	0	0
Leasing	3	21
Loans to corporates and SMEs	88	78
Consumer loans	14	8
Trade receivables	0	0
Securitisations/Re-securitisations	1,964	3,180
Other assets	10	10
Total	**2,853**	**4,256**

Most capital deductions in respect of banking book securitisations can be attributed to re-securitisation exposures, which considerably decreased at end-2011 (-38%), with total capital deductions falling by 33% compared to 2010.

Table 46: **Capital deductions in respect of trading book securitisations at December 31, 2011**

(In EUR m)	Long positions (EAD)	Short positions (EAD)
Securitisation	940	1,469
Re-securitisation	731	100
TOTAL	**1,671**	**1,569**
Capital deduction	**192**	

5
EQUITY RISK

INVESTMENT STRATEGIES AND PURPOSES

Societe Generale's exposures to non-trading equity are associated with a number of the bank's strategies and activities. They include shares and similar instruments, shares in mutual funds invested in equities, as well as investments in non-consolidated Group subsidiaries and affiliates that are not deducted from prudential capital for the purpose of calculating solvency ratios.

- Firstly, the Group has a portfolio of industrial holdings, which primarily reflect strong historical or strategic relationships with these companies.
- In addition, Societe Generale holds small minority stakes in selected banks, for strategic purposes, as a means of fostering increased cooperation with these institutions.
- Furthermore, non-trading equity includes the Group's investments in small, non-consolidated subsidiaries, operating in France or abroad. It also encompasses a variety of holdings and investments, ancillary to the Group's main banking activities, notably in corporate and investment banking, retail banking and securities services.
- Finally, Societe Generale and some of its subsidiaries may hold equity investments arising from their asset management activities (notably seed money in mutual funds sponsored by Societe Generale).

MONITORING OF BANKING BOOK EQUITY INVESTMENTS AND HOLDINGS

The portfolio of equity investments in non-banking corporations is monitored on a monthly basis by the Group Finance Division and any value adjustments are recognised on a quarterly basis in accordance with the Group's impairment policy. The portfolio is also reviewed annually by a dedicated committee consisting of representatives from the Group's Executive Committee, as well as the Risk and Finance Divisions. The purpose of this review is to validate the portfolio's strategic objectives and assess the strategic nature of these holdings, as well as disposal opportunities. Investment decisions are also submitted to this Committee.

Holdings that are ancillary to Corporate and Investment Banking activities are subject to quarterly monitoring by the Group Finance Division and any value adjustments are recognised on a quarterly basis in accordance with the Group's impairment policy. Investment or disposal decisions are submitted to an Investment Committee consisting of representatives from the Executive Committee, as well as the Risk, Finance and Compliance Divisions. These decisions are also reviewed by Corporate and Investment Banking's Finance Division and the Group Finance Division. Decision-making criteria incorporate both intrinsic financial considerations and an analysis of the contribution of investments to the Corporate and Investment Banking division's activities.

VALUATION OF BANKING BOOK EQUITIES

From an accounting perspective, Societe Generale's exposures to non-trading equities are classified as Available-for-sale (AFS) financial assets, as they may be held for indeterminate periods of time and be sold at any time. Societe Generale's exposure to equities that are not part of the trading book is equal to their book value net of provisions.

The following table presents these exposures at end-December 2011 and 2010 for both the accounting and regulatory scopes. Regulatory data are not comparable with the data presented in the Registration Document, mainly because the regulatory scope excludes equity investments held on behalf of clients by the Group's insurance subsidiaries.

Table 47: Equities and holdings in the banking book

(in EUR m)	Dec. 31, 2011	Dec. 31, 2010
Equities and holdings in the banking book - Accounting scope	**10,832**	**12,016**
o/w equities and other similar equity instruments (AFS[1])	8,097	8,024
o/w long-term equity investments (AFS[1])	2,735	3,992
Equities and holdings in the banking book - Prudential scope (EAD[2])	**1,768**	**2,106**
o/w listed securities	662	828
o/w unlisted securities	1,106	1,278

(1) AFS: Available for Sale

(2) EAD: Exposure At Default

Within the regulatory scope, EAD-valued equities and holdings (excluding the trading book) amounted to EUR 1.7bn at end-2011.

Changes in fair value are booked to equity under «Unrealised or deferred capital gains and losses». In the event of disposals or lasting impairment, changes in the fair value of these assets are recorded in the income statement under «Net gains and losses on available-for-sale financial assets». Dividend income earned on equity investments is booked to the income statement under "Dividend income".

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

- share of adjusted net asset value held;
- valuation based on a recent transaction involving the company (third-party buying into the company's capital, appraisal by professional valuation agent, etc.);
- valuation based on recent transactions in the same sector using market derived, income or asset derived valuation multiples.)

Table 48: Net gains and losses on banking book equities and holdings[1]

(in EUR m)	Dec. 31, 2011	Dec. 31, 2010[1]
Gains and losses on the disposal of shares	184	205
Asset impairment related to the holdings portfolio	-113	-132
Share on the basis of the net income of the holdings portfolio	182	159
Realised net gains/losses from banking book equities and holdings	**254**	**232**
Unrealised gains/losses on holdings	916	1,728
o/w share included in Tier 1 or Tier 2 capital	**199**	**325**[2]

(1) All amounts refer to the regulatory scope; the amounts published in the 2011 Pillar III report for financial year 2010 referred to the accounting scope.
(2) Amount restated to include unrealised capital losses.

Impairment policy

The impairment of an available-for-sale financial asset is recognised as an expense in the income statement if there is objective evidence of impairment resulting from one or more events subsequent to the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their prices below their acquisition cost constitutes objective evidence of impairment. The Group believes this to be particularly true for listed shares that at the balance sheet closing date present unrealised losses representing more than 50% of their acquisition cost as well as for listed shares representing an unrealised loss for a continuous period of 24 months or more prior to the balance sheet closing date. Other factors, such as the issuer's financial situation or its growth prospects may lead the Group to believe that it is unlikely to recover its investment even though the above-mentioned criteria are not fulfilled. An impairment expense is therefore recognised in the income statement for the difference between the share's quoted price at the balance sheet closing date and its acquisition cost.

For unlisted equity instruments, the impairment criteria adopted are identical to those mentioned above, with the value of instruments at the balance sheet closing date determined on the basis of the valuation methods described in Note 3 of Societe Generale's 2012 Registration Document "Fair Value of Financial Instruments".

REGULATORY CAPITAL REQUIREMENT

For the calculation of risk-weighted assets under Basel II, the Group applies the Internal Ratings Based approach for the larger part of its non-trading equity portfolio. As such, shares in listed companies included in diversified portfolios are risk-weighted at 190%, those in other listed companies are risk-weighted at 290% and unlisted shares are risk-weighted at 370%. However, unlisted equity holdings included in diversified portfolios and acquired before January 2008 may be weighted at 150%.

At December 31, 2011, the Group's risk-weighted assets related to non-trading equities and the associated capital requirements were as follows:

Table 49: **Capital requirements linked to shares and equity holdings on the banking book**

(in EUR m)			Dec. 31, 2011			Dec. 31, 2010		
Equities & holdings	**Approach**	**Weighting**	**Exposure at default (EAD)(1)**	**Risk-weighted equities & holdings(1)**	**Capital requirements(1)**	**Exposure at default (EAD)(1)**	**Risk-weighted equities & holdings(1)**	**Capital requirements(1)**
Private equity	Standard	150%	146	219	18	165	247	20
Private equity	IRB	190%	158	300	24	194	368	29
Listed securities	IRB	290%	576	1,671	134	739	2,143	171
Unlisted securities	IRB	370%	887	3,172	254	1,009	3,733	299
Total			**1,768**	**5,362**	**429**	**2,107**	**6,491**	**519**

(1): excluding treasury investments

At December 31, 2011, capital requirements in respect of the Group's non-trading book equities and holdings totalled EUR 429m.

The decrease in capital requirements in financial year 2011 is linked to a reduction of about 16% in EAD-valued equities and holdings compared to 2010. This decrease can be attributed to the widespread decline in stock market valuations in the second half of 2011, provisions for unlisted securities, and disposals carried out during the year.

6

MARKET RISK

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 marked-to-market approach.

ORGANISATION

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;
- proposal to the Risk Committee of the levels of authorised risk limits 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 management and specifies the use of the limits set by General Management and the Board of Directors.

INDEPENDENT PRICING VERIFICATION

Market products are marked to market, where such market prices exist. Otherwise, they are valued using parameter-based models.

Firstly, each model is independently validated by the Market Risk Department.

Secondly, the parameter values are subject to regular comparison with external sources.

- if there is a difference between the values used and the external sources, and the sources are deemed reliable by the Market Risk Department, the values are aligned with the external data. This process, known as IPV (Independent Pricing Verification), contributes to the internal certification of the accounts;
- if there are no reliable external sources, a conservative valuation is made based on reserves, whose calculation methods have been validated by the Market Risk Department.

METHODS FOR MEASURING MARKET RISK AND DEFINING EXPOSURE LIMITS

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

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

VALUE AT RISK 99% (VAR)

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 Regulatory Capital requirements.

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.

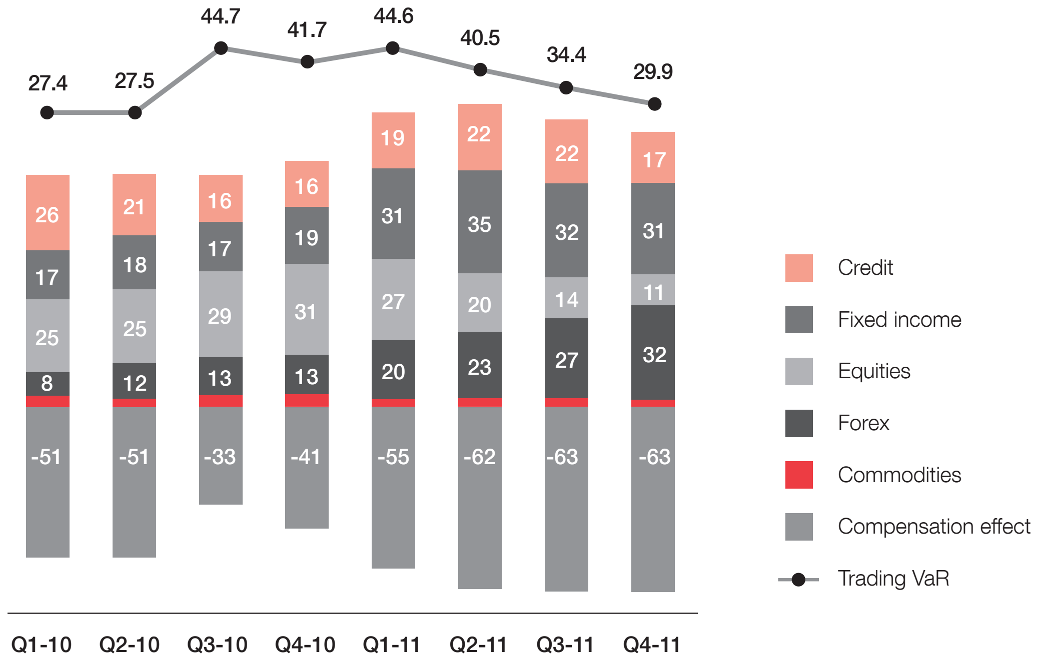
Daily P&L twice exceeded the VaR amount in 2011.

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.

The changes in the VaR of the Group's trading activities in 2011, for the entire monitoring scope, are presented below:

Table 50: **Trading VaR (trading portfolio) changes over the course of 2011 (1 day, 99%, in millions of euros)**

Table 51: **Breakdown by risk factor of trading VaR – changes in quarterly average over the 2010-2011 period (in millions of euros)**



The average VaR amounts to EUR 37 million for the year 2011 against a yearly average of EUR 35 billion 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.

Improvements were made to the VaR model in 2011, thanks in large part to the addition of new risk factors. The main additions were:

- for equity: repo rates, underwriting margins;
- for interest and foreign-exchange rates: volatility smile;
- for credit: intrinsic risk factors (corporate, financial and sovereign).

Table 52: **Breakdown of trading VaR by type of risk – 2011 (in %)**

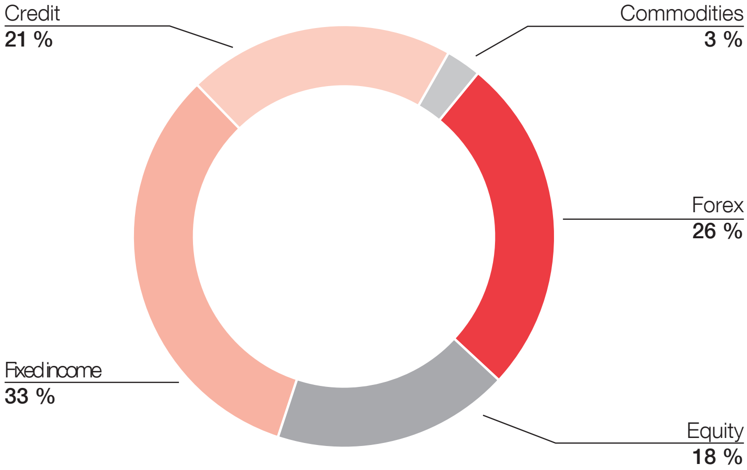
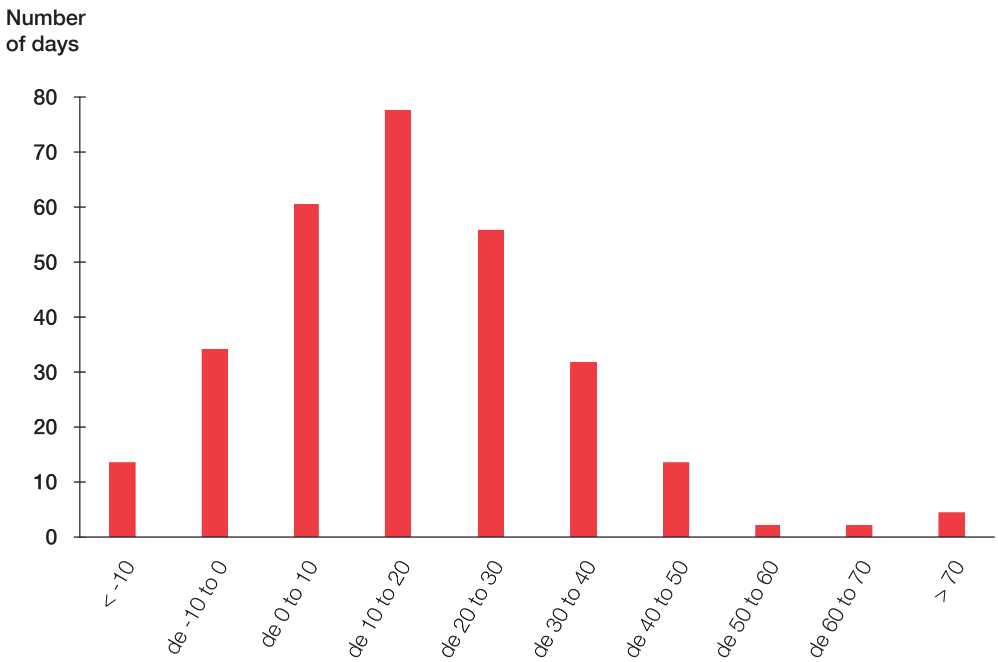


Table 53: **Daily trading P&L – 2011 (in millions of euros)**



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.

Table 54: **Stressed VaR (10 days, 99 %) in Q4 11**

(in	Q4 11			Dec. 31, 2011
	Minimum	Average	Maximum	
SVaR	107	153	200	200

STRESS TEST ASSESSMENT

METHODOLOGY

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.

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.

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 described below:

- generalised: considerable mistrust of financial institutions after the Lehman Brothers' bankruptcy; collapse of equity markets, sharp decline in implied dividends, significant widening of credit spreads, pivoting of yield curves (rise in short-term interest rates and decline in long-term interest rates), substantial flight to quality;
- GIIPS crisis: mistrust of risky sovereign issuers and increased interest in higher-rated sovereign issuers such as Germany, followed by the spreading of fears to the other markets (equities, etc.);

- Middle East crisis: refers to instability in the Middle East leading to a significant shock to oil and other energy sources, a stock market crash, and a steepening of the yield curve;
- terrorist attack: major terrorist attack on the United States leading to a stock market crash, strong decline in interest rates, widening of credit spreads and sharp decline of the US dollar;
- Bond crisis: crisis in the global bond markets inducing the delinking of bond and equity yields, strong rise in US interest rates (and a more modest rise for other international rates), moderate decline on the equity markets, flight to quality with moderate widening of credit spreads, rise in the US dollar;
- US dollar crisis: strong depreciation of the US dollar against major international currencies due to the deterioration of the US trade balance and budget deficit, the rise of interest rates and the narrowing of US credit spreads;
- Euro zone crisis: withdraw of some countries from Euroland following the Euro's excessive appreciation against the US dollar: decline in euro exchange rates, sharp rise in euro zone interest rates, sharp fall in euro equities and rise in US equities, significant widening of euro credit spreads;
- Yen carry trade unwinding: change in monetary policy in Japan leading to yen carry trade strategies being abandoned: significant widening of credit spreads, decline in JPY interest rates, rise in US and euro zone long-term interest rates and flight to quality.

Average stress tests in 2011

The scenarios leading to the largest potential losses are theoretical scenarios representing very severe, or even extreme, shocks to the price of each of the assets held (e.g. a 15%, or even 30%, fall in global stock market indices).

The graph below shows the average of the stress test amounts in 2011.

Table 55: **Average amounts for historical and hypothetical stress tests in 2011 (in EUR million)**

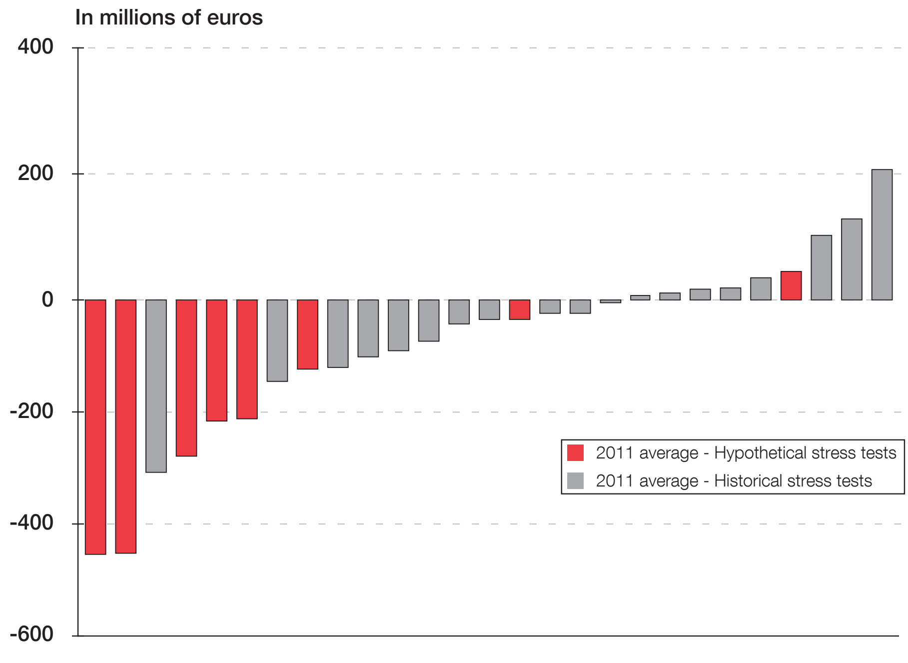
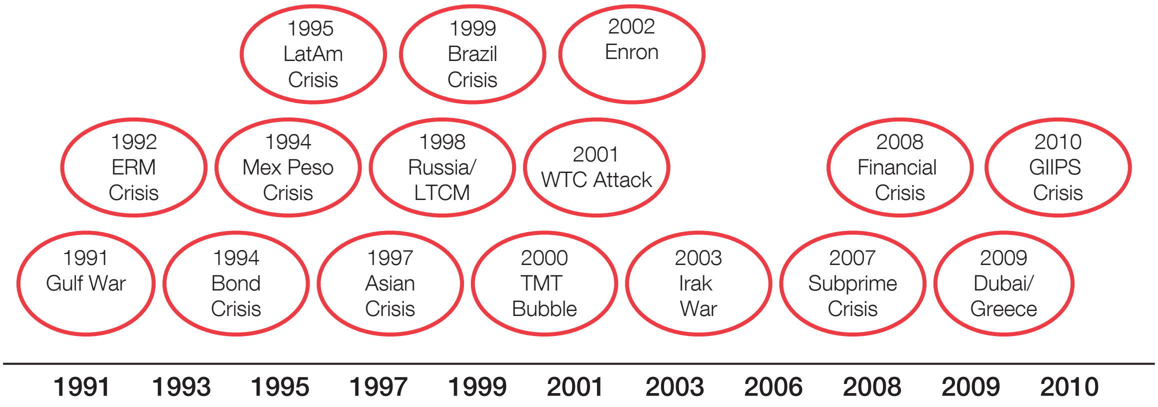


Table 56: **Historical stress test scenarios**



CAPITAL REQUIREMENTS

Societe Generale's capital requirements related to market risk (excluding securitisation) are basically determined using an internal model approach (93% in 2011). In fiscal year 2011, these capital requirements were concentrated in credit (specific interest rate risk), particularly following the entry into force of the new European Capital Requirements Directive (CRD3) on December 31, 2011.

Societe Generale received the approval of the French Prudential Supervisory Authority to expand its internal market risk modelling system in particular to include IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as VaR. These new measurements estimate the capital charge on debt instruments that is related to rating migration and issuer default risks within a one-year period. Capital charges are incremental, meaning they are added to charges calculated based on VaR and stressed VaR.

Societe Generale estimates its capital charges using a simulation model that distributes the various risk factors covered by regulatory requirements, while considering the relationships between these factors. IRC and CRM are 99.9% risk factors, meaning the highest risk obtained after eliminating the 0.1% most adverse occurrences.

These internal models are subject to the same governance as other internal models that meet the regulatory Pillar 1 requirements.

In particular:

- a weekly analysis is performed on these metrics, as well as control through limits;
- a comparison is made with standard-setting stress tests defined by the regulator (25 historical scenarios);
- a conservative annual review of model assumptions and an ex-post consistency control are carried out;
- the methodology and its implementation were approved by the Internal Audit Department and the French Prudential Supervisory Authority.

In accordance with the regulations, IRC is applied to debt instruments already measured using internal models other than securitisation and the correlation portfolio. In particular, this includes bonds, CDS and related derivative products.

CRM exclusively covers the correlation portfolio, i.e., CDO tranches for liquid issuers and "first-to-default" products as well as their hedging using CDS and indices. Aside from the credit-migration and default risk, the CRM also covers any other pricing risks (for example, spread, collection and correlation risks). Ultimately, the capital charge corresponds to the larger of the charge calculated by the internal model and 8% of the charge calculated using the standard method for market risks.

Table 57: **Capital requirements by risk factor**

	Capital requirement		RWA	
(In EUR m)	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Market risks assessed by Internal Approach	**2,149**	**928**	**26,858**	**11,603**
VaR	448	928	5,598	11,603
Stressed VaR	522		6,520	
Incremental risk charge (IRC)	824		10,303	
Correlation portfolio (CRM)	355		4,437	
Market risks assessed by the Standard Approach	**454**	**118**	**5,678**	**1,476**
Specific risk on securitisation exposures on the trading book	305		3,812	
Forex risk	67	44	837	553
Interest rate risk	62	55	774	685
Risk on securities	14	7	178	87
Risk on exposure to base product	6	12	77	150
Total	**2,603**	**1,046**	**32,536**	**13,078**

Capital requirements for market risk, calculated on the basis of 8% of risk-weighted assets, increased by EUR 1.56bn in 2011. The majority of this increase can be attributed to the entry into force of the new standards linked to Basel 2.5 (CRD3), such as the IRC, CRM, stressed VaR and treatment of trading book securitisation exposures using the standard approach to market risk.

7

INTEREST RATE RISK

STRATEGY AND PROCESSES

Societe Generale manages its structural exposure to interest rate risk as well as liquidity and foreign exchange risks(1), within its global Asset and Liability Management (ALM). Since 1st January 2011, the management and monitoring of structural risks have been carried out by two separate entities, in accordance with regulatory principles that recommend the separation of the risk oversight and control functions.

- The Balance Sheet and Global Treasury Management Department, which is dedicated to structural risk management. It also monitors and coordinates all Group treasury functions (external Group financing, internal entity financing, centralised collateral management). It also manages the central funding department and executes financial transactions;
- The Structural Risk Control Department, which is dedicated to Group structural risk supervision, and in particular verification of models, monitoring of compliance with limits and management practices by the Group's business divisions, business lines and entities.

Structural exposure to interest rate risk encompasses all exposures due to (i) the commercial activity of the Group's various entities (hereinafter referred to as the "banking book") and ii) the proprietary transactions of the Group's entities (equity transactions, investments and funding). Interest rate risks associated with trading activities are excluded from the structural interest rate risk measurement scope, and are dealt with under market risk. The structural and market exposures constitute the overall interest rate exposure of the Group.

Governance

In terms of structural interest rate risk management, governance is based on the following core principles:

- A general policy and overall management standards validated by the Group's Finance Committee and translated into detailed management standards by the Group Finance Division.
- Decentralised risk management at entity level, controlled via limits.
- Close supervision by the Group Finance Division on the implementation of standards and interest rate risk management by the entities.

Group standards and procedures set precise guidelines for:

- Policy implementation and management of structural interest rate risk.
- Investment standards covering entities' shareholders' equity.
- Differenciate structural and market interest rate risks are to be differentiated.

Organisation

The Group's Management is involved in managing the banking book's interest rate risk through the Group's quarterly Finance Committee meetings, which approve the management principles and sensitivity limits for each entity. It examines the management reports and analyses prepared by the Finance Division. The Finance Committee is also kept regularly informed of the main changes made to the ALM models used by the retail banking network in France (particularly the amortisation rules for current accounts and regulated savings accounts).

The Group Finance Division is in charge of defining management standards (relating to organisation and methodologies) and validating the models developed and used by the entities. It also notifies Group entities of the respective sensitivity limits under which they must operate. In addition, the Finance Division is responsible for the centralisation and reporting of the interest rate risk and second level controls.

(1) See the latest Group Registration Document for more detailed information on the management of other structural risks by the ALM department.

Conversely, Group entities are responsible for the management and control of the interest rate risk at their own level, within the guidelines defined for the Group. Interest rate risk is monitored using the sensitivity of the net present value of the balance sheet and the sensitivity of the net interest margin.

Each Managing Director has the responsibility to comply with the Group policy and apply defined limits, assisted by the Structural Interest Rate Risk Manager. Furthermore, the Group's main retail banking entities have ALM Committees responsible for monitoring the interest rate risk in accordance with Group principles.

The interest rate risk is measured monthly for the Group's main entities, and at least quarterly for the other entities. Every quarter, all the Group entities report their ALM positions to the Group Finance Division, which prepares a consolidated structural interest rate risk management report.

INTEREST RATE RISK MANAGEMENT METHODOLOGY AND OBJECTIVES

The general principle is to concentrate interest rate risks within capital market activities, where they are monitored and controlled using the methods described in chapter 7, and 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 risk, 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). These principles also apply for proprietary transactions. The interest rate risk exposure on the banking book therefore results only from residual positions. The sensitivity of residual positions must comply with the limits set for each entity, as approved by the Finance Committee.

The Group analyses all its balance sheet's fixed-rate assets and liabilities to identify any gap, which reflect mismatches in the maturity and/or repricing of the fixed-rate cash flows of assets and liabilities. The maturities and amortisation of outstanding positions are determined based on their contractual terms, or models reflecting historical customer behaviour observed as well as conventional assumptions for certain aggregates (in particular shareholders' equity).

Once the Group has identified the fixed-rate gap by maturity, it calculates the sensitivity to interest rate variations.

Group policy requires that residual risk arising from commercial activity be transferred either to local treasuries or to the Group Treasury according to fund transfer pricing rules. The interest rate risk is then managed within the authorised limits of the related trading books.

For products without a fixed maturity date (the French retail banking network's current and savings accounts, for example), the Group uses amortisation models in which the outstanding amounts are deemed to be composed of a stable portion and a volatile portion (i.e. the difference between the total outstanding amount and the stable portion). For example, for Societe Generale's French retail banking network, the volatile portion of its deposits is scheduled at sight, while the stable portion is determined by using an autoregressive model that is regularly back-tested. Its amortisation profile was defined based on an autoprojective model and on the bank's historical data.

The amortisation of loans takes into account early repayment models that may be sensitive to the level of interest rates.

KEY INTEREST RATE RISK INDICATORS

Societe Generale uses several indicators to measure its interest rate risk, the three main measurements being:

- Interest rate gap analysis (the difference between outstanding fixed-rate assets and liabilities by maturity): the schedule of fixed rate positions are the main indicators for assessing the characteristics of the hedging operations required, they are calculated on a static basis.
- The economic value sensitivity is a supplementary and synthetic indicator used to set limits for the entities. It is calculated as the sensitivity of the economic value of the balance sheet to variations in interest rates. This measurement is calculated for all the currencies to which the Group is exposed.
- The net interest margin sensitivity to variations in interest rates in various stress scenarios takes into account the sensitivity which is generated by future commercial productions over a three-year rolling horizon, calculated on a dynamic basis.

Economic value sensitivity limits are set for each entity and periodically reviewed by the Group Finance Division. The Group's global sensitivity limit is currently set at EUR 1bn, which represents 2.4% of Societe Generale's total regulatory capital.

INTEREST RATE RISK INDICATORS AT END-2011

MEASUREMENT OF THE SENSITIVITY OF THE BALANCE SHEET'S ECONOMIC VALUE TO INTEREST RATE VARIATIONS

Sensitivity to interest rate variations of the Group represented EUR -96 million at December 31, 2011 (for a 1% parallel and instantaneous rise of the yield curve).

Table 58: **Sensitivity to changes in interest rates by currency**

(in EUR m)	Parallel increase in interest rates of 100bp							
Sensitivity by currency	**EUR**	**USD**	**GBP**	**JPY**	**CZK**	**RUB**	**Other**	**Total**
at 31/12/2011	(120.6)	(51.5)	(0.1)	5.8	3.6	(9.2)	76.2	**(95.8)**
at 31/12/2010	(271.4)	(56.9)	9.1	8.5	15.7	43.0	38.2	**(213.9)**

In 2011, the Group's overall sensitivity remained well below its limit of EUR 1bn, which represents 2.4% of the Group's regulatory capital.

The main assumptions used to measure sensitivity concern early loan repayments and the behaviour of deposits without a contractual term. Early loan repayment assumptions are based on historical data by entity and type of product.

Modelling the behaviour of deposits without a contractual term identifies a volatile component and a stable component. The volatile component is scheduled on a short-term basis, i.e. one month. The stable component is scheduled to mature over a number of years, depending on the depth and representativeness of the historical data. The risk of a liquidity crisis arising in a given country, as provided by the analyses prepared by the Risk Division, is also taken into account.

The results of the analysis of the Group's sensitivity to interest rate variations are different from those published in the 2011 Registration Document, for three reasons: firstly, the prudential scope is different from the accounting scope. Secondly, in the common scope, it was only possible to take into account 85% of outstanding amounts when the Registration Document was produced compared with 100% for Pillar 3. Finally, unlike the Registration Document, the calculations for interest rate risk sensitivity used in this report also take into account optional elements relating to the French Networks, inherent notably in mortgages and mortgage savings plans (PEL).

MEASUREMENT OF THE SENSITIVITY OF THE INTEREST MARGIN TO INTEREST RATE VARIATIONS

The Group analyses the sensitivity of earnings to variations in market interest rates using stress tests on the net interest margin.

At December 31, 2011, the Group's net interest margin sensitivity, excluding Corporate and Investment Banking activities, was as follows:

Table 59: Sensitivity of the Group's interest margin

(in EUR m)	**Dec. 31, 2011**
Parallel increase in interest rates of 200bp	124.4
Parallel decrease in interest rates of 200bp	-227.2
Parallel increase in interest rates of 100bp	63.6
Parallel decrease in interest rates of 100bp	-110,0
Steepening	35,0
Flattening	-84.1

Calculations are based on aggregate estimates at December 31, 2011 of a scope of consolidated entities representing 82% of the total interest margin over a full year, excluding insurance and capital market activities.

The dynamic vision of the balance sheet varies according to the amortisation of outstanding transactions and transaction renewals based on outstanding amounts budgeted for 2012. The flattening scenario used for the simulation provides for a 100bp increase in short-term rates, while long-term rates remain constant.

The Societe Generale Group's interest margin sensitivity over the full year 2012 is relatively low. In the event of a parallel shift in the yield curves of +200bp, the sensitivity is positive and represents less than 0.4% of regulatory capital.

The net interest margin sensitivity mainly stems from the impact on:

- customer deposits: generally little or no interest is paid on deposits, and pricing is only partly impacted by fluctuations in interest rates, as the margin on deposits is mainly derived from reinvestment rates.
- new loan production, for which pricing is not adjusted as quickly as market rates.

The margin sensitivity on outstanding customer transactions results from the renewal of amounts due on reinvested deposits, the residual sensitivity to interest rate variations, which is low thanks to hedging, and the use of variable-rate positions (this is the case for the majority of private banking commitments).

The French and International Retail Banking activities are favourably exposed to a rise in interest rates, as deposits can then be reinvested at higher rates, while margins on outstanding loans remain stable. This increase in margin is, however, partially offset by the fall in margins on new loan production (loan rates do not adjust as quickly as market rates) and by an increase in funding costs. Conversely, retail banking activities are unfavourably exposed to a fall in interest rates as deposits are then reinvested at lower rates and the margin on outstanding loans falls due to prepayment. This fall in margin is partially offset by the rise in margins on new loan production (interest rates on customer loans do not fall as quickly as market rates) and by a reduction in funding costs.

In an environment of low interest rates with a probability that rates will rise, the retail networks' margin is favourably exposed to an increase in interest rates as this means that deposits can be reinvested at higher rates, while the margin on outstanding loans remains stable.

Margins on the Specialised Financial Services businesses generally respond to interest rate shocks inversely to retail network margins. For new production, the time lags in this division mean that the transfer of new prices to customers is very limited. In the event of an increase in interest rates, the interest margin declines temporarily as loan pricing does not react as quickly as market rates. Conversely, if interest rates fall, the Specialised Financial Services businesses generally benefits from a temporary increase in their margin.

8
OPERATIONAL RISKS

OPERATIONAL RISK MANAGEMENT: ORGANISATION AND GOVERNANCE

Over the last few years, Societe Generale has developed processes, management tools and a full control infrastructure to enhance the control and management of the operational risks that are inherent to its various activities. These include, inter alia, general and specific procedures, permanent supervision, business continuity plans[(1)], New Product Committees[(2)] and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks pertaining to payment systems, legal risks[(3)], information system security risks[(4)] and non-compliance risks[(5)].

The Operational Risk Department

Incorporated in 2007 within the Group's Risk Division, the Operational Risk Department works in close cooperation with operational risk staff in the Business and Corporate Divisions.

The Operational Risk Department is notably responsible for:

- running the Operational Risk function;
- devising and implementing Societe Generale's operational risk control strategy, in cooperation with the Business and Corporate Divisions;
- promoting an operational risk culture throughout the Group;
- defining, at Group level, methods for identifying, measuring, monitoring, reducing and/or transferring operational risk, in cooperation with the Business and Corporate Divisions, in order to ensure consistency across the Group;
- preparing a global Group business continuity plan (BCP) and crisis management policy, managing the policy and coordinating its implementation.

The operational risk function

In addition to the Operational Risk Department, the operational risk function includes Operational Risk Managers (ORMs) in the Business and Corporate Divisions, who are under the operational authority of the Group's Chief Operational Risk Officer.

ORMs operate throughout the Group's entities, and are responsible for implementing the Group's procedures and guidelines, and monitoring and managing operational risks, with the support of dedicated operational risk staff in the business lines and entities and in close collaboration with the respective entities' line management.

Operational risk committees have been set up at Group level, as well as at Business Division, Corporate Division and subsidiary level.

(1) See Chapter 5 of the Registration Document, Chairman's Report on internal control and risk management, page 103 and Chapter 9, page 231.
(2) See Chapter 5 of the Registration Document, Chairman's Report on internal control and risk management, page 104.
(3) See Chapter 9 of the Registration Document, page 235.
(4) See Chapter 5 of the Registration Document, Chairman's Report on internal control and risk management, page 109.
(5) See Chapter 8 of the Registration Document, page 181, and chapter 9 of the Registration Document, page 234.

OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA), as proposed by the Capital Requirement Directive, to measure operational risk. This approach notably makes it possible to:

- identify i) the businesses that have the greatest risk exposures and, ii) the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's operational risk culture and overall management, by introducing a virtuous circle of risk identification, improved risk management and risk mitigation and reduction.

In 2007, the French Prudential Supervisory Authority conducted an in-depth review of the system in place at Societe Generale. As a result, it authorised the Group to use the most advanced measurement approach, as defined by the Basel II Accord (i.e. the AMA or Advanced Measurement Approach) to calculate the Group's capital requirements for operational risks, starting from January 1, 2008. This authorisation covers more than 90% of the Societe Generale Group's total net banking income.

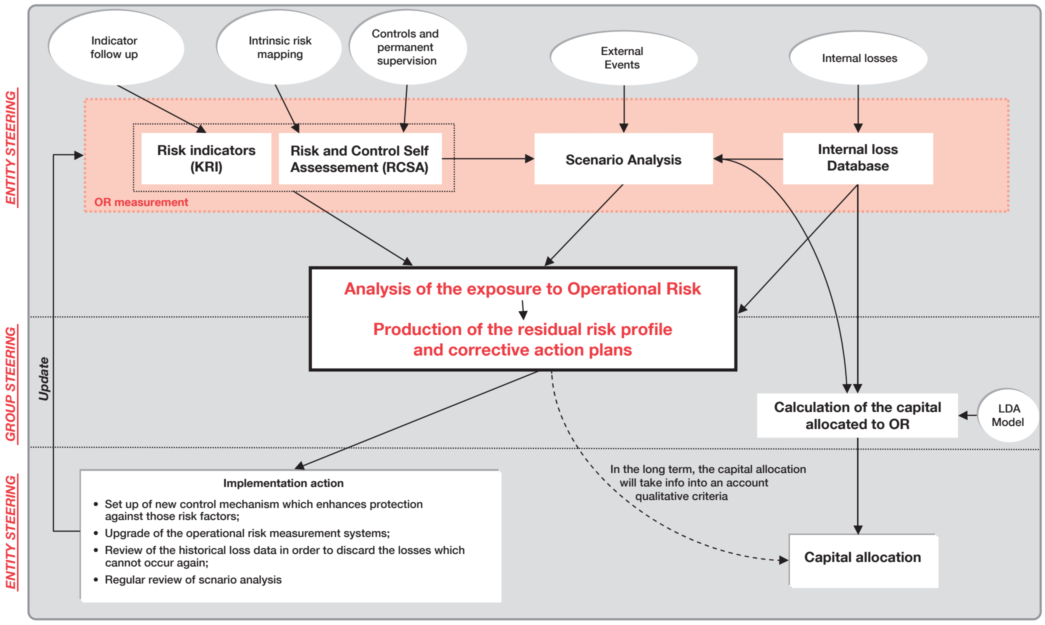
A few subsidiaries still use the standardised approach. A gradual transition to the advanced measurement approach is in place for some of them.

OPERATIONAL RISK MONITORING PROCESS

The frameworks specifically established by the Basel 2 regulations (the Capital Requirement Directive and "sound practices for the management and supervision of operational risk") have been implemented, on the basis of existing procedures wherever possible, to support the "virtuous circle" referred to previously. They notably include:

- gathering of internal data on operational risk losses;
- Risk and Control Self-Assessment (RCSA) processes;
- Key Risk Indicators (KRI);
- scenario analyses;
- analysis of external loss data.

Table 60: **Operational risk monitoring process**



Societe Generale's classification of operational risks in eight event categories and forty-nine mutually exclusive sub-categories is the cornerstone of its risk modelling, ensuring consistency throughout the system and enabling analyses across the Group.

Table 61: **Event types in operational risk monitoring**

	Event type
1	Commercial disputes
2	Disputes with authorities
3	Pricing or risk evaluation errors
4	Execution errors
5	Fraud and other criminal activities
6	Rogue trading
7	Loss of operating resources
8	IT system interruptions

Internal loss data collection

Internal loss data has been compiled throughout the Group since 2003, enabling operational staff to:

- define and implement the appropriate corrective actions (changes to activities or processes, strengthening of controls, etc.);
- build expertise in operational risk management concepts and tools;
- achieve a deeper understanding of their risk areas;
- help disseminate an operational risk culture throughout the Group.

The minimum threshold above which a loss is recorded is EUR 10,000 throughout the Group, except for Corporate and Investment Banking, where this threshold is EUR 20,000 due to the scope of its activity, the volumes involved and the relevance of regulatory capital modelling points. Below these thresholds, loss information is collected by the Group's various divisions but is not identified by the Operational Risk Department.

Risk and Control Self-Assessment (RCSA)

The purpose of Risk and Control Self-Assessment (RCSA) is to assess the Group's exposure to operational risks in order to improve their oversight. Based on interviews with Group experts, its goals are:

- identifying and assessing the operational risks to which each businesses is inherently exposed (the "intrinsic" risks), while disregarding prevention and control systems. Where necessary, risk mapping established by the functions (e.g. Compliance, Information Systems Security, etc.) contribute to the evaluation of intrinsic risks;
- assessing the quality of major risk prevention and mitigation measures, including their existence and effectiveness in detecting and preventing risks and/or their capacity to reduce their financial impact;
- assessing the major risk exposure of each business that remains once the risk prevention and mitigation measures are taken into account (the "residual exposure"), while disregarding insurance coverage;
- correcting any inadequacies in risk prevention and mitigation measures and implementing corrective action plans;
- facilitating and/or supporting the implementation of key risk indicators;
- adapting the risk insurance strategy, if necessary.

As part of this exercise, major risks of a given scope are described using a double scale of severity and frequency.

Key Risk Indicators (KRI)

KRIs complement the overall operational risk management system, by providing a dynamic view of changes in business risk profiles as well as a warning system. Regular KRI monitoring assists both management and staff in their assessment of the Group's operational risk exposure obtained from the RCSA, the analysis of internal losses and scenario analyses, by providing them with:

- a quantitative and verifiable risk measurement;
- a regular assessment of the improvements or deteriorations in the risk profile and the control and prevention environment which require particular attention or an action plan.

KRIs that may have a significant impact on the entire Group are reported to the Group's General Management via a KRI dashboard.

Scenario analyses

Scenario analyses serve two purposes: informing the Group about potential significant areas of risk and contributing to the calculation of the capital required to cover the operational risk.

For the calculation of capital requirements, the Group uses scenario analyses to:

- measure its exposure to potential losses arising from low frequency/very high severity events;
- provide an expert's opinion of loss distribution for event categories whose internal loss data history is insufficient.

In practice, various scenarios are reviewed by experts, who gauge the magnitude of the potential impact for the Bank, in terms of severity and frequency, by factoring in internal and external loss data and the external (regulatory, business, etc.) and internal (controls and prevention systems) environment. The potential impacts of various scenarios are combined to obtain the loss distributions for the risk category in question.

Analyses are undertaken for two types of scenarios:

- major Group stress scenarios, involving very severe events that cut across businesses and departments, having an external cause in most cases and requiring a business continuity plan (BCP). The ten scenarios analysed so far have helped to develop the Business Impact Analysis aspects of the BCPs;
- business scenarios that do not strictly speaking fall into the category of business continuity, but are used to measure the unexpected losses to which the businesses may be exposed. Specific actions are performed in order to prevent the portfolio from being diluted over too many scenarios and to maintain the system's focus on risks that could severely impact the Group.

Established governance enhances the appropriation of scenarios by business and Corporate Division Management (scenario presentations at ICCC meetings) and ensures the consistency of all results obtained for calculating capital requirements for operational risk.

Analysis of external losses

Finally, Societe Generale also uses externally available loss databases to supplement the identification and assessment of the Group's operational risk exposures, by benchmarking internal loss records against industry-wide data.

Crisis management and business continuity planning

In order to cover the risk of a crisis affecting the Group's staff, buildings and IT systems, the Group crisis management team aims to prevent health and safety risk and to define and maintain the crisis system in operating condition.

The Group also prepares to face all kinds of disasters (loss of operating resources, failures, lack of human resources, etc.) by developing business continuity plans. To do this, it draws on a methodological approach based on international standards and regularly tests its emergency mechanisms.

Combating fraud

The Group places great emphasis on preventing and detecting fraud. Losses due to fraud have dropped steadily since 2008, thanks in large part to the implementation of effective mechanisms across all businesses. In late 2009, an anti-fraud coordination unit within the Operational Risk Department was added alongside existing systems in the business divisions. Its main purpose is to serve as a centre of expertise in order to strengthen fraud prevention through better sharing of best practices and lessons learned from known or prevented cases of fraud, thus helping the function to assess the scope of operational risk controls and expand anti-fraud culture within the Group.

RISK MODELLING

The method used by the Group for operational risk modelling is based on the Loss Distribution Approach (LDA).

It is a statistical approach that describes the annual distribution of operating losses through historical data on internal and external losses or scenario analyses, according to a bottom-up process that produces a matrix of operational risk categories and business divisions, i.e. a total of 22 event categories.

In the model, the loss distributions associated with each event category leads to the annual loss distribution for the business divisions and then the Group. This loss distribution describes the statistical distribution of losses the Bank is liable to experience, taking into account the frequency and severity of each type of loss, but also the correlation between events.

The Group's regulatory capital requirements for operational risks within the scope eligible for the AMA (Advanced Measurement Approach) internal model are then defined as the 99.9% quantile of the Group's annual loss distribution.

Based on the Group's models, Societe Generale's capital requirements for operational risks were EUR 3.5 billion at the end of 2011, representing EUR 43.4 billion in risk-weighted assets.

Insurance cover in risk modelling

In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements.

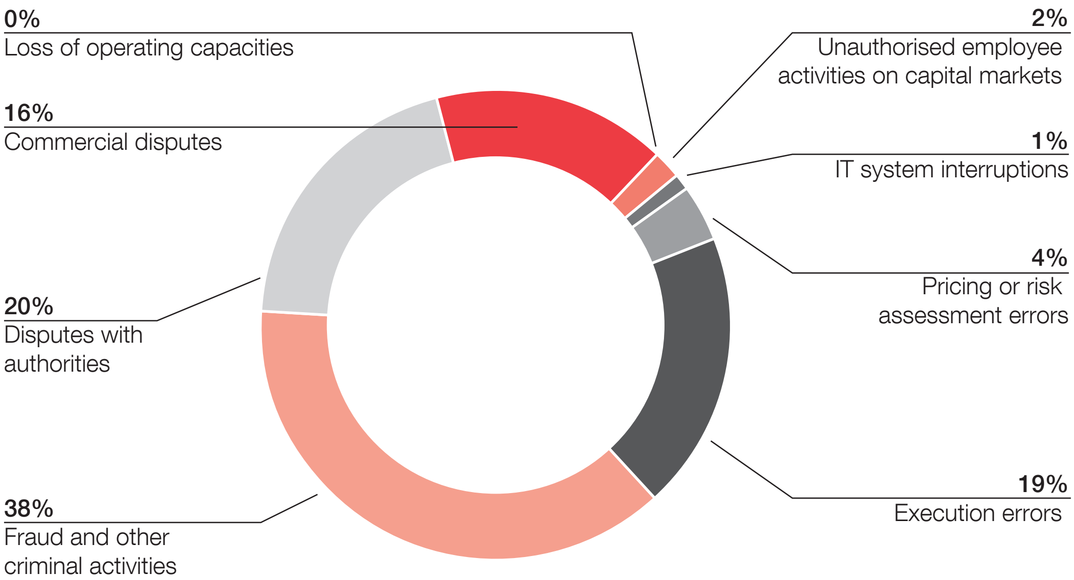
These insurance policies cover part of the Group's major risks, i.e. liability, fraud, fire and theft, as well as systems interruptions and operating losses due to a loss of operating resources.

Taking into account risk reduction through insurance policies results in a 15% reduction of total capital requirements for operational risks.

QUANTITATIVE DATA

The following chart breaks down operating losses by risk category for the 2007-2011 period.

Table 62: **Operational risk losses (excluding exceptional rogue trading loss): breakdown by Societe Generale risk category (average from 2007 to 2011)**



Societe Generale's operational risks are concentrated in four risk categories, which account for 93% of the Group's total operational losses (excluding the exceptional rogue trading loss):

- on average, fraud accounted for 38% of the losses incurred (32% in external fraud) over the 2007 to 2011 period. The incidents were divided between a handful of large, isolated losses and a number of small losses, mainly consisting of fraud by using forged documents to obtain loans;
- disputes with the authorities accounted for 20% of overall losses. These losses were mainly linked to tax adjustments;
- execution errors accounted for 19% of losses, a slight increase in 2011. This development was primarily linked to market volatility stemming from the crisis, with several isolated, unusual events. The most frequent losses were for insignificant amounts thanks to the implementation of risk management action plans;
- commercial disputes accounted for 16% of losses, marking a very significant decrease: in 2011, there were no major new incidents in this category, despite the financial and economic crisis. The few major incidents from 2007 to 2010 were often related to counterparty default and, as such, were borderline credit risk incidents.

The other categories of Group operational risks (rogue trading – excluding the exceptional rogue trading loss – IT system interruptions, pricing or risk evaluation errors and loss of operating resources) are fairly insignificant, representing only 6% of the Group's losses on average over the 2007 to 2011 period. No rogue trading incidents occurred in 2011.

OPERATIONAL RISK INSURANCE

Description of insurance policies

GENERAL POLICY

Since 1993, Societe Generale has implemented a global policy of hedging Group operational risks through insurance. This consists in looking on the market for the broadest and highest levels of guarantee with regard to the risks incurred and enabling all entities to benefit from these guarantees wherever possible. Coverage is taken out with leading insurers. When required by local legislation, local policies are taken out, which are then reinsured by insurers that are part of the global programme.

In addition, special insurance policies may be taken out by entities which exercise specific activities.

A Group internal reinsurance company intervenes in several policies in order to pool high frequency, low-level risks between entities. This approach contributes to the improvement of the Group's knowledge and management of its risks.

Description of coverage

GENERAL RISKS

Buildings and their contents, including IT equipment, are insured at their replacement value. The guarantee covering acts of terrorism abroad has been renewed.

Liability other than professional liability (i.e. relating to operations, Chief Executive Officers and Directors, vehicles, etc.) is covered by insurance policies around the world. The amounts insured vary from country to country to meet operating requirements.

RISKS ARISING FROM OPERATIONS

Insurance is only one of the financing methods that can be used to offset the consequences of the risks inherent in the Group's activity, and as such it complements the Group's risk management policy.

THEFT/FRAUD

These risks are included in the "Bankers Blanket Bond" policy that insures all the Bank's financial activities around the world. With regard to fraud, the coverage includes actions committed by an employee or a third party acting alone or with another employee with the intention of achieving illicit personal gain. Acts of malice assume the intention to cause harm to the Group.

PROFESSIONAL LIABILITY

The consequences of any lawsuits are insured under a global policy.

OPERATING LOSSES

The consequences of any accidental interruptions to activity are insured under a global policy. This policy supplements the business continuity plans. The amounts insured are designed to cover losses incurred between the time of the event and the implementation of an emergency solution.