PILLAR 3 REPORT

INFORMATION AT DECEMBER 31ST 2014

SOCIETE GENERALE

BUILDING TEAM SPIRIT
TOGETHER

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GLOSSARY

Abbreviations used:

Million of euros: EUR m

Billions of euros: EUR bn

1. INTRODUCTION

KEY FIGURES

The Group set out to reduce its risk profile over the course of 2014 against a persistently difficult macroeconomic backdrop.

	31.12.2014	31.12.2013
Indicators		
Total Group exposure (EAD[1]) in EURbn	722	650
Percentage of Group EAD to industrialised countries	86%	86%
Percentage of Corporate EAD to investment grade counterparties	64%	65%
Cost of risk in basis points (bp)[2]	61	75
Gross doubtful loans ratio (doubtful loans/gross book outstandings)	6.0%	6.6%
Gross doubtful loans coverage ratio (overall provisions/doubtful loans)	63%	61%
Average annual VaR in EURm	24	25
Group global sensitivity to structural interest rate risk (in % of Group regulatory capital)	<1.5%	<1.5%
Regulatory ratios[3]		
Solvency ratio	14.3%	13.4%
Tier 1 Ratio	12.6%	11.8%
Common Equity Tier 1 ratio	10.1%	10.0%
One-month liquidity ratio	>118%	>100%
CRR leverage ratio[4]	3.8%	3.5%
Phased-in Basel 3 regulatory ratio		
Common Equity Tier 1 ratio	10.9%	10.9%

(1) The EAD reported here are presented in accordance with the Capital Requirements Directive (CRD), transposed into French regulation.

(2) Calculated by dividing the net allocation to provisions for commercial risks by average outstanding loans as at the end of the four quarters preceding the closing date, excluding legacy assets in 2013.

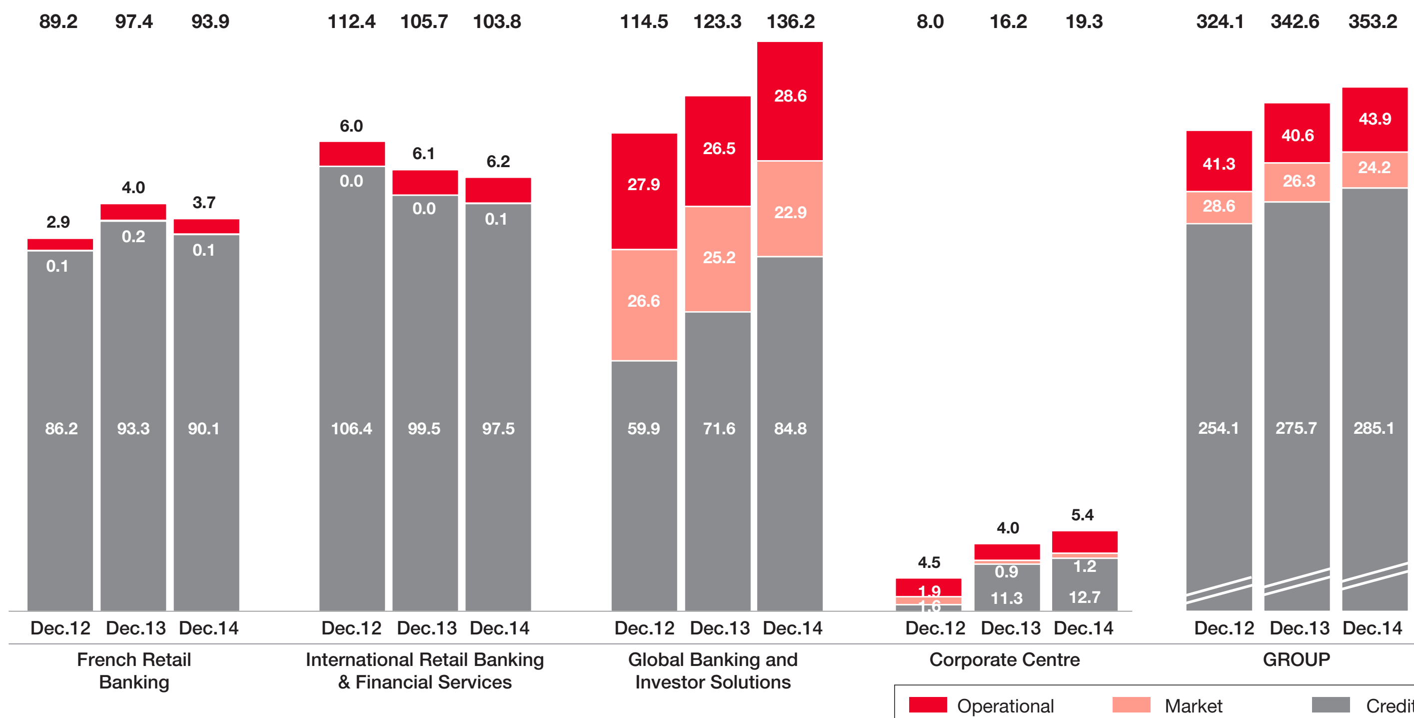
(3) Fully loaded proforma based on CRR/CRD4 rules as published on 26th June 2013, including Danish compromise for insurance.

(4) 2014: fully loaded based on CRR rules as adopted by the EU in October 2014 (Delegated Act); 2013 calculated using previously applicable rules.

NB. Most technical terms are defined in the Glossary section, on pages 156 and following.

In accordance with provisions of article R 511-16-1 of the French Monetary and Financial Code, return on assets (i.e. Net Income divided by the total balance sheet per consolidated accounts) for Societe Generale stood at 0.23% in 2014 and 0.20% in 2013. On a prudential basis (fully loaded) the ratio was 0.22% in 2014 and 0.19% in 2013, (calculated by dividing the Group Net Income reflected in Table 7 by the Total Balance Sheet for prudential purposes (Table 2).

RISK-WEIGHTED ASSETS* (IN EUR BN)



* Includes the entities reported under IFRS 5 until disposal.

NB: 2014 and 2013: fully loaded figures based on CRR/CRD4 rules, 2012 under Basel 2.5.

Credit risks accounted for 81% of the Group's risk-weighted assets.

At 31st December 2014, 86% of the Group's on and off-balance sheet exposure was concentrated in the major industrialised countries. Almost half of the overall amount of outstanding loans was to French customers (25% exposure to non-retail portfolio and 18% to retail portfolio).

The Group's exposure at default excluding securitisation was split into: 25% for retail customers, 42% for corporates, 11% for institutions (Basel classification banks and public-sector entities), 20% for sovereigns and 2% for securitisations.

The corporates' portfolio is diversified in terms of sectors; the majority of the exposure is concentrated in investment grade counterparties.

The credit portfolio analysis is detailed on p. 67 and following as at 31st December 2014.

Recent developments and outlook are detailed in the risk factors section below as well as in the "Group Strategy" section, p. 6 and "Recent Developments and Outlook" section, p. 55 of the Registration Document.

TYPES OF RISKS

The Group is exposed to the risks inherent in its core businesses. 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 business, results of operations and financial situation:

- **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.

  Country risk arises when an exposure can be negatively affected by changing political, economic, social and financial conditions in the country of operation.

  Validation of credit risk is part of the Group's risk management strategy based on its risk appetite. 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 the client's business, an understanding of the purpose and structure of the transaction and the sources of repayment of the debt. Credit decisions must also ensure that the structure of the transaction will minimise the risk of loss in the event the counterparty defaults.

  Limits are set for certain countries, geographical regions, sectors, products or types of customers with a view to minimising the most significant risks. In addition, major concentration risks are analysed periodically for the entire Group.
- **market risk:** risk of 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.

  Positions and risks are subject to daily controls and compared to predefined limits that, for major positions, are validated by the Board of Directors on the advice of the Audit, Internal Control and Risk Committee, in accordance with the risk appetite defined by the Board of Directors;
- **operational risks (including accounting and environmental risks):** risk of losses or sanctions due in particular to failures in internal procedures or systems, human error or external events. As such, the Group has an active prevention policy which consists of securing operational processes and promoting a risk culture throughout the Group;
- **structural interest and exchange rate risk:** risk of loss or 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 from transactions entered into by the Corporate Centre.

  The general principle for the Group is to minimise structural interest rate and exchange rate risks as much as possible within consolidated entities. Wherever possible, commercial transactions are therefore hedged against interest rate and exchange rate risks. Any residual structural interest rate risk exposure is contained by sensitivity limits set for each entity and for the overall Group in accordance with the structural risk appetite as validated by the Finance Policy Committee. As for exchange rates, the Group's policy is to immunise its Common Equity Tier 1 against fluctuations of the major currencies in which it operates;
- **liquidity risk:** risk of the Group not being able to meet its cash or collateral requirements as they arise and at reasonable cost.

  Given that liquidity is a scarce resource, the Group's objective is to finance its activities at the best possible rates under normal conditions whilst maintaining adequate buffers to cover outflows in periods of stress. The scope of the Group's short and long- term financing plan, which supplements customer deposits, is conservative with reduced concentration in the short term while ensuring diversification in terms of products and regions. Targets are validated by the Board of Directors in accordance with Risk Appetite;
- **non-compliance risk (including legal and tax risks):** risk of legal, administrative or disciplinary sanctions, material financial losses or reputational damage arising from failure to comply with the provisions governing the Group's activities;
- **reputational risk:** risk arising from negative perception by customers, counterparties, shareholders, investors or regulators, which could adversely affect the Group's ability to maintain or establish business relations and its access to funding sources.

  Compliance and adherence to ethical rules that meet the profession's highest standards are part of the Societe Generale Group's core values. It is not just the responsibility of a select few, but concerns the culture of its entire staff. Moreover, those rules even go beyond the strict application of current regulatory provisions, particularly as there are countries in which said provisions fall short of Societe Generale's ethical standards.

The Group is also exposed to the following risks:

- **strategic risk:** risk 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. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), those 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, hurricanes, industrial disasters, acts of terrorism or military conflicts).

Moreover, the Group is also exposed to the following risks:

- **risk related to specialised finance activities**: through its Specialised Financial Services activities, 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);
- **investment portfolio risk:** risk of unfavourable changes in the value of the Group's investment portfolio.

RISK FACTORS

1. **The global economy and financial markets continue to display high levels of uncertainty, which may materially and adversely affect the Group's business, financial situation and results of operations.**

As part of a global financial institution, the Group's businesses are highly sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Group could be confronted with a significant deterioration in market and economic conditions resulting from, in particular, crises affecting capital or credit markets, liquidity constraints, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including acts of terrorism and military conflicts). Such occurrences, which may develop quickly and may not be hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Group's financial situation, results of operations or cost of risk.

Financial markets have in recent years experienced significant disruptions as a result of concerns regarding the sovereign debt of various Eurozone countries. The high debt levels of some European sovereigns, recent restructurings and past write-downs, have given rise to renewed concerns about sovereign defaults in the Eurozone. The outcome of this situation cannot yet be predicted. In the recent past, these concerns generated disruptions that contributed to increasing the exchange rate volatility of the euro against other major currencies, negatively affecting stock prices, deteriorating the funding conditions of financial institutions and creating uncertainty regarding the near-term economic prospects of European Union countries, as well as the quality of credit extended to sovereign debtors in the European Union. Austerity and other measures introduced by public or private sector actors in order to address these issues may themselves lead to economic contraction and adversely affect the Group. Moreover, the prolonged period of weak demand and very low inflation in the euro area fosters the risk of deflation, which might adversely affect banks through low Interest rates, with a particular impact on interest rate margins for retail banks.

The Group is exposed to the risk of substantial losses if sovereign states, financial institutions or other credit counterparties become insolvent or are no longer able to fulfil their obligations to the Group. The Group holds sovereign bonds issued by some of the countries that have been most significantly affected by the current Eurozone crisis. In addition, the erosion of a sovereign state's perceived credit quality will often negatively affect the market perception of financial institutions located in that state. A worsening of the Eurozone crisis may trigger a significant decline in the Group's asset quality and an increase in its loan losses in the affected countries. The Group's inability to recover the value of its assets in accordance with the estimated percentages of recoverability based on past historical trends (which could prove inaccurate) could further adversely affect its performance. It may also become necessary for the Group to invest resources to support the recapitalisation of its businesses and/or subsidiaries in the Eurozone or in countries closely connected to the Eurozone such as those in Central and Eastern Europe. The Group's activities and/or subsidiaries in certain countries could become subject to emergency legal measures or restrictions imposed by local or national authorities, which could adversely affect its business, financial situation and results of operations.

2. **A number of exceptional measures taken by governments, central banks and regulators have recently been or could soon be completed or terminated, and measures at the European level face implementation risks.**

In response to the financial crisis, governments, central banks and regulators implemented measures intended to support financial institutions and sovereign states and thereby stabilise financial markets. Central banks took measures to facilitate financial institutions' access to liquidity, in particular by lowering interest rates to historic lows for a prolonged period.

Various central banks decided to substantially increase the amount and duration of liquidity provided to banks, loosen collateral requirements and, in some cases, implement "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of government bonds, corporate commercial paper and mortgage-backed securities. These central banks may decide, acting alone or in concert, to modify their monetary policies or to tighten their policies regarding access to liquidity, which could substantially and abruptly decrease the flow of liquidity in the

financial system. For example, in October 2014, the US Federal Reserve terminated its asset purchase under its 3rd quantitative easing programme and there is some expectation that the US Federal Reserve will begin raising its key interest rates by the end of 2015 if economic activity continues to gather momentum to reduced the size of its balance sheet int the future althrough at this stage it is not possible to determine the date, pace and scale of thihsis potential development. Such changes, or concerns about their potential impact, could increase volatility in the financial markets and push interest rates significantly higher. Given the uncertainty of the nascent economic recovery, such changes could have an adverse effect on financial institutions and, hence, on the Group's business, financial situation and results of operations.

Steps taken in 2014 to support the Eurozone, including exceptional monetary policy measures, the 2014 launch of a Single Supervisory Mechanism under the supervision of the European Central Bank (ECB) and the successful 2014 completion of the Asset Quality Review (AQR) process and Stress Tests covering all major European banks have contributed to a tangible easing of financial stability tensions. In June and September 2014, the ECB further eased monetary conditions by announcing additional interest rate cuts (including negative interest rates for deposit facilities). It also launched Targeted Longer-term Refinancing Operations (TLTRO) and two new asset purchase programmes, namely the ABS purchase programme (ABSPP) and the third covered bond purchase programme (CBPP3). In response to continued low inflation and an economic environment that continues to be weak, on 22 January 2015, the ECB announced an expanded asset repurchase programme consisting of up to EUR 60 billion in public and private debt repurchases, starting in March 2015 and lasting until at least September 2016. In spite of these measures, a resurgence of financial tension in eurozone markets cannot be ruled out, which could result in national policies restricting cross-border flows of liquidity.

3. **The Group's results may be affected by regional market exposures.**

The Group's performance is significantly affected by economic, financial and political conditions in the principal markets in which it operates, such as France and other European Union countries. In France, the Group's principal market, stagnant economic and financial activity, reduced levels of consumer spending and an unfavourable trend in the real estate market have had, and could continue to have, a material adverse impact on its business, resulting in decreased demand for loans, higher rates of non-performing loans and, decreased asset values. In the other European Union countries, economic stagnation or a deteriorating economic environment could result in increased loan losses or higher levels of provisioning.

The Group is involved in commercial banking and investment banking operations in emerging markets, in particular in Russia and other Central and Eastern European countries as well as in North Africa. Capital markets and securities trading activities in emerging markets may be more volatile than those in developed markets and more vulnerable to certain risks, such as political instablity and currency volatility. It is likely that these markets will continue to be characterised by higher levels of uncertainty and therefore risk. Unfavourable economic or polical changes affecting these markets could have a material effect on the business, results and financial position of the Group.

This is also true in Russia given the ongoing Ukraine crisis. Since March 2014, the United States, the European Union and other countries and international organisations have imposed several rounds of sanctions against Russian individuals and businesses. These sanctions combined with the substantial decline in world oil prices have adversely impacted the value of the rouble, financing conditions and economic activity in Russia. There is a risk of further adverse developments in the event of increased geopolitical tensions and/or additional sanctions by Western countries and/or by the Russian Federation.

Unfavourable developments in the political or economic conditions affecting the markets in which the Group operates may adversely affect its business, results of operations or financial situation.

4. **The Group operates in highly competitive industries, including in its home market.**

The Group is subject to intense competition in the global and local markets in which it operates. On a global level, it competes with its peers principally in its core businesses (French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions). In local markets, including France, the Group faces substantial competition from locally-established banks, financial institutions, businesses providing financial and other services and, in some instances, governmental agencies. This competition exists in all of the Group's lines of business.

In France, the presence of large domestic competitors in the banking and financial services sector, as well as emerging market participants such as online retail banking and financial services providers, has resulted in intense competition for virtually all of the Group's products and services. The French market is a mature market and one in which the Group holds significant market share in most of its lines of business. Its financial situation and results of operations may be adversely affected if it is unable to maintain or increase its market share in key lines of business. The Group also faces competition from local participants in other geographic markets in which it has a significant presence. In addition, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms, or have declared bankruptcy. Such changes could result in the Group's remaining competitors benefiting from greater capital resources or other advantages, such as the ability to offer a broader range of products and services or greater geographic diversity. As a result of these factors, and Societe Generale

competitors' efforts to increase market share by reducing prices, the Group has experienced pricing pressures in the past, and may continue to experience them in the future.

Competition on a global level, as well as on a local level in France and in other key markets, could have a material adverse effect on the Group's business, results of operations and financial situation.

5. **Reputational damage could harm the Group's competitive position.**

The financial services industry is highly competitive and the Group's reputation for financial strength and integrity is critical to its ability to attract and retain customers and counterparties. Its reputation could be harmed by events attributable to it and the decisions of its management, as well as by events and actions of others outside its control. Independent of the merit of information being disseminated, negative comments concerning the Group could have adverse effects on its business and its competitive position.

The Group's reputation could be adversely affected by a weakness in its management of conflicts in interest or in implementing appropriate procedures. Such weaknesses could be the result of misconduct by employees or by external stakeholders. Reputational issues could also result from a decline in, a restatement of, or corrections to its financial results, as well as any adverse legal or regulatory action, especially if any of these events become the focus of extensive media reports. Reputational damage could translate into a loss of business or investor confidence that could have a material adverse effect on the Group's results of operations and financial position.

6. **The Group depends on access to financing and other sources of liquidity, which may be restricted for reasons beyond its control.**

The ability to access short-term and long-term funding is essential to the Group's businesses. Societe Generale funds itself on an unsecured basis, by accepting deposits, by issuing long-term debt, promissory notes and commercial paper and by obtaining bank loans or lines of credit. The Group also seeks to finance many of its assets on a secured basis, including by entering into repurchase agreements. If the Group is unable to access secured or unsecured debt markets on terms it considers acceptable or if it experiences unforeseen outflows of cash or collateral, including material decreases in customer deposits, the Group's liquidity could be impaired. In particular, if the Group does not continue to successfully attract customer deposits (because, for example, competitors raise the interest rates that they are willing to pay to depositors, and accordingly, customers move their deposits elsewhere), the Group may be forced to turn to more expensive funding sources, which would reduce the Group's net interest margin and results.

The Group's liquidity could be adversely affected by factors the Group cannot control, such as general market disruptions, operational difficulties affecting third parties, negative views about the financial services industry in general, or the Group's short-term or long-term financial prospects in particular, as well as changes in credit ratings or even market perceptions of the Group or other financial institutions.

The Group's credit ratings can have a significant impact on the Group's access to funding and also on certain trading revenues. In connection with certain OTC trading agreements and certain other securities agreements, the Group may, for example, be required to provide additional collateral to certain counterparties in the event of a credit ratings downgrade. The ratings agencies continue to monitor certain issuer-specific factors, including governance, the level and quality of earnings, capital adequacy, funding and liquidity, risk appetite and management, asset quality, strategic direction, and business mix. Additionally, the rating agencies look at the regulatory and legislative environment, as well as the macro-economic environment in which the bank operates. A deterioration in the macro-economic environment or a change in the perceived level of government support following, for example, the implementation of the BRRD, may lead to a ratings downgrade of the Group or of other actors in the European banking industry.

Lenders have the right to accelerate some of the Group's debts upon the occurrence of certain events, including the Group's failure to provide the necessary collateral following a downgrade of its credit rating below a certain threshold, and other events of default set out in the terms of such indebtedness. If the relevant lenders declare all amounts outstanding due and payable due to a default, the Group may be unable to find sufficient alternative financing on acceptable terms, or at all, and the Group's assets might not be sufficient to repay its outstanding indebtedness in full.

Moreover, the Group's ability to access the capital markets and the cost of its long-term unsecured funding is directly related to its credit spreads in both the bond and credit derivatives markets, which are also outside of its control. Liquidity constraints may have a material adverse effect on the Group's business, financial situation, results of operations and ability to meet its obligations to its counterparties.

7. **The protracted decline of financial markets or reduced liquidity in such markets may make it harder to sell assets and could lead to material losses.**

In a number of the Group's businesses, a protracted market decline, particularly in asset prices, can reduce the level of activity in the financial markets or reduce market liquidity. These developments can lead to material losses if the Group is not able to close out deteriorating positions in a timely way or adjust the hedge of its positions. This is especially true for the assets the Group holds for which the markets are relatively illiquid by nature. Assets that are not traded in regulated markets or other public trading markets, such as derivatives contracts between banks, are valued based on the Group's internal models rather than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group did not anticipate.

8. **The volatility of the financial markets may cause the Group to suffer significant losses on its trading and investment activities.**

   Market volatility could adversely affect the Group's trading and investment positions in the debt, currency, commodity and equity markets, as well as its positions in private equity, property and other investments. Severe market disruptions and extreme market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for the Group's capital markets activities. Such losses may extend to a broad range of trading and hedging products, including swaps, forward and future contracts, options and structured products.

   Market volatility makes it difficult to predict trends and implement effective trading strategies; it also increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. Such losses, if significant, could adversely affect the Group's results of operations and financial situation.

9. **Changes in interest rates may adversely affect the Group's banking and asset management businesses.**

   The Group's performance is influenced by changes and fluctuations in interest rates in Europe and in the other markets in which it operates. The amount of net interest earned during any given period may significantly affect the Group's overall revenues and profitability. The Group's management of interest rate sensitivity may also affect its results of operations. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in applicable interest margins and balance sheet values. Any mismatch between interest owed by the Group and interest due to it (in the absence of suitable protection against such mismatch) could have adverse material effects on the Group's business, financial situation and results of operations.

10. **Fluctuations in exchange rates could adversely affect the Group's results of operations.**

    The Group's main operating currency is the euro. However, a significant portion of the Group's business is carried out in currencies other than the euro, such as, the US dollar, the British pound sterling, the Czech koruna, the Romanian lei, the Russian rouble and the Japanese yen. The Group is exposed to exchange rate movements to the extent its revenues and expenses or its assets and liabilities are recorded in different currencies. Because the Group publishes its consolidated financial statements in euros, which is the currency of most of its liabilities, the Group is also subject to translation risk in the preparation of its financial statements. Fluctuations in the rate of exchange of these currencies into euros may have a negative impact on the Group's consolidated results of operations, financial position and cash flows from year to year, despite any hedges that may be implemented by the Group to limit its foreign exchange exposure. Exchange rate fluctuations may also affect the value (denominated in euros) of the Group's investments in its subsidiaries outside the Eurozone.

11. **The Group is subject to extensive supervisory and regulatory regimes in the countries in which it operates and changes in these regimes could have a significant effect on the Group's business.**

    The Group is subject to extensive regulation and supervision in all jurisdictions in which it operates. The rules applicable to banks seek principally to limit their risk exposure, preserve their stability and financial solidity and protect depositors, creditors and investors. The rules applicable to financial services providers govern, among other things, the sale, placement and marketing of financial instruments. The banking entities of the Group must also comply with requirements as to capital adequacy and liquidity in the countries in which they operate. Compliance with these rules and regulations requires significant resources. Non-compliance with applicable laws and regulations could lead to fines, damage to the Group's reputation, forced suspension of its operations or the withdrawal of operating licenses.

    Since the onset of the financial crisis, a variety of measures have been proposed, discussed and adopted by numerous national and international legislative and regulatory bodies, as well as other entities. Certain of these measures have already been implemented, while others are still under discussion. It therefore remains difficult to accurately estimate the future impacts or, in some cases, to evaluate the likely consequences of these measures.

    In particular, the Basel 3 reforms are being implemented in the European Union through the Capital Requirements Regulation (CRR) and Capital Requirements Directive 4 (CRD4) which came into effect on 1st January 2014, with certain requirements being phased in over a period of time, until 2019. Basel 3 is an international regulatory framework to strengthen capital and liquidity reglements with the goal of promoting a more resilient banking sector. Recommendations and measures addressing systemic risk exposure of global banks, including additional loss absorbency requirements, were adopted by the Basel Committee and by the Financial Stability Board, which was established following the G20 London summit in 2009. Societe Generale, among other global banks, has been named by the Financial Stability Board as a "systemically important financial institution" and as a result will be subject to additional capital buffer requirements.

    In France, the banking law of 26th July 2013 on the separation and regulation of banking activities requires that banks with balance sheets over a certain threshold develop and communicate to the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR - French Prudential and Resolution Supervisory Authority) a preventative recovery plan outlining expected recovery measures in case of significant deterioration of their financial situation. This law also expands the powers of the ACPR over these institutions in times of resolution in particular by allowing it to transfer the shares or branches of activity to a relay institution or depreciate capital instruments and subordinated debt or convert such debt into capital instruments. Starting on 1st January 2015, the resolution powers of the ACPR were superseded by those of the Single Resolution Board (SRB), which works in close cooperation

with the national resolution authorities and with the ACPR (in particular, for the purpose of resolution planning). Starting on 1st January 2016, the SRB will assume full resolution powers, provided that the conditions for the transfer of contributions to the Single Resolution Fund have been met by that date. Such reforms could impact the Group and its structure in ways that cannot currently be estimated.

The French banking law of 26th July 2013 also mandates the separation of certain market activities by significant credit institutions that are considered to be "speculative" (i.e. those deemed not necessary for financing the economy). Unless an exception applies under the law (such as market making), this obligation covers all banks' proprietary trading. All institutions subject to this requirement were required to have identified the relevant activities by 1st July 2014. Under the law, such proprietary trading activities must be transferred to a dedicated subsidiary by 1st July 2015. The 2013 law also mandates greater transparency regarding tax obligations arising from activities carried out in foreign countries, and limits certain bank charges. The above-mentioned reforms could impact the Group and its structure in ways that cannot currently be estimated.

Since November 2014, Societe Generale and all other major financial institutions in the euro area are subject to the supervision of the European Central Bank as part of the implementation of the single supervisory mechanism. In addition, Societe Generale will be subject to the Single Resolution Mechanism as from January 2016. The impact of this new supervisory structure on the Group cannot yet be fully evaluated; nevertheless, the new structure and the implementation of additional supervisory measures may increase volatility in financial markets.

Moreover, the European Directive establishing a framework for the recovery and resolution of credit institutions and investment firms was adopted on 15th April 2014.

The implementation into French Law is still ongoing. The "bail-In" power under this Directive, allowing write-down of debt principal or conversion into shares for a failed institution, will become applicable to credit institutions' senior debt starting 1st January 2016, and shall apply to all such debt regardless of issuance date. The existence of this bail-In power may increase the cost of senior debt funding for entities like the Group. These reforms could have an impact on the Group and its structure, which may not be currently estimated.

The US Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank") will affect the Group and some of its businesses. Under Dodd-Frank, US regulators are required to implement significant structural reforms in the financial services industry, and many of its provisions apply to non-US banking organisations with US operations. Among other things, Dodd-Frank establishes or calls for new systemic risk oversight, bank capital standards, the orderly liquidation of failing systemically significant financial institutions, regulation of the over-the-counter derivatives market, and limitations on banking organisations' trading and fund activities. While certain provisions of Dodd-Frank were effective immediately on enactment, other provisions are subject to transition periods and a lengthy rulemaking process, or their implementation has been postponed by US regulators. As a consequence, it is difficult at this time to assess the overall impact (including extraterritorial impact) that Dodd-Frank and its implementing regulations could have on the Group or on the financial services industry as a whole.

The European Market Infrastructure Regulation (EMIR) published in 2012 places new constraints on derivatives market participants in order to improve the stability and transparency of this market. Specifically, EMIR requires the use of central counterparties for products deemed sufficiently liquid and standardised, the reporting of all derivative products transactions to a trade repository, and the implementation of risk mitigation procedures (e.g., exchange of collateral) for OTC derivatives not cleared by central counterparties. Some of these measures are already in effect, while others are expected to come into force in 2015, making it difficult to accurately estimate their impact.

In March 2014, the EBA published the final draft Regulatory Technical Standards ("RTS") laying out the requirements related to Prudent Valuation. Even though a prudent valuation of fair value assets was already specified in CRD3, the RTS implement uniform Prudent Valuation standards across Europe. The Additional Valuation Adjustments (AVAs), defined as the difference between the prudent valuation and the accounting fair value, have to be deducted from Core Tier One Capital.

Lastly, additional reforms are being considered that seek to enhance the harmonisation of the regulatory framework and reduce variability in the measurement of Risk Weighted Assets (RWA) across banks. In December 2014, the Basel Committee on Banking Supervision (BCBS) published a consultative paper for a revision to methods for measuring credit risk, including, for example, the establishment of RWA floors and integrating standard approaches that are more sensitive to risk. At this stage there is no clarity on any of these changes and it is therefore difficult to estimate their impact.

Other projects are also being developed at the European level, such as the Barnier-Liikanen project on bank structure or other projects related to money market funds and secure funding. Those and other proposals for banking sector reform may have a significant impact on the Group, particularly in term of the cost of capital allocated to each type of banking activity, although it is too early to estimate their impact at this time.

12. The Group is exposed to counterparty risk and concentration risk.

The Group is exposed to credit risk with respect to numerous counterparties in the ordinary course of its trading, lending, deposit-taking, clearance and settlement, and other activities. These counterparties include institutional clients, brokers and dealers, commercial and investment banks and sovereign states. The Group may realise losses if a counterparty defaults on its obligations and the collateral that it holds does not represent a value equal to, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is intended to cover. Many of the Group's hedging and other risk management strategies also involve transactions with financial services counterparties. The weakness or insolvency of these counterparties may impair the effectiveness of the Group's

hedging and other risk management strategies, which could in turn materially adversely affect its business, results of operations and financial situation.

The Group may also have concentrated exposure to a particular counterparty, borrower or issuer (including sovereign issuers), or to a particular country or industry. A ratings downgrade, default or insolvency affecting such a counterparty, or a deterioration of economic conditions in such a country or industry, could have a particularly adverse effect on the Group's business, results of operations and financial situation. The systems the Group uses to limit and monitor the level of its credit exposure to individual entities, industries and countries may not be effective to prevent concentration of credit risk. Because of a concentration of risk, the Group may suffer losses even when economic and market conditions are generally favourable for its competitors.

13. The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.

The Group's ability to engage in funding, investment and derivative transactions could be adversely affected by the soundness of other financial institutions or market participants. Financial services institutions are interrelated as a result of trading, clearing, counterparty, funding and other relationships. As a result, defaults by, or even rumours or questions about, one or more financial services institutions, or the loss of confidence in the financial services industry generally, may lead to market-wide liquidity scarcity and could lead to further losses or defaults. The Group has exposure to many counterparties in the financial industry, directly and indirectly, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients with which it regularly executes transactions. Many of these transactions expose the Group to credit risk in the event of default by counterparties or clients. In addition, the Group's credit risk may be exacerbated if the collateral it holds cannot be realised for any reason or is not sufficient to recover the full amount of the Group's exposure.

14. The Group's hedging strategies may not prevent all risk of losses.

If any of the variety of instruments and strategies that the Group uses to hedge its exposure to various types of risk in its businesses is not effective, it may incur significant losses. Many of its strategies are based on historical trading patterns and correlations or may not be effective in the future. For example, if the Group holds a long position in an asset, it may hedge that position by taking a short position in another asset whose value has historically moved in an offsetting direction. However, the hedge may only cover a part of its exposure to the long position, and the strategies used may not protect against all future risks or may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk in the future. Unexpected market developments may also reduce the effectiveness of the Group's hedging strategies.

15. The Group's results of operations and financial situation could be adversely affected by a significant increase in new provisions or by inadequate provisioning.

The Group regularly sets aside provisions for loan losses in connection with its lending activities. Its overall level of loan loss provisions, recorded as "cost of risk" in its income statement, is based on its assessment of the recoverability of the relevant loans. This assessment relies on an analysis of various factors, including prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, certain economic conditions and the amount and type of any guarantees and collateral. Notwithstanding the care with which the Group carries out such assessments, it has had to increase its provisions for loan losses in the past and may have to substantially increase its provisions in the future following an increase in defaults or for other reasons. Significant increases in loan loss provisions, a substantial change in the Group's estimate of its risk of loss with respect to loans for which no provision has been recorded, or the occurrence of loan losses in excess of its provisions, could have a material adverse effect on its results of operations and financial situation.

16. The Group relies on assumptions and estimates which, if incorrect, could have a significant impact on its financial statements.

When applying the IFRS accounting principles disclosed in the Financial Information (Chapter 6) of the Registration Document and for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on figures recorded in the income statement, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Management exercises judgment and uses information available at the date of preparation of the consolidated financial statements. By nature, valuations based on estimates involve risks and uncertainties relating to their occurrence in the future. Actual future results may differ from these estimates, which could have a significant impact on the Group's financial statements.

The use of estimates principally relates to the following valuations:

- fair value of financial instruments, that are not quoted on an active market, presented in the balance sheet or the notes to the financial statements;

- the amount of impairment of financial assets (Loans and receivables, Available-for-sale financial assets, Held-to-maturity financial assets), lease financing and similar agreements, tangible or intangible fixed assets and goodwill;
- provisions recognised under liabilities, including provisions for employee benefits or underwriting reserves of insurance companies, and deferred profit-sharing on the asset side of the balance sheet;
- the amount of deferred tax assets recognised in the balance sheet;
- initial value of goodwill determined for each business combination; and
- in the event of the loss of control of a consolidated subsidiary, fair value of the entity's interest retained by the Group, where applicable.

17. The Group is exposed to legal risks that could negatively affect its financial situation or results of operations.

The Group and certain of its former and current representatives may be involved in various types of litigation including civil, administrative and criminal proceedings. The large majority of such proceedings arise from transactions or events that occur in the Group's ordinary course of business. There has been an increase in investor litigation and regulatory actions against intermediaries such as banks and investment advisors in recent years, in part due to the challenging market environment. This has increased the risk, for the Group as well as for other financial institutions, of losses or reputational harm deriving from litigation and other proceedings. Such proceedings or regulatory enforcement actions could also lead to civil or criminal penalties that adversely affect the Group's business, financial situation and results of operations.

It is inherently difficult to predict the outcome of litigation, regulatory proceedings and other adversarial proceedings involving the Group's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, cases where claims for damages are of unspecified or indeterminate amounts or cases involving novel legal claims. In preparing the Group's financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and records a provision when losses with respect to such matters are probable and can be reasonably estimated. Should such estimates prove inaccurate or the provisions set aside by the Group to cover such risks inadequate, its financial situation or results of operations could be materially and adversely affected. (See "Compliance, reputational and legal risks" section of the Registration Document).

18. If the Group makes an acquisition, it may be unable to manage the integration process in a cost-effective manner or achieve the expected benefits.

The selection of an acquisition target is carried out by the Group following a careful analysis of the business or assets to be acquired. However, such analyses often cannot be exhaustive due to various factors. As a result, certain acquired businesses may include undesirable assets or expose the Group to increased risks, particularly if the Group was unable to conduct full and comprehensive due diligence prior to the acquisition. The successful integration of a new business typically requires effectively coordinating business development and marketing initiatives, retaining key managers, recruitment and training, and consolidating information technology systems. These tasks may prove more difficult than anticipated, require more management time and resources than expected, and/or the Group may experience higher integration costs and lower savings or earn lower revenues than expected. The pace and degree of synergy building is also uncertain.

19. The Group's risk management system may not be effective and may expose the Group to unidentified or unanticipated risks, which could lead to significant losses.

The Group has devoted significant resources to develop its risk management policies, procedures and assessment methods, and intends to continue to do so in the future. Nonetheless, its risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risk, including risks that it fails to identify or anticipate. Some of its qualitative tools and metrics for managing risk are based upon observed historical market behaviour. The Group applies statistical and other tools to these observations in order to assess its risk exposures. These tools and metrics may fail to predict accurate future risk exposures that arise from factors the Group did not anticipate or correctly evaluate in its statistical models. Failure to anticipate these risks or accurately estimate their impact could significantly affect the Group's business, financial situation and results of operations.

20. Operational failure, termination or capacity constraints affecting institutions the Group does business with, or failure or breach of the Group's information technology systems, could result in losses.

The Group is exposed to the risk of operational failure, termination or capacity constraints of third parties, including clients, financial intermediaries that it uses to facilitate cash settlement or securities transactions (such as clearing agents, exchanges and clearing houses), and other market participants. An increasing number of derivative transactions are now cleared on exchanges or will be in the near future, which has increased the Group's exposure to these risks, and could affect its ability to find adequate and cost-effective alternatives in the event of any such failure, termination or constraint.

The interconnectivity of multiple financial institutions with clearing agents, exchanges and clearing houses, and the increased centrality of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact the Group's ability to conduct business. Industry consolidation, whether among market participants or financial intermediaries, can exacerbate these risks as disparate complex systems need to be integrated,

often on an accelerated basis. As the Group becomes more interconnected with its clients, it also faces the risk of operational failure with respect to its clients' information technology and communication systems. Any failure, termination or constraint could adversely affect its ability to effect transactions, service its clients, manage its exposure to risk or expand its businesses or result in financial loss or liability to its clients, impairment of its liquidity, disruption of its businesses, regulatory intervention or reputational damage.

In addition, an increasing number of companies, including financial institutions, have experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks and resulted in the loss, theft or disclosure of confidential data. Because the techniques used to obtain unauthorised access, disable or degrade service or sabotage information systems change frequently and often are not recognised until launched against a target, the Group may be unable to anticipate these techniques or to implement effective countermeasures in a timely manner.

The Group relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems, even if only brief and temporary, could result in business interruptions and lead to additional costs related to information retrieval and verification, reputational harm and a potential loss of business. A failure, interruption or security breach of its information systems could have a material adverse effect on its business, results of operations and financial situation.

21. The Group may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health crises (or concerns over the possibility of such crises), terrorist attacks or natural disasters, could create economic and financial disruptions, lead to operational difficulties (including travel limitations or relocation of affected employees) that could impair the Group's ability to manage its businesses, and expose its insurance activities to significant losses and increased costs (such as re-insurance premiums).

22. The Group may generate lower revenues from brokerage and other commission and fee-based businesses during market downturns.

During the recent market downturn, the Group experienced a decline in the volume of transactions that it executed for its clients, resulting in lower revenues from this activity. There is no guarantee that the Group will not experience a similar trend in future market downturns, which may occur periodically and unexpectedly. Furthermore, changes in applicable regulations, such as the adoption of a financial transaction tax, could also impact the volume of transactions that the Group executes for its clients, resulting in lower revenues from these activities. In addition, because the fees that the Group charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues the Group generates from its asset management, custodial and private banking businesses.

23. The Group's ability to retain and attract qualified employees is critical to the success of its business, and the failure to do so may materially adversely affect its performance.

Societe Generale's employees are its most important resource, and industry competition for qualified personnel is intense. In order to attract, retain and engage talented employees, the Group must offer career paths, training and development opportunities and compensation levels in line with its competitors and market practices. If the Group were unable to continue to engage highly-qualified employees, its performance, including its competitive position and client satisfaction, could be materially adversely affected. Furthermore, the financial industry in Europe will continue to experience more stringent regulation of employee compensation, including rules related to bonuses and other incentive-based compensation, clawback requirements and deferred payments, and Societe Generale, like all participants in the financial industry, will need to adapt to this changing environment in order to attract and retain qualified employees.

In Europe, CRD4 has severely constrained compensation policy, in particular, the way variable compensation may be determined, structured and paid to regulated staff: it limits, for example, the ratio of variable to fixed compensation, deferred payments, and compensation based on the share price. It also introduces malus conditions, and imposes clawback requirements. In order to remain competitive with peers in the financial industry which are not submitted to these rules, the Group may have to increase the proportion of fixed compensation costs which may reduce its ability to pay variable compensation based on performance. This could lead to difficulties in attracting suitable profiles or retaining key employees, and could have consequences in the long term on the profitability of the Group.

The Group has undertaken a review of the risks that could have a material adverse effect on its business, financial situation and results of operations, and does not consider there to be other significant risks beyond those presented in the "Types of risks" and "Risk factors" sections.

2. GOVERNANCE AND RISK MANAGEMENT ORGANISATION

INTRODUCTION

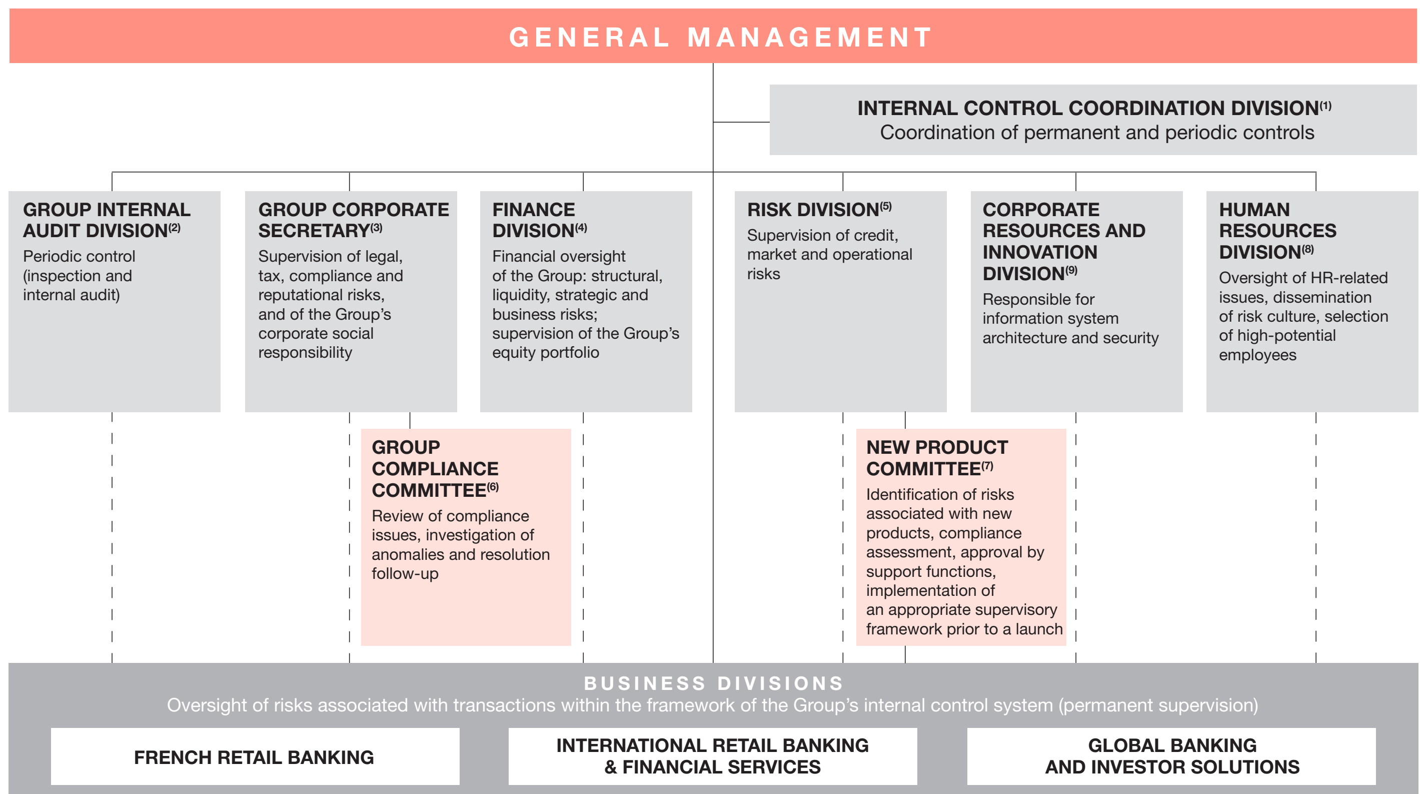
Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale, in all businesses, markets and regions in which it operates, as are maintaining a balance between strong risk culture and promoting innovation. The Group's risk management, supervised at the highest level (see Board of Directors' mission page 130) is compliant with the regulations in force, in particular Regulation No. 97-02 of the French Banking and Financial Regulation Committee (CRBF) as amended by the decree of 19th January 2010 and the CRD3 and CRD4 European Directives. Specifically, the main objectives of the Group's risk management strategy are:

- to contribute to the development of the Group's various businesses by optimising its overall risk-adjusted profitability in accordance with its risk appetite;
- to guarantee the Group's sustainability as a going concern, through the implementation of an efficient system for risk analysis, measurement and monitoring;
- to make risk management a differentiating factor and a competitive strength acknowledged by all.

This can take the form of:

- clear principles for governing, managing and organising risks;
- determining and formally defining the Group's risk appetite;
- effective risk management tools;
- a risk culture that is cultivated and established at each level of the Group.

These various items are currently under focus, with a series of initiatives established as part of the ERM (Enterprise Risk Management) programme, which aims to improve the consistency and effectiveness of the Group's risk management system by fully integrating risk prevention and control in the day-to-day management of the bank's businesses.



(1) Permanent and periodic controls, page 133 and following of the Registration Document.
(2) See page 135 of the Registration Document.
(3) Legal and tax risks, page 139; compliance and reputational risks, page 132. Corporate social responsibility, page 293 of the Registration Document.
(4) Structural risks, page 119; liquidity risk, page 123; equity portfolio, page 142.
(5) Credit risk, page 56; market risk, page 105; operational risk, page 113.
(6) Group Compliance Committee, page 136 of the Registration Document.
(7) New Product Committee, page 132 of the Registration Document.
(8) See page 313 and following, particularly page 316 (training), page 318 (high-potential employees), page 326 (remuneration) of the Registration Document.
(9) See page 136 of the Registration Document.

RISK MANAGEMENT GOVERNANCE, CONTROL AND ORGANISATION PRINCIPLES

The Group's risk management governance is based on:

- strong managerial involvement in the risk management system and promotion of risk culture, throughout the entire organisational structure, from the Board of Directors down to operational teams;
- clearly defined internal rules and procedures;
- continuous supervision by an independent body to monitor risks and to enforce rules and procedures.

The Group's risk management is based on two key principles:

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

Compliance with these principles forms part of the consolidation 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[1], and the Risk Committee. The Group's Corporate Divisions, such as the Risk Division and some departments of the Finance Division, which are independent from the business divisions, are dedicated to permanent risk management and control under the authority of the General Management.

BOARD OF DIRECTORS

The Board of Directors defines the Group's strategy, by assuming and controlling risks, and ensures its implementation. In particular, the Board of Directors ensures the adequacy of the Group's risk management infrastructure, monitors changes in the portfolio and particularly in the cost of risk, and approves the market risk limits. Presentations on the main aspects and notable changes of 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 so require), as part of the Risk Appetite exercise.

AUDIT, INTERNAL CONTROL AND RISK COMMITTEE (CACIR)[1]

Within the Board of Directors, the Audit, Internal Control and Risk Committee plays a crucial role in the assessment of the quality of the Group's internal control. More specifically it is responsible for examining the internal framework for risk monitoring to ensure its consistency and compliance with procedures, laws and regulations in force. Specific presentations are made by relevant managers to the Committee, which reviews the procedures for controlling certain market risks as well as structural interest rate risks, 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. Finally, the Group's risk map and risk appetite indicators are presented to the Committee annually, and every year it examines the Annual Report on Internal Control, which is submitted to the Board of Directors and the French Prudential Supervisory and Resolution Authority (ACPR).

GENERAL MANAGEMENT

The Group General Management chairs particularly the Risk Committee, the Large Exposures Committee, the Finance Policy Committee and the Group Internal Control Coordination Committee.

RISK COMMITTEE (CORISQ) AND LARGE EXPOSURES COMMITTEE (CGR)

The Group Risk Committee, chaired by the General Management, is made up of members of the Group's Executive Committee (COMEX), managers of the Risk Division, and, when needed, representatives of the Divisions concerned by the agenda. It convenes at least once a month in order to deal with the major trends in terms of Group risks.

Generally, the Risk Committee, after a proposal by the Risk Division (RISQ), makes the main decisions concerning the management of various risks (credit, country, market and operational risks).

The Large Exposures Committee (CGR) constitutes an *ad hoc* body which, under the chairmanship of General Management, groups the operational and RISQ managers responsible for some individual exposures.

FINANCE POLICY COMMITTEE

The Finance Policy Committee, being chaired by the General Management, defines the Group's financial strategy and ensures the control of scarce resources (capital, liquidity, balance sheet), their allocation and the control of structural risks.

INTERNAL CONTROL COORDINATION COMMITTEE

The Group Internal Control Coordination Committee, manages the consistency and effectiveness of the internal control mechanism as a whole.

(1) Starting from the 1st January 2015 separation of CACIR into two Committees: the Risk Committee and the Audit and Internal Control Committee

RISK DIVISION

The main role of the Risk Division is to contribute to the development of the Group's business and profitability by defining, in conjunction with the Finance Division and the core businesses, the Group's risk appetite (adapted in the Group's different businesses) and implementing a risk management and monitoring system. In carrying out its duties, the Risk Management Division combines independence from the business lines and close cooperation with the core businesses, which hold primary responsibility for the transactions they initiate.

Accordingly, the Risk Division is responsible for:

- carrying out hierarchical and functional supervision of the Group's risk structure; the Head of Risk is responsible for the Group's risk in terms of the Regulation No. 97-02 of the CRBF as amended by the decree of 19th January 2010;
- alongside the Finance Division, setting the Group's risk appetite which is then submitted to the executive body and to the Board of Directors for their approval;
- recording all Group risks;
- implementing a governance and monitoring system for these risks across all business lines, and regularly reporting on the nature and extent of these risks to the General Management, the Board of Directors and the banking supervision authorities;
- helping to define the Group's risk policies, taking into account business objectives and corresponding risk issues;
- defining and approving risk analysis, measurement, approval and monitoring methods and procedures;
- approving the transactions and limits proposed by business managers;
- defining and approving the "risk" information system and ensuring its suitability for the needs of the businesses.

FINANCE DIVISION

The finance Division is responsible of the Group overall and integrated financial management and as such is responsible for assessing and managing the structural interest rate, foreign exchange and liquidity risks.

Management and monitoring of structural risks are ensured by two separate entities, in accordance with the principles of regulation that advocate a separation of control and risk functions:

- the "Management of Balance Sheet and Financing" department, responsible for balance sheet management and the Group's financing, including through the implementation of financing plans and resilience plans in accordance with the objectives and in compliance with regulatory obligations. The main objective is to ensure a protected cost of borrowing and diversification guaranteeing the security of the Group;
- the ALM Risk Control Department is responsible for supervising structural risk for the entire Group. As such, this department is responsible for defining standards for measuring and modelling for the control of structural risk models and for monitoring structural risk limits and asset-liability management practices. This department is functionally overseen by the Risk Division.

The control of scarce resources (capital, liquidity, balance sheet) and performance in line with the strategic objectives and in compliance with regulatory requirements is placed under the sole responsibility of the department of financial and strategic steering.

Lastly, a department is in charge of maintaining and developing in accordance with banking regulations, Recovery and Resolution plans. The recovery plan strengthens the Group's resilience describing preventively provisions that would allow the Group to cope independently in a very severe crisis. The resolution plan provides the necessary information to the authorities to design strategies that could be undertaken in order to limit the impact of a hypothetical Group failure on the economy and the markets.

OTHER DIVISIONS

The respective roles of the Divisions in the risk management are described in the diagram on p.13. It should be noted that the bank's risk management principles, procedures and infrastructures and their implementation are monitored by the Inspection and Audit Division. 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 certain scopes.

NEW PRODUCT COMMITTEE

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

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

This process is underpinned by a very broad definition of a new product, which ranges from the creation of a new product, to the adaptation of an existing product to a new environment or the transfer of activities involving new teams or new systems.

ENTERPRISE RISK MANAGEMENT (ERM) PROGRAMME

Launched in January 2011, the ERM programme aims to improve the consistency and effectiveness of the Group's risk management system by fully integrating risk prevention and management with the day-to-day management of the bank's businesses. This programme is structured around three objectives:

- taking greater account of risks in the Bank's strategic management, in particular, by continually improving the Group's management of risk appetite (see paragraph below);
- strengthening permanent control and its operational processes (see the Internal Control chapter, page 133 of the Registration Document);
- strengthening the risk culture within the bank through a Group initiative called "RISK Culture".

The ERM programme is closely monitored at the highest level of the bank: it is supervised by General Management, with the participation of members of the Executive Committee, and is the subject of regular reporting to the Audit, Internal Control and Risk Committee (CACIR)[1] of the Board of Directors.

A dedicated team is responsible for the management and cross-fertilisation of a portfolio of projects within the Group's various business lines and departments.

With the aid of repeated awareness campaigns and an innovative training strategy, the risk culture continues to grow in France and abroad.

Examples include:

- raising awareness among employees of cross-risks and weak signals is one of the first themes dealt with by the digital training programme, known as MOOC (Massive Online Open Courses);
- specific events led by experts and coordinated together take place simultaneously in all regions where the Group operates. This has made it possible, for example, to raise awareness among 3,000 employees on the issue of information security during the "Risk Hours";
- the application and respect by the business lines of the social and environmental commitments taken by the Group have been the subject of specific measures within the programme (creation of a charter, including practical guides to the implementation of the principal commitments, etc.);
- feedback, the preferred way to share and develop best practices, is widely used in the awareness-raising process (debriefing at team meetings, conferences, comic strips, newsletters, etc.).

Led by the Group's management, the development of a solid risk culture makes it possible to create a shared vision of the Group's expectations in this area and to act responsibly at all levels of the organisation. The progress made, measured by an internal barometer, attests to the legitimacy of this approach.

RISK APPETITE

Societe Generale defines risk appetite as the level of risk, by type and by business, that the Group is prepared to incur in view of its strategic targets. Risk appetite is defined using both quantitative and qualitative criteria.

Since 2009, the Risk Division and the Finance Division, in coordination with the operating divisions, have jointly carried out measures as part of the Group Risk Appetite exercise, consisting in formally defining a three-year overview including:

- targets for certain key Group indicators (financial solidity, profitability, solvency, leverage and liquidity);
- risk/return ratios for the different Group businesses;
- the Group's risk profile, by risk type (credit, market, operational and structural).

To determine these factors and develop the Risk Appetite approach, earnings sensitivities to business cycles and credit, market and operational events are taken into account under both a core budgetary macroeconomic *scenario* and a macroeconomic *scenario* of severe but plausible stress.

The Risk Appetite exercise is one of the strategic oversight tools available to the Group governing bodies. It is fully integrated with the budgeting process and draws on the global stress test system (details below), which is also used to ensure capital adequacy under stressed economic *scenarii*.

It is discussed by governing bodies at various key moments:

- during preliminary budget preparation with a view to allocating scarce resources to the business;
- the positioning of the various businesses in terms of the risk/return ratio as well as the Group's risk profile by type of risk, are analysed and approved by the Audit, Internal Control and Risk Committee[1], Simultaneously, three-year targets suggested by the Executive Committee for the Group's key indicators are approved by the Board of Directors after being reviewed by the Audit, Internal Control and Risk Committee[1];
- during the finalisation of the budget process, the Board of Directors, based on the Executive Committee's recommendations and after review by the Audit, Internal Control and Risk Committee[1], approves the trajectory in relation to various Group key indicators and their adequacy given the set targets.

(1) Starting from the 1st January 2015 separation of CACIR into two Committees: the Risk Committee and the Audit and Internal Control Committee.

The Group's risk appetite strategy is implemented by General Management in collaboration with the Executive Committee and applied by the various corporate and operating divisions through an appropriate operational steering system for risks, covering:

- governance (decision-making, management and supervisory bodies);
- management (identification of risk areas, authorisation and risk- taking processes, risk management policies through the use of limits and guidelines, resource management);
- supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits).

Essential indicators for determining Risk Appetite and their various adaptations are regularly supervised over the year in order to detect any events that may result in unfavourable developments on the Group's risk profile. Such events may give rise to remedial action, up to the implementation of the recovery plan (see page 161 of the Registration Document) in the most severe cases.

RAS (Risk Appetite Statement)

Societe Generale is developing a balanced universal banking model with a strong European foothold and a global presence focused on few fields of strong business expertise. This is reflected through:

- a well-balanced capital allocation between the Group's businesses (retail banking, international financial services, investment banking and investor solutions), with retail banking activities holding a predominant place. Capital market activities receive a limited capital allocation;
- a geographically balanced model, with a high percentage of revenues generated in mature countries. The Group has a diversified portfolio of businesses dedicated to retail customers in Europe and Africa. For business, large corporates and investor customers, the Group pursues activities across the world in which it has recognised expertise.

The Group's growth strategy focuses on its existing areas of expertise, its quality franchise and the search for synergies within the Group.

Societe Generale seeks to achieve sustainable profitability that is consistent with its cost of capital and universal banking model. To this end, the Group:

- is intent on controlling the volatility of its results;
- calibrates its capital and liquidity ratios to ensure a significant safety margin compared to the minimum regulatory requirements;
- maintains a rating in line with its principal peers, providing access to financing that is compatible with the development of its activities;
- monitors the stability and diversification of its funding sources;
- ensures sufficient resilience in *scenarii* of liquidity shortages;
- tightly controls its structural interest-rate and foreign-exchange risks.

Societe Generale aims to maintain a quality credit portfolio with a high preponderance of Investment Grade loans and receivables and diversification between retail, corporate and financial institution customers:

- for the same type of product, the same lending criteria are applied, regardless of whether or not it is meant to be redistributed;
- any credit risk undertaking is based on sound knowledge of the customer and its business and an understanding of the purpose and nature of the transaction, as well as the sources of debt repayment;
  - obligorr ratings, based on internal models that follow Basel principles and parameters, are one of the key criteria of the credit policy,
  - as a general rule, collateral is not the principal criterion of the lending decision,
  - risks of individual concentration are strictly managed,
  - with the exception of small loan transactions, the Group prefers to share the credit risk of each of its operations through syndication, while maintaining a final portion as a sign of commitment to its customers and to continue monitoring originated exposures over time;
- concentration by sector and by type of counterparty or business is monitored periodically, in particular through stress tests, and may result in the setting of limits;
- lastly, in the area of retail banking, the loan approval process for individual customers is based on decisions and recommendations drawn from analysis and decision-making tools used within the Group and designed using statistical models.

Capital market activities, which focus on the needs of the Group's clients, are subject to strict controls:

- market risk is controlled in the form of a global stress test limit applied to all activities, rounded out by a range of more specific limits, such as Value at Risk (VAR) and Stressed Value at Risk (SVaR) limits, limits on long-term positions or nominal limits;
- the Group's appetite for market risk, characterised by a revenue/ consumption of limits ratio in stress tests, is broadly stable;
- market risk limits are mainly determined according to the manoeuvrability of positions (nature and complexity of the product, maturity, size of SG's position relative to the market and participation effect), the risk/reward performance of the transaction or the activity and the market conditions;
- these limits are rounded out by alert thresholds to avoid any risk of breaches.

Societe Generale aims to contain losses linked to operational risks globally to a maximum of 1% of recurrent revenues.

The Group's activities strictly comply with provisions relating to banking and financial activities, be they legislative or regulatory in nature, professional or ethical rules, or internal rules, at the national and international levels. In particular:

- the Group ensures that compliance rules are rigorously respected, in particular in the area of anti-money laundering and counter-terrorism financing, embargo directives and international financial sanctions, the fight against corruption and its tax code of conduct commitments;
- the Group is attentive to the loyalty of the behaviour of its employees' conduct toward clients and all its stakeholders, as well as the integrity of its banking and financial practices.

Societe Generale considers its reputation to be an asset a high value that must be protected to ensure the Group's sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Group's operating practices:

- the preservation of the Group's reputation notably involves making its employees aware of the values of responsibility, ethical behaviour and commitment;
- lastly, in a spirit of social and environmental responsibility, the Group has committed to comply with a body of business conduct principles formalised in a set of internal instructions applicable to the entire Group.

STRESS TEST AND RISK MAPPING FRAMEWORK

The Groupe risk apetite is based on risks estimated during the risk mapping process and stressed assements supported by standard and extreme stress *scenarii*.

Group risk mapping

This procedure aims to identify and estimate the main risks of potential loss expected for the year to come, in all risk categories: credit risks, market risks, operational and structural risks. These risks are placed on a grid relating impact and probability of occurrence for each risk. A loss level is assigned to each *scenario*, combining statistical approaches that use historical data, and independent expert analyses. These *scenarii* are categorised on a scale representing three distinct levels of stress: base case, stress and extreme stress.

It may relate to isolated losses that are material because of their extent (for example, the default of a major counterparty), or of events involving many counterparties (for example, contagion affecting a sector of activity or several sectors, within a country or a specific region).

The risk map is presented annually to the members of the Audit, Internal Control and Risk Committee (of the Risk Committee of the Board of Directors starting from the 1st January 2015) as well as the Board of Directors.

Stress test framework

Stress tests or crisis simulations are used to measure the potential impact of a downturn in activity on the behaviour of a portfolio, activity, entity or the Group. At Societe Generale, they are used to help identify, measure and manage risk and to assess the Group's capital adequacy. They are an important measure of the resilience of the Group and its activities and portfolios, and a core component in the definition of its risk appetite. The Group's stress test framework covers credit risk, market risk, operational risk, liquidity risk and structural interest rate and exchange rate risk. Stress tests are based on extreme but plausible hypothetical economic defined by the Group's economists. These *scenarii* are translated into impacts on the Group's activities, taking into account the activities' potential counter-measures and systematically combining quantitative methods with expert judgement (risk, finance or business lines).

In concrete terms, the stress test framework in place includes:

- an annual global stress test which is incorporated into the budget process as part of the group Risk Appetite exercise and Internal Capital Adequacy Assessment Process ICAAP for the ECB and the Autorité de Contrôle Prudentiel et de Résolution (ACPR-French Prudential Supervision and Resolution Authority). It makes it possible to check the Group's compliance with the prudential ratios. It covers the entire Group and is based on two global three-year horizon macroeconomic *scenarii*: a core budgetary macroeconomic *scenario* and a macroeconomic *scenario* of severe but plausible stress. For each *scenario*, (core and stressed), potential losses relating to credit, market and operational risks are estimated over three years;
- specific credit stress tests (on portfolios, countries, activities, etc.), both recurrent or on request, which complement the global analysis with a more granular approach and allow for the identification, measurement and operational management of risk.

Credit risk is modelled based on the historical relationship between portfolio performance and relevant economic variables (gross domestic product, unemployment, exchange rates, property prices, etc.). In line with the regulatory Pillar, stress tests systematically factor in the potential impact of the performance of the Group's main counterparties against a stressed market backdrop:

- market stress tests using internal models (VaR, EEPE, CVA, etc.) as well as forecast market variables (indexes, credit spreads, etc.) that are consistent with the chosen economic *scenarii* and are also used to revalue available-for-sale assets. Set out in greater detail on section 6 Market risks in this chapter, p. 105 and following. This stress test assessment is based on 3 historical *scenarii* and 15 theoretical *scenarii* that factor in exceptional market occurrences;
- operational risk stress tests which use *scenario* analyses and the modelling of losses to calibrate the Group's capital in terms of operational risk, and which are used to ascertain the exposure to operational loss linked to the severity of economic *scenarii*, including exposure to rare and extreme losses not covered by the historical period;
- stress tests to analyse the Group's sensitivity to structural interest rate and exchange rate risks. The Group measures the sensitivity of its fixed-rate position to different yield curve configurations (steepening and flattening). The measurement of the net interest income sensitivity is also used by the Group to quantify the structural interest rate risk of significant entities. With respect to exchange rate risk, stress *scenarii* are applied to various currencies, major or peripheral;
- liquidity stress tests to ensure that the time period during which the Group may continue to operate is respected in a stressed market environment.

Along with the internal stress test exercises, the Group is part of a selection of European banks that participate in the large-scale international stress tests supervised by the EBA (European Banking Authority) and ECB (European Central Bank).

RECOVERY AND RESOLUTION PLANS

In November 2011, the G20 countries adopted the principles described by the FSB, supervising the development and long-term success of credible resolution and recovery plans for systemic banks. As an extension, a European Directive was passed by the European Parliament on 15th April 2014 which defines a recovery and resolution system common to all of the European Union. The transposition of this directive into the member states' law is in progress and should be completed in France during 2015. In parallel, the European Banking Authority is complementing the framework with a set of technical standards.

The establishment, at European level, of the Single Resolution Mechanism (SRM) has also been decided. This system, when fully operational (1st January 2016) will define the resolution strategies and related plans for banks under the Banking Union, which has been subject to the supervision of the European Central Bank since 4th November 2014.

Since then, the group's recovery plan is therefore supervised by the European Central Bank.

The Group's recovery and resolution plans are updated annually. Strictly confidential, they are regularly enriched to reflect changes in regulations and the work of competent authorities.

The recovery plan strengthens the Group's resilience by describing preventively provisions that would allow it to face a deep crisis independently. It includes all the elements necessary for the effective management of severe financial crisis: vigilance and warning system, crisis management plan, crisis communication, list of recovery options which would, according to the case, restore a healthier financial situation.

The resolution plan includes the information required for the resolution authorities to devise strategies and actions that could be undertaken in order to limit the impact of the hypothetical failure of the Group on the economy. The resolution plan aims to limit the systemic impact of such an event. It should allow the protection of activities essential to the economy, starting for example with deposits and means of payment, but also to safeguard as much as possible the value of the Group's various components to limit the final losses borne by investors and shareholders.

3. CAPITAL MANAGEMENT AND ADEQUACY

BASEL 3 REGULATORY FRAMEWORK

In response to the financial crisis in recent years, the Basel Committee, mandated by the G20, has defined the new rules governing capital and liquidity aimed at making the banking sector more resilient. The new so-called Basel 3 rules were published in December 2010. They were translated into European law by a directive (CRD4) and a regulation (CRR) which entered into force on 1st January 2014.

The general framework defined by Basel 2, which is developed around three pillars, is upheld:

- Pillar 1 sets minimum solvency requirements and defines the rules that banks must use 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 1, and to calibrate additional capital requirements with regard to risks;
- 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.

In terms of capital, the main new measures introduced to strengthen banks' solvency are as follows:

- the complete revision and harmonisation of the definition of capital, particularly with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities;
- new capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and hedge exposures on the central counterparties (CCP);
- the setup of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require the creation of a conservation buffer and a countercyclical buffer to preserve their solvency in the event of adverse conditions. Moreover, an additional buffer is required for systemically important banks. Thus the Societe Generale group, as a global systemically important bank (GSIB)[1], has had its Common Equity Tier 1 ratio requirement increased by an additional 1%. Requirements related to capital buffers will gradually enter into force as from 1st January 2016, for full application by January 2019;
- in addition to these measures, there will be measures to contain the size and consequently the use of excessive leverage. To do this, the Basel Committee has defined a leverage ratio, for which the definitive regulations were published in January 2014. The Basel leverage ratio compares the bank's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Banks are obligated to publish this ratio as of 2015. By 2018, regulators will decide whether it is relevant to set a minimum requirement applicable to all banks.

Lastly, Societe Generale Group is classified as a financial conglomerate and is therefore subject to additional supervision by the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Prudential Supervision and Resolution Authority).

At 31st December 2014, Societe Generale Group's financial conglomerate equity covered the solvency requirements for banking activities, as well as insurance activities.

(1) The criteria allowing to estimate the systematic importance of Societe Generale in 2013, which applies in 2014, are published on its web site www.societegenerale.com.

SCOPE OF APPLICATION – PRUDENTIAL SCOPE

The Group's prudential reporting scope includes all fully and proportionally consolidated subsidiaries, with the exception of insurance subsidiaries, which are subject to a separete capital supervision.

TABLE 1: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

Type of entity	Accounting treatment	Prudential treatment under Basel 3
Subsidiaries with a finance activity	Full consolidation	Capital requirement based on the subsidiary's activities
Subsidiaries with an Insurance activity	Full consolidation	Weighted equity value
Holdings, joint ventures with a finance activity by nature	Equity method	Weighted equity value

The following table provides a reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope. The amounts presented are accounting data and not a measure of risk-weighted assets, EAD or prudential capital.

TABLE 2 : RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AND THE ACCOUNTING BALANCE SHEET WITHIN THE PRUDENTIAL SCOPE

ASSETS at 31.12.2014 *(in EUR m)*	Consolidated balance sheet	Prudential restatements(1)	Accounting balance sheet within the prudential scope	Cross ref. Table 6a, p. 32
Cash and amounts due from Central Banks	57,065	-0	57,065	
Financial assets at fair value through profit or loss	530,536	-16,881	513,655	
Hedging derivatives	19,448	(419)	19,029	
Available-for-sale assets	143,722	(78,156)	65,566	
Loans and advances to credit institutions	80,709	(7,559)	73,150	
of which subordinated loans to credit institutions	*481*	*(0)*	*481*	1
Loans and advances to clients	344,368	809	345,177	
Lease financing and equivalent transactions	25,999	-	25,999	
Revaluation of macro-hedged items	3,360	-	3,360	
Financial assets held to maturity	4,368	-	4,368	
Tax assets	7,447	204	7,651	
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*1,691*	*950*	*2,641*	2
of which deferred tax assets arising from temporary differences	*4,489*	*(732)*	*3,757*	3
Other assets	65,238	(423)	64,815	
of which defined-benefit pension fund assets	*18*	*-*	*18*	4
Non-current assets held for sale	866	-	866	
Investments in subsidiaries and affiliates accounted for by the equity method	2,796	3,033	5,829	
Tangible and intangible assets	17,917	(525)	17,392	
of which intangible assets exclusive of leasing rights	*1,478*	*(37)*	*1,441*	5
Goodwill	4,331	5	4,336	5
TOTAL ASSETS	**1,308,170**	**(99,912)**	**1,208,258**	

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

NB. The table 6a on page 32 provides detailed information on the creation of own funds and solvency ratios

LIABILITIES at 31.12.2014 *(in EUR m)*	**Consolidated balance sheet**	**Prudential restatements[1]**	**Accounting balance sheet within the prudential scope**	**Cross ref. Table 6a, p. 32**
Central banks	4,607	-	4,607	
Liabilities at fair value through profit or loss	480,330	1,370	481,700	
Hedging derivatives	10,902	(0)	10,902	
Amounts owed to credit institutions	91,290	(1,570)	89,720	
Amounts owed to clients	349,735	2,131	351,866	
Debt securities	108,658	4,210	112,868	
Revaluation reserve of interest-rate-hedged portfolios	10,166	-	10,166	
Tax liabilities	1,416	(390)	1,026	
Other Liabilities	75,124	(1,788)	73,336	
Debts related to Non-current assets held for sale	505	-	505	
Technical provisions of insurance companies	103,298	(103,298)	-	
Provisions	4,492	(23)	4,469	
Subordinated debts	8,834	245	9,079	
of which redeemable subordinated notes including revaluation differences on hedging items	*8,394*	*240*	*8,634*	*6*
Total debts	1,249,357	(99,113)	1,150,244	
EQUITY				
Equity, Group share	55,168	0	55,168	
of which capital and related reserves	*19,974*	-	*19,974*	*7*
of which other capital instruments	*9,069*	-	*9,069*	*8*
of which retained earnings	*5,578*	-	*5,578*	*9*
of which accumulated other comprehensive income (including gains and losses accounted directly in equity)	*17,855*	*(0)*	*17,855*	*10*
of which net income	*2,692*	*(0)*	*2,692*	*11*
Minority interests	3,645	(799)	2,846	12
Total equity	58,813	(799)	58,014	
TOTAL LIABILITIES	**1,308,170**	**(99,912)**	**1,208,258**	

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

The main Group companies outside the prudential reporting scope are as follows:

TABLE 3: SUBSIDIARIES OUTSIDE THE PRUDENTIAL REPORTING SCOPE

Company	Activity	Country
ANTARIUS	Insurance	France
CATALYST RE INTERNATIONAL LTD.	Insurance	Bermuda
SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	Russia
SOGELIFE	Insurance	Luxembourg
GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	France
INORA LIFE LTD	Insurance	Ireland
SG STRAKHOVANIE LLC	Insurance	Russia
SOGECAP	Insurance	France
KOMERCNI POJSTOVNA A.S	Insurance	Czech Republic
LA MAROCAINE VIE	Insurance	Morocco
ORADEA VIE	Insurance	France
SOCIETE GENERALE RE SA	Insurance	Luxembourg
SOGESSUR	Insurance	France
LA BANQUE POSTALE FINANCEMENT	Bank	France
SG BANQUE AU LIBAN	Bank	Lebanon
AMUNDI	Asset Management	France

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.

REGULATORY CAPITAL

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

COMMON EQUITY TIER 1 CAPITAL

According to CRR/CRD4 regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves.

Deductions from Common Equity Tier 1 capital essentially involve the following:

- estimated dividend payment;
- goodwill and intangible assets net of associated deferred tax liabilities;
- unrealised capital gains and losses on cash flow hedging;
- income on own credit risk;
- deferred tax assets on tax loss carryforwards;
- deferred tax assets resulting from temporary differences beyond a threshold;
- assets from defined benefit pension funds, net of deferred taxes;
- any positive difference between expected losses on customer loans and receivables, risk-weighted using the Internal Ratings Based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
- expected loss on equity portfolio exposures;
- value adjustments resulting from the requirements of prudent valuation;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

ADDITIONAL TIER 1 CAPITAL

Pursuant to Regulation CRR/CRD4, additional Tier 1 capital is composed of deeply subordinated notes that are issued directly by the bank, and have the following features:

- these instruments are perpetual and constitute unsecured, deeply subordinated obligations. Ranking junior to all other obligations of the bank including undated and dated subordinated debt, and senior only to common stock shareholders;
- in addition, Societe Generale may elect, on a discretionary basis, not to pay the interest and coupons linked to these instruments. This compensation is paid out of distributable items;
- they include neither a step-up in compensation nor any other incentive to redeem;
- they must have a loss-absorbing capacity;
- subject to the prior approval of the European Central Bank, Societe Generale has the option to redeem these instruments at certain dates, but not earlier than five years after their issuance date.

Deductions of additional Tier 1 capital essentially apply to the following:

- AT1 hybrid treasury shares;
- holding of AT1 hybrid shares issued by financial sector entities.

TABLE 4: TOTAL AMOUNT OF DEBT INSTRUMENTS ELIGIBLE FOR TIER 1 EQUITY

Issuance date	Currency	Issue amount (in currency m)	First call date	Yield before the call date and frequency	Yield after the call date and frequency	Book value at 31.12.2014	Book value at 31.12.2013
26-Jan-05	EUR	1000 M	26-Jan-15	4.196% annually	Euribor 3 months +1.53% annually	-	728
05-Apr-07	USD	200 M	05-Apr-17	3-months USD Libor + 0.75 % annually	3-months USD Libor +0.75 % annually	52	46
05-Apr-07	USD	1100 M	05-Apr-17	5.922 % semi-annually	3-months USD Libor +0.75 % annually	665	586
19-Dec-07	EUR	600 M	19-Dec-17	6.999 % annually	Euribor 3 months + 3.35% annually	468	468
16-Jun-08	GBP	700 M	16-Jun-18	8.875 % annually	Libor 3 months + 3.40% annually	649	606
07-Jul-08	EUR	100 M	07-Jul-18	7.715 % annually	Euribor 3 months + 3.70% annually	100	100
27-Feb-09	USD	450 M	29-Feb-16	9.5045 % annually	Libor 3 months + 6.77% annually	371	326
04-Sep-09	EUR	1000 M	04-Sep-19	9.375 % annually	Euribor 3 months + 8.9% annually	1,000	1,000
07-Oct-09	USD	1000 M	07-Apr-15	8.75% annually	8.75% annually	824	725
06-Sep-13	USD	1250 M	29-Nov-18	8.25% annually	Mid Swap Rate USD 5 years + 6.394%	1,030	906
18-Dec-13	USD	1750 M	18-Dec-23	7.875% annually	Mid Swap Rate USD 5 years + 4.979%	1,441	1,269
07-Apr-14	EUR	1000 M	07-Apr-21	6.75% annually	Mid Swap Rate USD 5 years + 5.538%	1,000	-
25-Jun-14	USD	1500 M	27-Jan-20	6% semi-annually	Mid Swap Rate USD 5 years + 4.067%	1,235	-
TOTAL						**8,835**	**6,761**

TIER 2 CAPITAL

Tier 2 capital includes:

- undated deeply subordinated notes;
- dated subordinated notes ;
- any positive difference between (i) the sum of value adjustments and collective impairment losses on customer loans and receivables exposures, risk-weighted using the IRB approach and (ii) expected losses, up to 0.6% of the total credit risk-weighted assets using the IRB approach;
- value adjustments for credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standard approach, up to 1.25% of the total credit risk-weighted assets.

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares;
- holding of Tier 2 hybrid shares issued by financial sector entities;
- share of non-controlling interest in excess of the minimum capital requirement in the entities concerned.

Tier 2 instruments are listed in Note 16 to the parent company financial statements for dated subordinated notes issued by Societe Generale SA and in Note 26 to the consolidated financial statements for undated subordinated notes.

All capital instruments and their features are detailed in Capital instruments' main features in the appendix to this chapter.

TABLE 5: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR THE SOLVENCY CAPITAL REQUIREMENTS

(In EUR m)	**31.12.13**	**Issues**	**Redemptions**	**Prudential supervision valuation haircut**	**Others**	**31.12.14**
Debt instruments eligible for Tier 1	6,761	2,102	(728)	-	701	8,835
Debt instruments eligible for Tier 2	6,652	1,725	(378)	(1,410)	169	6,759
Total eligible debt instruments	**13,413**	**3,827**	**(1,106)**	**(1,410)**	**870**	**15,594**

CALCULATION OF REGULATORY RATIOS

In accordance with Pillar 1, minimum capital requirements are set by comparing the group's own funds with the sum of risk-weighted assets for credit risk and the capital requirement multiplied by 12.5 for market risk and operational risk.

Since 1st January 2014, the new regulatory framework sets minimum requirements to be met for the Common Equity Tier 1 (CET1) ratio and the Tier 1 ratio. For 2014, the minimum requirement for CET1 is 4%, and for Tier 1, 5.5%. For subsequent years, the minimum requirement for CET1 is 4.5%, and for Tier 1, 6%.

Meanwhile, total own funds requirements, including CET1, Additional Tier 1 (AT1) and Tier 2 capital, is 8%.

TABLE 6: REGULATORY CAPITAL AND CRR/CRD4 SOLVENCY RATIOS – FULLY LOADED

(In EUR m)	31.12.2014	31.12.2013*
Shareholders' equity (IFRS) , Group share	**55,168**	**51,008**
Deeply subordinated notes	(9,364)	(6,561)
Perpetual subordinated notes	(335)	(414)
Consolidated shareholders' equity, Group share, net of deeply subordinated and perpetual subordinated notes	**45,470**	**44,033**
Non-controlling interests	2,671	2,787
Intangible assets	(1,419)	(1,455)
Goodwill	(5,132)	(5,926)
Proposed dividends (General Meeting of Shareholders) and interest expenses on deeply subordinated and perpetual subordinated notes	(1,120)	(910)
Deductions and regulatory adjustments	(4,679)	(4,269)
Common Equity Tier One Capital	**35,792**	**34,260**
Deeply subordinated notes and preferred shares	8,835	6,761
Other additional tier 1 capital	50	38
Additional Tier 1 deductions	(27)	(796)
Tier One Capital	**44,650**	**40,263**
Tier 2 instruments	6,759	6,653
Other tier 2 capital	441	356
Tier 2 deductions	(1,337)	(1,312)
Total regulatory capital	**50,514**	**45,960**
Total risk-weighted assets	**353,196**	**342,610**
Credit risk-weighted assets	285,095	275,744
Market risk-weighted assets	24,170	26,295
Operational risk-weighted assets	43,931	40,571
Solvency ratios		
Common Equity Tier 1 Ratio	10.1%	10.0%
Tier 1 Ratio	12.6%	11.8%
Total capital adequacy ratio	14.3%	13.4%

* 2013 data pro forma for applicable Basle 3 rules.

Group shareholders' equity at 31st December 2014 totalled EUR 55.2 billion (compared to EUR 51.0 billion at 31st December 2013). After taking into account non-controlling interests and prudential deductions, Common Equity Tier 1 capital was EUR 35.8 billion at 31st December 2014, vs. EUR 34.3 billion at 31st December 2013. The table below shows the key factors in this change.

TABLE 7: FULLY LOADED REGULATORY CAPITAL FLOWS

(In EUR m)	
End-2013 Common Equity Tier One Capital*	**34,260**
Change in share capital resulting from the capital increase	203
Net income, Group share	2,692
Change in the provision for 2015 dividends	(942)
Change linked to translation differences	(347)
Change in value of financial instruments	620
Change in non-controlling interests	(117)
Change in goodwill and intangible assets	831
Change in deductions	(410)
Other	(998)
End-2014 Common Equity Tier 1 capital	**35,792**
End-2013 Additional Tier 1 capital*	**6,003**
Change in debt instruments eligible for additional Tier 1	2,074
Change in other additional Tier 1 capital	12
Change in deductions	768
End-2014 Additional Tier 1 capital	**8,858**
End-2013 Tier 2 capital*	**5,697**
Change in debt instruments eligible for Tier 2	107
Change in other Tier 2 capital	85
Change in deductions	(25)
End-2014 Tier 2 capital	**5,864**

* 2013 data pro forma for applicable Basle 3 rules.

TABLE 8 : FULLY LOADED DEDUCTIONS AND REGULATORY ADJUSTMENTS UNDER CRR/CRD4

(In EUR m)	**31.12.2014**	**31.12.2013***
Unrecognised minority interests	(1,366)	(1,195)
Defered tax assets	(2,641)	(2,665)
Prudent Valuation Adjustment	(557)	0
Adjustments related to changes in the value of own liabilities	880	814
Others	(995)	(1,223)
Total Basel 3 deductions and regulatory adjustments	**(4,679)**	**(4,269)**

* 2013 data pro forma for applicable Basel 3 rules.

CAPITAL REQUIREMENTS

The Basel 3 Accord established the rules for calculating minimum capital requirements with the aim of more accurately assessing the risks to which banks are exposed. The calculation of risk-weighted assets for credit risk takes into account the transaction risk profile, by means of two approaches for determining risk-weighted assets: a standard method, and advanced methods based on internal models for rating counterparties.

TABLE 9: GROUP CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

(In EUR m)	31.12.2014		31.12.2013	
Type of risk	**Minimum capital requirements**	**Risk-weighted assets**	**Minimum capital requirements**	**Risk-weighted assets**
Sovereign	0	0	0	0
Institutions	0	3	0	3
Corporate	282	3,519	321	4,018
Total credit risk assessed using the foundation IRB approach	**282**	**3,523**	**322**	**4,021**
Sovereign	415	5,187	402	5,027
Institutions	859	10,733	680	8,506
Corporate	7,517	93,961	6,721	84,017
Retail	2,413	30,162	2,306	28,825
Total credit risk assessed using the advanced IRB approach	**11,203**	**140,044**	**10,110**	**126,376**
Shares in the banking book	1,418	17,725	737	9,212
Securitisation positions	130	1,629	171	2,141
Other non-credit obligation assets	3	37	1,287	16,085
Total credit risk assessed using the IRB approach	**13,037**	**162,957**	**12,627**	**157,834**
Sovereign	900	11,256	44	553
Institutions	347	4,342	261	3,261
Corporate	4,248	53,102	3,830	47,877
Retail	2,145	26,813	2,655	33,185
Shares in the banking book	409	5,115	9	107
Securitisation positions	30	374	22	269
Other non-credit obligation assets	1,218	15,221	443	5,543
Total credit risk assessed using the standard approach	**9,298**	**116,224**	**7,264**	**90,795**
Credit, counterparty and delivery risk	**22,334**	**279,181**	**19,890**	**248,630**
Value at Risk	319	3,983	477	5,961
Stressed Value at Risk	828	10,349	643	8,038
Incremental default and migration risk (IRC)	422	5,276	585	7,307
Correlation portfolio (CRM)	173	2,160	155	1,938
Market risk assessed using the IRB approach	**1,741**	**21,769**	**1,860**	**23,244**
General risk and specific risk related to interest rates (excluding securitisation)	26	323	62	772
Specific risk related to securitisation positions	24	300	67	840
Market risk assessed using the standard approach for ownership interests	36	445	5	61
Market risk assessed using the standard approach for currency positions	101	1,268	105	1,316
Market risk assessed using the standard approach for commodities	5	64	5	61
Market risk assessed using the standard approach	**192**	**2,401**	**244**	**3,051**
Market risk	**1,934**	**24,170**	**2,104**	**26,295**
Operational risk assessed using AMA	284	3,556	2,907	36,334
Operational risk assessed using the standardised approach	3,230	40,375	339	4,237
Operational risk	**3,514**	**43,931**	**3,246**	**40,571**
Credit Value Adjustment	**505**	**6,318**		
Basel 3 impacts	**0**	**0**	**2,210**	**27,620**
Totals	**28,288**	**353,600**	**27,449**	**343,115**

Phased-in amounts.

Further information on each type of risk (credit risk, market risk and operational risk) is provided in the ad-hoc sections of this chapter.

CHANGE IN RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

The following table presents the risk-weighted assets as well as the Group's capital requirements, classified by risk type.

From 31st December 2013 to 31st December 2014, the Group's capital requirements and risk-weighted assets increased by EUR 839 million and EUR 10,485 million, respectively.

TABLE 10: CRR/CRD4 RISK WEIGHTED-ASSETS AT END-DECEMBER 2014

(In EUR bn)	Credit	Market	Operational	Total
French Retail Banking	90.1	0.1	3.7	93.9
International Retail Banking and Financial Services	97.5	0.1	6.2	103.8
Global Banking and Investor Solutions	84.8	22.9	28.6	136.2
Corporate Centre	13.1	1.2	5.4	19.7
Group	**285.5**	**24.2**	**43.9**	**353.6**

Risk-weighted assets (EUR 353.6 billion) by type of activity break down as follows:

- credit risk accounted for 80.7% of risk-weighted assets at 31st December 2014, or EUR 285.5 billion (compared to EUR 276.2 billion at 31st December 2013 - proforma Basel 3, phased-in);
- market risk accounted for 6.8% of risk-weighted assets at 31st December 2014, or EUR 24.2 billion (compared to EUR 26.3 billion at 31st December 2013);
- operational risk accounted for 12.4% of risk-weighted assets at 31st December 2014, or EUR 43.9 billion (compared to EUR 40.6 billion at 31st December 2013).

CHANGE IN CREDIT RISK RWAS

(in EUR bn)	
End-2013 Credit risk RWAs(1)	**276.2**
Scope effect	3.1
Foreign exchange effect	0.7
Model adjustments	(0.6)
Other (including volume, rating, etc.)	6.1
End-2014 Credit risk RWAs	**285.5**

CHANGE IN MARKET RISK RWAS

(in EUR bn)	
End-2013 Market risk RWAs	**26.3**
Legacy assets	(1.4)
Other (including VaR, sVaR, IRC, CRM, etc.)	(0.7)
End-2014 Market risk RWAs	**24.2**

(1) 2013 phased-in data pro forma for applicables Basel 3 rules.

INFORMATION RELATIVE TO KEY SUBSIDIARIES' CONTRIBUTIONS TO THE GROUP'S 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 11: 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 risk	**14,720**	**2,830**	**532**	**7,474**	**9,009**	**1,771**
Sovereign	0	1	472	45	494	0
Financial institutions	211	19	0	542	1,093	33
Corporate	8,277	920	13	4,224	4,652	814
Retail	5,172	775	0	2,126	2,681	569
Securitisation	0	0	0	0	0	0
Equity investments	1,060	238	48	0	89	0
Other assets	0	878	0	537	0	355
Market risk	**73**		**138**		**33**	
Operational risk	**852**		**1,689**		**624**	
Total 2014	**18,475**		**9,833**		**11,437**	
Total 2013	**20,169**		**13,190**		**11,712**	

CAPITAL MANAGEMENT

Capital management is implemented by the Finance Division with the consent of the General Management under the supervision and control of the Board of Directors.

As part of managing its capital, the Group ensures that its solvency level is always compatible with the following objectives:

- maintaining its financial solidity, which must be closely correlated to the Group's overall risk profile and risk appetite;
- preserving its financial flexibility to finance organic growth and growth through acquisitions;
- adequate allocation of capital among the various business lines to optimise the capital risk/reward relationship;
- maintaining the Group's resilience in the event of stress *scenarii*;
- meeting the expectations of its various stakeholders: supervisors, counterparties, bondholders, rating agencies, and shareholders.

The Group therefore determines its internal solvency targets in accordance with these objectives and regulatory thresholds.

The Group has an internal process for assessing the adequacy of its capital (Internal Capital Adequacy Assessment Process, ICAAP) that takes a multidimensional approach, factoring in the following:

- capital requirement planning, updated on a regular basis using a simulation tool relating to the whole Group, notably for the budget process and the drawing up of strategic plans. This planning ensures that, at all times, sources and uses of capital actually correspond to the Group's overall objectives and its business needs;
- the business and risk cycle, in order to explicitly take into account the effects of credit cycles while at the same time integrating risks not included in Pillar 1 (e.g. structural interest/exchange rate risk, strategic risk, etc.);
- the implementation of an ICAAP stress test integrated in the budget process and that covers the Group's entire profile (see paragraph on the stress test).

This exercise provides a means of measuring the adequacy of the Group's capital ratios in light of regulatory constraints and defined objectives with regard to risk appetite.

Since 1st January 2014, the Group has been managing itself based on a target Common Equity Tier 1[(1)] ratio of 10%. At 31st December 2014, the Common Equity Tier 1 ratio of the Group was 10.1%.

In 2014, the Group's capital generation funded growth in risk-weighted assets, reflecting the Group's activity; developments in its operations portfolio (specifically the year's acquisitions); integration of new regulatory requirements; and additions to the collective provision for litigation, all while maintaining a significant margin for rewarding shareholders.

(1) Fully loaded Ratio determined according to CRR/CRD4 rules.

In addition, the Group maintains a balanced capital allocation among its three strategic pillars:

- French Retail Banking;
- International Retail Banking & Financial Services;
- Global Banking and Investor Solutions.

Each of the Group's divisions accounts for around a third of all risk-weighted assets (RWA), with French and International Retail Banking (more than 60% of total business line loans and receivables) and credit risks (representing nearly 80% of the Group's risk-weighted assets) accounting for the largest share.

At 31st December 2014, the Group's risk-weighted assets were up 3.1% to EUR 353.2 billion, compared to EUR 342.6 billion at end-December 2013.

TABLE OF CRR/CRD4 RWAS BY DIVISION (IN EUR BN)

	2013	2014
French Retail Banking	97.4	93.9
International Retail Banking & Financial Services	105.7	103.8
Global Banking and Investor Solutions	123.3	136.2
Corporate centre	16.2	19.3
Total	**342.6**	**353.2**

LEVERAGE RATIO MANAGEMENT

The Group steers its leverage effect according to the leverage ratio benchmark as defined by the Basel Committee in January 2014. These rules were transposed into European regulations (CRR as amended by the delegated act of 10th October 2014).

Steering the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Group sets for itself. To do this, the "leverage" exposure of the different business lines is contained under the Finance network's control.

The Group sets itself the target of maintaining a consolidated leverage ratio that is significantly higher than the 3% minimum in the Basel Committee's recommendations. The leverage ratio is in an observation phase in order to set minimum requirements. When they are set, the Group's objective will be adjusted as needed.

At the end of 2014, sustained by the higher Common Equity Tier 1 capital and additional Tier 1 capital, and the control of the Group's leverage exposure, Societe Generale's leverage ratio was 3.8%.

TABLE 12: SUMMARY OF THE LEVERAGE RATIO AND TRANSITION OF THE ACCOUNTING BALANCE SHEET TO THE LEVERAGED-EXPOSURE PRUDENTIAL SCOPE

(In millions of euros)	31.12.2014
Tier 1 capital(1)	**44,650**
Total assets in prudential balance sheet(2)	1,208,258
Adjustments for fiduciary assets recognised on the balance sheet but excluded from the leverage ratio exposure	0
Adjustments for derivative financial instruments	(82,721)
Adjustments for securities financing transactions(3)	(20,295)
Off-balance sheet exposure (loan and guarantee commitments)	79,972
Technical and prudential adjustments (Tier 1 capital prudential deductions)	(12,358)
Leverage ratio exposure	**1,172,856**
CRR fully loaded leverage ratio(4)	**3.8%**

(1) A presentation of the capital is available in Table 6.

(2) The reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope is available in Table 2.

(3) Securities financing transactions: securities received under repurchase agreements, securities given under repurchase agreements, securities lending or borrowing transactions, and all other similar securities transactions.

(4) Fully loaded ratio based on CRR rules adopted by the European Commission in October 2014 (delegated act).

RATIO OF LARGE EXPOSURES

The CRR incorporates the provisions regulating large exposures. As such, Societe Generale Group must not have any exposure where the total amount of net risks incurred on a single beneficiary exceeds 25% of the Group's own funds.

The total eligible own funds are the regulatory own funds used to calculate solvency ratio, with a limit on the amount of Tier 2 own funds. Tier 2 own funds cannot exceed one-third of Tier 1 own funds.

APPENDIX: INFORMATION ON REGULATORY OWN FUNDS AND SOLVENCY RATIOS

TABLE 6a: REGULATORY OWN FUNDS AND CRR/CRD4 SOLVENCY RATIOS (DETAILS OF TABLE 6)

(In EUR m)	2013 Fully Loaded[1]	2014 Fully Loaded	2014 Phased-In	Cross ref. Table 2, p. 21-22	Cross Ref. Table 6b p. 34	Cross Ref. notes
Common Equity Tier 1 capital (CET1): Instruments and reserves	**46,190**	**47,282**	**48,115**			
of which capital instruments and the related share premium accounts	*19,787*	*19,974*	*19,974*	*7*	*1*	
of which retained earnings	*5,233*	*5,578*	*5,578*	*9*	*2*	
of which accumulated other comprehensive income (and other reserve, to include unrealised gains and losses under the applicable accounting standards)	*18,313*	*18,855*	*18,855*	*10*	*3*	*1*
of which minority interests (amounts allowed in consolidated CET1)	*1,592*	*1,304*	*2,137*	*12*	*5*	*2*
of which independtly reviewed interim profits net of any forseeable charge or dividend	*1,264*	*1,572*	*1,572*	*11*	*5a*	
Common Equity Tier 1 capital (CET1): Regulatory adjustments	**(11,930)**	**(11,491)**	**(9,522)**			
of which additional value adjustments (negative amount)	*0*	*(557)*	*(554)*		*7*	
of which intangible assets (net of related tax liabilities)	*(7,381)*	*(6,550)*	*(6,550)*	*5*	*8*	*3*
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*(2,665)*	*(2,641)*	*(10)*	*2*	*10*	
of which fair value reserves related to gains or losses on cash flow hedges	*(7)*	*(23)*	*(23)*		*11*	*4*
of which negative amounts resulting from the calculation of expected loss amounts	*(803)*	*(830)*	*(830)*		*12*	
of which gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*814*	*880*	*880*		*14*	*5*
of which defined-benefit pension fund assets (negative amount)	*(36)*	*(11)*	*(2)*	*4*	*15*	
of which direct and indirect holdings by an institution of own CET1 instruments (negative amount)	*(1,495)*	*(1,475)*	*(1,445)*		*16*	
of which exposure amount of the items which qualify for a risk weight of 1250% where the institution opts for the deduction alternative	*(152)*	*(122)*	*(122)*		*20a*	
of which deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the condition in 38, paragraph 3 are met) (negative amount)	*(205)*	*(162)*	*0*	*3*	*21*	
of which regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	*0*	*0*	*(865)*		*26a*	
Common Equity Tier 1 capital (CET1)	**34,260**	**35,792**	**38,594**		**29**	
Additionnal Tier 1 (AT1) capital: Instruments	**6,799**	**8,885**	**8,845**			
of which capital instruments and the related share premium accounts	*2,175*	*4,706*	*4,706*	*8*	*30*	*6*
of which amounts of qualifying amounts referred to in Article 484, paragraph 4 and the related share premium accounts subject to phase out from AT1	*4,585*	*4,129*	*4,129*	*8*	*33*	*6*
of which qualifying Tier 1 capital included in consolidated AT1 (including minority interests not included in row 5) issued by subsidiaries and held by third parties	*38*	*50*	*10*	*12*	*34*	*7*
Additionnal Tier 1 (AT1) capital: Regulatory adjustments	**(796)**	**(27)**	**(57)**			
of which direct and indirect holdings by an institution of own AT1 instruments (negative amount)	*(3)*	*(7)*	*(37)*		*37*	
of which direct and indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	*(792)*	*(20)*	*(20)*	*1*	*39*	*8*
Additionnal Tier 1 (AT1) capital	**6,003**	**8,858**	**8,788**		**44**	
Tier 1 capital (T1 = CET1 + AT1)	**40,263**	**44,650**	**47,382**		**45**	
Tier 2 capital (T2): Instruments and provisions	**5,697**	**5,864**	**5,787**			
of which capital instruments and the related share premium accounts	*6,238*	*6,425*	*6,425*	*6*	*46*	*9*
of which amounts of qualifying amounts referred to in Article 484, paragraph 5) and the related share premium accounts subject to phase out from T2	*414*	*335*	*335*	*8*	*47*	
of which qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	*0*	*93*	*17*	*12*	*48*	*10*

(1) Basel 3 proforma.

(In EUR m)	2013 Fully Loaded[1]	2014 Fully Loaded	2014 Phased-In	Cross ref. Table 2, p. 21-22	Cross Ref. Table 6b p. 34	Cross Ref. notes
of which credit risk adjustments	*356*	*348*	*348*		*50*	
of which direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	*(3)*	*(11)*	*(11)*		*52*	
of which direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	*(1,309)*	*(1,326)*	*(1,326)*	*1*	*54*	
Tier 2 capital (T2)	**5,697**	**5,864**	**5,787**		**58**	
Total capital (TC= T1 + T2)	**45,960**	**50,514**	**53,169**		**59**	
Total risk weighted assets	**342,610**	**353,197**	**353,601**		**60**	
Ratio Common Equity Tier 1	**10.00%**	**10.13%**	**10.91%**		**61**	
Ratio Tier 1	**11.75%**	**12.64%**	**13.40%**		**62**	
Ratio Total capital	**13.41%**	**14.30%**	**15.04%**		**63**	

(1) Basel 3 proforma.

- Phased in amounts refer to transitional provisions resulting from the application of CRR articles 465-491.
- The regulatory own funds items are used as a starting point to describe differences between balance sheet items used to calculate own funds and regulatory own funds.

NOTES

I - COMMON EQUITY TIER 1 (CET1): INSTRUMENTS AND RESERVES:

1. Difference due to deduction for holdings of own CET1 instruments.

2. Difference linked to a limited recognition of minority interests.

II - COMMON EQUITY TIER 1: REGULATORY ADJUSTMENTS

3. Other comprehensive income from changes in the fair value through equity of financial assets are not deducted from regulatory own funds, except gains and losses on derivatives held as cash flow hedges.

4. Goodwill and other intangible assets net of related deferred tax liabilities are fully deducted from regulatory own funds.

- OCA/DVA neutralisation:

5. Gains or losses on liabilities valued at fair value and recognised in the income statement resulting from changes in own credit spread (OCA) as well as gains or losses resulting from changes in credit spread on own liability derivatives (DVA) are deducted from Common Equity Tier 1 instruments.

III - ADDITIONAL TIER 1 (AT1) CAPITAL: INSTRUMENTS

6. Differences between balance sheet items used to calculate own funds and regulatory own funds are referring to the translation differences associated with these instruments.

7. Minority interests recognised in Additional Tier 1 instruments receive the same accounting treatment as described in note 2.

IV - ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS

8. Discrepancy due to the exclusion of insurance subordinated loans in the consolidated balance sheet.

V - TIER 2 (T2) CAPITAL: INSTRUMENTS AND PROVISIONS

9. Difference due to instruments ineligible to a classification as regulatory own funds.

10. Minority interests recognised in Tier 2 instruments receive the same accounting treatment as described in note 2.

TABLE 6b: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

Ref.		Amount at disclosure date	Transitional provisions
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	19,974	
2	Retained earnings	5,578	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	18,855	
3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484, paragraph 3 and the related share premium accounts subject to phase out from CET1	0	
	Public sector capital injections grandfathered until 1st January 2018	0	
5	Minority interests (amount allowed in consolidated CET1)	1,304	833
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,572	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	47,282	833
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(557)	3
8	Intangible assets (net of related tax liability) (negative amount)	(6,550)	
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38, paragraph 3 are met) (negative amount)	(2,641)	2,631
11	Fair value reserves related to gains or losses on cash flow hedges	(23)	
12	Negative amounts resulting from the calculation of expected loss amounts	(830)	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	880	
15	Defined-benefit pension fund assets (negative amount)	(11)	9
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(1,475)	29
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	(122)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
20c	of which: securitisation positions (negative amount)	(122)	
20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38, paragraph 3 are met) (negative amount)	(162)	162
22	Amount exceeding the 15% threshold (negative amount)	0	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	1,404	
24	Empty set in the EU		
25	of which: deferred tax assets arsing from temporary differences	5,427	
25a	Losses for the current financial year (negative amount)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	

Ref.		Amount at disclosure date	Transitional provisions
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	(865)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	(865)
	of which: … filter for unrealised loss 1		
	of which: … filter for unrealised loss 2		
	of which: … filter for unrealised gain 1		(492)
	of which: … filter for unrealised gain 2		(373)
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution	0	
28	Total regulatory adjustment to Common Equity Tier 1 (CET1)	(11,491)	1,969
29	Common Equity Tier 1 (CET1) capital	35,792	2,802
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	4,706	
31	of which: classified as equity under applicable accounting standards	4,706	
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	4,129	
	Public sector capital injections grandfathered until 1st January 2018		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	50	(40)
35	of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	8,885	(40)
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	(7)	(29)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	(20)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	0	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	
41a	Residual amounts deducted from AT1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc		
41b	Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc		
41c	Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre-CRR	0	
	of which: … filter for unrealised losses		
	of which: … filter for unrealised gains		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	(27)	(29)

Ref.		Amount at disclosure date	Transitional provisions
44	Additional Tier 1 (AT1) capital	8,858	(70)
45	Tier 1 capital (T1= CET1+AT1)	44,650	2,733
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	6,425	
47	Amount of qualifying items referred to in Article 484, paragraph 5 and the related share premium account subject to phase out from T2	335	
	Public sector capital injections grandfathered until 1st January 2018		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	93	(77)
49	of which: instruments issued by subsidiaries subject to phase out	0	0
50	Credit risk adjustments	348	
51	Tier 2 (T2) capital before regulatory adjustments	7,201	(77)
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(11)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(1,326)	
54a	of which new holdings not subject to transitional arrangements		
54b	of which holdings existing before 1st January 2013 and subject to transitional arrangements		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction form Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc		
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	0	
	Of which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	0	
	of which: … filter for unrealised losses		
	of which: … filter for unrealised gains		
57	Total regulatory adjustments to Tier 2 (T2) capital	(1,337)	0
58	Tier 2 (T2) capital	5,864	(77)
59	Total capital (TC=T1+T2)	50,514	2,656
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0	404
	of which: … items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	0
	of which: … items not deducted from AT1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	0

Ref.		Amount at disclosure date	Transitional provisions
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities etc)	0	0
60	Total risk weighted assets	353,197	404
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	10.13%	10.91%
62	Tier 1 (as a percentage of risk exposure amount)	12.64%	13.40%
63	Total capital (as a percentage of risk exposure amount)	14.30%	15.04%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92, paragraph 1 point a plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	0	
65	of which: capital conservation buffer requirement	0	
66	of which: countercyclical buffer requirement	0	
67	of which: systemic risk buffer requirement	0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		
69	[non relevant in the EU regulation]		
70	[non relevant in the EU regulation]		
71	[non relevant in the EU regulation]		
Capital ratios and buffers			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,090	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,404	
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38, paragraph 3 are met)	3,757	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	348	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	115,109	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the gap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal rating-based approach	143,566	
Capital instruments subject to phase-out arrangements (only applicable between 1st January 2014 and 1st January 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	4,712	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	596	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

TABLE 6c: CAPITAL INSTRUMENTS MAIN FEATURES

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	FR0000130809	US83367TBH14/USF8586CXG25
3	Governing laws of the instrument	French law	English law French law (status of the Notes)
Regulatory treatment			
4	Transitional CRR rules	CET1	AT1
5	Post-transitional CRR rules	CET1	AT1
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	Ordinary share	- Undated Deeply Subordinated Notes - CRR art. 52
8	Amount recognised in regulatory capital (€/mln)	1,007	1,235
9	Nominal amount of instrument at date	1.25 Eur	USD 1,500 M / EUR 1,235 M
9a	Issue price	NA	100%
9b	Redemption price	NA	100%
10	Accounting classification	Capital	Capital
11	Original date of issuance	NA	26/05/2014
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior Supervisory approval	NA	Yes
15	Optional call dates, Contingent call dates and redemption amount	NA	Call option on 27/01/2020 + Tax call + Capital event call at par
16	Subsequent call dates, if applicable	NA	each five years (i.e.: at each reset date)
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Fixed to Fixed with reset
18	Coupon rate and any related index	NA	6% and after each reset date: (5-year USD Mid-Swap rate + 4.067%)
19	Existence of a dividend stopper	NA	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Full discretion	Full discretion
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Full discretion	Full discretion
21	Existence of step up or other incentive to redeem	NA	No
22	Noncumulative or cumulative	NA	Not cumulative
23	Convertible or non-convertible	NA	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	NA	Yes
31	If write-down, write down triggers	NA	The principal may be written down at the PONV by the Relevant Regulator (the ACPR and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the issuer). Issuer's Common Equity Tier 1 capital ratio falls below 5.125 per cent
32	If write-down, full or partial	NA	Partial or full write-down
33	If write-down, permanent or temporary	NA	Temporary or permanent
34	If temporary write-down, description of write-up mechanism	NA	Write up possible if Return to Financial Health has been achieved, i.e. a Consolidated Net Income has been recorded at any time, and subject to MDA not being exceeded
35	Position in subordination hierarchy in liquidation	Subordinated to deeply subordinated notes	Subordinated to subordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
XS0867620725	US83367TBF57/USF8586CRW49	XS0867614595
English law French law (status of the Notes)	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment		
AT1	AT1	AT1
AT1	AT1	AT1
Consolidated	Consolidated	Consolidated
- Undated Deeply Subordinated Notes - CRR art. 52	- Undated Deeply Subordinated Notes - CRR art. 52	- Undated Deeply Subordinated Notes - CRR art. 52
1,000	1,441	1,030
EUR 1,000 M	USD 1,750 M/EUR 1,441 M	USD 1,250 M/EUR 1,030 M
100%	100%	100%
100%	100%	100%
Capital	Capital	Capital
07/04/2014	18/12/2013	06/09/2013
Perpetual	Perpetual	Perpetual
No maturity	No maturity	No maturity
Yes	Yes	Yes
Call option on 07/04/2021 + Tax call + Capital event call at par	Call option on 18/12/2023 + Tax call + Capital event call at par	Call option on 29/11/2018 + Tax call + Capital event call at par
each five years (i.e.: at each reset date)	each five years (i.e.: at each reset date)	each five years (i.e.: at each reset date)
Coupons/dividends		
Fixed to Fixed with reset	Fixed to Fixed with reset	Fixed to Fixed with reset
6.75% and after each reset date: (5-year EUR Mid-Swap rate + 5.538%)	7.875% and after each reset date: (5-year USD Mid-Swap rate + 4.979%)	8.25% and after each reset date: (5-year USD Mid-Swap rate + 6.394%)
No	No	No
Full discretion	Full discretion	Full discretion
Full discretion	Full discretion	Full discretion
No	No	No
Not cumulative	Not cumulative	Not cumulative
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Yes	Yes	Yes
The principal may be written down at the PONV by the Relevant Regulator (the ACPR and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the issuer). Issuer's Common Equity Tier 1 capital ratio falls below 5.125 per cent	The principal may be written down at the PONV by the Relevant Regulator (the ACPR and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the issuer). Prior to the CRD Implementation Date, the EBA CT1 ratio is less than 5.125 per cent. And from (and including) the CRD Implementation Date, the Issuer's Common Equity Tier 1 capital ratio falls below 5.125 per cent	The principal may be written down at the PONV by the Relevant Regulator (the ACPR and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the issuer). Prior to the CRD Implementation Date, the EBA CT1 ratio is less than 5.125 per cent. And from (and including) the CRD Implementation Date, the Issuer's Common Equity Tier 1 capital ratio falls below 5.125 per cent
Partial or full write-down	Partial or full write-down	Partial or full write-down
Temporary or permanent	Temporary or permanent	Temporary or permanent
Write up possible if Return to Financial Health has been achieved, i.e. a Consolidated Net Income has been recorded at any time, and subject to MDA not being exceeded	Write up possible if Return to Financial Health has been achieved, i.e. a Consolidated Net Income has been recorded at any time, and subject to MDA not being exceeded	Write up possible if Return to Financial Health has been achieved, i.e. a Consolidated Net Income has been recorded at any time, and subject to MDA not being exceeded
Subordinated to subordinated notes	Subordinated to subordinated notes	Subordinated to subordinated notes
No	No	No
NA	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	XS0454569863	XS0449487619
3	Governing laws of the instrument	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment			
4	Transitional CRR rules	AT1	AT1
5	Post-transitional CRR rules	Ineligible	Ineligible
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484	- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484
8	Amount recognised in regulatory capital (€/mln)	824	1,000
9	Nominal amount of instrument at date	USD 1,000 M/EUR 824 M	EUR 1,000 M
9a	Issue price	100%	100%
9b	Redemption price	100%	100%
10	Accounting classification	Capital	Capital
11	Original date of issuance	07/10/09	04/09/09
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior Supervisory approval	Yes	Yes
15	Optional call dates, Contingent call dates and redemption amount	Call option on 07/04/2015 + Tax call + Regulatory call at par	Call option on 04/09/2019 + Tax call + Regulatory call at par
16	Subsequent call dates, if applicable	Call option every 6 months from 07/04/2015	Call option every 3 months from 04/09/2019
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed to Floating
18	Coupon rate and any related index	8.750%	9.375% and then 3-month EURIBOR + 5.934% + 2.967%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Partially discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	Yes
22	Noncumulative or cumulative	Not cumulative	Not cumulative
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	Yes	Yes
31	If write-down, write down triggers	In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.	In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.
32	If write-down, full or partial	Partial or full write-down	Partial or full write-down
33	If write-down, permanent or temporary	Temporary or permanent	Temporary or permanent
34	If temporary write-down, description of write-up mechanism	Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event	Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event
35	Position in subordination hierarchy in liquidation	Subordinated to subordinated notes	Subordinated to subordinated notes
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	- Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125%	- Step-up mechanism - Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125%

Societe Generale	Societe Generale	Societe Generale
XS0414945732	XS0373447969	XS0369350813
English law French law (status of the Notes)	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment		
AT1	AT1	AT1
Ineligible	Ineligible	Ineligible
Consolidated	Consolidated	Consolidated
- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484	- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484	- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484
371	100	649
USD 450 M/EUR 371 M	EUR 100 M	GBP 505 M/EUR 649 M
100%	100%	99.255%
100%	100%	100%
Capital	Capital	Capital
27/02/09	07/07/08	16/06/08
Perpetual	Perpetual	Perpetual
No maturity	No maturity	No maturity
Yes	Yes	Yes
Call option on 27/02/2016 + Tax call + Regulatory call at the early redemption amount	Call option on 07/07/2018 + Tax call + Regulatory call at the early redemption amount	Call option on 16/06/2018 + Tax call + Regulatory call at the early redemption amount
Call option every 3 months from 27/02/2016	Call option every 3 months from 07/07/2018	Call option every 3 months from 16/06/2018
Coupons/Dividends		
Fixed to Floating	Fixed to Floating	Fixed to Floating
9.5045% and then 3-month LIBOR + 6.77%	7.715% and then 3-month EURIBOR + 3.70%	8.875% and then 3-month £ LIBOR + 3.40%
No	No	No
Partially discretionary	Partially discretionary	Partially discretionary
Partially discretionary	Partially discretionary	Partially discretionary
No	Yes	No
Not cumulative	Not cumulative	Not cumulative
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Yes	Yes	Yes
In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.	In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.	In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.
Partial or full write-down	Partial or full write-down	Partial or full write-down
Temporary or permanent	Temporary or permanent	Temporary or permanent
Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event	Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event	Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event
Subordinated to subordinated notes	Subordinated to subordinated notes	Subordinated to subordinated notes
Yes	Yes	Yes
- Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125%	- Purchased by a subsidiary - Step-up mechanism - Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125%	- Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125%

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	XS0336598064	US83367TAA79/USF8586CAA02
3	Governing laws of the instrument	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment			
4	Transitional CRR rules	AT1	AT1
5	Post-transitional CRR rules	Ineligible	Ineligible
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484	- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484
8	Amount recognised in regulatory capital (€/mln)	468	665
9	Nominal amount of instrument at date	EUR 468 M	USD 808 M/EUR 665 M
9a	Issue price	100%	100%
9b	Redemption price	100%	100%
10	Accounting classification	Capital	Capital
11	Original date of issuance	19/12/07	05/04/07
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior Supervisory approval	Yes	Yes
15	Optional call dates, Contingent call dates and redemption amount	Call option on 19/12/2017 + Tax call + Regulatory call at the early redemption amount	Call option on 05/04/2017 + Tax call + Regulatory call at the early redemption amount
16	Subsequent call dates, if applicable	Call option every 3 months from 19/12/2017	Call option every 3 months from 05/04/2017
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating
18	Coupon rate and any related index	6.999% and then 3-month EURIBOR + 3.35%	5.922% and then 3-month USD LIBOR + 1.75%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Partially discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes	Yes
22	Noncumulative or cumulative	Not cumulative	Not cumulative
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	Yes	Yes
31	If write-down, write down triggers	In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.	In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.
32	If write-down, full or partial	Partial or full write-down	Partial or full write-down
33	If write-down, permanent or temporary	Temporary or permanent	Temporary or permanent
34	If temporary write-down, description of write-up mechanism	Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event	Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event
35	Position in subordination hierarchy in liquidation	Subordinated to subordinated notes	Subordinated to subordinated notes
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	- Step-up mechanism - Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125%	- Step-up mechanism - Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125 %

Societe Generale	Societe Generale	Societe Generale
US83367TAB52/USF8586CAB84	XS1110558407	US83367TBG31/USF8590LAA47
English law French law (status of the Notes)	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment		
AT1	Tier 2	Tier 2
Ineligible	Tier 2	Tier 2
Consolidated	Consolidated	Consolidated
- Undated Deeply Subordinated Notes - CRR art. 52 - CRR art. 484	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
52	1,000	824
USD 63 M/EUR 52 M	EUR 1,000 M	USD 1,000 M/EUR 824 M
100%	99.292%	99.093%
100%	100%	100%
Capital	Debt	Debt
05/04/07	16/09/14	17/01/14
Perpetual	Dated	Dated
No maturity	16/09/26	17/01/24
Yes	Yes	Yes
Call option on 05/04/2017 + Tax call + Regulatory call at par	Call option on 16/09/2021 + Tax call + Capital event call at par	Tax call + Capital event call at par
Call option every 3 months from 05/04/2017	NA	NA
Coupons/Dividends		
Floating to Floating	Fixed to Fixed with reset	Fixed
3-month LIBOR USD + 0.75% and then 3-month USD LIBOR + 1.75%	2.5% and after each reset date: (5-year Mid-Swap rate + 1.83%)	5%
No	No	No
Partially discretionary	Mandatory	Mandatory
Partially discretionary	Mandatory	Mandatory
Yes	No	No
Not cumulative	NA	NA
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Yes	No	No
In case of Supervisory Event triggered either by deteriorated capital ratios or at the sole discretion of the SGCB, and if (i) a share capital increase was not authorised by the Extraordinary Shareholder Meeting or not sufficient and (ii) the write-down of interest payments was not sufficient either.	NA	NA
Partial or full write-down	NA	NA
Temporary or permanent	NA	NA
Write up shall occur if Return to Financial Health has been achieved, i.e. two consecutive positive Consolidated Net Income following the End of a Supervisory Event	NA	NA
Subordinated to subordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
Yes	No	No
- Step-up mechanism - Interest not fully discretionary - No trigger event with a CET1 ratio at 5.125 %	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	XS0867612466	XS0383634762
3	Governing laws of the instrument	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
8	Amount recognised in regulatory capital (€/mln)	1,000	566
9	Nominal amount of instrument at date	EUR 1,000 M	EUR 778 M
9a	Issue price	99.612%	99.279%
9b	Redemption price	100%	100%
10	Accounting classification	Debt	Debt
11	Original date of issuance	07/06/13	20/08/08
12	Perpetual or dated	Dated	Dated
13	Original maturity date	07/06/23	20/08/18
14	Issuer call subject to prior Supervisory approval	Yes	Yes
15	Optional call dates, Contingent call dates and redemption amount	Tax call + Capital event call at par	Tax call at market value
16	Subsequent call dates, if applicable	NA	NA
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4%	6.125%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	Not cumulative
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write down triggers	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
XS0373498442	XS0365796092	XS0355115394
English law French law (status of the Notes)	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment		
Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2
Consolidated	Consolidated	Consolidated
- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
40	260	400
EUR 40 M	EUR 260 M	EUR 400 M
100%	100%	100%/99.93%
100%	100%	100%
Debt	Debt	Debt
30/06/08	10/06/08	15/04/2008 (Issuance of 321 Meur) and 30/05/08 (Issuance of 79 Meur)
Dated	Dated	Dated
30/06/23	12/06/23	15/04/23
Yes	Yes	Yes
Tax call at market value	Tax call at market value	Tax call at market value
NA	NA	NA
Coupons/Dividends		
Fixed	Floating	Floating
6.364%	EUR CMS 10 years with cap at 6.30%	EUR CMS 10 years + 1.37% with floor at 0%
No	No	No
Partially discretionary	Partially discretionary	Partially discretionary
Partially discretionary	Partially discretionary	Partially discretionary
No	No	No
Not cumulative	Not cumulative	Not cumulative
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
No	No	No
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
No	No	No
NA	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	XS0355119115	XS0351258255
3	Governing laws of the instrument	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
8	Amount recognised in regulatory capital (€/mln)	495	214
9	Nominal amount of instrument at date	EUR 495 M	EUR 331 M
9a	Issue price	100%/100.60%/99.264%/99.415% 98.733% 97.768%/97.494%/97.093%	100%/100.23%/100.186%/99.933%
9b	Redemption price	100%	100%
10	Accounting classification	Debt	Debt
11	Original date of issuance	07/04/2008 (Issuance of 250 Meur) 28/04/2008 (Issuance of 50 Meur) and 14/05/2008 (Issuance of 290 Meur)	26/03/2008
12	Perpetual or dated	Dated	Dated
13	Original maturity date	06/04/23	26/03/18
14	Issuer call subject to prior Supervisory approval	Yes	Yes
15	Optional call dates, Contingent call dates and redemption amount	Tax call at market value	Tax call at market value
16	Subsequent call dates, if applicable	NA	NA
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	6.363%	5.849%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not cumulative	Not cumulative
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write down triggers	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
XS0347263450	FR0010520882	FR0010482174
English law French law (status of the Notes)	French law	French law
Regulatory treatment		
Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2
Consolidated	Consolidated	Consolidated
- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
141	125	118
EUR 225 M	EUR 129 M	EUR 130 M
100%	99.965%	99.769%
100%	100%	100%
Debt	Debt	Debt
14/02/08	30/10/07	16/07/07
Dated	Dated	Dated
14/02/18	30/10/19	16/07/19
Yes	No	No
Tax call at par	NA	NA
NA	NA	NA
Coupons/Dividends		
Floating	Fixed	Fixed
EUR CMS 10 years + 0.93% with floor at 0% and cap at 7%	5%	4.9%
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
Not cumulative	NA	NA
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
No	No	No
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
No	No	No
NA	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	FR0010420190	FR0010375113
3	Governing laws of the instrument	French law	French law
Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
8	Amount recognised in regulatory capital (€/mln)	95	85
9	Nominal amount of instrument at date	EUR 116 M	EUR 111 M
9a	Issue price	99.918%	99.972%
9b	Redemption price	100%	100%
10	Accounting classification	Debt	Debt
11	Original date of issuance	09/02/07	26/10/06
12	Perpetual or dated	Dated	Dated
13	Original maturity date	11/02/19	26/10/18
14	Issuer call subject to prior Supervisory approval	No	No
15	Optional call dates, Contingent call dates and redemption amount	NA	NA
16	Subsequent call dates, if applicable	NA	NA
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4.4%	4.2%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write down triggers	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
FR0010318659	US83364LAB53/ USF43628AB60	XS0227479911
French law	English law French law (status of the Notes)	English law French law (status of the Notes)
Regulatory treatment		
Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2
Consolidated	Consolidated	Consolidated
- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
84	111	9
EUR 125 M	USD 519 M/EUR 427 M	USD 75 M/EUR 62 M
99.945%	99.797%	98.000%
100%	100%	100%
Debt	Debt	Debt
15/05/06	20/04/06	30/09/05
Dated	Dated	Dated
15/05/18	20/04/16	30/12/15
No	Yes	Yes
NA	Tax call at par	Tax call at par
NA	NA	NA
Coupons/Dividends		
Fixed	Fixed	Fixed
4.35%	5.75%	4.908%
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
NA	NA	NA
Not convertible	Non-convertible	Non-convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
No	No	No
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
No	No	No
NA	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	XS0226099983	FR0010186304
3	Governing laws of the instrument	English law French law (status of the Notes)	French law
Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
8	Amount recognised in regulatory capital (€/mln)	216	42
9	Nominal amount of instrument at date	EUR 216 M	EUR 90 M
9a	Issue price	100%	99.932%
9b	Redemption price	100%	100%
10	Accounting classification	Debt	Debt
11	Original date of issuance	16/08/05	13/05/05
12	Perpetual or dated	Dated	Dated
13	Original maturity date	18/08/25	13/05/17
14	Issuer call subject to prior Supervisory approval	Yes	No
15	Optional call dates, Contingent call dates and redemption amount	Tax call at par	NA
16	Subsequent call dates, if applicable	NA	NA
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	EURCMS10y minus 0.25%	3.9%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write down triggers	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
FR0010154906	FR0010125476	FR0010071027
French law	French law	French law
Regulatory treatment		
Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2
Consolidated	Consolidated	Consolidated
- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
47	34	30
EUR 112 M	EUR 94 M	EUR 113 M
99.991%	99.963%	99.654%
100%	100%	100%
Debt	Debt	Debt
03/02/05	29/10/04	06/05/04
Dated	Dated	Dated
03/02/17	29/10/16	06/05/16
No	No	No
NA	NA	NA
NA	NA	NA
Coupons/Dividends		
Fixed	Fixed	Fixed
4%	4.4%	4.5%
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
NA	NA	NA
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
No	No	No
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
No	No	No
NA	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	FR0010042226	XS0161798417
3	Governing laws of the instrument	French law	English law
Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
8	Amount recognised in regulatory capital (€/mln)	25	219
9	Nominal amount of instrument at date	EUR 114 M	GBP 276 M/EUR 355 M
9a	Issue price	99.882%	99.834%/98.794%
9b	Redemption price	100%	100%
10	Accounting classification	Debt	Debt
11	Original date of issuance	04/02/04	30/01/2003 (Issuance of 450 Meur) and 29/12/2003 (Issuance of 150 Meur)
12	Perpetual or dated	Dated	Dated
13	Original maturity date	04/02/16	30/01/18
14	Issuer call subject to prior Supervisory approval	No	Yes
15	Optional call dates, Contingent call dates and redemption amount	NA	Tax call at par
16	Subsequent call dates, if applicable	NA	NA
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4.6%	5.4%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	Not convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write down triggers	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
FR0010016790	FR0000189110	FR0000487886
French law	French law	French law
Regulatory treatment		
Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2
Consolidated	Consolidated	Consolidated
- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
18	6	120
EUR 113 M	EUR 94 M	EUR 304 M
99.873%	99.969%	98.834%/112.457%
100%	100%	100%
Debt	Debt	Debt
13/10/03	28/04/03	21/12/2001 (Issuance of 300 Meur) and 02/06/2003 (Issuance of 110 Meur)
Dated	Dated	Dated
13/10/15	28/04/15	21/12/16
No	No	No
NA	NA	NA
NA	NA	NA
Coupons/Dividends		
Fixed	Fixed	Fixed
4.55%	4.6%	5.875%
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
NA	NA	NA
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
No	No	No
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
No	No	No
NA	NA	NA

Ref	Heading		
1	Issuer	Societe Generale	Societe Generale
2	Unique identifier	XS0114546665	XS0110673950
3	Governing laws of the instrument	English law	English law
Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Consolidated	Consolidated
7	Instrument type	- Dated Subordinated Notes - CRR art. 63	- Dated Subordinated Notes - CRR art. 63
8	Amount recognised in regulatory capital (€/mln)	17	31
9	Nominal amount of instrument at date	EUR 22 M	EUR 491 M
9a	Issue price	100%	99.814%
9b	Redemption price	100%	100%
10	Accounting classification	Debt	Debt
11	Original date of issuance	21/07/00	27/04/2000 (Issuance of 500 Meur) and 23/06/2000 (Issuance of 125 Meur)
12	Perpetual or dated	Dated	Dated
13	Original maturity date	31/07/30	27/04/15
14	Issuer call subject to prior Supervisory approval	Yes	Yes
15	Optional call dates, Contingent call dates and redemption amount	Tax call at the early redemption amount	Tax call at par
16	Subsequent call dates, if applicable	NA	NA
Coupons/Dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	6.393%	6.625%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	NA	NA
23	Convertible or non-convertible	Not convertible	Not convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write down triggers	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Societe Generale	Societe Generale	Societe Generale
XS0072430498	FR0008202550	FR0000585564
English law French law (status of the Notes)	French law	French law
Regulatory treatment		
Tier 2	Tier 2	Tier 2
Ineligible	Ineligible	Ineligible
Consolidated	Consolidated	Consolidated
- Undated Deeply Subordinated Notes - CRR art. 63 - CRR art. 484	- Undated Deeply Subordinated Notes - CRR art. 63 - CRR art. 484	- Undated Deeply Subordinated Notes - CRR art. 63 - CRR art. 484
69	204	62
JPY 10 000 M / EUR 69 M	USD 248 M / EUR 204 M	EUR 62 M
100%	100,050%	100%
100%	100%	100%
Capital	Capital	Capital
30/12/96	24/11/86	01/07/85
Perpetual	Perpetual	Perpetual
No maturity	No maturity	No maturity
Yes	Yes	No
Call option on 20/09/2016 + Tax call at par	Call option on 24/11/1991 + Tax call at par	NA
Call option every 5 years from 20/09/2016	Call option every 6 months from 24/11/1991	NA
Coupons/Dividends		
Fixed to Fixed with reset	Floating	Floating
3.936% and then Max (3.936%; 5Y swap JPY + 2.00%)	Average of banks' quotations + 0.075%	Average TMO - 0.25%
No	No	No
Partially discretionary	Partially discretionary	Partially discretionary
Partially discretionary	Partially discretionary	Partially discretionary
Yes	No	No
Cumulative	Cumulative	Cumulative
Not convertible	Not convertible	Not convertible
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
NA	NA	NA
Yes	No	No
If residual losses after CT1 and AT1 loss absorption	NA	NA
Partial or full write-down	NA	NA
Permanent	NA	NA
NA	NA	NA
Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
Yes	Yes	Yes
- step-up mechanism	- Purchase by issuer possible at any time, even during the first 5 years, and without supervisory agreement.	- Purchase by issuer possible at any time, even during the first 5 years, and without supervisory agreement.

4. CREDIT RISKS

CREDIT RISK MANAGEMENT: ORGANISATION AND STRUCTURE

The Risk Division has defined a control and monitoring system, in conjunction with the business divisions and based on the credit risk policy, to provide a framework for the Group's credit risk management. This framework is periodically reviewed and approved by the Audit, Internal Control and Risk Committee[1].

Credit risk supervision is organised by business division (French Networks, International Banking & Financial Services, Global Banking and Investor Solutions) 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 category or transaction type;
- authorising transactions submitted by the sales departments;
- approving ratings or internal client rating criteria;
- monitoring and supervision of large exposures and various specific 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 the client's business, an understanding of the purpose and structure of the transaction and the sources of repayment of the debt. Credit decisions must also ensure that the structure of the transaction will minimise the risk of loss in the event the counterparty defaults. Furthermore, the credit approval process takes into consideration the overall commitment of the group to which the client belongs. 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 dedicated primary customer relation unit and risk unit. The primary customer relation unit and the risk unit examine all authorisation requests relating to a specific client or client group, to ensure a consistent approach to risk management;
- the primary customer relation unit and the risk unit must be independent from each other;
- credit decisions must be systematically based on internal risk ratings (obligor rating), as provided by the primary customer relation unit and approved by the Risk Division.

The Risk Division submits recommendations to CORISQ on the limits it deems appropriate for certain 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.

RISK SUPERVISION AND MONITORING SYSTEM

Portfolio review and sector risk monitoring

Authorisation limits are set by counterparty and the credit approval process must comply with the overall authorisation limit for the group to which the counterparty belongs.

Individual large exposures are reviewed by the Large Exposures Committee chaired by the General Management.

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, and/or hedging positions using credit derivatives.

Concentration targets are defined for the biggest counterparties at Concentration Committee meetings.

(1) Board of Directors' Risk Committee from 1st January 2015.

In addition, the Group regularly reviews its entire credit portfolio through analysis by type of counterparty or business sector. In addition to industry research and regular sector concentration analysis, sector research and more specific business portfolio analyses are carried out at the request of the bank's General Management and/or Risk Division and/or business divisions.

Monitoring of Country Risk

Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.

It includes exposure to any kind of counterparty, including a sovereign state (sovereign risk is also controlled by the system of counterparty risk limits).

Country risk breaks down into two major categories:

- political and non-transfer risk covers the risk of non-payment resulting from either actions or measures taken by local government authorities (decision to prohibit the debtor from meeting its commitments, nationalisation, expropriation, non-convertibility, etc.), domestic events (riots, civil war, etc.) or external events (war, terrorism, etc.);
- commercial risk occurs when the credit quality of all counterparties in a given country deteriorates due to a national economic or financial crisis, independently of each counterparty's individual financial situation. This could be macroeconomic shock (sharp slowdown in activity, systemic banking crisis, etc.) or currency depreciation, or sovereign default on external debt possibly entailing other defaults.

Overall limits and strengthened monitoring of exposures have been established for countries based on their internal ratings and governance indicators. Supervision is not limited to emerging markets.

Country limits are approved annually by General Management. They can also be revised downward at any time if the country's situation deteriorates or is expected to deteriorate.

All Group exposures (securities, derivatives, loans and guarantees) are taken into account by this monitoring.

The Country Risk methodology determines an initial country of risk and a final country of risk (after the effects of any guarantees) within the country limits framework.

Specific monitoring of hedge funds

Hedge funds are important counterparties for the Group. Because they are not regulated, hedge funds pose specific risks: they are able to use significant leverage as well as investment strategies that involve illiquid financial instruments, which leads to a strong correlation between credit risk and market risk.

Activities carried out in the hedge fund sector are governed by a set of global limits established by the General Management:

- a Credit VaR limit which controls the maximum replacement risk that may be taken in this segment;
- a stress test limit governing market risks and the risks associated with financing transactions guaranteed by shares in hedge funds.

Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Division works with the business divisions to conduct a set of specific stress tests relating to a country, a subsidiary or an activity. These specific stress tests combine both recurring stress tests, conducted on those portfolios identified as structurally carrying risk, and occasional stress tests, designed to recognise emerging risks. Some of these stress tests are presented to the Risk Committee and used to determine how to govern the activities concerned.

Like global stress tests, specific stress tests draw on a core *scenario* and a stressed *scenario* that are defined by the Group's sector experts and economists. The core *scenario* draws on an in-depth analysis of the situation surrounding the activity or the country concerned. The stressed *scenario* describes triggering events and assumptions about the sequence of a crisis, both in quantitative terms (changes in a country's GDP, the unemployment rate, deterioration in a sector) and qualitative terms.

Structured around the portfolio analysis function, the Risk Division teams translate these economic *scenarii* into impacts on risk parameters (default exposure, default rate, provisioning rate at entry into default, etc.). To do this, the leading methods are based in particular on the historical relationship between economic conditions and risk parameters. Like in global stress tests, in connection with the regulatory Pillar, stress tests routinely take into account the possible effect of counterparty performance for counterparties in which the Group is most highly concentrated in a stressed environment.

Impairment

Impairments include impairments on groups of homogeneous assets, which cover performing loans, and specific impairments, which cover counterparties in default.

- **Impairment on groups of homogeneous assets**

Impairments on groups of homogeneous assets are collective impairments booked for portfolios that are homogenous and have a deteriorated risk profile although no objective evidence of default can be observed at an individual level.

These homogeneous groups can include sensitive counterparties, sectors or countries. They are identified through regular analyses of the portfolio by sector, country or counterparty type.

These impairments are calculated on the basis of assumptions on default rates and loss rates after default. These assumptions are calibrated by homogeneous group based on their specific characteristics, sensitivity to economic environment and historical data. They are reviewed periodically by the Risk Division.

- **Specific impairment**

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

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

- a significant decline in the counterparty's financial condition leads to a high probability of it being unable to fulfil its overall commitments (credit obligations) hence a risk of loss to the bank whether or not the debt is restructured; and/or
- regardless of the type of credit (property or other) one or more past due at least 90 days were recorded (with the exception of loans restructured on probation, which are considered in default at first unpaid, in accordance to the technical standard published in 2013 by the EBA relative to restructured loans) and a recovery procedure is started; and/or
- an out of court settlement procedure is initiated; and/or
- a legal proceeding such as a bankruptcy, legal settlement or compulsory liquidation is in progress; and/or
- the debt has been restructured less than one year previously.

The Group applies the default contagion principle to all of a counterparty's outstandings. When a debtor belongs to a group, all of the group's outstandings are generally defaulted as well.

REPLACEMENT RISK

Counterparty risk associated with derivative transactions is a type of credit risk (potential loss in the event the counterparty defaults) that is also called replacement risk. It represents the current cost to the Group of replacing transactions with a positive value should the counterparty default. Transactions giving rise to a replacement risk are, inter alia, security repurchase agreements, securities 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. 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 describe the subsequent distribution resulting from the Monte-Carlo simulations:

- current average risk, suited to analysing the risk exposure for a portfolio of customers;
- 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 *scenarii* 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 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. Fundamental credit analysis is also supplemented by relevant peer comparisons and a 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 requested as needed.

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

Calculation of Exposure at Default[1] within the regulatory framework

The Autorité de contrôle Prudentiel et de Résolution (ACPR - French Prudential and Resolution Supervisory Authority) approved the use of the internal model described above to determine the Effective Expected Positive Exposure (EEPE) indicator used in calculating counterparty risk-adjusted capital. This internal model is used for 90% of transactions.

For other purposes, the Group uses the marked-to-market valuation method. In this method, 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 CRD (Capital Requirement Directive) guidelines, is a fixed percentage according to the type of transaction and the residual maturity, which is applied to the transaction's nominal value.

(1) Exposure at default (EAD) of a loan is equal to its nominal amount. The potential loss amount of a derivative product is its marked-to-market valuation when the counterparty defaults, which can be only statistically approximated. Therefore, two methods for the calculation of the EAD of derivative products are allowed, one using the marked-to-market valuation and one using the internal model approach (see above).

In both cases, the effects of netting agreements and collateral are factored in either by their simulation in the internal model, or by applying the netting rules as defined by the marked-to-market method and by subtracting guarantees or collateral. Regulatory capital requirements also depend on the internal rating of the debtor counterparty.

Credit valuation adjustment for counterparty risk

Credit Valuation Adjustments (CVA) are taken by the Group on the over-the-counter trading portfolio per counterparty in order to take into account counterparty risk.

The Group includes all clients and clearing houses in this adjustment, which also reflects the netting agreements existing for each counterparty. CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default (conditional to the entity not defaulting) and the loss given default.

Besides, since 1st January 2014, the financial institutions have to determine capital requirements related to CVA, aiming at covering its variation over 10 days. Societe Generale has implemented an internal model to compute this capital charges, covering 55% of the perimeter. The method used is the same as the one used for the market VaR computation (refer to Chapter 6, p. 106): it consists in carrying out an historical simulation of the change in CVA due to the variations observed in the credit spreads of the counterparties, with a 99% confidence level. The computation is done on the credit spreads variation observed over a one year rolling period on the one hand (VaR on CVA), and over a fixed one year historical window corresponding to a period of significant tension regarding credit spreads on the other hand (Stressed VaR on CVA). The associated capital needs are equal to the sum of these two computations multiplied by a factor set by the regulator, specific to each bank. For the remaining part determined according to the standard method, Societe Generale applies the rules defined by the Capital Requirement Regulation: weighting by a normative factor of the EAD multiplied by a recomputed maturity.

The management of this exposure and capital charge led the Group to buy protection (such as Credit Default Swaps) to other financial institutions. In addition to a reduction of the counterparty risk, it allows decreasing their variability resulting from a change in the credit spreads of counterparties.

Wrong-way risk adjustment

Wrong-way risk is the risk that Group exposure strongly increases when the probability that the counterparty defaults also increases.

Two separate cases exist:

- specific wrong-way risk, where the amount of exposure is directly related to the counterparty's credit quality;
- general wrong-way risk, where there is a significant correlation between some market factors and the counterparty's credit worthiness.

Wrong-way risk is subject to identification procedures, calculation of exposures as well as specific and regular monitoring of identified counterparties.

HEDGING OF CREDIT RISK

Guarantees and collateral

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 main techniques:

- 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. Guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (such as Crédit Logement in France), monoline or multiline insurers, export credit agencies, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;
- collateral 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 risks by diversifying guarantees: physical collateral, personal guarantees and others (including CDS).

During the credit approval process, an assessment of the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations is undertaken. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements 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 approving the operating procedures established by the business divisions for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, both during the approval phase for a new loan or upon the annual renewal of the credit application.

The amount of guarantees and collateral is capped at the amount of outstanding loans, i.e. EUR 221 billion at 31st December 2014, of which EUR 111.5 billion for retail customers and EUR 109.5 billion for non-retail customers (versus EUR 89.4 billion and EUR 48.5 billion, respectively, at 31st December 2013). Guarantees and collateral received for outstanding loans not individually impaired amounted to EUR 2.15 billion at 31st December 2014 (of which EUR 1.25 billion for retail customers and EUR 0.90 billion for non-retail customers). Guarantees and collateral received for individually impaired loans amounted to EUR 5.74 billion at 31st December 2014 (of which EUR 1.96 billion for retail customers and EUR 3.78 billion for non-retail customers). These amounts are capped at the amount of outstanding individually impaired loans.

Use of credit derivatives to manage corporate concentration risk

Within Corporate and Investment Banking, it is the responsibility of the Credit Portfolio Management (CPM) department to work in close cooperation with the Risk Division and the core businesses to reduce excessive portfolio concentrations and react quickly to any deterioration in the creditworthiness of a particular counterparty. CPM has now been merged with the department responsible for managing scarce resources for the credit and loan portfolio.

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. Individual protection is essentially purchased under the over-concentration management policy. For example, the ten most hedged names account for 93% of the total amount of individual protections 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 is stable at EUR 1.2 billion at end-December 2014 (compared to EUR 1.4 billion at end-December 2013).

In 2014, the spreads on Credit Default Swaps (CDS) from European investment-grade issuances (iTraxx index) slightly narrowed, reducing the portfolio's sensitivity to tightening spreads.

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

Mitigation of counterparty risk linked to market transactions

Societe Generale uses different techniques to reduce this risk. With regard to trading counterparties, it seeks to implement master agreements with termination-clearing clause wherever it can. In the event of default, they allow netting of all due and payable amounts. 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 with a good rating. Other tradable assets are also accepted, provided that the appropriate haircuts are made to reflect the lower quality and/or liquidity of the asset.

At 31st December 2014, most over-the-counter (OTC) transactions were secured: by amount[1], 62% of transactions with positive mark to market (collateral received by Societe Generale) and 70% of transactions with negative mark to market (collateral posted by Societe Generale).

Management of OTC collateral is monitored on an ongoing basis in order to minimize operational risk:

- the exposure value of each collateralised transaction is certified on a daily basis;
- specific controls are conducted to make sure the process goes smoothly (settlement of collateral, cash or securities; monitoring of suspended transactions, etc.);
- all outstanding secured transactions are reconciled with those of the counterparty according to a frequency set by the regulator (mainly on a daily basis) in order to prevent and/or resolve any disputes on margin calls;
- any legal disputes are monitored daily and reviewed by a committee.

Besides, the European Market Infrastructure Regulation (EMIR) published in 2012 places new measures on derivatives market participants in order to improve the stability and transparency of this market. Specifically, the EMIR requires the use of central counterparties for products deemed sufficiently liquid and standardised, the reporting of all derivative products transactions to a trade repository, and the implementation of risk mitigation procedures (e.g., exchange of collateral, timely confirmation, portfolio compression[2]) for OTC derivatives not cleared by central counterparties. Some of these measures are already in effect (portfolio reconciliation, dispute resolution, first clearing obligation), while others are expected to come into force in 2015. As of the end of December 2014, 21% of the OTC transactions (amounting to 52% of the nominal) are cleared through clearing houses.

(1) Excluding OTC deals cleared in clearing houses.

(2) Process which consists in i) the identification of the deals whose risks can be offset and ii) their replacement by a lower number of transactions, while keeping the same residual exposure.

Credit insurance

In addition to using 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 several years in order to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group's General Management. This system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty which must meet strict eligibility criteria.

The implementation of such a policy contributes overall to a sound risk reduction.

RISK MEASUREMENT AND INTERNAL RATINGS

In 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.

Since the initial authorisation was given, transitions from the standard approach to the IRB approach for certain of its activities and exposures have been selective and marginal.

TABLE 13: BREAKDOWN OF EAD[(1)] BY THE BASEL METHOD[(2)]

	31 DEC. 2014	31 DEC. 2013
IRB	78%	83%
Standard	22%	17%
Total	**100%**	**100%**

(1) The EAD are presented in accordance with the Capital Requirement Directive (CRD) transposed into French law.

(2) Excluding investment shares, fixed assets and all accruals.

The decrease in proportion of the EAD on which the IRB method is used as at 31st December 2014 is not due to a reduction of the IRB perimeter. It is explained by a larger increase of the exposures on which the standard method is used, in particular with the full integration of Newedge and the changes in calculation methodology on some standard exposures due to Basel 3 implementation (for example central counterparty clearing house).

TABLE 14: SCOPE OF APPLICATION OF THE IRB AND STANDARD APPROACHES FOR THE GROUP

	IRB Approach	Standard Approach
French Retail Banking	Majority of portfolios	Some retail customer portfolios including those of the Sogelease subsidiary
International Retail Banking and Financial Services	The subsidiaries Komercni Banka (Czech Republic), CGI, Fiditalia, GEFA and SG Finans	The other subsidiaries
Global Banking and Investor Solutions	Majority of Corporate and Investment Banking portfolios	Pour la Banque Privée, Métiers Titres et Courtages, la majorité des portefeuilles Etablissements de crédit et Entreprises
As for Private Banking, Securities Services and Brokerage mainly the following subsidiaries: SG Hambros, SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	As for Private Banking, Securities Services and Brokerage most of Institutions and Corporates' portfolios	-
Corporate Centre	Majority of portfolios	-

General framework of the internal approach

To calculate its regulatory requirements under the IRB method, Societe Generale estimates the Risk Weighted Asset (RWA) and the Expected Loss (EL), a loss that may be incurred in view of the nature of the transaction, the quality of the counterparty and all measures taken to mitigate risk.

To calculate its RWA, Societe Generale uses its own Basel parameters, which are estimated using its internal risk measurement system:

- the Exposure at Default (EAD) value is defined as the Group's exposure in the event the counterparty should default. The EAD includes exposures recorded on the balance sheet (loans, receivables, income receivables, market transactions, etc.), and off -balance sheet and converted into their balance sheet equivalent using internal or regulatory Credit Conversion Factors (CCF) (drawdown assumption);
- the Probability of Default (PD): probability that a counterparty of the bank will default within one year;
- the Loss Given Default (LGD): the ratio between the loss incurred on an exposure in the event a counterparty defaults and the amount of the exposure at the time of the default.

Societe Generale also takes into account:

- the impact of guarantees and credit derivatives with the substitution of the PD, the LGD and the risk weighting calculation of the guarantor with those of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favourable than that of the obligor;
- collateral (physical or financial). This impact is factored either at the level of the LGD models in the pools concerned or on a line-by-line basis.

The Group has also received authorisation from the regulator to use the IAA (Internal Assessment Approach) method to calculate the regulatory capital requirement for Asset-Backed Commercial Paper.

Besides the capital requirement calculation objectives under the IRBA method, the Group's credit risk measurement models contribute to the management of the Group's operational activities. They also constitute tools to structure, price and approve transactions and participate in the setting of decision approval limits granted to business lines and the Risks department.

Credit risks measurement wholesale clients

The Group's credit risk measurement system, which estimates internal Basel parameters, uses a quantitative evaluation mechanism coupled with an expert judgement.

For Corporate, Banking and Sovereign portfolios, the measurement system is based on three key pillars:

- a counterparty rating system;
- a system that automatically assigns Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters according to the characteristics of each transaction;
- a collection of procedures also sets out the rules relating to ratings (application field, revision frequency, rating approval procedure, etc.), as well as for the supervision, backtesting and validation of models. These procedures help among things to facilitate the human judgement that casts an indispensable critical eye on the models for these portfolios.

RATING SYSTEM

The rating system consists in assigning a rating to each counterparty according to an internal scale, for which each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's over more than 20 years.

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

TABLE 15: SOCIETE GENERALE'S INTERNAL RATING SCALE AND CORRESPONDING SCALES OF RATING AGENCIES

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

The rating assigned to counterparty is generally proposed by a model and then adjusted and approved by experts in the Risk department following the individual analysis of each counterparties.

The counterparty rating models are structured according to the nature of the counterparty (companies, financial institutions, public entities, etc.), the country, geographical region and size of the company (usually assessed through its annual turnover).

The company rating models are underpinned by statistical models (regression methods) of client default. They combine quantitative parameters derived from financial data that evaluate the sustainability and solvency of counterparties and qualitative parameters that evaluate economic and strategic dimensions.

LGD MODELS

The loss given default (LGD) is an economic loss that is measured by taking into account all parameters pertaining to the transaction, as well as the fees incurred for recovering the receivable in the event of a counterparty default.

The models used to estimate the loss given default (LGD) excluding retail clients are applied by regulatory sub-portfolios, type of asset, size and geographical location of the counterparty, depending on the existence or not of collateral and its nature. This makes it possible to define homogenous risk pools, notably in terms of recovery, procedures and the legal environment.

These estimates are built on a statistical basis when the number of loans in default is sufficient. They are based in this case on the observation of recovery data over a long period.

When the number of defaults is insufficient, the estimate is revised or determined by an expert.

THE CCF MODELS (CREDIT CONVERSION FACTOR)

For its off-balance sheet exposures, Societe Generale is authorised to use the internal approach for “term loan with drawing period” products and revolving credit lines.

TABLE 16: WHOLESALE CLIENTS - MODELS AND PRINCIPAL CHARACTERISTICS OF MODELS

Modelled parameter	Portfolio/Category of Basel assets	Number of models	Model and methodology Number of years default/loss
		PORTFOLIO / CATEGORY OF BASEL ASSETS	
Probability of default (PD)	Sovereigns	Expert rating	Expert-type model, use of the external ratings of agencies. Low default portfolio.
	Public sector entities	4 models according to the geographical regions (FR- US-Czech Rep.- Others).	Statistical-type models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Low default portfolio.
	Financial institutions	5 models according to the type of counterparty: Banks Insurances, Funds, Financial intermediaries	Expert-type models based on a qualitative questionnaire. Low default portfolio.
	Specialized financing	5 models according to the type of transaction	Expert-type models based on a qualitative questionnaire. Low default portfolio.
	Large corporates	9 models according to the geographical regions	Statistical-type models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
	Small and medium-sized companies	12 models according to the size of companies and the geographical region	Statistical-type models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
Loss given default (LGD)	Public sector entities - Sovereigns	4 models – According to the type of counterparty	Calibration based on historical data and expert judgments. Losses observed over a period of more than 10 years.
	Large corporates - Flat-rate Approach	>20 models Flat-rate approach according to the type of collateral	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Large corporates - Discount Approach	12 models Discount approach according to the type of recoverable collateral	Calibration based on historical market data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Small and medium-sized companies	12 models Flat-rate approach according to the type of collateral or unsecured.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Project financing	10 models Flat-rate approach according to the type of projects.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Financial institutions	7 models Flat-rate approach according to the nature of the counterparty: banks, insurances, funds,… and the nature of the collateral.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
	Other specific portfolios	5 models: factoring, leasing and other specific cases.	Calibration based on historical data adjusted by the expert judgments. Losses observed over a period of more than 10 years.
Expected Loss [EL]	Real estate transaction	1 model by slotting	Statistical model based on expert opinion and a qualitative questionnaire. Low default portfolio.

BACKTESTS

The performance level of the entire wholesale clients' credit system is measured by regular backtests that compare estimates with actual results by PD, LGD, CCF and portfolios.

The compliance of this system is based on the consistency between the parameters used and the long-term trends analysed, with safety margins that take into account areas of uncertainty (cyclicity, volatility, quality of data, etc.).

The safety margins applied are regularly estimated, checked and revised if necessary.

The results of backtests can justify the implementation of remedial plans or the application of add-ons if the system is deemed to be insufficiently prudent. The results of backtests, remedial plans and add-ons are presented to the Committee of Experts for discussion and approval (see Governance of the modelling of risks, p.67).

TABLE 17: COMPARISON OF ESTIMATED PD VALUES AND ACTUAL VALUES – WHOLESALE CLIENTS

	31 DEC. 2014			
Portfolio	**EAD (In EUR M)**	**RWA (In EUR M)**	**Estimated probability of default (%)**	**Actual default rate (long-term average) (%)**
Sovereigns	142,022	4,615	0.8 %	0.3 %
Banks	50,349	10,437	1.6 %	1.0 %
Other financial institutions	32,195	9,172	0.7 %	0.2 %
Large corporates	138,179	63,537	2.1 %	1.1 %
Small and medium-sized companies	17,090	13,868	3.9 %	3.5 %

TABLE 18: COMPARISON OF ESTIMATED LGD VALUES AND ACTUAL VALUES – WHOLESALE CLIENTS

	31 DEC. 2014			
Portfolio	**EAD (In EUR M)**	**RWA (In EUR M)**	**Estimated LGD* (%)**	**Actual LGD* excluding safety margin (%)**
Large corporates	138,179	63,537	34%	26%
Small and medium-sized companies	17,090	13,868	40%	36%

* LGD senior without collateral

Credit risks measurement of retail clients

PROBABILITY OF DEFAULT MODELS

The modelling of the probability of default of retail client counterparties is carried out specifically by each of the Group's business line recording its assets using the IRBA method. The models incorporate data on the payment behaviour of counterparties. They are segmented by type of client and distinguish between retail clients, professional clients, very small businesses and real estate investment companies (SCI, *Sociétés Civiles Immobilières*).

The counterparties of each segment are classified automatically using statistical models in homogenous risk pools, each of which is assigned probabilities of default.

Once counterparties are classified in statistically distinct homogenous risk pools, the probability of default parameters are estimated by observing the average long-term default rates for each product. These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle using a Through the Cycle (TTC) approach.

LGD MODELS

The models for estimating the loss given default (LGD) of retail clients are specifically applied to portfolio of business lines. LGD values are estimated by product, according to the existence or not of collateral.

Consistent with operational recovery processes, estimate methods are generally based on a two-step modelling process that initially estimates the proportion of defaulted loans in loan termination, followed by the loss incurred in case of loan termination.

The expected losses are estimated with internal historical recovery data for exposures that have defaulted over a long period. These estimates are adjusted with safety margins.

CCF MODEL

For its off-balance sheet exposures, Societe Generale applies its estimates for revolving loans and overdrafts on current account held by retail and professional clients.

TABLE 19: RETAIL CLIENTS - MODELS AND PRINCIPAL CHARACTERISTICS OF MODELS

Modelled parameter	Portfolio/Category of Basel assets	Number of models	Model and methodology Number of years default/loss
		RETAIL CLIENTS	
Probability of default (PD)	Residential real estate	12 models according to the entity, the type of guarantee (security, mortgage), the type of counterparty individualsor professional/VSB, Real estate investment company (*SCI*)	Statistical-type model (regression), behavioral score. Defaults observed over a period from 5 to 8 years.
	Other retail credits	> 20 models according to the entity, the nature and the object of the loan: personal loan, consumer loan, automobile, …	Statistical-type model (regression), behavioral score. Defaults observed over a period from 5 to 8 years.
	Renewable exposures	13 models according to the entity, the nature of the loan: overdraft on current account, revolving credit or consumer loan	Statistical-type model (regression), behavioral score. Defaults observed over a period from 5 to 8 years.
	Professionals and very small businesses	11 models according to the entity, the nature of the loan: medium and long-term investment credits, short-term credit, automobile, the type of counterparty (individual or Real estate investment company (*SCI*))	Statistical-type model (regression or segmentation), behavioral score. Defaults observed over a period from 5 to 8 years.
Loss given default (LGD)	Residential real estate	12 models according to the entity, the type of guarantee (security, mortgage), the type of counterparty individualsor professional/VSB, Real estate investment company (*SCI*)	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Other retail credits	> 20 models according to the entity, the nature and the object of the loan: personal loan, consumer loan, automobile, …	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Renewable exposures	13 models according to the entity, the nature of the loan: overdraft on current account, revolving credit or consumer loan	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Professionals and very small businesses	11 models according to the entity, the nature of the loan: medium and long-term investment credits, short-term credit, automobile, the type of counterparty (individual or Real estate investment company (*SCI*)).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
Credit Conversion Factor [CCF]	Renewable exposures	10 calibrations by entities for revolving products and personal overdrafts.	Models calibrated by segments over a period of observation of defaults from 5 to 8 years.
Expected Loss [EL]	Exposures of the private banking	PD and LGD derived from losses observations.	Model being restructured into a PD/LGD based approach.

BACKTESTS

The performance level of the whole retail client credit system is measured by regular backtests, which check the performance of PD, LGD and CCF models and compare estimated with actual figures.

Each year, the average long-term default rates observed by homogenous risk pools over a long period are compared with the probabilities of default. If necessary, the calibrations of probabilities of default are adjusted to preserve a satisfactory safety margin. The discrimination level of the models and changes in the portfolio's composition are also measured.

Regarding the LGD, the backtest consists in comparing the last estimation of the LGD obtained by computing the average level of payments observed and the value used to calculate regulatory capital.

The difference should in this case reflect a sufficient safety margin to take into account a potential economic slowdown, uncertainties about estimation and changes in the performance of recovery processes. The appropriateness of this safety margin is assessed by a Committee of experts.

Likewise for the CCF, the level of conservatism of estimates is assessed annually by comparing estimated drawdowns and observed drawdowns on the undrawn part.

The results presented below cover all the portfolios of the Group entities with the exception of private banking, the models for which are currently being revised as well as the GEFA retail clients exposure. These figures principally aggregate French, Czech and Italian exposures. For all the Basel portfolios of retail clients, the actual default rate over a long period is lower than the estimated probability of default, which means that the rating system is conservatively adjusted.

TABLE 20: COMPARISON OF ESTIMATED PD VALUES AND ACTUAL VALUES – RETAIL CLIENTS

	31 DEC. 2014			
Basel Portfolio	**EAD (In EUR M)**	**RWA (In EUR M)**	**Estimated probability of default (%)**	**Actual default rate (long-term average) (%)**
Real-estate Loans	76,595	10,664	1.3%	1.1%
of which guaranteed exposures	*52,792*	*3,998*	*0.9%*	*0.8%*
Renewable exposures	4,852	2,135	6.2%	5.4%
Other retail credits	21,726	6,712	3.9%	3.2%
VSB and professionals	11,160	3,943	5.3%	5.2%
Total Group Retail Clients*	**114,333**	**23,454**	**2.4%**	**2.1%**

TABLE 21: COMPARISON OF ESTIMATED LGD VALUES AND ACTUAL VALUES – RETAIL CLIENTS

	31 DEC. 2014			
Basel Portfolio	**EAD (In EUR M)**	**RWA (In EUR M)**	**Estimated LGD (%)**	**Actual LGD excluding safety margin (%)**
Real-estate Loans	76,595	10,664	14%	11%
of which guaranteed exposures	*52,792*	*3,998*	*11%*	*10%*
Renewable exposures	4,852	2,135	44%	39%
Other retail credits	21,726	6,712	25%	22%
VSB and professionals	11,160	3,943	29%	25%
Total Group Retail Clients	**114,333**	**23,454**	**19%**	**16%**

Governance of the modelling of risks

Governance consists in developing, validating and monitoring of decisions on changes with respect to internal credit risk measurement models. An independent and dedicated validation department within the Risk division is more specifically responsible for validating the credit models and parameters used for the IRB method and monitoring the use of the rating system. The team that validates internal models, draws up an annual audit plan specifying the nature and extent of work that needs to be carried out, notably according to regulatory constraints, model risks, issues covered by the model and the strategic priorities of the business lines. It is careful to coordinate its work with the Inspection and Audit Division to ensure a simultaneous overall review (modelling and banking aspects) of the business scopes requiring it. The model validation team is subject to a periodic control by the Inspection and Audit Division.

The internal validation protocol for new models, as well as annual backtesting, is broken down into three stages:

- a preparation stage during which the validation team takes control of the model and the environment in which it is built and/or backtested, ensures that the expected deliverables are complete and draws up a working model;
- an investigation stage whose objective is to collect all statistical and banking data required to assess the quality of the models. For subjects with statistical components, a review is performed by the independent model control entity, whose conclusions are formally presented to the modelling entities in the framework of a committee (Models Committee);
- a validation stage that is structured around a Committee of experts whose purpose is to validate the consistency of the Basel parameters of an internal model from a banking perspective. The Committee of experts is a body reporting to the Group Chief Risk Officer and to the Management of the business lines concerned.

The Committee of experts is also responsible for defining the review guidelines and for revising models at the proposal of the Models Committee. These guidelines take into account the regulatory requirements and economic and financial issues of the business lines.

In accordance with the delegated regulation (EU) no.259/2014 of 20 May 2014 regarding the monitoring of internal models used to calculate capital requirements, changes to the Group's credit risk measurement system are subject to three types of notification to the competent supervisor according to the significant nature of the change, evaluated according to this rule:

- significant changes are subject to a request for authorisation prior to their implementation;
- lesser changes according to the criteria defined by the regulation are notified to the supervisor. Barring a negative response, these may be implemented within a two-month period;
- other changes are notified to the competent authorities after their implementation at least once annually in a specific report.

CREDIT RISK: QUANTITATIVE INFORMATION

The measurement used for credit exposures in this section is EAD—Exposure At Default (on-balance sheet and off-balance sheet), excluding fixed assets, equity investments, and all accruals. EAD under Standard Approach calculated net of collateral and provision.

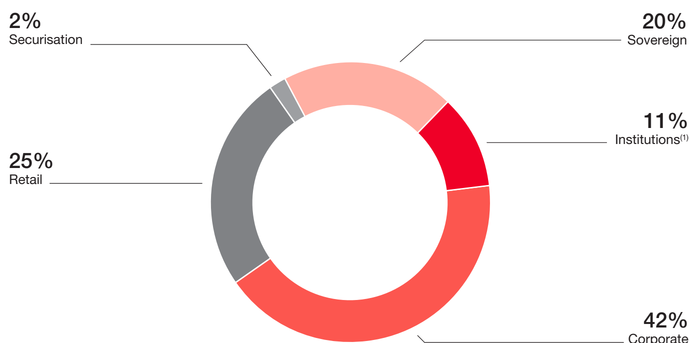
Exposures are broken down by portfolios, sectors and obligor ratings, before a possible effect of substitution by the guarantor.

Credit Risk exposure

At 31st December 2014, the Group's Exposure at Default (EAD) amounted to EUR 722 billion (of which 550 billion on-balance sheet).

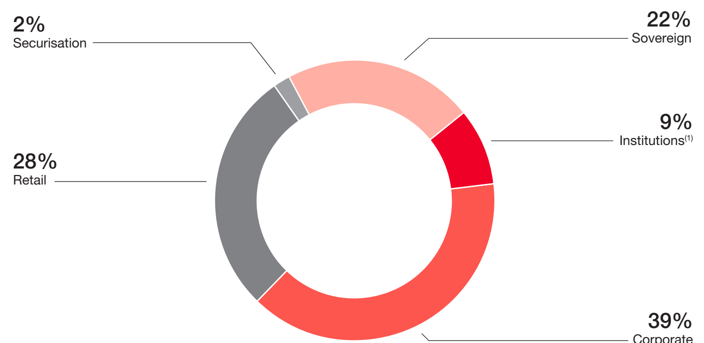
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2014

EUR 722 billion in EAD.



CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2013

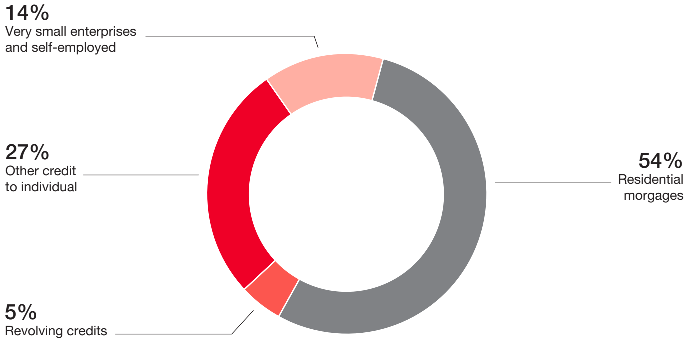
EUR 650 billion in EAD.



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

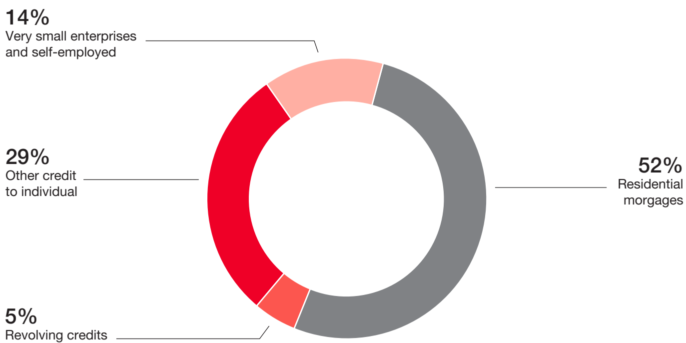
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2014

EUR 179 billion in EAD.



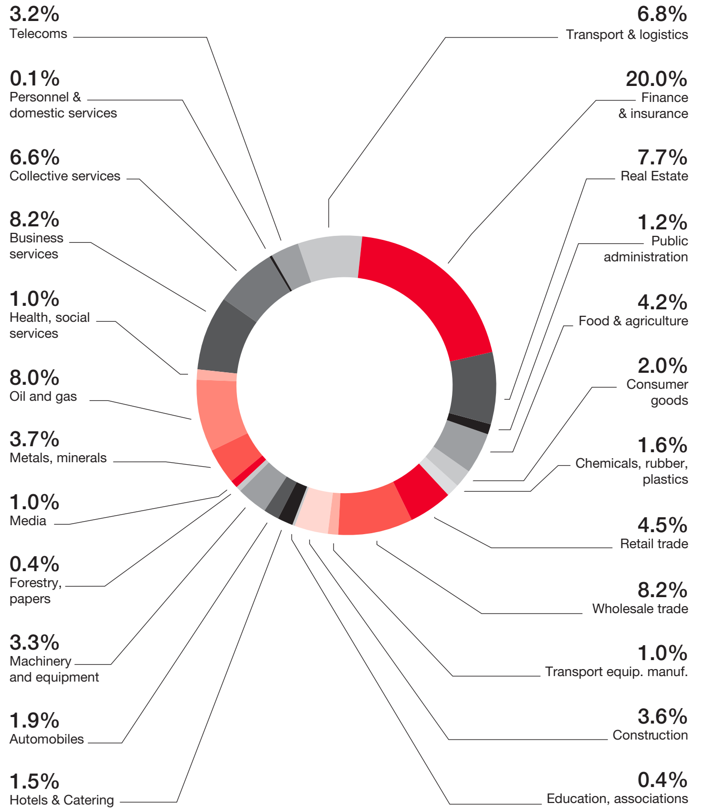
RETAIL CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31ST DECEMBER 2013

EUR 181 billion in EAD.



SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE AT 31ST DECEMBER 2014

(Basel corporate portfolio, EUR 300 billion in EAD).

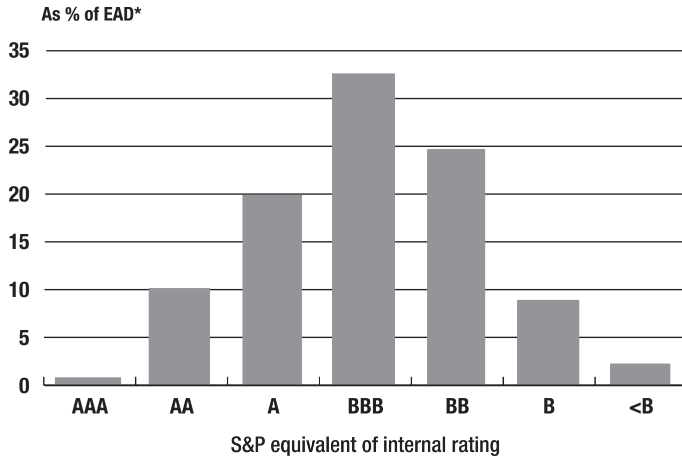


The Group's Corporate portfolio (Large Corporates, SMEs and Specialised Financing) is highly diversified in terms of sectors.

Only the Finance and Insurance sector accounts for more than 10% of the portfolio.

The Group's exposure to its 10 largest corporate counterparties accounts for 7% of this portfolio.

BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31ST DECEMBER 2014



* Exposure at Default (EAD) relative to borrower, issuer and replacement risk on outstandings measured using the IRB method, excluding fixed assets, equity investments, all accruals, and doubtful loans.

The scope includes performing loans recorded under the IRB method for the entire Corporate client portfolio, all divisions combined, and represents EAD of EUR 216 billion (out of total EAD for the Basel Corporate client portfolio of EUR 300 billion, standardised method included).

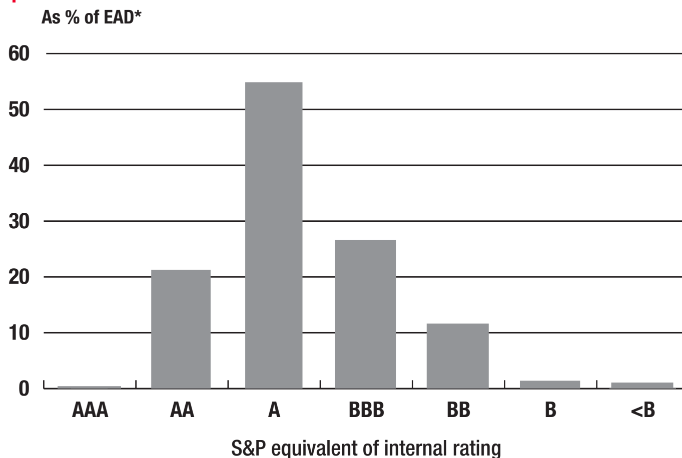
The breakdown by rating of the Societe Generale Group's Corporate exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its S&P equivalent.

At 31st December 2014, the majority of the portfolio (64% of Corporate customers) had an investment grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB-.

Transactions with non-investment grade counterparties are often backed by guarantees and collateral in order to mitigate the risk incurred.

Bank Counterparty exposure

BREAKDOWN OF RISK BY INTERNAL RATING FOR GROUP BANKING CLIENTS AT 31ST DECEMBER 2014



* Exposure at Default (EAD) relative to borrower, issuer and replacement risk on outstandings measured using the IRB method, excluding fixed assets, equity investments, all accruals, and doubtful loans.

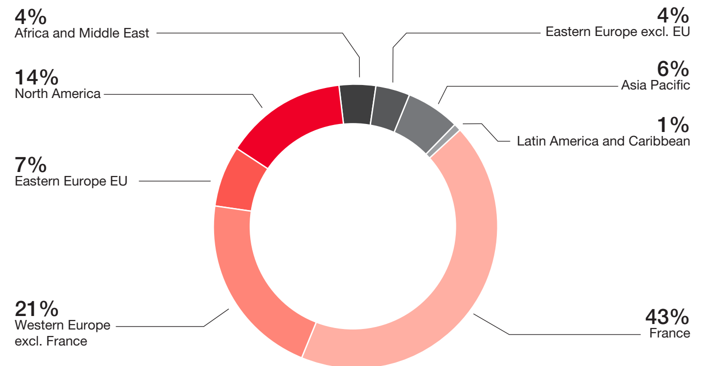
The scope includes performing loans recorded under the IRB method for the entire bank customer portfolio, all divisions combined, and represents EAD of EUR 38 billion (out of total EAD for the Basel bank client portfolio of EUR 88 billion). The breakdown by rating of the Societe Generale Group's bank counterparty exposure demonstrates the sound quality of the portfolio. It is based on an internal counterparty rating system, presented above as its S&P equivalent.

At 31st December 2014, exposure was concentrated in investment grade counterparties (88% of exposure), and developed countries (70%).

Geographic breakdown of group credit risk exposure

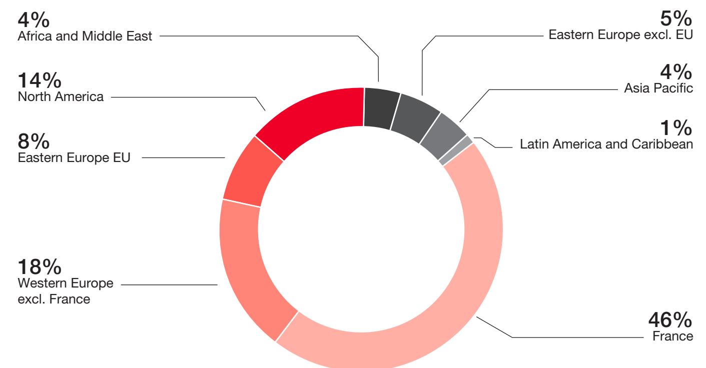
GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2014 (ALL CLIENTS TYPES INCLUDED)(1)

EUR 722 billion in EAD.



GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31ST DECEMBER 2013 (ALL CLIENTS TYPES INCLUDED)(1)

EUR 650 billion in EAD.

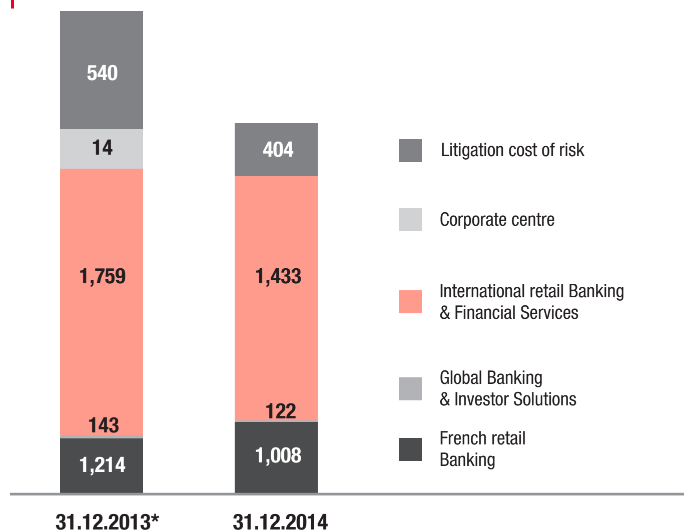


(1) According to the country of the counterparty.

At 31st December 2014, 86% of the Group's on and off-balance sheet exposure was concentrated in the major industrialised countries. Almost half of the overall amount of outstanding loans was to French customers (25% exposure to non-retail portfolio and 18% to retail portfolio).

Provisions and impairments for credit risks at 31st December 2014

CHANGE IN GROUP NET COST OF RISK (IN MILLIONS OF EUROS)*



* 2013 figures have been restated to reflect a new breakdown by business unit in French Retail Banking (and International Retail Banking and Financial Services notably with regards to Franfinance and excluding legacy assets.

The Group's net cost of risk amounted to EUR -2,967 million in 2014, down -25.2%[2] vs. 2013. In particular, it included an additional EUR -400 million collective provision for litigation issues. This provision amounted to EUR 1.1 billion at end-2014.

The Group's commercial cost of risk (expressed as a fraction of outstanding loans) stood at 61[1] basis points in 2014 vs. 75 basis points in 2013, despite a still challenging economic environment.

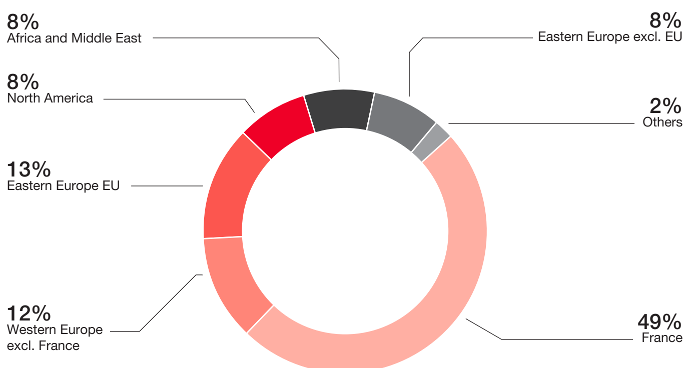
- In French Retail Banking, the commercial cost of risk was lower at 56 basis points (vs. 66 basis points in 2013). As in previous years, the fourth quarter was marked by an increase in the commercial cost of risk related to a seasonal effect.
- At 123 basis points (vs. 150 basis points in 2013), International **Retail Banking & Financial Services**' cost of risk was lower, with mixed trends according to geographical region. There was a significant improvement in Europe, notably in Romania where it was down -42.6%[2] despite an increase in the gross coverage ratio for doubtful outstandings to 71%. Conversely, in Russia, the commercial cost of risk increased in conjunction with the deterioration in the macroeconomic environment.
- **Global Banking & Investor Solutions**' cost of risk remained low in 2014 at 10 basis points (vs. 13 basis[1] points in 2013), confirming the quality of the loan portfolio.

Specific provisions and impairments for credit risks

Impairments for credit risks are primarily booked for doubtful and disputed loans (Customer loans, deposits at banks and loans due from banks leasing and lease assets). These loans amounted to EUR 25.9 billion at 31st December 2014 (EUR 27.8 billion at 31st December 2013).

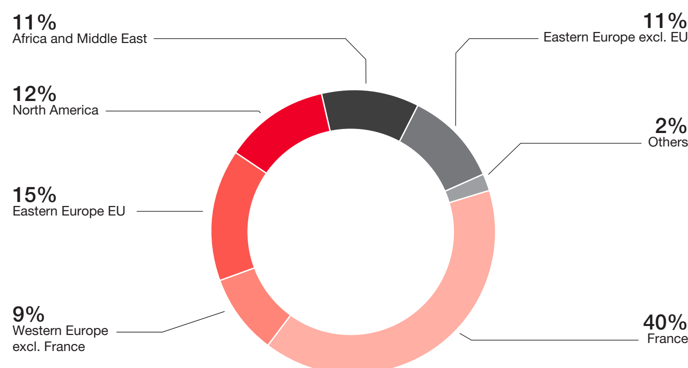
BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2014

At 31st December 2014, these loans amounted to EUR 25.9 billion.



BREAKDOWN OF BREAKDOWN OF PROVISIONS AND IMPAIRMENTS AT 31ST DECEMBER 2014

At 31st December 2014, these loans were provisioned or impaired for an amount of EUR 15.1 billion.

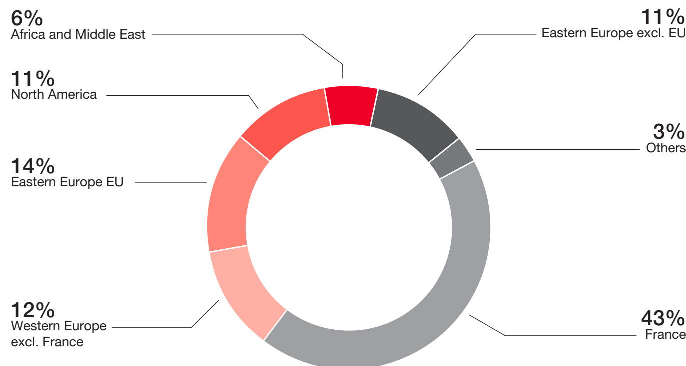


(1) Annualised rate, excluding litigation issues and legacy assets in 2013, in respect of assets at the beginning of the period and including operating leases.

(2) When adjusted for changes in Group structure and at constant exchange rates.

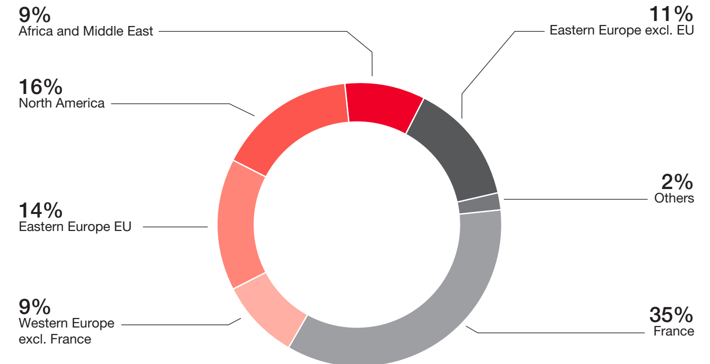
BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT 31ST DECEMBER 2013

At 31st December 2013, these loans amounted to EUR 27.8 billion.



BREAKDOWN OF BREAKDOWN OF PROVISIONS AND IMPAIRMENTS AT 31ST DECEMBER 2013

At 31st December 2013, these loans were provisioned or impaired for an amount of EUR 15.8 billion.



Impairments for groups of homogeneous assets

At 31st December 2014, the Group's provisions for groups of homogeneous assets amounted to EUR 1.3 billion (EUR 1.2 billion at 31st December 2013).

TABLE 22: DOUBTFUL LOANS COVERAGE RATIO

	31 DEC. 2014	31 DEC. 2013
Gross book outstandings in EUR bn	431	422
Doubtful loans in EUR bn	25.9	27.8
Gross doubtful loans ratio	6.0%	6.6%
Gross doubtful loans ratio (excluding legacy assets)	5.6%	6.0%
Specific impairments in EUR bn	15.1	15.8
Impairment for groups of homogenous assets in EUR bn	1.3	1.2
Gross doubtful loans coverage ratio	63%	61%
Gross doubtful loans coverage ratio (excluding legacy assets)	61%	58%

See page 202: the amount of guarantees and collateral is capped at the amount of outstanding loans, i.e. EUR 221 billion at 31st December 2014, of which EUR 111.5 billion for retail customers and EUR 109.5 billion for non-retail customers (versus EUR 89.4 billion and EUR 48.5 billion, respectively, at 31st December 2013). Guarantees and collateral received for outstanding loans not individually impaired amounted to EUR 2.15 billion at 31st December 2014 (of which EUR 1.25 billion for retail customers and EUR 0.90 billion for non-retail customers). Guarantees and collateral received for individually impaired loans amounted to EUR 5.74 billion at 31st December 2014 (of which EUR 1.96 billion for retail customers and EUR 3.78 billion for non-retail customers). These amounts are capped at the amount of outstanding individually impaired loans.

CREDIT RISK: ADDITIONAL QUANTITATIVE INFORMATION

The additional quantitative disclosures in the following tables enhance the information of the previous section under the Pillar 3 of Basel 2 regulation.

These 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.

In these tables, in addition to the exposure at default (EAD), the probability of default (PD) and the loss given default ratio (LGD) explained in the previous section the key variables are the following:

- exposure is defined as all assets (e.g. loans, receivables, accruals, etc.) associated with market or customer transactions, recorded on and off-balance sheet;
- 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 collateral. Under the AIRB method, the following equation summarises the relation between these variables: EL = EAD x PD x LGD (except for defaulted exposures);
- Risk Weighted-Assets (RWA): their calculation compute the exposures and the level of risk associated, which depends on the debtors' credit quality.

Compared to previous sections the exposure is presented on different axes:

The breakdowns are shown after taking into account substitution effects (including for data at 31st December 2013 restated accordingly).

Equity investments, fixed assets and other assets not relating to credit obligations are excluded except for accruals assigned to other exposure classes defined below. The residual risk value is not taken into account.

Exposure to credit risk is presented by the following categories of debtors:

TABLE 23: EXPOSURE CLASS

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.
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.
Corporates	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 50 M.
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 1 M. 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 global increase of both exposures and risk-weighted assets in 2014, in particular the perimeter under the standard approach, lies within Basel 3 changes (for example, calculation changes for Central Counterparty Clearing House), and also within a change in perimeter (full integration of Newedge).

These changes impacted mainly Institutions and Corporates portfolios.

TABLE 24: CREDIT RISK EXPOSURE, EXPOSURE AT DEFAULT (EAD) AND RISK-WEIGHTED ASSETS (RWA) BY APPROACH AND EXPOSURE CLASS

	31.12.2014										
	Global portfolio										
(In EUR m)	IRB approach			Standard approach			Total			Average[1]	
	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Sovereign	150,726	147,707	5,187	10,272	10,181	11,221	160,999	157,888	16,408	160,290	13,274
Institutions	60,875	55,205	10,737	34,001	33,519	3,722	94,877	88,724	14,459	100,079	12,672
Corporates	282,599	212,882	97,480	94,295	74,336	53,112	376,894	287,218	150,592	362,110	145,685
Retail	134,939	133,927	30,162	52,468	45,418	27,458	187,407	179,345	57,620	188,865	58,597
Securitisation	15,348	15,035	1,629	47	47	374	15,395	15,082	2,003	16,517	2,297
TOTAL	**644,488**	**564,756**	**145,195**	**191,083**	**163,501**	**95,888**	**835,571**	**728,257**	**241,083**	**827,861**	**232,524**

(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.

	31.12.2013										
	Global portfolio										
(In EUR m)	IRB approach			Standard approach			Total			Average[1]	
	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Sovereign	155,397	151,884	5,637	2,216	2,206	568	157,613	154,090	6,205	161,358	6,210
Institutions	66,472	53,213	8,480	18,659	8,053	3,249	85,131	61,266	11,729	88,182	12,584
Corporates	260,384	189,766	87,454	70,943	49,176	47,874	331,327	238,942	135,329	341,541	136,532
Retail	129,357	129,449	28,825	59,242	51,390	33,185	188,599	180,838	62,010	190,042	59,370
Securitisation	15,667	14,988	2,141	215	215	269	15,882	15,203	2,410	17,089	3,130
TOTAL	**627,277**	**539,300**	**132,538**	**151,275**	**111,039**	**85,145**	**778,552**	**650,339**	**217,683**	**798,213**	**217,826**

(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.

TABLE 25: RETAIL CREDIT RISK EXPOSURE, EXPOSURE AT DEFAULT (EAD) AND RISK-WEIGHTED ASSETS (RWA) BY APPROACH AND EXPOSURE CLASS

	31.12.2014										
	Retail portfolio										
(In EUR m)	IRB approach			Standard approach			Total			Average[1]	
	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Residential mortgages	82,543	82,403	13,436	15,808	15,030	5,457	98,351	97,433	18,893	97,401	18,581
Revolving credits	6,979	5,656	2,541	4,752	2,611	1,979	11,731	8,267	4,520	12,161	4,745
Other credits to individuals	29,081	29,184	8,325	21,912	19,111	14,754	50,994	48,294	23,078	52,995	23,743
Other - small entities or self employed	16,336	16,683	5,861	9,995	8,667	5,268	26,331	25,350	11,129	26,308	11,528
TOTAL	**134,939**	**133,927**	**30,162**	**52,468**	**45,418**	**27,458**	**187,407**	**179,345**	**57,620**	**188,865**	**58,597**

(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.

	31.12.2013										
	Retail portfolio										
(In EUR m)	IRB approach			Standard approach			Total			Average[1]	
	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	RWA
Exposure Class											
Residential mortgages	78,284	78,231	11,372	15,902	15,409	5,551	94,187	93,641	16,923	94,833	15,373
Revolving credits	7,383	5,935	2,643	5,607	2,961	2,245	12,991	8,896	4,888	13,093	4,706
Other credits to individuals	28,169	29,357	8,195	27,374	24,104	18,460	55,543	53,461	26,654	55,810	26,517
Other - small entities or self employed	15,521	15,925	6,615	10,358	8,915	6,930	25,879	24,840	13,545	26,306	12,774
TOTAL	**129,357**	**129,449**	**28,825**	**59,242**	**51,389**	**33,185**	**188,599**	**180,838**	**62,010**	**190,042**	**59,370**

(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 26: CREDIT AND COUNTERPARTY RISK EXPOSURE BY APPROACH AND EXPOSURE CLASS

	31.12.2014								
	IRB			Standard			Total		
(In EUR m)	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total
Exposure class									
Sovereign	141,921	8,805	150,726	10,070	202	10,272	151,991	9,008	160,999
Institutions	41,620	19,255	60,875	18,061	15,940	34,001	59,681	35,196	94,877
Corporates	240,598	42,001	282,599	75,516	18,779	94,295	316,114	60,780	376,894
Retail	134,927	12	134,939	52,300	168	52,468	187,226	180	187,407
Securitisation	15,248	100	15,348	46	0	47	15,295	101	15,395
TOTAL	**574,314**	**70,174**	**644,488**	**155,993**	**35,090**	**191,083**	**730,307**	**105,264**	**835,571**

	31.12.2013								
	IRB			Standard			Total		
(In EUR m)	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total
Exposure class									
Sovereign	144,795	10,602	155,397	2,150	66	2,216	146,945	10,668	157,613
Institutions	53,901	12,571	66,472	17,567	1,091	18,659	71,468	13,663	85,131
Corporates	226,739	33,645	260,384	68,461	2,483	70,943	295,200	36,127	331,327
Retail	129,309	48	129,357	59,234	8	59,242	188,542	57	188,599
Securitisation	15,473	195	15,667	215	0	215	15,687	195	15,882
TOTAL	**570,216**	**57,061**	**627,277**	**147,626**	**3,648**	**151,275**	**717,842**	**60,709**	**778,552**

TABLE 27: CREDIT AND COUNTERPARTY EXPOSURE AT DEFAULT (EAD) BY APPROACH AND EXPOSURE CLASS

	31.12.2014								
	IRB			Standard			Total		
(In EUR m)	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total
Exposure class									
Sovereign	138,902	8,805	147,707	9,979	202	10,181	148,880	9,008	157,888
Institutions	35,949	19,255	55,205	17,580	15,939	33,519	53,530	35,195	88,724
Corporates	170,881	42,001	212,882	55,597	18,739	74,336	226,478	60,740	287,218
Retail	133,914	12	133,927	45,250	168	45,418	179,164	180	179,345
Securitisation	14,935	100	15,035	46	0	47	14,981	101	15,082
TOTAL	**494,582**	**70,174**	**564,756**	**128,452**	**35,049**	**163,501**	**623,033**	**105,223**	**728,257**

	31.12.2013								
	IRB			Standard			Total		
(In EUR m)	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total	Credit risk	Counterparty risk	Total
Exposure class									
Sovereign	141,282	10,602	151,884	2,140	66	2,206	143,422	10,668	154,090
Institutions	37,242	15,971	53,213	7,095	958	8,053	44,337	16,929	61,266
Corporates	156,834	32,931	189,766	47,808	1,368	49,176	204,642	34,299	238,942
Retail	129,400	48	129,449	51,381	8	51,390	180,781	57	180,838
Securitisation	14,794	195	14,988	215	0	215	15,008	195	15,203
TOTAL	**479,553**	**59,747**	**539,300**	**108,639**	**2,400**	**111,039**	**588,192**	**62,148**	**650,339**

Guarantees and Collateral

As at 31st December 2014, on- and off-balance sheet guarantees and collateral amounted to EUR 221 billion. The amount of guarantees and collateral integrated in the calculation of the group capital requirements totalled EUR 168 billion and can be broken down into:

TABLE 28: ON AND OFF-BALANCE SHEET PERSONAL GUARANTEES (INCLUDING CREDIT DERIVATIVES) AND COLLATERAL BY EXPOSURE CLASS

(In EUR m)	31.12.2014		31.12.2013	
	Personal guarantees	Collateral	Personal guarantees	Collateral
Sovereign	4,583	838	4,769	413
Institutions	2,890	897	3,244	1,575
Corporates	20,513	36,439	18,519	36,194
Retail	62,344	39,755	53,803	37,952
Total	**90,330**	**77,929**	**80,335**	**76,134**

TABLE 29: CORPORATE CREDIT EXPOSURE AT DEFAULT (EAD) BY INDUSTRY SECTOR

EAD	Corporate - 31.12.2014		Corporate - 31.12.2013	
(In EUR m)	**EAD**	**Breakdown in %**	**EAD**	**Breakdown in %**
Finance & insurance	60,975	21.2%	44,749	18.7%
Real estate	22,379	7.8%	21,584	9.0%
Public administration	3,347	1.2%	430	0.2%
Food & agriculture	12,395	4.3%	11,153	4.7%
Consumer goods	6,014	2.1%	5,532	2.3%
Chemicals, rubber, plastics	4,661	1.6%	4,628	1.9%
Retail trade	13,408	4.7%	12,793	5.4%
Wholesale trade	24,137	8.4%	21,327	8.9%
Construction	10,149	3.5%	10,123	4.2%
Transport equip. manuf.	3,124	1.1%	2,202	0.9%
Education and associations	1,025	0.4%	1,082	0.5%
Hotels and catering	4,222	1.5%	3,890	1.6%
Automobiles	5,500	1.9%	3,885	1.6%
Machinery and equipment	9,499	3.3%	8,056	3.4%
Forestry, paper	1,277	0.4%	1,409	0.6%
Metals, minerals	9,771	3.4%	7,888	3.3%
Media	3,020	1.1%	2,487	1.0%
Oil and Gas	21,271	7.4%	13,452	5.6%
Health , social services	2,829	1.0%	2,357	1.0%
Business services (including conglomerates)	24,152	8.4%	21,700	9.1%
Collective services	17,057	5.9%	15,140	6.3%
Personal & domestic services	205	0.1%	178	0.1%
Telecoms	8,790	3.1%	5,204	2.2%
Transport & logistics	18,011	6.3%	17,694	7.4%
TOTAL	**287,218**	**100%**	**238,942**	**100%**

Almost two-thirds of the Group's total exposure was concentrated in Western Europe inc. France (more than 80% for Retail) in 2014 as well as in 2013.

Exposure to Russia (including Private Banking russian clients) amounted circa 2% of the Group total EAD.

As for the sovereign exposure, the change in the exposure on some countries (for example: United States and Japan) is due to the Group's liquidity management.

TABLE 30: EXPOSURE AT DEFAULT (EAD) BY GEOGRAPHIC REGION AND MAIN COUNTRIES AND BY EXPOSURE CLASS

EAD	31.12.2014						
(In EUR m)	**Sovereign**	**Institutions**	**Corporates**	**Retail**	**Securitisation**	**Total**	**Breakdown in %**
France	43,533	28,613	108,853	128,343	7,828	317,169	43.6%
United Kingdom	1,018	9,796	13,547	2,240	172	26,774	3.7%
Germany	7,358	6,307	11,228	7,833	21	32,746	4.5%
Italy	2,958	1,312	7,798	5,413	82	17,562	2.4%
Luxembourg	5,666	955	6,361	119	0	13,102	1.8%
Spain	2,006	2,281	7,670	310	55	12,322	1.7%
Switzerland	3,832	1,419	4,604	748	1	10,603	1.5%
Other Western European countries	6,516	4,555	20,792	1,193	585	33,640	4.6%
Czech Republic	10,996	1,751	8,449	8,910	0	30,106	4.1%
Romania	3,135	285	2,665	4,027	0	10,112	1.4%
Other Eastern European countries EU	2,845	610	4,880	4,375	0	12,709	1.7%
Russia	1,559	1,486	7,288	6,628	0	16,962	2.3%
Other Eastern European countries excluding EU	2,384	530	5,104	2,728	0	10,744	1.5%
United States	41,381	17,406	34,679	120	5,929	99,515	13.7%
Other countries of North America	778	867	2,380	16	206	4,247	0.6%
Latin America and Caribbean	372	537	5,748	654	41	7,352	1.0%
Africa and Middle East	5,404	2,075	14,871	5,304	78	27,732	3.8%
Japan	12,343	935	2,883	9	0	16,171	2.2%
Asia-Pacific	3,804	7,004	17,417	376	86	28,688	3.9%
TOTAL	**157,888**	**88,724**	**287,218**	**179,345**	**15,082**	**728,257**	**100%**

Russia (including Private Banking Russian customers) amounted circa 2% of the Group total EAD. As for the sovereign exposure, the change in the exposure on some countries (for example: United States and Japan) is due to the Group's liquidity management.

EAD	31.12.2013						
(En M EUR)	**Sovereign**	**Institutions**	**Corporates**	**Retail**	**Securitisation**	**Total**	**Breakdown in %**
France	36,685	26,910	100,263	128,893	4,187	296,937	45.7%
United Kingdom	457	4,726	9,601	1,614	158	16,556	2.5%
Germany	7,190	2,181	8,153	7,241	14	24,778	3.8%
Italy	2,825	966	6,375	4,982	145	15,293	2.4%
Luxembourg	4,850	255	6,459	1,503	250	13,317	2.0%
Spain	1,555	2,802	6,155	46	184	10,742	1.7%
Switzerland	6,989	789	5,944	932	8	14,662	2.3%
Other Western European countries	5,061	4,331	13,504	1,439	1,307	25,642	3.9%
Czech Republic	9,157	1,875	8,075	8,704	0	27,811	4.3%
Romania	3,383	321	3,083	4,186	0	10,973	1.7%
Other Eastern European countries EU	2,035	771	4,693	3,946	1	11,446	1.8%
Russia	2,171	1,193	8,572	9,453	0	21,389	3.3%
Other Eastern European countries excluding EU	2,279	345	4,344	2,547	0	9,514	1.5%
The United States	56,192	4,997	22,377	90	8,124	91,781	14.1%
Other countries of North America	765	404	1,335	0	236	2,740	0.4%
Latin America and Caribbean	359	431	3,414	609	375	5,187	0.8%
Africa and Middle East	5,023	1,785	13,636	4,430	77	24,951	3.8%
Asia-Pacific	7,113	6,184	12,961	225	137	26,619	4.1%
TOTAL	**154,090**	**61,266**	**238,942**	**180,838**	**15,203**	**650,339**	**100.0%**

TABLE 31: RETAIL EXPOSURE AT DEFAULT (EAD) BY GEOGRAPHIC REGION AND MAIN COUNTRIES

EAD	31.12.2014					
(In EUR m)	Residential mortgages	Revolving credits	Others credits to individuals	Others - small entities or self employed	Total	Breakdown in %
France	79,237	6,649	26,714	15,744	128,343	71.6%
Germany	21	194	3,812	3,805	7,833	4.4%
Italy	28	107	3,783	1,496	5,413	3.0%
Other Western European countries	1,333	38	1,636	1,603	4,610	2.6%
Czech Republic	6,697	371	949	893	8,910	5.0%
Romania	2,417	325	1,103	182	4,027	2.2%
Other Eastern European countries EU	1,965	77	1,892	441	4,375	2.4%
Russia	2,708	387	3,329	204	6,628	3.7%
Other Eastern European countries excluding EU	1,092	35	1,306	295	2,728	1.5%
North America	38	6	80	11	136	0.1%
Latin America and Carribbean	13	12	620	8	654	0.4%
Africa and Middle East	1,755	48	3,003	498	5,304	3.0%
Asia-Pacific	131	17	67	171	385	0.2%
TOTAL	**97,433**	**8,267**	**48,294**	**25,350**	**179,345**	**100%**

EAD	31.12.2013					
(In EUR m)	Residential mortgages	Revolving credits	Others credits to individuals	Others - small entities or self employed	Total	Breakdown in %
France	76,442	7,187	29,392	15,872	128,893	71.3%
Germany	10	141	3,439	3,651	7,241	4.0%
Italy	0	136	3,682	1,163	4,982	2.8%
Other Western European countries	1,292	0	2,464	1,778	5,534	3.1%
Czech Republic	6,517	366	998	823	8,704	4.8%
Romania	1,647	325	1,875	339	4,186	2.3%
Other Eastern European countries EU	1,665	72	1,867	341	3,946	2.2%
Russia	3,278	648	5,526	0	9,453	5.2%
Other Eastern European countries excluding EU	993	21	1,247	286	2,547	1.4%
North America	90	0	0	0	90	0.0%
Latin America and Carribbean	0	0	600	8	609	0.3%
Africa and Middle East	1,637	0	2,369	423	4,430	2.4%
Asia-Pacific	67	0	0	157	225	0.1%
TOTAL	**93,640**	**8,896**	**53,461**	**24,841**	**180,838**	**100%**

TABLE 32: UNDER THE IRB APPROACH FOR NON-RETAIL CUSTOMERS: CREDIT RISK EXPOSURE BY RESIDUAL MATURITY AND EXPOSURE CLASS

As at 31st December 2014, about 80% of the total credit risk's exposure had a maturity less than five years and circa 35% of the total credit risk's exposure had a maturity less than one year.

	31.12.2014				
	Maturity analysis				
(In EUR m)	< 1 year	1 to 5 years	5 to 10 years	> 10 years	Total
Sovereign	63,263	37,619	39,642	10,202	150,726
Institutions	20,515	21,970	5,166	13,225	60,875
Corporates	84,577	152,423	23,048	22,551	282,599
Securitisation	10,757	1,182	270	3,140	15,348
TOTAL	**179,113**	**213,193**	**68,126**	**49,117**	**509,549**

	31.12.2013				
	Maturity analysis				
(In EUR m)	< 1 year	1 to 5 years	5 to 10 years	> 10 years	Total
Sovereign	74,631	37,943	31,140	11,682	155,397
Institutions	20,448	28,128	5,007	12,889	66,472
Corporates	71,176	147,483	20,817	20,908	260,384
Securitisation	9,511	284	866	5,006	15,667
TOTAL	**175,766**	**213,838**	**57,830**	**50,486**	**497,920**

Global credit risk by rating

The breakdown by rating of the Societe Generale Group's Corporates exposure demonstrates the sound quality of the portfolio. At 31st December 2014, more than 75% of EAD (excluding defaulted exposure) under the IRB method had an investment grade rating. Transactions with non-investment grade counterparties are often backed by guarantees and collateral in order to mitigate the risk incurred.

TABLE 33: UNDER THE IRB APPROACH: CREDIT RISK EXPOSURE BY EXPOSURE CLASS AND INTERNAL RATING (EXCLUDING DEFAULTED EXPOSURE)

	31.12.2014										
(In EUR m)	Internal obligor rating	Gross exposure	On-balance-sheet exposure	Off-balance sheet exposure	Average CCF (Off-balance sheet)	EAD	RWA	Average LGD	Average PD	Average RW(1)	Expected Loss
Sovereign	1	61,616	59,015	2,600	65%	60,717	8	0%	0.00%	0%	0
	2	66,889	61,944	4,946	78%	65,814	400	2%	0.00%	1%	0
	3	10,809	8,570	2,239	65%	10,017	908	19%	0.05%	9%	1
	4	9,609	9,111	498	59%	9,405	2,548	22%	0.27%	27%	7
	5	1,126	1,037	89	93%	1,119	753	32%	2.43%	67%	8
	6	544	472	72	43%	503	357	19%	7.60%	71%	8
	7	78	34	44	94%	76	213	47%	20.11%	281%	7
Sub-total		**150,671**	**140,183**	**10,489**	**71%**	**147,652**	**5,187**	**4%**	**0.08%**	**4%**	**31**
Institutions	1	105	55	50	96%	103	5	13%	0.03%	5%	0
	2	20,043	16,424	3,619	83%	19,448	852	11%	0.03%	4%	0
	3	24,547	12,436	12,112	74%	21,059	1,850	22%	0.04%	9%	1
	4	11,071	6,725	4,346	86%	10,209	4,157	32%	0.27%	41%	9
	5	4,440	2,068	2,372	75%	3,856	2,873	29%	1.63%	75%	19
	6	341	116	224	70%	267	433	40%	6.88%	162%	7
	7	282	113	169	61%	217	554	43%	18.02%	255%	17
Sub-total		**60,828**	**37,936**	**22,892**	**78%**	**55,159**	**10,724**	**20%**	**0.29%**	**19%**	**54**
Corporates	1	1,890	1,424	467	71%	1,756	212	87%	0.03%	12%	0
	2	26,881	12,042	14,839	74%	22,790	3,472	40%	0.03%	15%	3
	3	63,077	21,197	41,880	55%	43,936	7,466	37%	0.05%	17%	7
	4	93,724	31,840	61,884	56%	66,065	24,587	30%	0.31%	37%	62
	5	63,238	36,817	26,420	53%	50,279	37,102	29%	2.03%	75%	285
	6	21,148	12,522	8,626	61%	17,487	16,675	27%	6.68%	95%	302
	7	3,364	2,550	814	62%	3,056	4,605	30%	20.48%	151%	188
Sub-total		**273,322**	**118,393**	**154,929**	**57%**	**205,369**	**94,120**	**33%**	**1.48%**	**46%**	**848**
Retail	1	2,324	1,930	394	97%	2,314	241	100%	0.03%	10%	1
	2	2,640	2,385	255	99%	2,638	259	100%	0.03%	10%	1
	3	46,372	45,204	1,168	99%	46,428	2,660	17%	0.04%	6%	3
	4	32,283	29,981	2,303	60%	31,380	3,392	19%	0.33%	11%	22
	5	28,338	25,189	3,150	79%	27,691	9,623	23%	1.93%	35%	118
	6	9,070	8,489	581	114%	9,358	4,826	28%	7.32%	52%	185
	7	4,191	4,101	91	56%	4,404	3,533	28%	25.70%	80%	307
Sub-total		**125,219**	**117,278**	**7,940**	**80%**	**124,214**	**24,535**	**23%**	**1.99%**	**20%**	**636**
Corporate in IRB slotting		1,738	358	1,380	32%	803	501			62%	3
CR IRB: "alternative treatment: secured by real estate"		395	395	0	0%	395	197			50%	0
TOTAL		**612,173**	**414,542**	**197,631**	**61%**	**533,592**	**135,264**	**21%**	**1.09%**	**25%**	**1,573**

(1) With consideration of the floor of PD.

(In EUR m)	31.12.2013										
	Internal obligor rating	Gross exposure	On-balance-sheet exposure	Off-balance sheet exposure	Average CCF (Off-balance sheet)	EAD	RWA	Average LGD	Average PD	Average RW(1)	Expected Loss
Sovereign	1	118,745	111,969	6,776	59%	115,982	7	0%	0.00%	0%	0
	2	14,926	13,772	1,153	92%	14,834	468	14%	0.01%	3%	0
	3	10,697	8,948	1,749	71%	10,166	898	18%	0.05%	9%	1
	4	7,702	7,308	394	74%	7,599	1,839	18%	0.29%	24%	4
	5	2,477	2,404	73	65%	2,452	1,637	35%	1.88%	67%	14
	6	620	600	20	81%	616	618	24%	10.12%	100%	14
	7	64	45	19	100%	64	147	40%	18.93%	228%	5
Sub-total		**155,231**	**145,046**	**10,186**	**66%**	**151,714**	**5,613**	**4%**	**0.10%**	**4%**	**38**
Institutions	1	12,310	10,584	1,727	51%	11,469	329	5%	0.03%	3%	0
	2	9,492	6,046	3,446	60%	8,085	477	23%	0.03%	6%	0
	3	29,471	13,742	15,729	49%	19,809	1,516	22%	0.04%	8%	2
	4	10,347	6,003	4,344	81%	9,696	3,160	31%	0.26%	33%	8
	5	3,834	1,669	2,164	77%	3,333	2,201	28%	1.67%	66%	16
	6	539	301	239	70%	370	445	32%	7.37%	120%	9
	7	215	83	132	71%	178	286	30%	18.19%	161%	10
Sub-total		**66,209**	**38,428**	**27,782**	**58%**	**52,940**	**8,414**	**20%**	**0.29%**	**16%**	**46**
Corporates	1	3,299	2,313	986	101%	3,001	381	70%	0.03%	11%	1
	2	33,450	14,782	18,668	42%	20,893	2,949	38%	0.03%	14%	3
	3	57,061	25,384	31,677	59%	41,303	6,630	36%	0.05%	16%	7
	4	83,788	31,041	52,747	48%	56,218	20,659	31%	0.31%	37%	54
	5	51,801	30,015	21,786	53%	40,286	31,463	29%	1.99%	76%	239
	6	15,906	9,954	5,953	55%	13,074	14,308	30%	7.04%	109%	270
	7	2,898	2,212	687	76%	2,781	4,896	34%	20.62%	176%	192
Sub-total		**248,204**	**115,701**	**132,503**	**52%**	**177,556**	**81,286**	**33%**	**1.40%**	**45%**	**765**
Retail	1	1,893	1,454	439	98%	2,376	248	100%	0.03%	10%	1
	2	2,395	2,220	175	101%	2,402	236	100%	0.03%	10%	1
	3	45,252	44,157	1,094	99%	45,885	2,797	17%	0.04%	6%	3
	4	32,002	29,516	2,486	57%	30,936	3,498	18%	0.31%	11%	20
	5	27,360	24,429	2,931	83%	26,875	8,506	22%	1.84%	32%	112
	6	10,246	9,641	605	110%	10,532	5,716	26%	7.31%	54%	185
	7	4,152	4,066	86	23%	4,384	3,639	28%	26.83%	83%	316
Sub-total		**123,299**	**115,483**	**7,816**	**80%**	**123,389**	**24,640**	**23%**	**2.07%**	**20%**	**638**
Corporate in IRB slotting		1,973	469	1,504	55%	1,299	776			60%	4
Receivables		2,886	2,864	22	-	3,019	1,933			64%	44
TOTAL		**597,804**	**417,990**	**179,814**	**55%**	**509,917**	**122,662**	**21%**	**1.06%**	**24%**	**1,536**

(1) With consideration of the floor of PD.

TABLE 34: UNDER THE IRB APPROACH FOR RETAIL CUSTOMERS: CREDIT RISK EXPOSURE BY EXPOSURE CLASS AND INTERNAL RATING (EXCLUDING DEFAULTED EXPOSURE)

	31.12.2014										
(In EUR m)	**Internal obligor rating**	**Gross exposure**	**On-balance-sheet exposure**	**Off-balance sheet exposure**	**Average CCF (Off-balance sheet)**	**EAD**	**RWA**	**Average LGD**	**Average PD**	**Average RW(1)**	**Expected Loss**
Residential mortgage	1	267	260	7	100%	267	26	100%	0.03%	10%	0
	2	2,424	2,340	84	98%	2,422	237	100%	0.03%	10%	1
	3	42,325	41,607	718	100%	42,325	2,362	13%	0.04%	6%	2
	4	22,104	21,817	286	87%	22,066	1,849	15%	0.29%	8%	10
	5	11,041	10,735	307	70%	10,949	4,432	17%	1.90%	40%	33
	6	1,788	1,765	23	85%	1,784	1,293	17%	8.08%	72%	23
	7	1,263	1,248	15	97%	1,263	1,180	16%	19.32%	93%	39
Sub-total		**81,212**	**79,772**	**1,440**	**91%**	**81,076**	**11,378**	**17%**	**0.84%**	**14%**	**108**
Revolving credit	1	0	0	0	0%	0	0	0%	0.00%	0%	0
	2	0	0	0	0%	0	0	0%	0.00%	0%	0
	3	120	20	100	100%	190	4	51%	0.06%	2%	0
	4	1,705	160	1,545	39%	765	66	44%	0.39%	9%	1
	5	2,585	591	1,995	70%	1,985	577	43%	2.06%	29%	17
	6	1,288	955	333	119%	1,351	826	41%	6.97%	61%	35
	7	551	507	44	0%	638	698	40%	29.06%	109%	64
Sub-total		**6,250**	**2,233**	**4,016**	**62%**	**4,931**	**2,172**	**43%**	**6.56%**	**44%**	**117**
Other credit to individuals	1	2,057	1,671	387	97%	2,047	215	100%	0.03%	10%	1
	2	216	45	172	100%	216	23	100%	0.03%	10%	0
	3	3,923	3,574	349	96%	3,909	294	54%	0.04%	8%	1
	4	5,788	5,430	359	115%	5,857	1,055	26%	0.41%	18%	7
	5	8,279	7,692	587	106%	8,315	2,980	26%	1.93%	36%	42
	6	2,713	2,636	78	127%	2,733	1,380	31%	6.68%	50%	56
	7	1,159	1,148	11	137%	1,163	764	27%	33.80%	66%	96
Sub-total		**24,136**	**22,195**	**1,941**	**105%**	**24,239**	**6,709**	**38%**	**3.14%**	**28%**	**203**
Very small business or self-employed	1	0	0	0	0%	0	0	0%	0.00%	0%	0
	2	0	0	0	0%	0	0	0%	0.00%	0%	0
	3	3	3	0	100%	3	0	16%	0.04%	4%	0
	4	2,687	2,573	113	105%	2,692	422	26%	0.42%	16%	4
	5	6,432	6,171	261	104%	6,443	1,634	22%	1.92%	25%	26
	6	3,280	3,134	147	100%	3,490	1,327	27%	7.57%	38%	70
	7	1,218	1,197	21	100%	1,340	892	33%	23.08%	67%	108
Sub-total		**13,620**	**13,078**	**542**	**103%**	**13,968**	**4,275**	**25%**	**5.06%**	**31%**	**209**
TOTAL		**125,219**	**117,278**	**7,940**	**80%**	**124,214**	**24,535**	**23%**	**1.99%**	**20%**	**636**

(1) With consideration of the floor of PD.

(In EUR m)	31.12.2013										
	Internal obligor rating	Gross exposure	On-balance-sheet exposure	Off-balance sheet exposure	Average CCF (Off-balance sheet)	EAD	RWA	Average LGD	Average PD	Average RW[1]	Expected Loss
Residential mortgage	1	226	220	7	100%	226	22	100%	0.03%	10%	0
	2	2,171	2,101	70	99%	2,170	212	100%	0.03%	10%	1
	3	41,726	41,018	708	100%	41,726	2,530	13%	0.04%	6%	2
	4	20,133	19,867	267	94%	20,117	1,747	15%	0.26%	9%	8
	5	9,929	9,680	249	87%	9,897	3,076	16%	1.66%	31%	27
	6	2,182	2,155	27	95%	2,181	1,416	15%	8.62%	65%	25
	7	916	910	6	95%	916	890	17%	21.39%	97%	31
Sub-total		**77,284**	**75,951**	**1,333**	**100%**	**77,233**	**9,893**	**17%**	**0.80%**	**13%**	**94**
Revolving credit	1	0	0	0	0%	0	0	0%	0.00%	0%	0
	2	0	0	0	0%	0	0	0%	0.00%	0%	0
	3	140	24	116	100%	228	5	54%	0.06%	2%	0
	4	1,950	156	1,793	37%	824	65	43%	0.30%	8%	1
	5	2,558	594	1,964	73%	2,033	579	44%	1.79%	28%	17
	6	1,370	994	377	109%	1,404	827	39%	7.03%	59%	35
	7	613	561	52	-	703	784	40%	26.85%	112%	68
Sub-total		**6,632**	**2,330**	**4,302**	**61%**	**5,191**	**2,260**	**42%**	**6.29%**	**44%**	**121**
Other credit to individuals	1	1,666	1,234	432	98%	2,149	225	100%	0.03%	10%	1
	2	225	119	105	103%	232	24	100%	0.03%	10%	0
	3	3,378	3,108	270	97%	3,924	262	49%	0.04%	7%	1
	4	5,869	5,555	313	115%	5,918	1,015	24%	0.36%	17%	6
	5	9,478	8,948	530	112%	9,541	3,265	24%	1.84%	34%	44
	6	3,549	3,467	82	134%	3,575	1,745	29%	6.42%	49%	66
	7	1,385	1,375	10	132%	1,388	854	25%	33.19%	61%	109
Sub-total		**25,550**	**23,806**	**1,743**	**107%**	**26,727**	**7,391**	**35%**	**3.33%**	**28%**	**226**
Very small business or self-employed	1	0	0	0	0%	0	0	-	-	-	0
	2	0	0	0	0%	0	0	-	-	-	0
	3	7	7	1	105%	7	0	14%	0.04%	4%	0
	4	4,050	3,937	113	123%	4,077	671	21%	0.51%	16%	4
	5	5,394	5,206	188	105%	5,404	1,586	21%	2.19%	29%	25
	6	3,145	3,026	119	100%	3,372	1,728	23%	7.51%	51%	59
	7	1,238	1,221	17	-	1,377	1,111	32%	24.01%	81%	109
Sub-total		**13,834**	**13,396**	**438**	**100%**	**14,237**	**5,096**	**23%**	**5.08%**	**36%**	**197**
TOTAL		**123,299**	**115,483**	**7,816**	**80%**	**123,389**	**24,640**	**23%**	**2.07%**	**20%**	**638**

(1) With consideration of the floor of PD.

TABLE 35: UNDER THE STANDARD APPROACH: CREDIT RISK EXPOSURE BY EXPOSURE CLASS AND EXTERNAL RATING

	31.12.2014			
(In EUR m)	**External Rating**	**Gross exposure**	**EAD**	**RWA**
Sovereign	AAA to AA-	721	669	0
	A+ to A-	35	35	7
	BBB+ to BBB-	204	173	87
	BB+ to B-	1,439	1,439	1,434
	<B-	0	0	0
	Without external rating	7,869	7,862	9,685
Sub-total		**10,268**	**10,178**	**11,213**
Institutions	AAA to AA-	26,228	26,373	1,455
	A+ to A-	504	413	267
	BBB+ to B-	1,073	1,031	959
	<B-	235	235	383
	Without external rating	5,905	5,450	639
Sub-total		**33,946**	**33,503**	**3,703**
Corporates	AAA to AA-	10,825	9,124	733
	A+ to A-	1,177	1,073	534
	BBB+ to B-	13,780	9,717	9,723
	<B-	1,035	933	1,496
	Without external rating	61,885	51,192	37,924
Sub-total		**88,703**	**72,038**	**50,410**
Retail	Without external rating	47,509	43,346	25,040
TOTAL		**180,426**	**159,065**	**90,366**

	31.12.2013			
(In EUR m)	**External Rating**	**Gross exposure**	**EAD**	**RWA**
Sovereign	AAA to AA-	1,430	1,443	0
	A+ to A-	0	0	0
	BBB+ to BBB-	182	182	91
	BB+ to B-	426	419	419
	<B-	0	0	0
	Without external rating	176	161	56
Sub-total		**2,215**	**2,206**	**567**
Institutions	AAA to AA-	16,336	5,889	1,178
	A+ to A-	162	140	70
	BBB+ to B-	2,099	1,966	1,966
	<B-	1	1	1
	Without external rating	0	45	16
Sub-total		**18,598**	**8,041**	**3,232**
Corporates	AAA to AA-	6,717	1,740	299
	A+ to A-	2,188	2,063	1,056
	BBB+ to B-	9,810	7,556	7,582
	<B-	1,162	1,090	1,586
	Without external rating	44,582	33,865	33,854
Sub-total		**64,460**	**46,315**	**44,378**
Retail	Without external rating	54,111	49,297	30,711
TOTAL		**139,384**	**105,858**	**78,888**

The exposures in 2014 without external rating in the above table relate mainly to accruals for the sovereign portfolio and to exposures to certain clearing houses in the Institutions portfolio.

Counterparty risk

Counterparty risk is mainly concentrated in the major industrialised countries and in counterparties with an investment grade rating.

TABLE 36: COUNTERPARTY RISK EXPOSURE BY EXPOSURE CLASS

(In EUR m)	31.12.2014		31.12.2013	
Counterparty Risk	**EAD**	**RWA**	**EAD**	**RWA**
Sovereign	9,008	373	10,668	360
Institutions	35,195	5,623	16,929	3,310
Corporates	60,740	23,413	34,299	12,340
Retail	180	43	57	9
Securitisation	101	8	195	18
TOTAL	**105,223**	**29,461**	**62,148**	**16,039**

TABLE 37: COUNTERPARTY RISK EXPOSURE AT DEFAULT (EAD) BY GEOGRAPHIC REGION AND MAIN COUNTRIES (WHICH EXPOSURE IS ABOVE EUR 1 BN)

(In EUR m)	31.12.2014	31.12.2013
Counterparty Risk	**EAD**	**EAD**
France	21,669	15,146
United Kingdom	10,365	4,938
Germany	7,538	3,152
Spain	3,922	2,739
Other Western European countries	13,624	9,481
Czech Republic	2,251	5,353
Other Eastern European countries EU	977	946
Eastern Europe excluding EU	1,708	1,119
Africa and Middle East	2,470	2,274
United States	27,035	9,329
Other countries of North America	1,912	1,145
Latin America and Caribbean	1,591	1,001
Japan	3,708	ND
Other countries of Asia-Pacific[1]	6,452	5,524
TOTAL	**105,223**	**62,148**

(1) In 2013, total of Other Asia included Japan.

TABLE 38: UNDER THE IRB APPROACH: COUNTERPARTY RISK EXPOSURE AT DEFAULT (EAD) BY INTERNAL RATING

(In EUR m)	31.12.2014	31.12.2013
Counterparty risk - IRB	**EAD**	**EAD**
Internal obligor rating		
1	1,845	3,754
2	19,289	16,940
3	24,149	21,174
4	15,047	10,984
5	6,445	4,948
6	2,646	1,430
7	400	378
8 to 10	353	139
TOTAL	**70,174**	**59,747**

Unimpaired past due exposures, impaired exposures, impairments and expected losses

The definitions relative to the following tables can be found pages in the 4th note to the consolidated financial statements p. 388 and following of the Registration Document.

TABLE 39: BREAKDOWN OF UNIMPAIRED PAST DUE EXPOSURES BY EXPOSURE CLASS

(In EUR m)	31.12.2014		31.12.2013	
Unimpaired exposure	**Total**	**O.w. past due of less than 31 days in %**	**Total**	**O.w. past due of less than 31 days in %**
Sovereign	127	26%	97	69%
Institutions	46	12%	285	84%
Corporates	2,494	42%	2,558	57%
Retail	3,319	66%	3,920	66%
Securitisation	-	-	-	-
TOTAL	**5,987**	**54%**	**6,860**	**63%**

TABLE 40: IMPAIRED ON-BALANCE SHEET EXPOSURES AND IMPAIRMENTS BY EXPOSURE CLASS AND COST OF RISK

(In EUR m)	31.12.2014					
Impaired exposure	**Standard approach**	**IRB approach**	**Total**	**Specific impairment**	**Impairment for groups of homogeneous assets**	**Cost of risk 2014**
Sovereign	20	442	462	79		
Institutions	60	70	130	126		
Corporates	5,148	5,984	11,132	8,462		
Retail	4,749	7,442	12,191	6,333		
Securitisation	0	1,964	1,964	58		
TOTAL	**9,977**	**15,903**	**25,880**	**15,058**	**1,256**	**2,967**

(In EUR m)	31.12.2013					
Impaired exposure	**Standard approach**	**IRB approach**	**Total**	**Specific impairment**	**Impairment for groups of homogeneous assets**	**Cost of risk 2013**
Sovereign	1	58	59	70		
Institutions	66	83	150	111		
Corporates	5,847	6,958	12,806	7,465		
Retail	5,058	6,872	11,930	5,587		
Securitisation	0	2,785	2,785	2,535		
TOTAL	**10,972**	**16,757**	**27,729**	**15,767**	**1,212**	**4,052**

TABLE 41: IMPAIRED ON-BALANCE SHEET EXPOSURES AND IMPAIRMENTS BY APPROACH AND BY GEOGRAPHIC REGION AND MAIN COUNTRIES

	31.12.2014			
	Impaired exposure			Specific impairment
(In EUR m)	Standard approach	IRB approach	Total	Total
France	2,634	9,909	12,544	7,889
Germany	196	212	408	142
Switzerland	16	12	29	7
Spain	49	678	728	230
Italy	682	625	1,307	659
United Kingdom	62	58	120	57
Luxembourg	8	99	107	-1
Other Western European countries	82	389	470	229
Romania	1,521	19	1,540	1,015
Czech Republic	195	676	871	599
Other Eastern European countries EU	775	40	815	604
Russia	894	76	970	757
Other Eastern European countries excluding EU	748	466	1,214	989
Africa and Middle East	1,964	211	2,175	1,648
The United States	11	2,106	2,117	94
Other countries of North America	0	0	1	0
Latin America and Carribbean	70	45	115	44
Asia-Pacific	67	282	349	95
TOTAL	**9,977**	**15,903**	**25,880**	**15,058**

	31.12.2013			
	Impaired exposure			Specific impairment
(In EUR m)	Standard approach	IRB approach	Total	Total
France	2,639	9,423	12,061	5,536
Germany	165	360	525	149
Spain	20	723	742	242
Italy	663	474	1,136	555
United Kingdom	29	172	201	69
Switzerland	15	14	29	5
Luxembourg	8	72	81	54
Other Western European countries	154	401	555	284
Romania	2,047	21	2,067	1,252
Czech Republic	199	729	928	594
Other Eastern European countries EU	836	17	853	564
Russia	1,800	101	1,901	1,360
Other Eastern European countries excluding EU	651	423	1,074	842
Africa and Middle East	1,564	195	1,759	1,470
The United States	46	3,042	3,089	2,503
Other countries of North America	0	0	0	0
Latin America and Carribbean	82	65	147	113
Asia-Pacific	55	525	580	174
TOTAL	**10,972**	**16,756**	**27,729**	**15,767**

TABLE 42: IMPAIRED ON-BALANCE SHEET EXPOSURES BY INDUSTRY SECTOR

	31.12.2014		31.12.2013	
(In EUR m)	Impaired exposure	%	Impaired exposure	%
Finance & insurance	3,873	15%	4,518	16%
Real Estate	1,166	5%	1,680	6%
Public administration	79	0%	97	0%
Food & agriculture	457	2%	419	2%
Consumer goods	519	2%	723	3%
Chemicals, rubber and plastics	156	1%	142	1%
Retail trade	606	2%	741	3%
Wholesale trade	1,398	5%	1,456	5%
Construction	971	4%	1,089	4%
Transport equip. Manuf.	121	0%	49	0%
Education and Associations	57	0%	49	0%
Hotels & Catering	315	1%	296	1%
Automobiles	116	0%	146	1%
Machinery and equipment	313	1%	308	1%
Forestry, paper	229	1%	259	1%
Metals, minerals	418	2%	521	2%
Media	167	1%	185	1%
Oil and Gas	65	0%	59	0%
Health, social services	62	0%	91	0%
Business services (including conglomerates)	640	2%	839	3%
Collective services	344	1%	172	1%
Personal and domestic services	17	0%	22	0%
Telecom	20	0%	24	0%
Transport & logistics	514	2%	905	3%
Retail	12,191	47%	11,930	43%
Others	1,067	4%	1,009	4%
TOTAL	**25,880**	**100%**	**27,729**	**100%**

TABLE 43: UNDER THE IRB APPROACH: EXPECTED LOSSES (EL) ON A ONE-YEAR HORIZON BY EXPOSURE CLASS (EXCLUDING DEFAULTED EXPOSURES)

(In EUR m)	31.12.2014	31.12.2013
Sovereign	31	39
Institutions	54	47
Corporates	851	792
Retail	636	638
Securitisation	1	1
TOTAL	**1,574**	**1,517**

The EL/EAD ratio stood at 0.29% at 31st December 2014, stable comparing with 31st December 2013. The ratio is calculated on sovereign, banking, institutions, corporate and retail portfolios.

EL and actual losses are not comparable insofar as the parameters of the expected loss calculation (PD, LGD, EAD) provide estimations throughout the cycle, whereas the actual loss presents a piece of accounting information pertaining to a particular year.

5. SECURITISATION

SECURITISATIONS AND REGULATORY FRAMEWORK

This chapter presents information on Societe Generale's securitisation activities, acquired or carried out for proprietary purposes or for its customers. It describes the risks associated with these activities and the management of said risks. Finally, it contains some quantitative information to describe these activities during 2014 as well as the capital requirements for the Group's regulatory *banking book* and *trading* book within the scope defined by prudential regulations.

As defined in prudential regulations, the term 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.

Securitisation positions are subject to the regulatory accounting treatment defined the 3rd Part – Title 2 – Chapter 5 of the European Regulations No 575/2013 on capital requirements applicable to credit institutions and investment firms (CRR). Such positions held in the regulatory *banking book* or *trading* book are given weightings ranging from 7% to 1,250% depending on their credit quality and subordination rank.

The regulation frame tends to evolve. Indeed, Basel committee has published at the end of 2014 new rules applied to the Securitisation framework. This review aim to reduce the dependence to external ratings and threshold effects, but also to define a more sensitive risk measure methodology and enhance the capital requirement link to certain types of securitisation exposures. In parallel, the Regulator is looking to promote a better quality of securitisation; a category in which the standardisation work has been initiated by the Basel Committee and EBA. Exposures from this category will probably benefits a more favorable prudential treatment.

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 these 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 are reviewed at each closing. In the event of an increase in estimated future cash flows, as a result of an increase in their recoverability, the effective interest rate is adjusted prospectively. However, where there is objective evidence of *impairment* due to an event occurring after the reclassification of the financial assets under consideration, and said event has an adverse impact on initially estimated future cash flows, an *impairment* on the asset in question is booked to "Cost of risk" on the income statement.

Synthetic securitisations in the form of Credit Default *Swaps* follow accounting recognition rules specific to *trading* derivatives.

The securitisation transactions are derecognised when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to the ownership of the asset.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

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

The originated loans awaiting for securitisation remains in their intial classification.

STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

When assessing the existence of a control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

In consolidating structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as Debt in the balance sheet.

When customers loans are securitised and partially sold to external investors, the entity carrying the loans are consolidated if the Group still has the control and remains exposed to the majority of the risks and benefits associated with these loans.

MONITORING OF SECURITISATION RISKS

Securitisation risks are monitored according to the rules established by the Group, depending on whether the assets are recorded in the regulatory *banking book* (via credit risk and counterparty risk) or in the *trading* book (*via* market risk and counterparty risk).

Structural risks and liquidity risk

Structural risks and foreign exchange risk associated with securitisation activities are monitored in the same way as for other Group assets. Oversight of structural interest rate risks is described in section 8 of Pillar 3 Report, p. 119.

Liquidity risk linked to securitisation activities is subject to more specific monitoring, both at the level of the responsible business lines and centrally at the Finance Division level, through the measure of the impact of these activities on the Group's liquidity ratios, stress tests and liquidity gaps. The organisation and oversight of liquidity risk is described in section 9 of Pillar 3 Report, p. 123.

Operational risk

Securitisation operational risks follow-up are taking into account in the Group operational risks steering. Reports targeting zero tolerance for operational risk in the Group's originator and sponsor activities are established and checked on a monthly basis. Oversight of operational risk is described in section 7 of Pillar 3 Report, p. 113.

SOCIETE GENERALE'S SECURISATION ACTIVITIES

Securitisation activities allow the Group to raise liquidity or manage risk exposures, for proprietary or customers' purposes. Within the framework of these activities, the Group can act as originator, sponsor/arranger or investor:

- as an originator, the Group directly or indirectly participates in the initial agreement on assets which subsequently serve as underlying in securitisation transactions, primarily for refinancing purposes;
- as a sponsor, the Group establishes and manages a securitisation programme used to refinance customers' assets, mainly *via* the non-consolidated vehicles Antalis and Barton and *via* certain other special purpose vehicles;
- as an investor, the Group invests directly in certain securitisation positions, is a liquidity provider or a counterparty of derivative exposures.

The securitisation transactions detailed in tables 44, 45 and 46 represent all the transactions in which the Group acted as originator and/or sponsor and in which the Group maintained some exposure (investment in a tranche, liquidity line or interest rate derivatives).

The exposures are shown based on the gross book value, before depreciation, as at 31st December 2014 and at 31st December 2013. All positions are related to the *banking book*, as no originator or sponsor activities are related to the *trading* book.

TABLE 44: AGGREGATE AMOUNTS OF EXPOSURES SECURITISED BY THE GROUP AT 31ST DECEMBER 2014 AND 2013 BY EXPOSURE CLASS

Exposure securitised at 31.12.2014	Banking Book				Trading Book			
	Traditional transactions		Synthethic transactions		Traditional transactions		Synthethic transactions	
Underlying assets (in M EUR)[1]	**Originator[2]**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**
Residential mortgages	0	428	0	0	0	0	0	0
Commercial mortgages	0	29	0	0	0	0	0	0
Credit card receivables	0	1,407	0	0	0	0	0	0
Leasing	0	937	0	0	0	0	0	0
Loans to corporates and SMEs	0	51	593	0	0	0	0	0
Consumer loans	0	3,370	0	0	0	0	0	0
Trade receivables	0	3,661	0	0	0	0	0	0
Other assets	0	2,607	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0
Other liabilites	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**12,491**	**593**	**0**	**0**	**0**	**0**	**0**

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

(2) Exposure securisited at 31.12.2014 do not include securisations who have no impact on the Group's regulatory capital.

Exposure securitised at 31.12.2013	Banking Book				Trading Book			
	Traditional transactions		Synthethic transactions		Traditional transactions		Synthethic transactions	
Underlying assets (in M EUR)	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**
Residential mortgages	0	76	0	0	0	0	0	0
Commercial mortgages	0	4	0	0	0	0	0	0
Credit card receivables	0	82	0	0	0	0	0	0
Leasing	1,808	500	0	0	0	0	0	0
Loans to corporates and SMEs	0	157	576	0	0	0	0	0
Consumer loans	0	2,610	0	0	0	0	0	0
Trade receivables	0	3,561	0	0	0	0	0	0
Other assets	1,784	1,977[3]	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0
Other liabilites	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**3,593**	**8,967**	**576**	**0**	**0**	**0**	**0**	**0**

(3) Reported 2013 amount for Sponsor activity has been adjusted.

TABLE 45: AMOUNTS PAST DUE OR IMPAIRED WITHIN THE EXPOSURES SECURITISED BY THE GROUP, BY EXPOSURE TYPE

	Exposure securitised at 31.12.2014				Exposure securitised at 31.12.2013			
(In M EUR)	Past due		Impaired		Past due		Impaired	
Underlying asssets[(1)]	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**	**Originator**	**Sponsor**
Residential mortgages	0	0	0	0	0	0	0	0
Commercial mortgages	0	0	0	0	0	0	0	0
Credit card receivables	0	16	0	25	0	3	0	4
Leasing	0	4	0	1	0	1	0	0
Loans to corporates and SMEs	0	4	0	1	0	18	0	0
Consumer loans	0	84	0	27	0	89	0	22
Trade receivables	0	769	0	289	0	784	0	310
Other assets	0	3	0	911	0	2	0	922[(2)]
Covered bonds	0	0	0	0	0	0	0	0
Other liabilites	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**880**	**0**	**1,253**	**0**	**898**	**0**	**336**

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

(2) Reported 2013 amount for Sponsor activity has been adjusted.

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 past due or in default does not provide sufficient information on the types of exposures securitised by the Group, mainly because the default criteria may vary from one transaction to another. Furthermore, these data reflect the situation of the underlying assets.

In securitisation transactions, past-due exposures are generally managed *via* structural mechanisms that protect the most senior positions.

Impaired exposures belong mainly to CDOs of US subprime residential mortgages occurred in 2013.

Societe Generale as originator

As part of its refinancing activities, the Group securitises some of its portfolios of receivables granted to individual or corporate customers. With the securities created in these transactions, the Group is able to fund its own operations or expand its portfolio of assets eligible for repurchase transactions, notably with the European Central Bank.

In 2014, no new securitisation transaction was carried out.

Given that there is no significant risk transfer arising from these transactions, they are not included in the tables in this section because they have no impact on the Group's regulatory capital. The vehicles carrying the transferred receivables are consolidated. The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables cannot be used as collateral or sold outright as part of another transaction.

The total outstanding of the receivables securitised without significant risk transfer amounted to EUR 12.0 billion as at 31st December 2014, including EUR 4.2 billion in French residential mortgages, EUR 0.9 billion in equipment finance loans, EUR 1.9 billion in loans to corporates, EUR 3.7 billion in consumer loans and EUR 1.3 billion in auto lease receivables and related residual values.

Besides, the Group also detains two synthetics securitisation programs in which the risk transfer is made by using credit derivatives and where the portfolio is conserved in the balance sheet of the Group.

The securitised stock of these transactions is 0.6 Md EUR as of 31st December 2014, mainly composed of loans to corporates.

TABLE 46: ASSETS AWAITING SECURITISATION

	Banking book		Trading book	
(en M EUR)[1]	31.12.2014[2]	31.12.2013	31.12.2014	31.12.2013
Residential mortgages	-	-	-	-
Commercial mortgages	-	-	-	-
Credit card receivables	-	-	-	-
Leasing	-	-	-	-
Loans to corporates and SMEs	-	-	-	-
Consumer loans	-	-	-	-
Trade receivables	-	-	-	-
Other assets	-	460	-	-
Covered bonds	-	-	-	-
Other liabilites	-	-	-	-
Total	**-**	**460**	**-**	**-**

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

(2) In 2014, assets awaiting securitisation do not include transactions who have no impact on the Group's regulatory capital.

Societe Generale as sponsor

The Societe Generale Group carries out securitisation transactions on behalf of its customers or investors. As of 31st December 2014, there were two consolidated multi-seller vehicles in operation (Barton and Antalis), structured by the Group on behalf of clients. This ABCP (Asset-Backed Commercial Paper) activity funds the working capital requirements of some of the Group's customers by backing short-term financing with traditional assets such as trade receivables or consumer loans. Total assets held by these vehicles and financed through the issuance of commercial paper amounted to EUR 8,645 million at 31st December 2014 (EUR 6,654 million as of 31st December 2013).

Following the application of IFRS 10 "Consolidated Financial Statements", these vehicles are are full consolidated in the statutory consolidation scope.

The default risk on the assets held by these vehicles is borne by the transferors of the underlying receivables or by external investors. Societe Generale bears part of the risk through the issuance of a letter of credit in the amount of EUR 412 million (EUR 639 million as of 31st December 2013) and through liquidity lines in the amount of EUR 11,260 million as of 31st December 2014 (EUR 8,683 million as of 31st December 2013).

ABCP activity remained solid in 2014, with newly securitised outstandings predominantly comprising trade receivables, leasing or consumer loans.

Societe Generale as investor

In 2014, Societe Generale has kept on decreasing the size of its legacy portfolio assets, especially through assets disposal. The remaining EUR 4.4 billion as of 31st December 2014, including EUR 2.5* billion from securitisation activity, including EUR 0.2 billion rated under investment grade. Therefore, the portfolio is no longer classified under major risk by the Group.

Societe Generale also acts as a market maker for securitised assets, resulting in securitisation positions in the Group's *trading* book. As of 31st December 2011, CRD3 requires the same prudential treatment regardless of prudential classification.

The following tables show the securitisation exposures retained or purchased by the Group by type of underlying asset, by region, by type of tranche, separately for the *banking book* and *trading* book. These exposures cannot be seen as part of the specific financial information, as published in section 12 of Pillar 3 Report (p. 145), as the definitions and scope used are different.

* Excluding Australian assets reclassified to corporate in 2015.

TABLE 47: AGGREGATE AMOUNTS OF SECURITISED EXPOSURES RETAINED OR PURCHASED IN THE BANKING BOOK

	Aggregate amounts of securitised exposures retained or purchased in the banking book					
(in M EUR)	31.12.2014			31.12.2013		
Underlying assets[(1)]	**On-balance sheet**	**Off-balance sheet**	**Total**	**On-balance sheet**	**Off-balance sheet**	**Total**
Residential mortgages	619	44	663	781	77	858
Commercial mortgages	235	29	264	344	33	377
Credit card receivables	1	1,406	1,407	0	570	570
Leasing	63	875	937	84	582	665
Loans to corporates and SMEs	887	100	986	1,005	53	1,058
Consumer loans	53	3,327	3,379	419	2,455	2,874
Trade receivables	11	3,651	3,661	174	4,205	4,379
Other assets	2,602	1,542	4,144	3,322	1,790	5,112
Covered bonds	-	-	-	-	-	-
Other liabilites	-	-	-	-	-	-
Total	**4,470**	**10,973**	**15,442**	**6,129**	**9,766**	**15,895**

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

At 31st December 2014, securisation exposures in the *banking book* amounted to EUR 15,442 million, including EUR 4,470 million recorded on the balance sheet, the rest consisting predominantly of liquidity lines linked to the Group's sponsor conduit activity.

The main underlying assets are securitisations, corporate loans, consumer loans and residential mortgages.

In 2014, *banking book* exposures decreased by EUR 453 million, down 3% year-on-year. This decline was especially prominent in on-balance sheet exposures.

In 2014, the Group continued its legacy asset disposal programme. The portofolio of securisations in runoff was reduced by a third over the year, mainly the following underlyings: residential mortgages (RMBS), commercial mortgages (CMBS), re-securitisations (CDOs) and loans to corporates (CLOs).

The volume of assets of conduits managed by the Group increased significantly mainly in credit card outstandings and consumer loans.

TABLE 48: AGGREGATE AMOUNTS OF SECURITISED EXPOSURES RETAINED OR PURCHASED IN THE TRADING BOOK

(in M EUR)	31.12.2014		31.12.2013	
Underlying assets[1]	**Net long positions**	**Net short positions**	**Net long positions**	**Net short positions**
Residential mortgages	98	5	104	5
Commercial mortgages	102	18	1,646	50
Credit card receivables	0	0	12	0
Leasing	0	0	0	0
Loans to corporates and SMEs	77	3	129	61
Consumer loans	0,6	0	1	0
Trade receivables	0	0	0	0
Other assets	36	17	241	924
Covered bonds	0	0	0	0
Other liabilites	0	0	0	0
Total	**313**	**43**	**2,132**	**1,041**

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

The exposures amounts of the trading book has decreased of 85%.

This drop is explained by the amortisation of the exposures and the sell of securitised and resecuritised position of the legacy asset portfolio.

TABLE 49: AGGREGATE AMOUNTS OF SECURITISED EXPOSURES RETAINED OR PURCHASED BY REGION IN THE BANKING AND THE TRADING BOOK

(in M EUR)	31.12.2014			31.12.2013		
	Banking book	**Trading book**		**Banking book**	**Trading book**	
Underlying assets		**Long positions**	**Short positions**		**Long positions**	**Short positions**
America	6,814	184	38	8,225	1,911	988
Asia	37	9	0	66	0	0
Europe	8,393	93	5	7,467	220	38
Others	199	27	0	137	1	15
Total	**15,442**	**313**	**43**	**15,895**	**2,132**	**1,041**

In the trading book, the drop of 2014 exposures globally concerns all regions. However, the main decrease is directly linked to the residual positions regarding America.

Banking book disposals mainly concerned positions with North American underlyings.

Besides positions with European underlyings increased at 31st December 2014.

TABLE 50: QUALITY OF SECURITISATION POSITIONS RETAINED OR PURCHASED

Trading book table

(in M EUR)	31.12.2014					
	Trading book					
	Net long positions			Net short positions		
Underlying assets[1]	**Highest-ranking tranche**	**Mezzanine tranche**	**Initial loss tranche**	**Highest-ranking tranche**	**Mezzanine tranche**	**Initial loss tranche**
Residential mortgages	24	74.3	0	0	5	0
Commercial mortgages	19	82.4	0	8	10	0
Credit card receivables	0	0	0	0	0	0
Leasing	0	0	0	0	0	0
Loans to corporates and SMEs	4	72.3	0	3	0	0
Consumer loans	1	0	0	0	0	0
Trade receivables	0	0	0	0	0	0
Other assets	21	15	0	17	0	0
Covered bonds	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Total	**69**	**244**	**0**	**28**	**15**	**0**

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

(In M EUR)	31.12.2013					
	Trading book					
	Net long positions			Net short positions		
Underlying assets[1]	**Highest-ranking tranche**	**Mezzanine tranche**	**Initial loss tranche**	**Highest-ranking tranche**	**Mezzanine tranche**	**Initial loss tranche**
Residential mortgages	55	35	14	0	0	5
Commercial mortgages	1,526	114	5	45	6	0
Credit card receivables	12	0	0	0	0	0
Leasing	0	0	0	0	0	0
Loans to corporates and SMEs	93	32	4	0	0	61
Consumer loans	1	0	0	0	0	0
Trade receivables	0	0	0	0	0	0
Other assets	140	83	17	813	108	4
Covered bonds	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Total	**1,827**	**264**	**41**	**858**	**113**	**70**

Tranches in the trading book are mainly mezzanine or high-ranking tranches. This fact is valid for both long and short positions.

Banking book table

(In M EUR)	31.12.2014					
	Nominal			Exposure At Default (EAD)		
Underlying assets[1]	Highest-ranking tranche	Mezzanine tranche	Initial loss tranche	Highest-ranking tranche	Mezzanine tranche	Initial loss tranche
Residential mortgages	572	91	0	551	88	0
Commercial mortgages	154	110	0	149	48	0
Credit card receivables	1,399	8	0	1,346	8	0
Leasing	937	0	0	929	0	0
Loans to corporates and SMEs	857	83	46	857	81	46
Consumer loans	3,375	4	0	3,113	4	0
Trade receivables	3,627	34	0	3,694	34	0
Other assets	3,707	437	0	1,775	421	0
Covered bonds	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Total	**14,628**	**769**	**46**	12,414	685	46

(1) Change of the underlyings assets classification between 2013 and 2014 in accordance to Basel 3. Securitisation/Resecuritisation amount of 2013 tables are reclassified in other assets the presentation.

(In M EUR)	31.12.2013		
	Nominal		
Underlying assets	Highest-ranking tranche	Mezzanine tranche	Initial loss tranche
Residential mortgages	748	110	0
Commercial mortgages	221	154	0
Credit card receivables	577	37	0
Leasing	663	2	0
Loans to corporates and SMEs	896	74	46
Consumer loans	2,827	47	0
Trade receivables	4,084	265	30
Other assets	4,431	680	0
Covered bonds	0	0	0
Other liabilities	0	0	0
Total	**14,448**	**1,370**	**76**

In the banking book, senior tranches made up 95% of securitisation positions retained or purchased as of 31st December 2014. It mainly comes from trade receivables, consumer loans and re-securitisations underlying, thus reflecting the robust quality of the portfolio and the positive results of the legacy asset disposal program.

PRUDENTIAL TREATMENT OF SECURITISATION POSITIONS

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 regulatory framework, 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 decides to 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 law. Risk-weighted assets resulting from securitisation positions are calculated by applying the appropriate risk ratios 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:

- the external *ratings* based approach (RBA) must be applied to all rated exposures or those for which a *rating* can be inferred. Under this approach, risk weightings are calculated so as to also reflect the positions' seniority and granularity;
- the Supervisory Formula Approach (SFA) 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) are determined using the Internal Assessment Approach (IAA). An equivalence table defined by the regulation is used to calculate risk weightings based on the internal rating determined by the model.

For 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 CRR. 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 regulation.

Like the Group's other internal models, the IAA meets the regulatory standards for the validation of internal models, as defined by the regulation. An annual review of the model is performed to ensure that the configuration is sufficiently conservative. Finally, the model is used to measure impacts in stress *scenarii* and as a transaction structuring tool.

External credit assessment institutions used by Societe Generale

Assets securitised by Societe Generale are usually rated by one or more ECAI (External Credit Rating Agency) *rating* agencies, the list of which is established by the French prudential supervisory authority ACP (*Autorité de Contrôle Prudentiel*). The agencies used are DBRS, FitchRatings, Moody's Investors Service and Standard & Poor's. Since 31st October 2011, these four rating agencies have been registered with and supervised by the European Securities and Market Authority (ESMA). For securitisation positions valued using the standardised method, capital requirements are calculated based on the lowest external rating of the securitisation exposure. An equivalence table (Table 11) between external ratings and Societe Generale's internal rating scale is provided hereunder.

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

IDEM TABLE 15: SOCIETE GENERALE'S INTERNAL RATING SCALE AND CORRESPONDING SCALES OF RATING AGENCIES

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

Regulatory capital requirements

Tables 51 and 52 show the bank's securitisation exposures and corresponding regulatory capital requirements for the banking book at 31st December 2014 and 31st December 2013. These exposures cover the same scope as that of tables 47, 49 and 50.

TABLE 51: AGGREGATE AMOUNTS OF SECURITISED EXPOSURES RETAINDED OR PURCHASED IN THE BANKING BOOK BY APPROACH AND BY WEIGHTING AT 31ST DECEMBER 2014

	Banking Book			
In M EUR	31.12.2014			
	Exposure at Default (EAD)[1]		Capital requirements	
Risk Weight band	Securitisation	Re-Securitisation	Securitisation	Re-Securitisation
6 to 10%	610	0	4	0
12 to 18%	853	0	8	0
20 to 35%	195	2	5	0
40 to 75%	96	578	6	4
100%	29	353	2	1
150 to 250%	0	387	0	13
> 250 and < 425%	0	0	0	0
> 425% and < 850%	9	0	5	0
RBA method	**1,793**	**1,320**	**30**	**18**
IAA method	10421	0	77	0
Supervisory Formula Approach	593	0	5	0
1,250%/Capital deductions	162	793	32	46
Total IRB approach	**12,969**	**2,113**	**144**	**64**
100% weighting	0	0	0	0
RBA approach	0	0	0	0
Transparency method	47	0	374	0
Total standardised approach	**47**	**0**	**374**	**0**
Total banking book	**13,016**	**2,113**	**518**	**64**

(1) 1,250%-weighted EAD, Re-securitisation EAD and EAD in RBA method correspond exclusively to fully impaired positions display here gross for 876 MEUR.

TABLE 52: AGGREGATE AMOUNTS OF SECURITISED EXPOSURES RETAINED OR PURCHASED IN THE BANKING BOOK BY APPROACH AND BY WEIGHTING AT 31ST DECEMBER 2013

	Banking Book			
In M EUR	31.12.2013			
	Exposure at Default (EAD)		Capital requirements	
Risk Weight band	**Securitisation**	**Re-Securitisation**	**Securitisation**	**Re-Securitisation**
6 to 10%	1,400	615	9	0
12 to 18%	456	748	5	3
20 to 35%	294	18	6	0
40 to 75%	224	73	12	3
100%	91	464	8	2
150 to 250%	11	421	1	22
> 250 and < 425%	41	0	23	0
> 425% and < 850%	26	11	0	1
RBA method	**2,542**	**2,350**	**64**	**31**
IAA method	7,985	661	50	23
Supervisory Formula Approach	576	0	3	0
1,250%/Capital deductions	186	688	65	66
Total IRB approach	**11,289**	**3,699**	**182**	**120**
100% weighting	0	0	0	0
RBA approach	1	0	0	0
Transparency method	213	0	21	0
Total standardised approach	**215**	**0**	**22**	**0**
Total banking book	**11,504**	**3,699**	**203**	**120**

At 31st December 2014, 99% of banking book securitisation exposures were valued using the IRB method.

Under this method, 21% of exposures were weighted using the RBA method, 4% using the supervisory formula approach and 69% using the IAA method.

Regulatory capital requirements in respect of banking book securitisation positions fell by EUR 85 million in 2014.

This decrease predominantly reflected a decline in positions deducted from capital and a drop in capital requirements of EUR 40 million excluding deductions.

TABLE 53: AGGREGATE AMOUNTS OF SECURITISED EXPOSURES RETAINED OR PURCHASED IN THE TRADING BOOK BY RISK WEIGHT BAND

In M EUR	31.12.2014		
Risk weight band	**Net long positions**	**Net short positions**	**Capital requirements**
6% - 10%	40	1.8	0.6
12% - 18%	65	0.3	0.7
20% - 35%	102	0.6	3
40% - 75%	24	6.4	5
100%	38	8.3	3
> 100% < = 250%	0	3.2	9.8
> 250% - < = 425%	0	0	0
> 425% < = 850%	1	0	1
1,250%/Deductions from capital	0	0.5	0
EAD subject to risk weight	**270**	**21**	**23**
Supervisory formula method	4	0	1.5
Transparency method	0	0	0
IRB method	0	0	0
Total, net of capital deductions	**274**	**21**	**24**
Positions deducted from capital	39	22	39
VaR before deduction from capital	**313**	**43**	**63**

In M EUR	31.12.2013		
Risk weight band	**Net long positions**	**Net short positions**	**Capital requirements**
6% - 10%	1,545	99	10
12% - 18%	82	0	0
20% - 35%	179	81	6
40% - 75%	155	0	6
100%	17	0	0
> 100% < = 250%	20	0	13
> 250% - < = 425%	79	0	26
> 425% < = 850%	3	0	4
1,250%/Deductions from capital[1]	0	0	0
EAD subject to risk weight	**2,081**	**180**	**67**
Supervisory formula method	1	850	0
Transparency method	0	0	0
IRB method	0	0	0
Total, net of capital deductions	**2,083**	**1,030**	**67**
Positions deducted from capital	49	10	53
VaR before deduction from capital	**2,132**	**1,041**	**120**

(1) 1,250%-weighted EAD correspond exclusively to fully impaired positions.

Securitisation exposures related to the trading book are evaluated using an internal approach.

Derivative positions, which by definition are not-rated, are evaluated using the Supervisory Formula Approach.

TABLE 54: REGULATORY CAPITAL REQUIREMENTS FOR SECURITISATIONS HELD OR ACQUIRED IN THE TRADING BOOK

In M EUR	31.12.2014				31.12.2013			
	Net long positions	Net short positions	Total risk-weighted positions	Capital Requirements	Net long positions	Net short positions	Total risk-weighted positions	Capital Requirements
Securitisation	272	21	205	16	1,996	185	587	47
Re-securitisation	2	0	95	8	95	850	253	20
Positions deducted from capital	39	22	-	39	41	5	-	53
Total	**313**	**43**	**300**	**63**	**2,132**	**1,041**	**840**	**120**

In accordance with the exemption provided for until 31st December 2014, Societe Generale calculates capital requirements in respect of trading book positions as the maximum between the capital requirement relative to long positions for which the Group directly bears the credit risk, and short positions for which the Group is hedged for credit risk (mainly replacement risk), including positions deducted from capital.

In 2014, the regulatory capital requirement relative to trading book positions was attributable to long positions as it was in 2013.

Trading book capital requirement has decreased of 47% going from 120 M EUR in 2013 to 63 M EUR in 2014, including deductions.

TABLE 55: SECURITISATION EXPOSURES DEDUCTED FROM CAPITAL BY EXPOSURE CATEGORY

In M EUR	Banking Book		Trading book	
Underlying assets	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Residential mortgages	0	29	6	14
Commercial mortgages	9	20	12	5
Credit card receivables	20	0	0	0
Leasing	0	0	0	0
Loans to corporates and SMEs	0	12	4	17
Consumer loans	1	3	0	0
Trade receivables	0	0	0	0
Other assets	47	67	17	17
Covered bonds	0	0	0	0
Other liabilities	0	0	0	0
Total	**78**	**131**	**39**	**53**

2014 has encountered a fall of 26% of the deductions related to securitisation first losses.

6. MARKET RISKS

Market risks are the risks of losses resulting from unfavourable changes in market parameters. They concern all the trading book transactions as well as some of the banking book portfolios.

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.

The Department assignment includes:

- ensuring the existence and the implementation of an effective market risks framework based on suitable limits;
- approving of the limit requests submitted by the different businesses within the framework of the overall limits set by the Board of Directors and the General Management, and based on the use of these limits;
- proposal to the Group Risk Committee of appropriate market risks limits by Group activity;
- definition of risk measurement methods, approval of the valuation models used to calculate risks and results, and definition of provisions for market risks (reserves and adjustments to earnings).

To carry out these different duties, the Market Risk Department relies on the data and analysis provided by the Finance Department of GBIS (Global Banking and Investor Solutions), which monitors the Group's market positions on a permanent, daily and independent basis, notably *via*:

- daily calculation and certification of market risk indicators based on formal and secure procedures;
- reporting and first-level analysis of these indicators;
- daily monitoring of the limits set for each activity, in conjunction with the Market Risk Department;
- verification of the market parameters used to calculate risks and results in line with the methodologies defined by the Market Risk Department;
- monitoring and control of the gross nominal value of positions. This monitoring is based on alert levels applied to all instruments and desks which are defined in collaboration with the Market Risk Department, and contributes to the detection of possible rogue trading operations.

Accordingly, the Finance Department of GBIS, in conjunction with the Market Risk Department, defines the architecture and functionalities of the information system used to produce the risk indicators for market operations to ensure it meets the needs of the different business lines.

A daily report on use of limits on VaR (Value at Risk), stress tests (extreme *scenarii*) and other major market risks metrics (sensitivity, nominal, etc.) at various level (either SG, or Global Banking and Investors Solutions, or Global Market) is submitted to the General Management and the managers of the business lines, in addition to a monthly report which summarises the key events in the area of market risk management.

INDEPENDENT PRICING VERIFICATION

Market products are marked to market, when such market prices exist. Otherwise, they are valued using parameter-based models.

Firstly, each valuation model is independently validated by the Market Risk Department.

Secondly, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions) in accordance with the methodologies defined by the Market Risks Department (Independent Pricing Verification). If necessary, the valuations obtained are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available data, based on methodologies validated by the Market Risk Department.

METHODS FOR MEASURING MARKET RISK AND DEFINING LIMITS

The Group's market risk assessment is based on three main indicators, which are monitored through limits:

- the 99% Value-at-Risk (VaR) method: in accordance with the regulatory internal model, this global indicator is used for the day-to-day monitoring of the market risks incurred by the Bank, on the scope of its trading activities;
- a stress test measurement, based on a decennial shock-type indicator. Stress test measurements make it possible to restrict and monitor the Group's exposure to systemic risk and exceptional market shocks;
- complementary metrics (sensitivity, nominal, concentration or holding period, etc.), which ensure consistency between the overall risk limits and the operational thresholds used by the front office.

The following indicators are also calculated on a weekly basis: stressed VaR, IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure). The capital charges arising from these internal models complement the VaR by taking into account the rating migration risks and the default risks, and limit the procyclical nature of capital requirements.

99% VALUE AT RISK (VAR)

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

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

- 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.);
- definition of 260 *scenarii*, corresponding to one-day variations in these market parameters over a rolling one-year period;
- application of these 260 *scenarii* to the market parameters of the day;
- 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 a one-year historical period. 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:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of losses under normal market conditions and does not take into account exceptionally large fluctuations;
- VaR is computed using closing prices, so intra-day fluctuations are not taken into account;

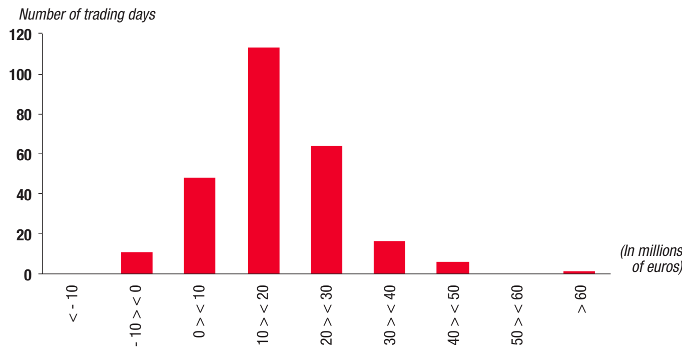
The Market Risk Department of the Risk Division mitigates the limitations of the VaR model by performing stress tests and other additional measurements.

Besides, the relevance of the model is checked through ongoing backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval.

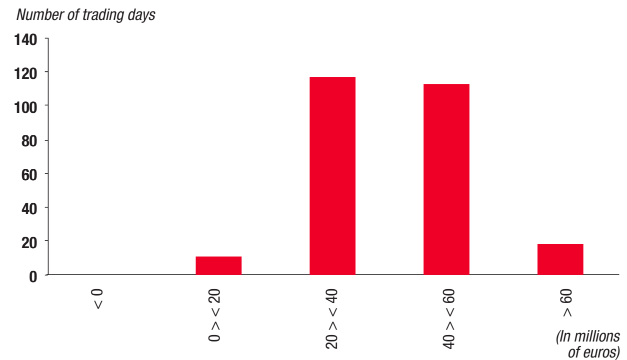
Daily profit and loss used for backtesting includes in particular the change in value of the portfolio (book value) and the impact of new transactions and of transactions modified during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions and parameters adjustments made for market risk. Some components calculated at various frequencies (for example, some adjustments for market risk) are allocated on a daily basis.

The following histograms show the distribution of this daily P&L over the last year, as well as the difference between daily P&L and VaR (negative values corresponding to any backtesting breaches): in 2014, losses were observed 11 times, without any backtesting breach.

BREAKDOWN OF THE DAILY P&L



DIFFERENCE BETWEEN VAR AND DAILY P&L

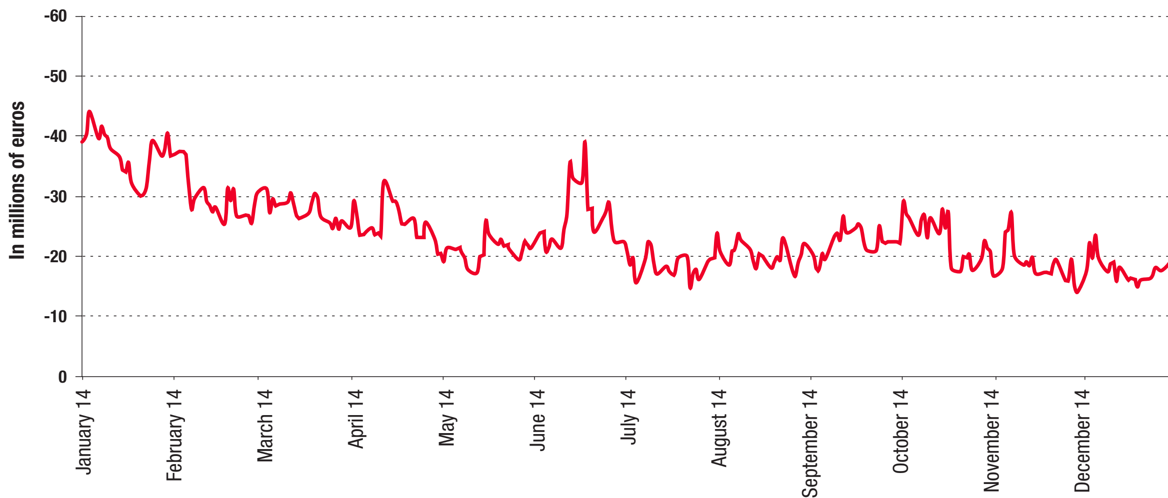


Today, the market risks for almost all of Corporate and Investment Banking's activities are monitored using the VaR method, including those related to the most complex products, as well as the main market activities of Retail Banking and Private Banking. The few activities not covered by the VaR method, either for technical reasons or because the stakes are too low, are monitored using stress tests and give rise to capital charges calculated using the standard method or through alternative in-house methods.

In 2014, we continued to improve the VaR model. In particular, the shocks applied to bond repos are now based on margin rates against OIS, instead of BOR, as it is done for valuation purpose. The risk resulting from FX smile is also better covered: the VaR add-on previously implemented were replaced by a VaR computation using daily historical smile data.

The changes in the Group's trading VaR in 2014 are presented below:

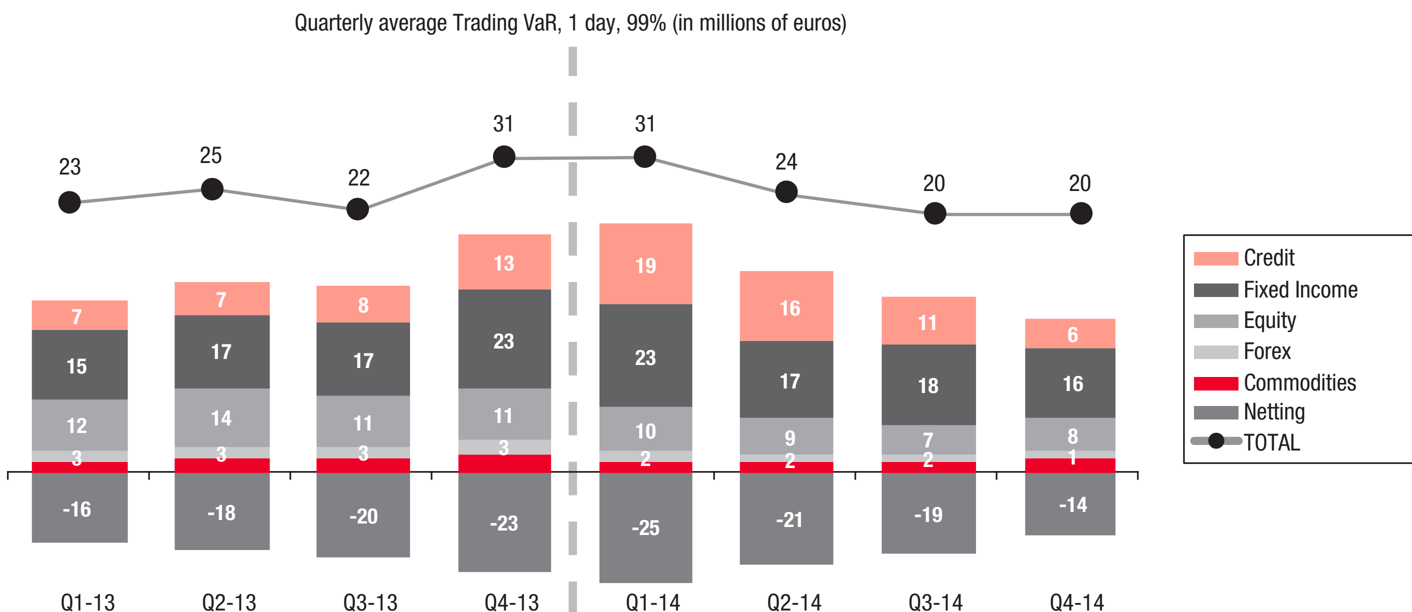
TRADING VAR (TRADING PORTFOLIOS) CHANGES OVER THE COURSE OF 2014 (1 DAY, 99%) (IN MILLIONS OF EUROS)



VAR 2014 (1 DAY, 99%)

(in EUR m)	Beginning of the year	End of the year	Minimum	Average	Maximum
VaR	**40.3**	**20.5**	**14.1**	**24.0**	**44.1**

BREAKDOWN BY RISK FACTOR OF TRADING VAR – CHANGES IN QUARTERLY AVERAGE OVER THE 2013-2014 PERIOD (IN MILLIONS OF EUROS)



Average VaR amounted to EUR 24 million for 2014 compared to EUR 25 million in 2013. VaR, which on average remained low throughout 2014, was subject to the following changes:

- in January, VaR remained at high levels running on from the risk-on trend observed in H2-13 in a context of favourable market conditions;
- then the return of uncertainties from February (tensions in emerging countries, Ukraine crisis) led to more defensive positions and a progressive VaR reduction, amplified in the second quarter following the exit from the VaR computation window of the volatile *scenarii* of spring 2013, mainly impacting the rate perimeter;
- the VAR levels remained globally low from June to December and stabilized in a EUR 20-25 million range. The main contributor was the fixed income flow business, while some occasional peaks were due to the equity flow business, notably in June. This low VaR level was mainly due to the absence of volatile *scenarii* in the computation window (except some year-end *scenarii* whose impacts remained limited on average) and a reduction of the positions since the middle of October.

STRESSED VAR (SVAR)

In 2011, Societe Generale was authorized by the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR - French Prudential and Resolution Supervisory Authority) to complement its internal models with the CRD3 measurements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used is the same as under the VaR approach. It consists in carrying out an historical simulation with 1-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 *scenarii* 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 historical window, which is determined using a method approved by the regulator, captures significant shocks on all risk factors (risks related to equity, interest rates, foreign exchange rates and commodities). It is subject to an annual review.

SVAR 2014 (1 DAY, 99%)

(in EUR m)	Beginning of the year	End of the year	Minimum	Average	Maximum
SVaR	**80.2**	**81.6**	**41.7**	**72**	**106.9**

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).

This stress test risk assessment is applied to all of the Bank's market activities. It is based on a set of historical and theoretical *scenarii* that include the "Societe Generale Hypothetical Financial Crisis *Scenario*" (or "Generalised" *scenario*) based on the events observed in 2008. These *scenarii* apply shocks to all substantial risk factors including exotic parameters.

Together with the VaR model, this stress test risk assessment methodology is one of the main pillars of the risk management framework. The underlying principles are as follows:

- risks are calculated every day for each of the Bank's market activities (all products together), using the historical and hypothetical *scenarii*;
- stress test limits are established for the Group's activity as a whole and then for the Bank's various business lines. They frame the most adverse result arising from the set of historical and hypothetical *scenarii*.

The various stress test *scenarii* are revised and improved by the Risk Division on a regular basis, in conjunction with the Group's teams of economists and specialists. In 2013, this stress assessment was based on a set of 34 *scenarii* (26 of which were historical *scenarii* and 8 hypothetical *scenarii*). In 2014, a thorough review of our global stress tests *scenarii* led to a reduction of their number from 34 to 18: removal of 19 historical *scenarii* not significant in terms of impact, reclassifying of 4 historical *scenarii* to hypothetical *scenarii*, and creation of 3 new hypothetical *scenarii* (unexpected stop of a Central Bank Quantitative Easing policy, exit of Greece from the Euro zone with or without the ECB's support). As a result, the stress test assessment is now based on 18 *scenarii*: 3 historical *scenarii* and 15 hypothetical *scenarii*.

HISTORICAL STRESS TESTS

This method consists of an analysis of the major economic crises that have affected the financial markets since 1995 (a date from 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 *scenarii* for potential variations in these risk factors which, when applied to the bank's trading positions, could generate significant losses. Applying this systematic approach during the 2014 review of the 26 historical *scenarii* previously in production led i) to keep 3 historical *scenarii* and ii) to remove 19 historical *scenarii* not significant in terms of impact. Moreover, 4 other former historical *scenarii*, although not significant according to our systematic approach, but however deemed interesting because of the crises covered and the types of shock applied, were finally kept and transformed in hypothetical *scenarii*.

HYPOTHETICAL STRESS TESTS

The hypothetical *scenarii* are defined with the Bank's economists and are designed to simulate the possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, some political instability in the main oil-producing countries, etc.). The Bank's aim is to select extreme but yet plausible events which would have major repercussions on all the international markets. Societe Generale has therefore adopted 15 hypothetical *scenarii* described below:

Eight hypothetical *scenarii* already implemented in 2013:

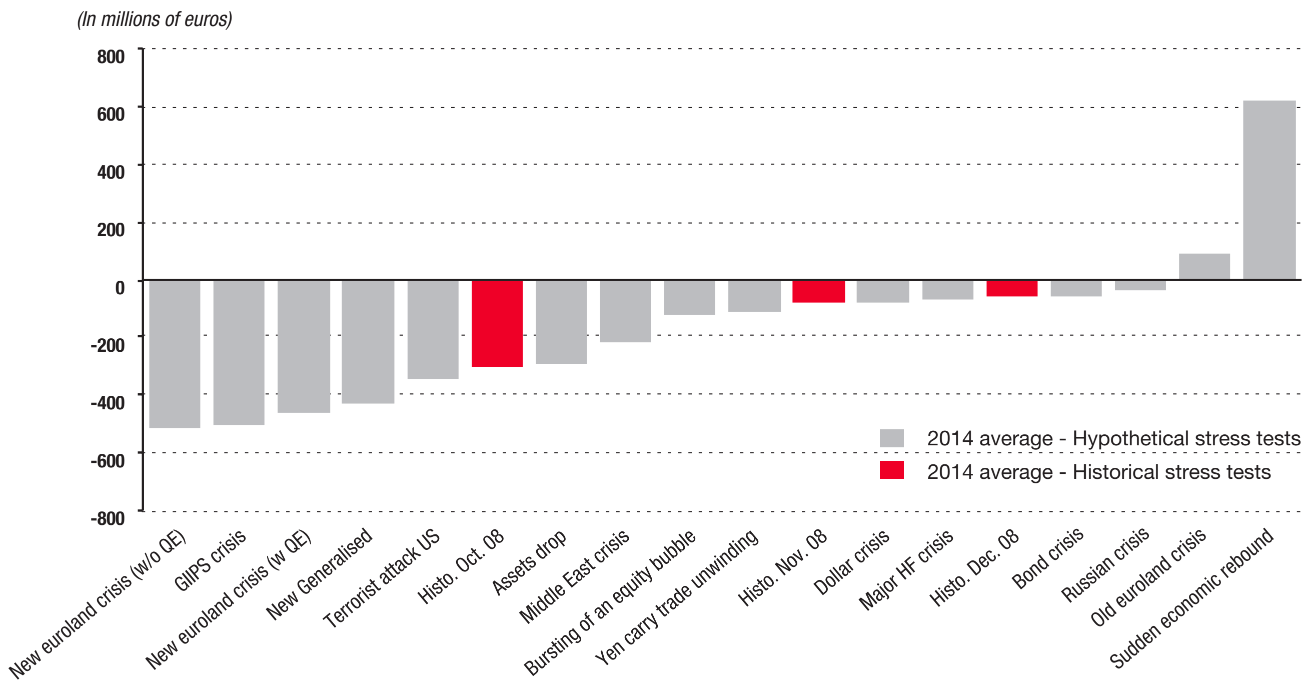
- **generalised (the Societe Generale Hypothetical Financial Crisis *Scenario*):** considerable mistrust of financial institutions after the Lehman Brothers' bankruptcy; collapse of equity markets, sharp decline in implied dividends, significant widening of credit spreads, pivoting of yield curves (rise in short-term interest rates and decline in long-term interest rates), substantial flight to quality;
- **GIIPS crisis:** mistrust in risky sovereign issuers and increased interest in higher-rated sovereign issuers such as Germany, followed by contagion of fears to other markets (equities, etc.);
- **Middle East crisis:** instability in the Middle East leading to a significant shock in oil prices 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 decoupling 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:** collapse of the US dollar against major international currencies due to the deterioration of the US trade balance and budget deficit, rise of interest rates and narrowing of US credit spreads;
- **Eurozone crisis:** decline in euro exchange rates, sharp rise in Eurozone 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 Eurozone long-term interest rates and flight to quality.

Seven new hypothetical *scenarii* (the 4 last ones being based on former historical *scenarii*):

- **assets drop:** unexpected stop of Central Bank Quantitative Easing policies leading to a generalised drop in all financial assets (equity, credit, emerging) combined with a significant increase of worldwide interest rates;
- **two new eurozone crisis** *scenarii***:** exit of Greece from the Eurozone, triggering a violent drop of risky assets (equity, credit, emerging), more particularly European ones, and a tightening of the US and Japanese sovereign spreads, declined with (activation of the OMT program resulting in a decrease of interest rates in the Eurozone) or without (dislocation of the basis rates reflecting the freeze of the interbank market) ECB support;
- **Russian crisis:** significant depreciation of the Russian currency, default of the Russian government, crisis in the bond markets and drop in equities, more particularly in emerging markets (cf. Russian crisis in September 98);
- **major hedge fund crisis:** risk of dislocation of the international financial system stemming from the near-bankruptcy of a major hedge fund, notably due to a crisis in the bond markets (cf. near-bankruptcy of Long Term Capital Management in October 98);
- **sudden economic rebound:** sharp rise in equity markets and in US and Eurozone interest rates (cf. anticipation of the beginning of the Iraq war in March 2003);
- **bursting of an equity bubble:** significant drop of the equity markets following the bursting of an equity bubble in a specific business sector (cf. Worldcom bankruptcy in July 2002).

Average stress tests in 2014[(1)]

The *scenarii* leading to the largest potential losses are hypothetical *scenarii*, as illustrated in the chart below, which displays average stress tests amounts in 2014 by type of *scenario*. In a global environment characterized by a low volatility and low interest rates, the potential losses generated by these *scenarii* increased on average compared to 2013, with notably some occasional peaks stemming from significant clients deals, especially as the *scenarii* were strengthened in 2014, with stronger shocks on European equity markets. Risk was taken while still manoeuvring, which allowed a quick decrease in stress tests in periods of uncertainty, particularly at the year end with increased concerns arising from the geopolitical tensions, the drop in oil prices, and the economic slowdown in emerging countries.



(1) Excluding legacy assets which are subject to a specific risk monitoring.

Market risk capital requirements

Societe Generale's capital requirements related to market risk (excluding securitisation) are essentially determined using an internal model approach (90% in 2014). Risk-weighted assets used to calculate capital requirements for market transactions are detailed on page 170 of the Registration Document.

In 2011, Societe Generale received the approval of the ACPR to expand its internal market risk modelling system and, in particular to include Stressed VaR (VaR on one-year historical window corresponding to a period of significant financial tensions), IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as VaR. These last two measurements estimate the capital charge on debt instruments that is related to rating migration and issuer default risks. A constant 1 year liquidity horizon is used for the calculation of these two metrics. 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 accounting for the relationships between these factors. IRC and CRM are 99.9% risk factors, which is the highest risk obtained after eliminating the 0.1% of most adverse occurrences.

Governance

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;
- they are then compared with standard stress tests as defined by the regulator (25 historical *scenarii*);
- a review of model assumptions at least once a year and an ex-post consistency control are carried out;
- the methodology and its implementation were approved by the Group Internal Audit Division and the ACPR.

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, recovery and correlation risks). Ultimately, the capital charge corresponds to the largest value between the charge calculated by the internal model and 8% of the charge calculated using the standard method for market risks.

2014 Figures

(in EUR m)	Beginning of the year	End of the year	Minimum	Average	Maximum
IRC	**320**	**346**	**272**	**431**	**554**
CRM	**126**	**173**	**122**	**149**	**183**

TABLE 56: CAPITAL REQUIREMENTS BY RISK FACTOR

	Capital requirement		Risk weighted assets	
(in EUR m)	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Market risks assessed by internal model	**1,741**	**1,860**	**21,769**	**23,244**
VaR	319	477	3,983	5,961
Stressed VaR	828	643	10,349	8,038
Incremental Risk Charge (IRC)	422	585	5,276	7,307
Correlation portfolio (CRM)	173	155	2,160	1,938
Market risks assessed by standard approach	**192**	**244**	**2,401**	**3,051**
Specific risk related to securisation positions	24	67	300	840
Market risk assessed for currency positions	101	105	1,268	1,316
General risk and specific risk related to interest rates (excluding securisation)	26	62	323	772
Market risk assessed using the standard approach for ownership interests	36	5	445	61
Market risk assessed using the standard approach for commodities	5	5	64	61
Total	**1,934**	**2,104**	**24,170**	**26,295**

TABLEAU 57 : CAPITAL REQUIREMENTS BY TYPE OF MARKET RISK

	Capital requirement		Risk weighted assets	
(in EUR m)	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Risk assessed for currency positions	147	820	1,834	10,249
Risk related to credit	831	764	10,389	9,549
Risk assessed for commodities	35	20	439	245
Risk assessed for ownership interests	483	202	6,034	2,522
Risk related to interest rates	438	298	5,475	3,731
Total	**1,934**	**2,104**	**24,170**	**26,295**

7. OPERATIONAL RISKS

OPERATIONAL RISK MANAGEMENT: ORGANISATION AND GOVERNANCE

Over the last few years, Societe Generale has developed processes, management tools and a control infrastructure to enhance the control and management across the Group of the operational risks that are inherent to its various activities. These include, among others, 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 related to payment systems, legal risks[(3)], information system security risks[(4)] and non-compliance risks[(5)].

The Operational Risk Department

The Operational Risk Department within the Group's Risk Division works in close cooperation with operational risk staff in the Core Businesses 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 Core Businesses 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 Core Businesses and Corporate Divisions, in order to ensure consistency across the Group;
- permanent level 2 control on operational risks covering the risks specific to the different businesses and the risks associated with purchasing, communication, real estate, human resources, and information systems;
- preparing a global Group business continuity plan and crisis management policy, managing the policy and coordinating its implementation;
- the safety of people (expatriates and business travellers) internationally.

The operational risk function

In addition to the Operational Risk Department, the operational risk function includes Operational Risk Managers (ORMs) in the Core Businesses 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 for 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 levels.

OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA), as proposed by the Capital Requirements Directive, to measure operational risk. This approach, deployed across on the main Group entities, notably makes it possible to:

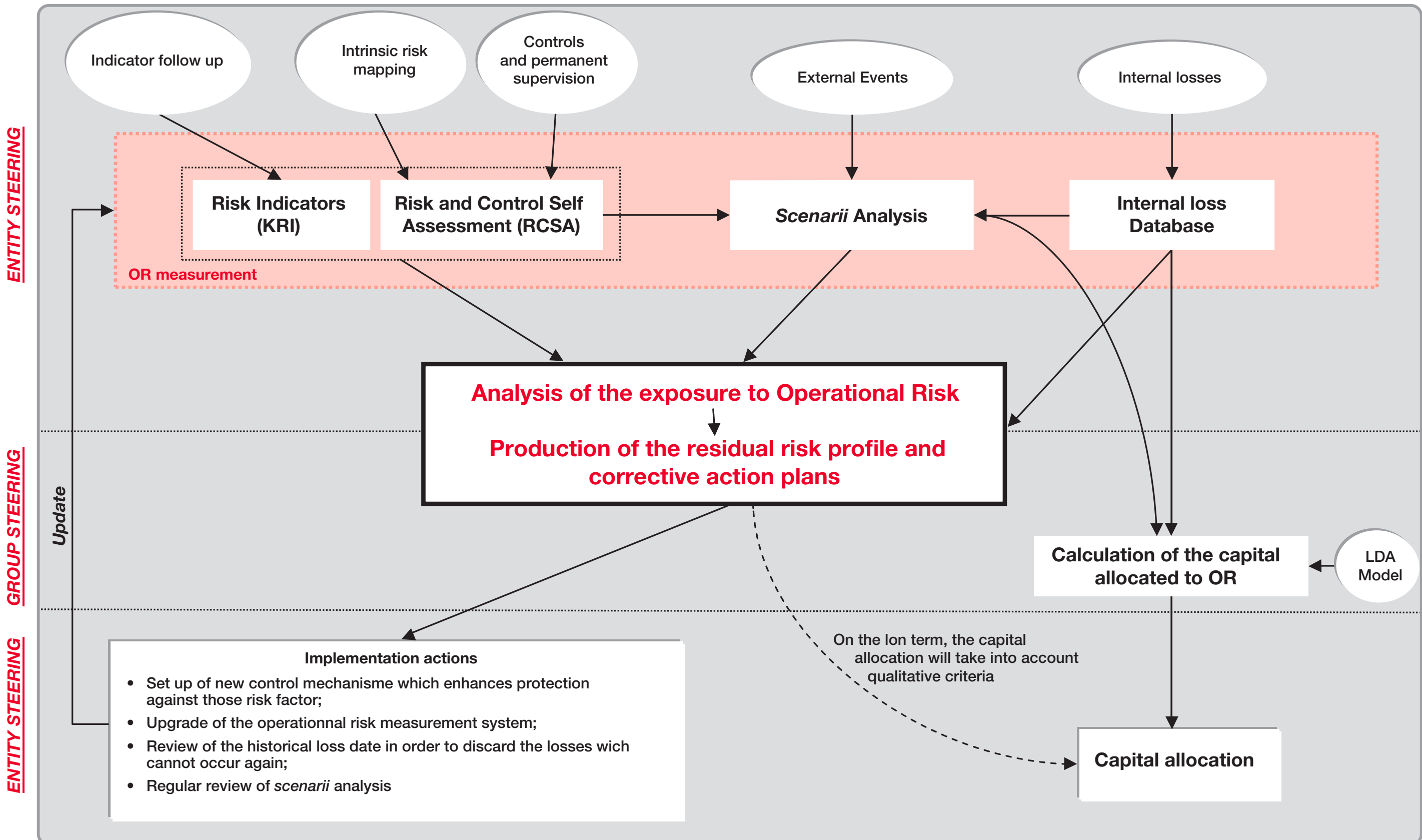
- identify i) the businesses that have the greatest risk exposures and, ii) the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's operational risk culture and overall management, by introducing a virtuous circle of risk identification, improved risk management and risk mitigation and reduction;
- in 2007, the *Autorité de Contrôle Prudentiel* (ACP - 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 2 Accord (i.e. the AMA or Advanced Measurement Approach) to calculate the Group's capital requirements for operational risks, starting from 1st January 2008. This authorisation covers more than 90% of the Societe Generale Group's total net banking income.

(1) See Chapter 3, page 129 of the Registration Document and page 116.
(2) See Chapter 3, page 132 of the Registration Document.
(3) See page 132 and following.
(4) See Chapter 3, page 136 of the Registration Document.
(5) See page 132 and following.

OPERATIONAL RISK MONITORING PROCESS

The frameworks specifically established by the Basel regulations (the Capital Requirements 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);
- *scenarii* analyses;
- analysis of external loss data;
- permanent level 2 control, set up in 2014;
- crisis management and business continuity planning;
- combating fraud.



Societe Generale's classification of operational risks in eight event categories and 49 mutually exclusive sub-categories is the cornerstone of its risk modelling, ensuring consistency throughout the system and enabling transversal analyses across the Group.

The eight event categories are the following:

- commercial disputes;
- disputes with authorities;
- pricing or risk valuation errors;
- execution errors;
- fraud and other criminal activities;
- rogue trading;
- loss of operating resources;
- IT system interruptions.

Internal loss data collection

Internal loss (but also gains and near 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 foster an operational risk culture throughout the Group.

The minimum threshold above which a loss (or a gain or a near 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. For each risk type event losses are aggregated and reported if the sum reaches the thresholds.

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 monitoring. Based on the results of other operational risk management frameworks (internal losses, KRI, etc.), risk areas identified by functions for their respective fields of expertise, and interviews with Group experts, its objectives are as follows:

- identifying and assessing the major operational risks to which each business 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 major 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 risk"), while disregarding insurance coverage;
- correcting any deficiencies 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 supplement the overall operational risk management system, by providing a dynamic view of changes in business line risk profiles as well as a warning system. Regular KRI monitoring assists managers of the entities 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, 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 relevant KRI dashboard.

Scenarii analyses

Scenarii analyses serve two purposes: informing the Group about potential significant areas of risk and contributing to the calculation of the capital required to cover operational risks.

For the calculation of capital requirements, the Group uses *scenarii* 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 *scenarii* are reviewed by experts, who gauge severity and frequency of the potential impacts for the Bank by factoring in internal and external loss data as well as the internal framework (controls and prevention systems) and the external environment (regulatory, business, etc.).

Analyses are undertaken for two types of *scenarii*:

- major Group stress *scenarii*, involving very severe events that cut across businesses and departments, having an external cause in most cases and requiring, if necessary, a business continuity plan (BCP). The *scenarii* of this type analysed so far have helped to develop the Business Impact Analysis aspects of the BCPs;
- business line *scenarii* 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 *scenarii* and to maintain the system's focus on risks that could severely impact the Group;

- governance is established in order to, notably:
  - allow the approval of the annual *scenario* update programme by the Risk Committee (CORISQ),
  - allow validation of the internal loss *scenarii* and frequency by the senior management of core businesses and Corporate Divisions, through internal control coordination committees (CCCI) for the departments involved or through *ad hoc* meetings,
  - conduct an overall review of the Group's risk hierarchy and the appropriateness of *scenarii* through the "Expert Committees", chaired by the Group Chief Risk Officer.

Analysis of external losses

Societe Generale also uses externally available loss databases to enrich the identification and assessment of the Group's exposures to operational risks, by benchmarking internal loss records against industry-wide data.

Permanent level 2 control

The establishment of the permanent level 2 control on operational risk was initiated in 2014 with the recruitment of controllers dedicated exclusively to control and independent from business lines. Those controls cover the operational risks specific to these business lines and risks related to purchases, communication, real estate, human resources and information systems. They will perform this task based on the rationalisation of controls carried out in recent years and in particular on the classification of checks in conformity with the Group wide normative control grid.

They will have the task of ensuring that the first level controls are defined, executed and effective and there is a corrective action taken for any anomaly.

Crisis management and business continuity planning

The crisis management and business continuity systems aim to mitigate as much as possible the impacts of potential damages on clients, staff and infrastructure, thus protecting the Group's reputation, its brands' image and its financial resiliency. The systems also meet a regulatory requirement.

The approach used to implement and optimise the business continuity systems of each Group entity is based on a methodology that meets international standards. It consists primarily in identifying risks to which the company is exposed as well as their possible impacts, implementing an effective response capability to withstand various crisis *scenarii* (including extreme shocks) and maintaining these systems to ensure they remain effective.

Combating fraud

The Group pays particular attention to preventing and detecting fraud. Losses due to fraud are contained since 2013 after dropping steadily from 2008 to 2012, notably due to the implementation of effective systems in all business and corporate divisions. Since the end of 2009, an anti-fraud coordination unit within the Operational Risk Department has been supplementing these specific systems. Its primary goal is to be a centre of expertise in order to strengthen fraud prevention through Group-wide initiatives (training and awareness-raising) as well as to disseminate best practices issued from lessons learned from established or prevented cases of fraud.

OPERATIONAL RISK MODELLING

The method used by the Group for operational risk modelling is based on the Loss Distribution Approach (LDA).

Under this approach, operational risks are modelled using segments, each segment representing a type of risk and a Group core business. The frequency and severity of operational risks, based on past internal losses, external losses, or *scenario* analyses, are estimated and the distribution of annual losses is calculated for each segment. This approach is supplemented by transversal *scenario* analyses that measure cross-business risks for core businesses, such as, for example, property destruction and pandemic risks.

Aside from the individual risks associated with each segment or cross-business *scenario* analysis, the model takes into account the diversification between various types of risks and core businesses, as well as the effect of insurance policies underwritten by the Group.

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.

Societe Generale's capital requirements for operational risks were EUR 3.5 billion at the end of 2014, representing EUR 43.9 billion in risk-weighted assets. This assessment integrates capital requirements on both the AMA and Standard scopes.

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.

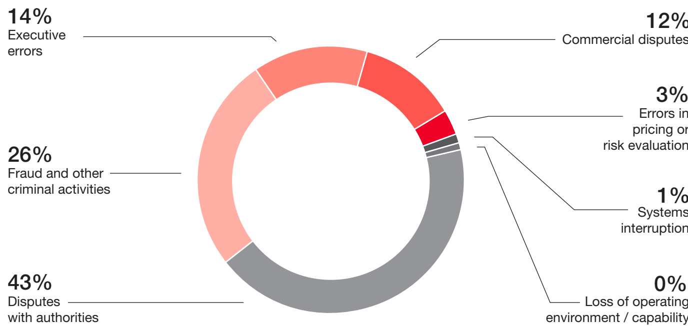
These insurance policies cover part of the Group's major risks, i.e. civil liability, fraud, fire and theft, as well as systems interruptions and operating losses due to a loss of operating resources.

Taking into account risk reduction through insurance policies results in a 15.8% reduction of total capital requirements for operational risks.

Quantitative data

The following chart breaks down operating losses by risk category for the 2010-2014 period.

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE (FROM 2010 TO 2014)



Over the past five years, Societe Generale's operational risks were concentrated on average on four types, accounting for 96% of the Group's total operating losses:

- **disputes with authorities** represented 43% of losses over the period. These became the main cause of losses (along with fraud) primarily due to the 2013 Euribor transaction, which alone accounted for 43% of total losses within this category. Other disputes with authorities were largely related to tax reassessments;
- **fraud** also represented 26% of losses on average over the 2010-2014 period. Fraud is the third leading cause of losses in 2014, while they represented the first cause of losses of 2011 and 2012. Dedicated action plans have been engaged in various businesses, particularly since 2011. However, one must remain cautious given the challenging economic context, with tightened credit conditions, a rise in cybercrime and an increase in international and domestic payment fraud across distribution channels;
- **execution errors** represented 14% of operating losses and were the third most frequent source of losses for the Group over the period. Stable on average since 2010, total losses from execution errors remain volatile, depending largely on transaction volumes and market instability;
- while **commercial disputes** only represented 12% of losses over the 2010-2014 period, confirming the global decrease since 2012 Disputes experienced by other banks (especially in the UK and US) call for constant vigilance, particularly regarding the selection of products sold, their compliance and the quality of their documentation.

The other categories of Group operational risks (rogue trading, IT system interruptions, pricing or risk valuation errors and loss of operating resources) were still fairly insignificant, representing barely 4% of the Group's losses on average over the 2010 to 2014 period.

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. Where 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 perform 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 measures to offset the consequences of the risks inherent in the Group's activity. It complements the risk monitoring policy led by the Group.

THEFT/FRAUD

These risks are included in the "Bankers Blanket Bond" policy that insures all the Bank's financial activities around the world.

Internal frauds (committed by an employee or by a third party acting with the aid of an employee) and external frauds (committed by a third party acting on its own), with the intent to obtain illicit personal gain or to harm the Group, are covered.

PROFESSIONAL LIABILITY

The consequences of any legal action against staff or managers as a result of their professional activity are insured under a global policy.

OPERATING LOSSES

The consequences of any accidental interruption 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.

8. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Structural exposure to interest rate risks encompasses exposures resulting from commercial activities and their hedging transactions and corporate centre for each of the Group's consolidated entities.

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

The general principle is to reduce structural interest rate and exchange rate risks to the greatest extent possible within the consolidated entities. Wherever possible, commercial transactions are hedged against interest rate and exchange rate risks, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within a treasury department). Interest rate and exchange rate risks linked to corporate centre must also be hedged as far as possible excepted for some foreign exchange positions kept to immunise the Common Equity Tier 1 ratio.

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

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Risks Control Departments of the Group Business divisions conduct Level 2 controls of the entities' structural risk management.

The Group Finance Committee, a General Management body

- validates and oversees the structural risk monitoring, management and supervision system;
- reviews changes in the Group's structural risks through consolidated reporting by the Finance Division;
- examines and validates the measures proposed by the Group Finance Division.

The ALM Risk Control Department, which is part of the Finance Division is responsible for

- defining the structural risks policies for the Group;
- defining the steering indicators and overall stress test *scenarii* of the different types of structural risks and setting the main limits for the business divisions and the entities;
- analysing the Group's structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment concerning structural risk;
- defining of the ALM principles for the Group;
- defining the normative environment of the structural risk metrics;
- validating the models used by the Group entities with regard to structural risks;
- inventorying, consolidating and reporting on Group structural risks;
- performing controls of structural risk limits.

The ALM Risk Control Department reports to the Chief Financial Officer of the Group and is functionally supervised by the Chief Risk Officer, to whom it reports its activities and who validates its working plan jointly with the Chief Finance Officer. The ALM Risk Control Department is integrated in the Group Risk function in compliance with 2014 Regulation No. 97- 02 of the French Banking and Financial Regulation Committee (CRBF).

Entities are responsible for structural risk management

In this respect, entities apply the standards defined at the Group level, develop their models, measure their risk exposure and implement the required hedges.

Each entity has its own structural risk manager, who reports to the entity's Finance Department and is responsible for conducting first level controls and for reporting the entity's structural risk exposure to the Group Finance Division *via* a shared IT system.

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

STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is measured within the scope of structural activities (transactions with customers, the associated hedging transactions and corporate center) for each of the Group's entities.

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

Objective of the Group

The main aim of Structural interest rate risk steering is ensuring a risk management reducing each Group entity's exposure to structural interest rate risk as much as possible.

To this end, any residual structural interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group as validated by the Finance Committee. Sensitivity is defined as the variation in the net present value of future (maturities of up to 20 years) residual fixed-rate positions (surplus or deficit) for a 1% parallel increase in the yield curve (i.e. this sensitivity does not relate to the sensitivity of the annual net interest margin). The limit set at Group level is EUR 1 billion.

Measurement and monitoring of structural interest rate risks

Societe Generale uses several indicators to measure its interest rate risk. The three most important indicators are:

- interest rate gap analysis (the difference between outstanding fixed-rate assets and liabilities by maturity): the schedule of fixed rate positions is the main indicator for assessing the characteristics of the hedging operations required, it is 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 currencies to which the Group is exposed;
- the net interest margin sensitivity to variations in interest rates in various stress *scenarii* takes into account the sensitivity which is generated by future commercial productions over a three-year rolling horizon. It is calculated on a dynamic basis.

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

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

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

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

Throughout 2014, the Group's overall sensitivity to interest rate risk remained below 1.5% of Group regulatory capital and within the EUR 1 billion limit.

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

- within the Societe Generale French retail networks, the outstanding amounts of customer deposits, generally considered to be fixed-rate, exceed fixed-rate loans for maturities over 1 year. Macro-hedging is set up, essentially through the use of interest rate swaps, in order to keep the French retail networks' sensitivity to interest rate risk (on the basis of the adopted *scenarii*) inside its limits. At end of December 2014, the sensitivity of the French retail networks' economic value, based on their essentially euro-denominated assets and liabilities, was EUR 76 million;
- transactions with large corporates are generally micro-hedged and therefore present no residual interest rate risk;
- transactions with customers of the Specialised Financial Services subsidiaries are generally macro-hedged and therefore present only a very low interest rate risk;
- customers' transactions at the Group's subsidiaries and branches located in countries with weak currencies can generate structural interest rate risk, which remains limited at the Group level. These entities may have problems in optimally hedging interest rate risk due to the weak development of the financial markets in some countries;
- proprietary transactions are well hedged. Residual positions are limited and arise primarily from shareholders' equity that has not been fully reinvested at expected maturities.

Sensitivity to interest rate variations of the Group's main entities represented EUR 35 million as at 31st December 2014 (for a 1% parallel and instantaneous rise in the yield curve). These entities account for 90% of the Group's outstanding loans.

TABLE 58: MEASUREMENT OF THE ENTITIES' SENSITIVITY TO A 1% INTEREST RATE SHIFT, AT 31ST DECEMBER 2014, INDICATED BY MATURITY

(In millions of euros)

Less than one year	between 1 and 5 years	More than 5 years	**Total sensitivity**
77	(249)	207	35

The results of the gap measurements (difference between liability and asset outstandings, at a fixed rate, by maturity) for the same entities are as follows (liabilities minus assets/ figures in millions of euros):

TABLE 59: INTEREST RATE GAPS BY MATURITY AT 31ST DEC. 2014

(In millions of euros)

Maturities	1 year	3 years	5 years	7 years
Amount of gap	(2,506)	2,671	2,991	2,097

The Group analyses the sensitivity of earnings to variations in market interest rates using stress tests on the net interest margin.

At 31st December 2014, the Group's net interest margin sensitivity for 2015 was as follows:

TABLE 60: SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In M EUR)	31st DEC. 2014	31st DEC. 2013
Parallel increase in interest rates of 200 bp	142	488
Parallel decrease in interest rates of 200 bp	(207)	(391)
Parallel increase in interest rates of 100 bp	58	245
Parallel decrease in interest rates of 100 bp	(108)	(200)
Steepening	27	7
Flattening	16	82

Calculations are based on aggregated estimates at 31st December of a scope of consolidated entities representing more than 80% of outstanding loans followed in economic value sensitivity.

The dynamic vision of the balance sheet varies according to the amortisation of outstanding transactions and transaction renewals based on outstanding amounts budgeted for 2015. The steepening assumptions used allow for a 100bp increase in long-term rates with short-term rates remaining constant. The flattening *scenario* used for the simulation allows for a 100bp increase in short-term rates with long-term rates remaining constant.

The Societe Generale Group's interest margin sensitivity over the full year 2015 is relatively low. In the event of a parallel shift in the yield curves of +200bp, the sensitivity is positive and represents less than 1% of Net Banking Income.

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 prepayments. This fall in margin is partially offset by the rise in margins on new loan production (customer loan rates do not fall as quickly as market rates) and by a reduction in funding costs.

STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk is mainly caused by:

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

Objective of the Group

The Group's policy is to immunise its Common Equity Tier 1 ratio against fluctuations in the currencies it operates. To this end, it may decide to purchase currencies to finance very long-term foreign currency-denominated investments, thus creating structural foreign exchange positions. Any differences in the valuation of these structural positions are subsequently booked as translation differences.

Measurement and monitoring of structural foreign exchange rate risks

The Group quantifies its exposure to structural foreign exchange rate risks by analysing all assets and liabilities denominated in foreign currencies, arising from commercial transactions and the corporate center for each of the Group's entities.

Foreign exchange risk resulting from trading activities does not enter the perimeter of structural foreign exchange risk measure. It remains the scope of market risks. Structural foreign exchange positions thus represent only a part of the overall currency transactions of the Societe Generale Group. The foreign exchange transactions of the Societe Generale Group, as of 31st December 2014, are presented in table 61.

TABLE 61: FOREIGN EXCHANGE TRANSACTIONS

(In millions of euros)	31st DEC. 2014				31st DEC. 2013*			
	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	770,420	804,870	17,383	18,704	752,019	790,022	18,168	17,054
USD	320,543	282,406	39,950	40,091	264,237	227,135	42,998	40,083
GBP	52,643	43,044	3,224	5,448	44,782	32,640	2,767	7,490
JPY	37,032	48,595	8,788	9,081	40,590	43,438	9,581	7,978
AUD	5,074	4,859	2,430	2,805	4,042	3,983	6,040	4,590
CZK	30,229	31,867	507	1,009	27,335	29,064	157	401
RUB**	11,379	9,435	307	202	15,752	13,567	84	150
RON**	5,281	6,517	49	98	4,762	6,515	221	96
Other currencies	75,569	76,577	13,495	12,023	60,674	67,829	9,801	10,643
TOTAL	**1,308,170**	**1,308,170**	**86,133**	**89,461**	**1,214,193**	**1,214,193**	**89,817**	**88,485**

* Amounts restated with regard to financial statements published in 2013, further to the coming into force of IFRS 10 and 11 which apply in retrospect.

** 2013 figures adjusted according to information published on 21st March 2014, correcting inverted lines.

The Group monitors structural exchange rate positions and manages the immunisation of the Common Equity Tier 1 ratio to exchange rate fluctuations.

Table 62 presents the impact on the Group Common Equity Tier 1 ratio of a 10% currency depreciation or appreciation for 31st December 2014.

TABLE 62: SENSITIVITY OF THE COMMON EQUITY TIER 1 RATIO OF THE GROUP TO A CHANGE OF 10% OF THE CURRENCY (IN BASIS POINTS)

Currency	Impact on the Common Equity Tier 1 ratio of a currency depreciation of 10%	Impact on the Common Equity Tier 1 ratio of a currency appreciation of 10%
USD	11	(11)
GBP	1	(1)
JPY	0	0
AUD	0	0
CZK	(1)	1
RUB	0	0
RON	(1)	1
OTHERS	(4)	4

In 2014, structural positions monitoring reduced the Common Equity Tier 1 ratio sensitivity to currency fluctuations (sensitivity of the Common Equity Tier 1 ratio is managed within limits per currency set according to the Group's risk Appetite in these currencies).

9. LIQUIDITY RISK

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

GOVERNANCE AND ORGANISATION

The principles and standards applicable to the management of liquidity risks are defined by the Group's governing bodies, whose duties in the area of liquidity are listed below:

- The Group's Board of Directors
  - establishes the level of liquidity risk tolerance as part of the Risk Appetite exercise, including the time period during which the Group can operate under conditions of stress ("survival horizon"),
  - meets regularly to examine the Group's liquidity risk situation, at least on a quarterly basis;
- the Executive Committee:
  - sets budget targets in terms of liquidity based on proposals from the Group's Finance Division,
  - allocates liquidity between Pillars and Group Treasury based on proposals by the Group's Finance Division;
- the Finance Committee is the body monitoring structural risks and management of scarce resources. As such, the finance Committee:
  - meets every six weeks under the chairmanship of the Chairman and Chief Executive Officer or a Deputy Chief Executive Officer with the representatives from the Risk Division and pillars,
  - oversees and validates the limits set for structural liquidity risk,
  - monitors compliance to the budget and liquidity trajectory,
  - takes decisions, if necessary, on the implementation of corrective measures,
  - takes decisions, if necessary, on methodology issues regarding liquidity risk management,
  - examines the regulatory evolutions and their respective impact.

The pillars are responsible for managing liquidity risk under their supervision perimeter, under the control of the Group Finance Division. Business lines are made responsible for abiding to the regulatory requirements their subsidiaries are exposed to.

The Group Finance Division manages, monitors and follows liquidity risk through three separate departments, in compliance with the principles advocating a separation of risk steering, execution and control functions:

- the Strategic and Financial Steering Department, responsible for:
  - establishing the Group's financial trajectory, in line with its strategic targets, regulatory requirements, and market expectations,
  - ensuring that liquidity steering is in line with the Group's other objectives in terms of profitability and scarce resources,
  - proposing and monitoring the Businesses budget trajectory,
  - monitoring the regulatory environment and developing liquidity steering standards for the pillars;
- the Balance Sheet and Global Treasury Management Department, responsible for:
  - execution of the Group's short-term and long-term funding plan,
  - supervising and coordinating the Group's Treasury functions,
  - monitoring the market and contributing its operational expertise to the establishment of liquidity steering objectives and liquidity allocation to Businesses,
  - managing the collateral used in refinancing operations (Central Banks, covered bonds, securitisation, secured funding),
  - managing the Group's central funding department (management of liquidity and equity within the Group), including the internal liquidity grids;
- the Structural Risk Monitoring and Control Department, responsible for:
  - supervising and managing the structural risks (interest rates, foreign exchange rates, liquidity) to which the Group is exposed,
  - in particular, monitoring models of the structural risks, in view of the methodologies and principles sets, the follow-up of the compliance with limit restrictions and management practices by the divisions, business lines and entities of the Group,
  - reporting hierarchically to the Chief Financial Officer and reporting functionally to the Group Chief Risk Officer.

In addition, several Risk Division departments contribute, together with the Finance Division, to the operational supervision of liquidity risk. Their actions are coordinated by the Cross-Business Risk Monitoring Department under the direction of the Group Chief Risk Officer. Specifically, they relate to:

- the independent review of models used to monitor market activities;
- the validation of all the Group's liquidity models within the framework of centralised governance;
- the examination of requests for risk limits relating to liquidity risk metrics and the monitoring of any limit breaches.

THE GROUP'S APPROACH TO LIQUIDITY RISK MANAGEMENT

The Group's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity steering system aims at providing a balance sheet framework with an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- the assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure. This development must comply with the liquidity gaps defined at Group level (under static and stress *scenarii*) as well as regulatory requirements;
- the liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Group to sustainably raise financial resources on the markets, in accordance with its risk appetite.

This steering system is based on a measurement and supervision of the businesses' liquidity gaps under reference and stress *scenarii*, their Group funding needs, the funds raised by the Group on the market, the eligible assets and the businesses' contribution to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

1. The businesses must observe low to nil static liquidity gaps within the operating limits of their activities by using to the Group's Central Treasury, which can, if needed, run a (anti) transformation position and manage it within the framework of the established risk limits.
2. Internal liquidity stress tests, established on the basis of the systemic, specific or combined *scenarii*, are controlled at Group level. They are used to ensure compliance with the survival horizon established by the Board of Directors and to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that foresees measures to be taken in the event of a liquidity crisis.
3. The businesses' funding needs (short-term and long-term) are determined on the basis of the development objectives for the franchise and in line with the Group's fund raising targets and capabilities.
4. A plan for long-term funding, which complements the resources raised by the pillars, is designed to ensure the repayments of upcoming maturities and finance the growth of the businesses. It takes into account the Group's investment capabilities and aims to optimise the cost of fund-raising while complying with limits in terms of market concentration. Diversification in terms of issuers and investor pools is also examined and managed.
5. The Group's short-term resources are sized to finance the short-term needs of the businesses over periods appropriate to their management and in line with market concentration limits. As outlined above, they are proportioned with respect to the liquidity reserve on the assets side based on the established stress survival horizon as well as the Group's LCR target (Liquidity Coverage Ratio,see below *Regulatory Ratios*).
6. The Group's liquidity steering takes into account compliance with the target regulatory ratios (LCR, Standard ratio), as the businesses are supervised regarding their contribution to these ratios.

Finally, liquidity is framed in terms of cost *via* the Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to them based on scales that must reflect the liquidity cost for the Group. This system is aimed at optimising the use of external financing sources by businesses and is used to monitor the balance of funding on the balance sheet.

Societe Generale has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities.

REFINANCING STRATEGY

The Group's financing strategy is based on the following principles :

- the Group's stable funding resources (including shareholders' equity, customer deposits and medium/long-term market resources) finance the long-term needs of the businesses (including tangible and intangible assets, customer loans and the portfolio of available-for-sale or held-to-maturity securities);
- short-term market resources finance the Group's short-term assets, which are predominantly carried by GBIS' Global Markets pillar;
- the Group maintains a liquidity reserve to cover outflows in situations of stress.

MARKET FINANCING

The Group's market resources totalled EUR 194 billion at 31st December 2014. Of this total, EUR 83 billion have a remaining maturity of less than one year, of which EUR 25 billion correspond to debt securities issued with an initial medium/long-term maturity (more than one year) and EUR 58 billion to short-term market resources.

The tables below detail the Group's market resources at 31st December 2014 and 31st December 2013 according to their remaining maturities based on contractual management schedules.

	31st DEC. 2014							
(in billions of euros)	<3M	3-6M	6-12M	Sub-total < 1 YR	1-2 YRS	2-5 YRS	> 5 YRS	Total
Interbank deposits	13	1	1	**15**	2	9	2	29
Other customer deposits	4	0	0	**4**	0	0	0	4
Sub-total Deposits	**17**	**1**	**1**	**19**	**2**	**9**	**2**	**33**
Short-term issues	22	6	4	**32**	0	0	0	32
Vehicles issues	7	0	0	**7**	0	0	0	7
Sub-total short-term Debt Securities	**29**	**6**	**4**	**39**	**0**	**0**	**0**	**39**
Public senior vanilla issues	3	2	3	**8**	3	6	5	22
Vanilla private placements	0	0	1	**1**	2	3	2	8
Covered bonds, CRH, SFEF	0	0	0	**0**	3	8	12	24
Structured issues, other	3	1	2	7	8	18	16	49
Subordinated debt	0	1	0	1	1	3	4	9
LT debt of the subsidiaries	3	3	5	11	5	5	1	22
Sub-total Securities	**38**	**13**	**15**	**66**	**23**	**43**	**41**	**173**
Total Securities and Deposits	**55**	**14**	**17**	**85**	**25**	**52**	**43**	**206**
incl. Debt securities distributed by the networks*	(1)	(1)	(1)	**(2)**	(2)	(5)	(3)	(12)
MARKET RESOURCES	**54**	**14**	**16**	**83**	**23**	**47**	**41**	**194**

	31st DEC. 2013							
(in billions of euros)	<3M	3-6M	6-12M	Sub-total < 1 YR	1-2 YRS	2-5 YRS	> 5 YRS	Total
Interbank deposits	18	2	3	**22**	4	3	2	**31**
Other customer deposits	11	0	0	**12**	0	0	0	**12**
Sub-total Deposits	**29**	**2**	**3**	**34**	**4**	**3**	**3**	**43**
Short-term issues	38	7	10	**55**	1	0	0	**56**
Vehicles issues	6	0	1	**7**	0	0	0	**7**
Public senior vanilla issues	1	1	2	**4**	8	7	5	**24**
Vanilla private placements	0	0	0	**1**	1	5	3	**10**
Covered bonds, CRH, SFEF	2	2	1	**5**	0	7	16	**28**
Structured issues, other	3	3	5	**10**	5	17	17	**48**
Subordinated debt	0	0	0	**1**	1	3	3	**7**
LT debt of the subsidiaries	1	1	2	**5**	7	6	1	**19**
Sub-total Securities	**50**	**15**	**21**	**87**	**23**	**46**	**44**	**200**
Total Securities and Deposits	**79**	**18**	**24**	**121**	**27**	**49**	**47**	**244**
incl. Debt securities distributed by the networks*	(1)	(1)	(1)	**(2)**	(1)	(4)	(2)	**(10)**
MARKET RESOURCES	**79**	**17**	**23**	**119**	**25**	**44**	**45**	**234**

NB. 2013 data have been adjusted further to the coming into force of IFRS 10 and 11, with retrospective effect on 2013

* Group's networks.

Group short-term market resources consist of unsecured notes issued under the Group's short-term programmes (mainly Certificates of Deposit, promissory notes and commercial paper), and deposits from banks and financial customers. The majority of the short-term market resources are issued by the Group's Central Treasury to international institutional investors under its short-term programme. The Group's Central Treasury adheres to diversification thresholds on its funding sources by counterparty and by currency. Asset-Backed Commercial Paper vehicles contribute to the Group short-term market resources since 1st January 2014, following their inclusion in the consolidation scope with the application of IFRS 10.

Group short-term market resources amounts to EUR 58 billion at 31st December 2014 and have been significantly reduced during 2014 (EUR -38 billion) according to the Group strategy to reduce the short-term funding in the balance sheet funding structure.

Medium/long-term market resources (including the portion of securities originally issued with a maturity of more than one year and maturing within the year) totalled EUR 136 billion at 31st December 2014, against 138 billion at 31st December 2013. These consist of long-term interbank liabilities (long-term credit lines granted by banks and international financial institutions, etc.), and medium/long-term debt securities, the breakdown of which reflects the Group's policy concerning the diversification of funding sources. The Group has access to large and complementary investor pools *via*:

- senior vanilla issues in the form of public issues or private placements;
- mortgage bonds issued by SG SFH vehicles; and
- SG SCF as well as by the Caisse du Refinancement et de l'Habitat;
- senior structured issues issued by Societe Generale SA and distributed to institutional investors and, to a large extent, to individual customers (*via* retail and private banking networks belonging to the Group or its partners);
- subordinated debt (Tier 2 debt instruments) issued by Societe Generale SA, in addition to Group Tier 2 and Tier 1 issues booked to equity.

Furthermore, access to diversified investor pools is ensured by a wide array of Group issuers: Societe Generale SA, Crédit du Nord and the IBFS subsidiaries issuing secured (securitisations, mortgage bonds) and unsecured notes. IBFS issues, along with its deposit inflows and bilateral borrowings, are aimed specifically at increasing the financing independence of its subsidiaries as part of a strategy that has been stepped up since 2010.

DISCLOSURE ON ASSET ENCUMBRANCE

TEMPLATE A-ASSETS

In Euros	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
010 Assets of the reporting institution	175,473,637,388		1,012,674,850,559	
030 Equity instruments	56,107,530,222	55,605,100,439	39,891,212,072	36,724,326,173
040 Debt securities	48,380,754,508	46,669,123,120	83,741,831,728	80,225,022,287
120 Other assets	7,321,831,143		308,588,349,103	

TEMPLATE B - COLLATERAL RECEIVED

In Euros	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
	010	040
130 Collateral received by the reporting institution	239,816,943,184	46,295,509,005
150 Equity instruments	47,308,751,648	11,811,705,167
160 Debt securities	192,354,775,383	31,282,245,848
230 Other collateral received	153,416,153	3,201,557,989
240 Own debt securities issued other than own covered bonds or ABSs	0	0

TEMPLATE C - ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

In Euros	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABSs
	010	030
010 Carrying amount of selected financial liabilities	313,549,620,152	330,050,424,141

D - INFORMATION ON IMPORTANCE OF ENCUMBRANCE

Securities (equities, debt securities) held within the banks' portfolios or borrowed **represent the vast majority of the Group's encumbered assets**, due to the size of Global Markets' activities in the Bank, one of the main actors in this business internationally**:**

- a repurchase agreement activity (repo/reverse repurchase agreements (reverse repos) leads to securities received as collateral being used and lent in turn as part of a new transaction, or the sale of the asset, with a significant portfolio of repo/reverse repos and securities lent and borrowed within the businesses of Global Banking and Investor Solutions, notably Global Markets and Securities Services and Brokerage, acting as intermediaries on behalf of their clients;
- a Primary Dealer activity on the debt issued by governments as part of auction processes and partially reinvested in the form of repos and securities lent to and borrowed from investors on the market;
- a securities lending and borrowing activity (collateral swaps) in the Global Markets and Securities Services and Brokerage businesses (acting as agents on behalf of their clients).

The use of loans (loans to corporate clients or individual customers) deposited as collateral as part of the refinancing process constitutes another source of liquidity funding on top of deposits and market resources that are essentially obtained through subordinated and unsecured issuances. This enables **debt securities to be issued**, as part of specific legal frameworks (covered bonds issued through vehicles such as *Société Foncière à l'Habitat* and *Société de Crédit Foncier*) or *via* conduits and securitisations. These assets can also be collateralised when the Group resorts to **secured funding** - domestic or international (CRH, European Investment Bank), or bilaterally. Finally, collateralisation may occur as part of the ECB monetary policy.

With respect to line 120 "Other Assets", column 060 (fair value of unencumbered assets), the amount reported is mainly due to the revaluation of derivatives reported on the Asset side of the Bank's balance sheet (75% of the reported amount); tangible assets such as fixed assets, fixtures and fittings and others represent 5% of the total amount reported; other items, particularly intangible assets, goodwill, deferred taxation, etc. represent individually less than 1% of the total reported amount.

LIQUIDITY RESERVE

The Group's liquidity reserve encompasses cash at central banks and assets that can be used to cover liquidity outflows under a stress *scenario*. The reserve assets are available, i.e. not used as a guarantee or as collateral on any transaction. They are included in the reserve after applying a haircut to reflect their expected valuation under stress. The Group's liquidity reserve contains assets that can be freely transferred within the Group or used to cover subsidiaries' liquidity outflows in the event of a crisis: non transferrable excess cash (according to regulatory ratio definition) in subsidiaries are therefore not included in the Group liquidity reserve.

The liquidity reserve includes:

- Central Bank deposits, excluding mandatory reserves;
- High-Quality Liquid Assets (HQLAs), which are securities that are quickly transferable on the market *via* sale or repurchase transactions; these include government bonds, corporate bonds and equities listed on major indices (after haircuts). These HQLAs essentially meet the eligibility criteria for the LCR, according to the most recent standards known and published by regulators. The haircuts applied to HQLA securities are in line with those indicated in the most recent known texts on determining the numerator of the LCR;
- non-HQLA Group assets that are central bank-eligible, including receivables as well as covered bonds and securitisations of Group receivables held by the Group.

The composition of the liquidity reserve is reviewed regularly by a special committee comprising the Finance Division, the Risk Division and the Management of the GBIS pillar, and is adjusted by authorisation of the Finance Committee.

	31st DEC. 2014	31st DEC. 2013
Central bank deposits (excluding mandatory reserves)	48	60
HQLA securities available and transferable on the market (after haircut)	75	78
Other available central bank-eligible assets (after haircut)	17	35
Total	**140**	**174**

The Group's liquidity reserve covered 168% of short-term funding needs at 31st December 2014 (market resources with residual maturities of less than one year), against 145% at 31st December 2013.

REGULATORY RATIOS

The Basel Committee, which acts at an international level, recommends the implementation of two standard ratios with harmonised parameters which are intended to regulate bank liquidity risk profile:

- the Liquidity Coverage Ratio (LCR) aims to ensure that banks hold enough liquid assets or cash to survive a significant stress combining a market crisis and specific stress lasting for one month. This ratio is scheduled to come into force on 1st January 2015;
- the Net Stable Funding Ratio (NSFR) is a transformation ratio and compares funding needs with stable resources over a one-year period. This ratio is scheduled to come into force on 1st January 2018.

The Basel Committee stabilized its final version of the texts dedicated to (respectively) LCR in January 2013 and NSFR on 31st October 2014.

The transposition of Basel 3 in European Union law, CRD4 and CRR1 was published on 27th June 2013, and is to be implemented by 1st January 2014. The French transposition has been published in Journal Officiel on 5th November 2014.

The LCR definition was finalized on the bases of technical standards issued by EBA, through a Delegated Act set by the European Commission on 10th October 2014. The LCR is to enter in force at European level on 1st October 2015. The minimal requirement is fixed at 60% from 1st October 2015 onwards, with a phasing up to 100% fully implemented by 1st January 2018.

On NSFR side, subsequent to an EBA opinion report, the European Commission will submit a legislative proposal to European Parliament and Council by end-2016.

After the implementation of Basel standard in the internal steering standards on a Group-wide basis, in 2014, Societe Generale started the implementation of the European regulations. At Group level, the LCR is now monitored through European rules. Up to the stabilization of the European rules regarding the NSFR, at Group's level, the NSFR will be managed according to the Basel rules. Societe Generale's LCR was in excess of 100% throughout 2014 including on 31st December 2014.

This is the consequence of significant efforts made since the crisis to reinforce the Group's liquidity reserves and to extend the average maturity of the Group's short-term liabilities and to reduce the short-term funding reliance. It also demonstrates the Group's ability to withstand a severe combined, specific and widespread liquidity crisis.

The Group liquidity position in terms of ACP ratio was also well in excess of the minimum requirements throughout the whole year of 2014.

BALANCE SHEET SCHEDULE

The main lines comprising the Group's financial liabilities are presented in Note 30 to the consolidated financial statements, under the following template:

		31st DEC. 2014				
(In billions of euros)	**Note to the consolidated financial statements**	**0-3M**	**3M-1YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Due to central banks		4,607	0	0	0	4,607
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 6	196,837	12,995	22,072	33,195	265,098
Due to banks	Note 17	63,640	7,722	16,786	3,143	91,290
Customer deposits	Note 18	271,007	24,947	32,165	21,617	349,735
Securitised debt payables	Note 19	29,003	29,716	33,844	16,095	108,658
Subordinated debt	Note 24	185	828	3,599	3,493	8,104

Note: The scheduling assumptions for these liabilities are presented in Note 30 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives. Consequently, the impact of the debt revaluation linked to own credit risk and interest accrued at 31st December 2014 are not scheduled.

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

		31st DEC. 2014				
(In billions of euros)	**Note to the consolidated financial statements**	**0-3M**	**3M-1YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Cash, due from central banks	Note 5	54,222	645	1,382	817	57,065
Financial assets at fair value through profit or loss, excluding derivatives	Note 6	318,736	2,021			320 757
Available-for-sale financial assets	Note 8	125,442	14,453		3,827	143,722
Due from banks	Note 9	64,599	3,411	9,822	3,910	81,742
Customer loans	Note 10	87,684	47,220	125,517	83,947	344,368
Lease financing and similar agreements	Note 11	2,470	5,168	13,490	4,870	25,999

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

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

1. Assets measured at fair value through profit or loss, excluding derivatives (customer-related trading assets)
   - Positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than 3 months.
   - Positions measured using observable data other than quoted prices (L2 accounting classification): maturity of less than 3 months.
   - Positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year.
2. Available-for-sale assets (insurance company assets and Group liquidity reserve assets in particular)
   - Available-for-sale assets measured using prices quoted on active markets: maturity of less than 3 months.
   - Bonds measured using observable data other than quoted prices (L2): maturity of 3 months to 1 year.
   - Finally, other securities (shares held long-term in particular): maturity of more than five years.

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

OTHER LIABILITIES

	31st DEC. 2014						
(In billions of euros)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3M**	**3M-1YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Revaluation difference on portfolios hedged against interest rate risk		10,166					10,166
Tax liabilities	Note 13			990		426	1,416
Other liabilities	Note 20		75,124				75,124
Non-current liabilities held for sale				505			505
Underwriting reserves of insurance companies	Note 32		13,104	7,564	28,226	54,403	103,298
Provisions	Note 22	4,492					4,492
Shareholders' equity		55,168					55,168

OTHER ASSETS

	31st DEC. 2014						
(In billions of euros)	**Note to the consolidated financial statements**	**Not scheduled**	**0-3M**	**3M-1YR**	**1-5 YRS**	**> 5 YRS**	**TOTAL**
Revaluation difference on portfolios hedged against interest rate risk Held-to-maturity financial assets		3,360					3,360
Held-to-maturity financial assets	Note 12					4,368	4,368
Tax assets	Note 13	7,447					7,447
Other assets	Note 14	65,238					65,238
Non-current assets held for sale			866				866
Investments in subsidiaries and affiliates accounted for by the equity method						2,796	2,796
Tangible and intangible fixed assets	Note 15					17,917	17,917
Goodwill	Note 16					4,331	4,331

1. Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.
2. Held-to-maturity financial assets have a residual maturity of more than five years.
3. Other assets and Other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.
4. The notional maturities of commitments in derivative instruments are presented in Note 30 to the consolidated financial statements. The net balance of transactions in derivatives measured at fair value through profit or loss on the balance sheet is EUR -5,453 million (according to the rules set hereabove, it would be classified as a trading liability < 3 months, see Note 6 to the consolidated financial statements).
5. Non-current assets held for sale have a maturity of less than 1 year, as do the associated liabilities.
6. Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than 5 years.
7. Provisions and shareholders' equity are not scheduled.

10. COMPLIANCE, REPUTATIONAL AND LEGAL RISKS

COMPLIANCE

Compliance means to act in accordance with applicable banking and financial rules, including laws and regulations as well as professional, ethical or internal standards.

Fair treatment of customers and, from a more general standpoint, the integrity of banking and financial practices, contribute decisively to the reputation of our institution.

By ensuring that these rules are observed, the Group is working to enhance a key asset, namely the trust of its customers, other counterparties and employees, and of the various regulatory authorities to which it answers.

Compliance System

Independent compliance structures have been set up within the Group's different businesses around the world in order to identify and prevent any risks of non-compliance.

The Group's Corporate Secretary is the Chief Compliance Officer.

He is assisted in these duties by the Compliance Department, the Group Compliance Committee, and a compliance function consisting of a coordinated network of Compliance Officers operating in all Group entities.

COMPLIANCE DEPARTMENT

The Compliance Department is divided into three cross-business departments responsible for: (i) the Group's financial security (prevention of money laundering, terrorism financing and tax fraud; "know your customer" obligations; embargoes and financial sanctions; the fight against corruption), (ii) developing and maintaining consistent standards for the function and promoting compliance values, (iii) managing IT tools and the system of compliance controls within the Group.

The Compliance Department verifies that all compliance laws, regulations and principles applicable to the Group's banking and investment services activities are observed, and that all staff respect codes of good conduct and individual compliance. It also monitors the prevention of reputational risk. It provides expertise and performs controls at the highest level for the Group and assists the Corporate Secretary with the day-to-day operation of the function.

Its main tasks are namely: to define, in accordance with the regulators' requests and with legal or regulatory requirements, the policies, principles and procedures applicable to compliance and financial security, and to manage their implementation and monitor their application:

- to ensure that professional and financial market regulations are respected;
- to prevent and manage conflicts of interest;
- to propose the ethical rules to be respected by all Group employees;
- to train and advise employees and raise their awareness of compliance issues;
- to ensure that the role of Head Compliance Officer (RCO) is performed under adequate conditions, by setting out the RCO's prerogatives, ensuring that they have the necessary resources, tools and normative framework while monitoring their correct implementation;
- to build and implement steering and organisation tools for the function: dashboards, forums to share best practices, meetings of the Business Division RCO Committee;
- to coordinate relations between Group entities and French and foreign regulators on matters relating to compliance;
- to generally monitor issues likely to be harmful to the Group's reputation.

GROUP COMPLIANCE COMMITTEE

The Group Compliance Committee meets once a month and is chaired by the Group's Corporate Secretary. The Committee reviews the most significant incidents that occurred over the period across the entire Group and decides on the actions to be taken. It examines key compliance events and initiatives conducted across and within the different business lines, and considers current compliance-related topics. Finally, it monitors any changes in regulations. Aside from representatives from the Compliance function, the Head of Group Internal Control Coordination, the Chief Legal Officer, the Chief Operational Risk Officer and General Inspection representatives sit on the Committee.

COMPLIANCE FUNCTION

Compliance function duties are carried out in the business and corporate divisions by dedicated teams operating under the authority of Compliance Officers. The Compliance Department supervises the function within its own governance framework.

The compliance control system for the businesses comprises four dedicated teams: Group Retail Banking, Private Banking, Investment Banking and Investor Services, and Insurance. The central teams are under the hierarchical authority of the Head of the Compliance Department, except for Insurance, which remains under the Head of Compliance's operational authority. Hierarchical authority over French Retail Banking came into effect in June 2014. French and international subsidiaries are still under the Head of Compliance's operational authority, but under closer supervision. The Compliance Officers implement the governance and principles defined at Group level within their remit. They contribute to the identification and prevention of compliance risks, validation of new products, analysis and reporting

of compliance anomalies, implementation of corrective measures, staff training and promotion of compliance values throughout the Group. They notably rely on a pyramid structure of business line or subsidiary RCOs under their hierarchical or operational authority.

The objectives of the compliance function's structure are:

- to centralise the Group's compliance specialists with the goal of developing expertise in this area;
- to set up cross-business functions aimed at promoting and harmonising compliance values throughout the Group, covering all the Group's business and corporate divisions;
- to establish a clear separation between the advisory and control functions;
- to simplify the compliance system in order to improve information flow and decision-making.

GROUP FINANCIAL SECURITY SYSTEM

The financial security system rests on two pillars:

- the Group Financial Security Department, in charge of:
  - defining the standards and policy applied at Group level, in cooperation with the Legal department, monitoring its implementation and circulating new regulatory provisions while providing guidelines for operational departments, primarily through a dedicated compliance portal,
  - organising and managing the Financial Security system within the Group, as well as raising the business lines' awareness of these particularly complex and evolving issues,
  - reporting suspicious activity to TRACFIN for all of the Group's French entities (except Crédit du Nord and Boursorama Banque), as well as submitting reports of asset freezes and authorisation requests to the French Treasury for Societe Generale SA. For entities established outside France, the Anti-Money Laundering Officers (AMLOs) report suspicious activity to the local authorities;
- the business line RCOs and a structured network of AMLOs at the entity level are responsible for ensuring that the financial security system is properly implemented at the entities within their division.

Compliance values

Compliance and adherence to ethical rules that meet the profession's highest standards are part of the Societe Generale Group's core values. These values are shared by its entire staff and not just by a handful of experts.

The Group has developed a strict body of compliance procedures and rules of good conduct. The Group's Code of Conduct was rewritten as a directive in January 2013. These rules go beyond applicable legal and regulatory provisions, particularly in countries that do not meet Societe Generale's own ethical standards.

In the banking sector, compliance values are primarily about:

- refusing to work with customers or counterparties on which it cannot gather enough information to meet due diligence standards;
- knowing how to assess the economic legitimacy of a transaction;
- being able to justify an adopted position under any circumstances.

Accordingly, the Group:

- does not carry out transactions within countries, and does not enter into relations with individuals or businesses, whose activities fall outside of the law or are contrary to the principles of responsible banking;
- refuses to conduct transactions with clients or counterparties if it is unable to determine the economic legitimacy of these transactions, or where the lack of transparency suggests they may be contrary to accounting and compliance principles;
- provides information that is accurate, clear and not misleading on the products and services it offers and verifies that said products and services are suited to customer needs;
- has established whistleblowing rights which can be exercised by any employees who believe they have good reason to think that an instruction received, a transaction under consideration or, in general, a given situation does not comply with the rules that govern the conduct of the Group's activities.

Societe Generale has strict rules on the prevention of corruption, which are included in the Code of Conduct and comply fully with the strictest regulations on the matter, and particularly the UK Bribery Act. Their implementation is closely monitored. Information on provisions and mandatory controls has been circulated since 2001 in the form of instructions, which are updated on a regular basis and applied throughout the Group.

Compliance tools and applications

Various IT applications have been developed with the aim of ensuring compliance with current regulations and detecting breaches or situations requiring special attention:

- profiling/*scenario* management tools that trigger alerts when unusual account flows or transactions are detected, especially for retail banking. They particularly apply in the prevention of terrorism financing and money laundering, and in the detection of market abuse, price manipulation and insider trading;
- tools used to filter data based on pre-defined lists (internal lists, external databases, etc.) that trigger alerts when certain people, countries or activities targeted by sanctions and embargoes are detected;
- risk reporting/evaluation tools that provide reports/statements on specific characteristics of an entity, core business, business line or client in order to notify the relevant authorities (management, senior management, regulators, etc.). Of particular note is a tool for mapping and assessing compliance risks, a reporting tool for personal transactions, a set of tools to manage lists of insiders and conflicts of interests and a cross-business tool used to meet the Group's regulatory obligations, particularly regarding disclosure when share ownership thresholds are crossed.

These tools are regularly updated to incorporate regulatory changes and improve their efficiency.

2014 Initiatives

STREAMLINING OF GROUP COMPLIANCE TOOLS

The Group compliance tools were mapped out in 2013, an exercise that underscored the benefits of improving coverage of compliance-related issues using harmonised, tried and tested tools as well as the benefits of optimising costs by prioritising the standardisation and pooling of applications where possible.

This effort was continued in 2014 with an analysis of the suitability of the tools used to address financial security and market abuse. In addition, a multi-year action plan and budget to streamline the Group's compliance applications were also validated.

FURTHER INITIATIVES TO SPREAD GROUP COMPLIANCE VALUES

In 2014, a central team was created to handle the coordination and standardisation of compliance procedures. What's more, several initiatives were carried out in the following areas:

Training:

- various initiatives were launched on sensitive issues, including an e-learning module on embargoes, illustrated documentation to raise awareness of embargo risks and videos addressing employee ethics;
- a compliance risk awareness module was offered to new employees;
- a series of factsheets summarising compliance directives and instructions was distributed Groupwide.

Governance of the Compliance function's normative framework:

- expertise on the main compliance issues was enhanced with the appointment of specialists in areas such as FATCA (Foreign Account Tax Compliance Act - see inset below), the CRS (Common Reporting Standard), conflicts of interest and other matters such as customer protection;
- the instruction governing the Group's policies and procedures was updated and an instruction on relations with exchanges was published;
- production and validation of Group policies and procedures was centralised;
- finally, adaptation of new national and supranational regulations continued in 2014, with special emphasis on regulations calling for the separation of certain activities (i.e. the French 2013 Banking Law and the Volcker Rule), MiFID 2 (directive and regulation on markets in financial instruments), the DFA (Dodd-Frank Act), EMIR (European Market Infrastructure Regulation), FATCA and rules on embargoes and economic sanctions (see insets below).

Law on the Separation and Regulation of Banking Activities/Volcker Regulation: general governance

The French Banking Law of 26th July 2013 addressed several issues related to the banking sector, with a main focus on separating activities deemed useful for the funding of the economy from "speculative" activities, notably including proprietary transactions in financial instruments. As from 1st July 2015, such proprietary transactions must be ring-fenced in a separate subsidiary that is capitalised and supervised on an individual basis. Some activities will be excluded from the scope of speculative transactions, such as market-making, hedging against the bank's risks and sound, conservative cash management activities.

The Volcker reform - an integral part of the Dodd-Frank Act of 21st July 2010 - entered into force on 1st April 2014. However, banks have until 21st July 2015 to comply. The main objective of this global reform is to regulate:

- short-term speculation by banks for proprietary trading purposes;
- acquisition by a bank of capital in hedge funds or certain types of private equity funds (covered funds).

Like the French Banking Law, the Volcker reform provides banks with a certain number of exceptions (market-making, risk hedging, cash management, investing in certain non-US funds, activities conducted completely outside the United States, etc.).

Societe Generale has set up Project Governance at Group level with the aim of jointly and consistently implementing the Volcker regulation and the Banking Law of 26th July 2013.

So far, the main initiatives have been:

- to analyse and map out the activity of the trading desks to ensure that each desk is able to observe both regulations within its remit. Compliance-related work has included analysing the differences between the two regulations and adapting internal policies and procedures accordingly; developing a series of first and second level controls; organising training courses for the relevant teams; defining the automated certification process and establishing Banking Law/Volcker Regulation corporate governance in preparation for the post-project phase;
- to set up the future proprietary trading subsidiary (which will mainly carry out arbitrage activities). The subsidiary, which will be registered as an investment firm, is currently in the process of being created and its authorisation request is under review by the ACPR;
- to define a cross-business structure responsible for overseeing the implementation of the French Banking Law and the Volcker Regulation by the other businesses (Retail Banking and Private Banking in particular).

The Societe Generale Group is also closely monitoring developments in the European draft banking structural reform (the "Barnier reform"), in conjunction with professional associations. To this end, it is actively participating in discussions under way to ensure that the draft reform does not undermine the funding of the economy or the universal banking model.

MiFID 2

The Markets in Financial Instruments Directive (MiFID), which entered into force in November 2007, governs investment services in the area of financial instruments as well as the operation of traditional marketplaces and other trading venues (e.g. MTF, OTC).

Two Level 1 texts were adopted on 15th May 2014: the MiFID 2 Directive and the MiFIR 2 Regulation, referred to collectively as MiFID 2. The Member States have until 3rd July 2016 to transpose the revised directive into national legislation. For the most part, the regulation will be take effect in all EU Member States as from 3rd January 2017.

An ESMA Consultation process on Level 2 measures under MiFID 2 was completed on 1st August 2014. Societe Generale, along with the principal marketplace associations (FBF, AMAFI, AFME, ISDA, etc.) took part in the consultation, with a focus on priority issues such as:

- investor protection (investment advice, compliance function, handling of complaints, recordings, product governance, asset custody, conflicts of interest, securities underwriting, placement, remuneration policies and procedures, provision of information, costs and fees, inducements, product suitability, reporting to clients, product intervention, etc.);
- transparency (criteria for determining whether equity instruments are considered liquid; systemic internaliser regime; clear delineation between bonds, structured finance products and money market instruments; transparency for non-equity instruments, etc.);
- market micro-structural issues (trading and direct electronic access);
- commodity derivative markets (position limits, reporting on positions);
- reporting on market data.

At the same time, Societe Generale set up a working group jointly run by the Legal and Compliance departments, in charge of coordinating the work being done by the different businesses on their respective implementation projects and pooling resources and knowledge on MIFID 2-related issues.

Dodd-Frank Act (DFA)

The US DFA reform (particularly Title VII), enacted in July 2010, aimed at regulating trading of most over-the-counter derivatives on organised markets and electronic platforms as well as how they are cleared through clearing houses. The European equivalent of this new regulatory system was launched with the MiFID system in 2007 and is ongoing, especially with the EMIR, Market Abuse II and MiFID II reforms.

DFA followed on from commitments made at the G20 Pittsburgh Summit in September 2009. In particular, these obligations were imposed on swap dealers, i.e. financial institutions whose dealings in over-the-counter derivatives with US counterparties are above a certain threshold. Societe Generale and all of its branches are registered as swap dealers with the US authorities. The provisions of the Dodd-Franck Act have gradually taken effect since the end of 2012.

For the past several years, Societe Generale has been conducting an overhaul of trading and transaction processes in all relevant branches to ensure they comply with the new DFA requirements. A control plan defined in early 2014 is currently being rolled out Groupwide to cover regulatory risks. Societe Generale also recently appointed a DFA Chief Compliance Officer (CCO), who will represent the bank with respect to the US Commodity Future Trading Commission and prepare a DFA CCO Report each year.

EMIR (European Market Infrastructure Regulation)

EMIR is the European equivalent of the US Dodd-Frank Act in terms of provisions governing post-trade activities. EMIR, passed on 4th July 2012, entered into force on 16th August 2012, but its effective application depends on the gradual adoption of a certain number of technical standards by European regulatory authorities. Like the Dodd-Frank Act, EMIR was adopted after the 2008 financial crisis and the G20 Pittsburgh Summit with the aim of regulating over-the-counter (OTC) derivatives.

EMIR imposes three kinds of obligations:

- clearing of OTC derivatives considered by ESMA to be eligible for clearing;
- risk mitigation techniques for derivatives not cleared by a central counterparty. The most important obligation is related to the exchange of collateral for non-cleared derivatives and is expected to enter into force in December 2015;
- reporting to central repositories on OTC derivatives or derivatives traded on electronic trading platforms.

All EMIR obligations apply to financial counterparties. They also apply to non-financial counterparties that have exceeded certain clearing thresholds. Non-financial counterparties that have not exceeded these clearing thresholds will be subject neither to clearing nor collateral exchange obligations.

The client onboarding phase is well under way with respect to risk mitigation measures.

Future considerations have to do with clearing and the exchange of initial and variation margins for non-cleared transactions. Extensive legal documentation will need to be drafted, including hundreds and potentially thousands of contracts to be documented (such as collateral pledges).

FATCA (Foreign Account Tax Compliance Act)

FATCA entered into force on 1st July 2014, making foreign financial institutions (FFIs) responsible for identifying US persons in their customer databases for the purpose of reporting income directly or indirectly received by said persons to the US Internal Revenue Service (IRS).

FATCA has predominantly been implemented outside the United States via bilateral agreements between the US and about a hundred other countries (which have already signed or pledged to do so by the end of 2014), transposed into national law in order to make FATCA mandatory, resolve national legal obstacles (banking secrecy, data protection) and facilitate local implementation.

The Societe Generale Group began the execution and implementation of the regulatory due diligence requirements in July 2014: oversight of the management of the FATCA status of Group entities, identification of US persons among its existing and prospective customers, and establishment of the internal compliance control system centred on the business division RCOs. Developments to adapt reporting tools and processes are in the final phase, in line with the 2015 regulatory timetable.

At the same time, the Group is organising an operational impact analysis to assess the effects of the new OECD Common Reporting Standard (CRS), scheduled to take effect on 1st January 2016 in the initial participating countries, including France (reporting in September 2017).

Embargoes and economic sanctions

2014 was a big year for international sanctions.

Fewer and fewer embargoes and economic sanctions are being initiated by the United Nations Security Council, due to the diverging opinions among its 5 permanent members. They are now being decided by the individual stakeholders (governments, the European Union, etc.) in a complex international and geopolitical environment. Their scope has broadened with the advent of new conflicts (e.g. between Ukraine and Russia) and the extension of older conflicts in the Middle East (Syria, Iraq, etc.).

Embargoes and economic sanctions target day-to-day financial relations by depriving the subjects of the embargo or sanction of the direct or indirect use of their assets all around the world, sometimes *via* the currency used.

The multiple jurisdictions involved, the evolving nature of regulations, and the overlapping of financial channels make economic sanctions complex, require an understanding of the spirit in which the founding texts were drafted, and call for constant efforts to update procedures.

As a group with operations all around the world, Societe Generale has defined guidelines that are re-issued with each update in all its businesses and countries of operation, and ensures that they are properly applied.

ENHANCEMENT OF THE COMPLIANCE RISK IDENTIFICATION AND MANAGEMENT SYSTEM

2014 saw continued progress in our approach to compliance risks:

- compliance is one of the three functions involved in the performance of second level permanent controls. Efforts to significantly reinforce the function began with the recruitment of control staff - independent from the business lines - during the year. In their duties, they will be able to draw on the streamlining of compliance controls in recent years, and particularly on the classification of controls according to a normative control chart used by the entire Group;
- efforts to begin mapping out compliance processes were launched as part of the overall review of the completeness of processes at Group level. A position was created in the Compliance Department to complete this project;
- the Group's most significant anomalies are reported to the Group Compliance Committee within a structured framework, using a regularly improved application. This system provides an opportunity to exchange and share best practices. Any sanctions imposed on the Group are extensively analysed and systematically give rise to corrective measures;
- recommendations issued by regulators are monitored using an application designed to follow up on internal audit recommendations;
- in the Group's investment banking activities, the main risk areas are being identified and qualified through i) a review of all regulations in force and ii) initiatives to ensure these regulations are observed (training, publication of instructions, application of procedures and associated controls, etc.). This work is gradually being expanded to include the Group's French and International Retail Banking activities;
- two dashboards are submitted to the Group Executive Committee (COMEX) each quarter and to the Audit, Internal Control and Risk Committee (CACIR) each half-year: the reputational risk dashboard produced since 2012, the presentation of which was reviewed, and the compliance dashboard produced since 2014, presenting highlights of the quarter, a closer look at four compliance issues (financial security, customer protection, relations with regulators and market abuse), and a few synthetic indicators.

IMPLEMENTATION OF COMPLIANCE POLICIES

GROUP FINANCIAL SECURITY

Three components of financial security - prevention of money laundering, KYC, and embargoes and financial sanctions - are considered as priorities in the analysis and performance of Societe Generale Group processes.

The main events in 2014 were:

Prevention of money laundering, terrorism financing and tax fraud

- The COSI project (systematic reporting to TRACFIN) was continued, with the inclusion of international credit transfers and cash deposits/withdrawals.
- A study was launched on the possibility of an AML supervision application for the Group.
- An instruction on the "prevention of money laundering, terrorism financing and tax fraud in the Societe Generale Group outside France" was updated.

Know Your Customer

- The adaptation of the Group KYC Instruction continued in the business divisions, particularly in the retail banking and financial services entities in France and abroad.
- The effective beneficiary identification threshold was aligned with the European and international standard.

Embargoes and financial sanctions

The normative framework was enhanced with the establishment of new instructions and procedures:

- the Group Instruction was adapted in the International Retail Banking and Financial Services division;
- the standardisation of the policy on sanction-related clauses in the Group's legal documentation was begun;
- an e-learning module on embargoes and financial sanctions was put online;
- work was continued on the Group's filtering tools, particularly for new types of messages (e.g. SWIFT MX).

Fight against corruption

E-learning modules continued to be distributed in 2014.

The contract review launched in 2013 was continued and anti-corruption clauses were introduced.

EMPLOYEE TRANSACTIONS

Observation of the Compliance Charters is a constant obligation under Societe Generale's rules of conduct. Procedures and their proper application are closely examined, including those related to supervision of external personnel.

CROSSING OF SHARE OWNERSHIP THRESHOLDS

The cross-business tool for monitoring ownership of shares and voting rights in listed issuers ensures worldwide compliance (108 countries) with regulations regarding the crossing of share ownership thresholds (legal, statutory, or during public offer periods). It monitors all shares and derivatives with equity underlyings held by the Societe Generale Group, calculated according to the rules outlined by each country's laws. In 2014, the Group consolidated its positions in Rosbank and Newedge.

CONFLICTS OF INTEREST

The 2012 publication of an instruction on the prevention and management of conflicts of interest provided an opportunity to identify the principles and mechanisms that need to be implemented for their appropriate management.

The policy addresses potential conflicts of interest liable to involve the Group on one hand, and its customers or members of staff on the other. It maps out potential conflicts of interest arising in the provision of investment services or related services.

A documented record of conflicts of interest is regularly updated in the investment banking business line, including the Securities Services activities and LYXOR. A conflicts of interest record was also established in Societe Generale's domestic network.

MARKET ABUSE

In order to adapt to technological change (development of new trading platforms) and the growing number of areas subject to manipulation (particularly indices) and to incorporate regulatory developments already known to the Group, special efforts are made to raise employee awareness - including the staff of the retail banking arm - of ad hoc procedures and their application in all business divisions, and of ongoing developments in detection and analysis tools.

CUSTOMER PROTECTION

Customer protection is crucial for the development of quality customer relations. As such, it is a key consideration for the Group. Among the initiatives undertaken in 2014 was the Compliance function's contribution to the definition of products through its participation in the New Product Committee, where it establishes pre-requisites if needed. In addition, Compliance closely monitors customer complaints in order to identify inappropriate procedures or offers. Finally, the Group is preparing to implement the new customer protection requirements provided for under MiFID 2, which will be applicable from 2017.

LOOKING AHEAD TO 2015

In 2015, the Group intends to accentuate and ramp up the transformation plan defined in 2013 and initiated in 2014.

The Group has decided to conduct a compliance-oriented project from 2015 to 2018. The project will see a substantial increase in resources provided to the function, both in terms of IT investments (to update priority applications) and staff allocated to compliance (mainly to the Compliance Department). Its objectives are to continue reinforcing priority functions, the central system for monitoring the application of regulations (including training, harmonisation and a regulatory watch), financial security, permanent control, customer protection, market integrity (including prevention of conflicts of interest) and reporting quality.

RISKS AND LITIGATION

The group reviews in detail every quarter the disputes presenting a significant risk.

- In October 2005, the official receivers in charge of the restructuring plans of Moulinex and Brandt, companies that were put into bankruptcy in 2001, initiated a lawsuit against member banks of syndicated loans granted to Moulinex in 1997 and to Brandt in 1998. They are seeking compensatory damages to indemnify the creditors for the banks' alleged improper financial support to the aforementioned companies. The compensatory damages sought against Societe Generale and Credit du Nord amount to EUR 192.4 million and EUR 51.7 million, respectively.

  Societe Generale and Crédit du Nord only held a share of the syndicated loans. They vigorously oppose the claims since after attempting to support Moulinex and Brandt based on serious and credible recovery plans, the banks were the first victims of the collapse of Moulinex and Brandt. In decisions dated 28th June 2013, the Nanterre Commercial Court dismissed all the claims of the receivers in charge of the restructuring plans. In two decisions dated 29th January 2015, the Versailles Court of Appeal upheld these decisions.

- Societe Generale, along with numerous other banks, financial institutions, and brokers, is subject to investigations in the United States by the Internal Revenue Service, the Securities and Exchange Commission, the Antitrust Division of the Department of Justice, and the attorneys general of several states for alleged non-compliance with various laws and regulations relating to their conduct in the provision to governmental entities of Guaranteed Investment Contracts (GICs) and related products in connection with the issuance of tax-exempt municipal bonds. Societe Generale is cooperating fully with the investigating authorities.

  Several lawsuits were initiated in US courts in 2008 against Societe Generale and numerous other banks, financial institutions, and brokers, alleging violation of US antitrust laws in connection with the bidding and sale of GICs and derivatives to municipalities. These lawsuits were consolidated in the US District Court for the Southern District of New York in Manhattan. Some of these lawsuits are proceeding under a consolidated class action complaint. In April 2009, the court granted the defendants' joint motion to dismiss the consolidated class action complaint against Societe Generale and all the other defendants except three. A second consolidated and amended class action complaint was filed in June 2009. Societe Generale's motion to dismiss the second consolidated and amended class action complaint was denied and the proceeding is continuing as to Societe Generale and numerous other providers and brokers. The class plaintiffs filed a third amended class action complaint in March 2013, to which Societe Generale has not yet responded. In addition, there are other actions that are proceeding separately from the consolidated class action complaint, including another purported class action under the US antitrust laws and California state law as well as lawsuits brought by individual local governmental agencies. Motions to dismiss the complaints have been filed in these related proceedings. The motions to dismiss have been denied in their entirety or in part, and discovery is now proceeding.

- On 24th October 2012 the Court of Appeal of Paris confirmed the first judgment delivered on 5 October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion as compensation for the financial loss suffered by the bank. On 19th March 2014, the Supreme Court definitively confirmed the criminal liability of J. Kerviel. This decision put an end to the criminal proceedings. On the civil front, the Supreme Court has departed from its traditional case law regarding the compensation of victims of criminal offences against property. The case will now be heard by the Versailles Court of Appeal before which the case was remanded.

- 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 Turkey against its insurance carriers and Goldas Group entities. Goldas, for its part, recently launched various proceedings in Turkey against Societe Generale. 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 and proceedings in France against its insurers are still underway. A provision has been made.

- Societe Generale Algeria (SGA) and several of its branch managers have been prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries. The defendants are accused of having failed to make complete or accurate statements to the Bank of Algeria on movements of capital in connection with exports or imports made by clients of SGA. The events were discovered during investigations by the Bank of Algeria, which subsequently filed claims. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings while charges were dropped in other ones. All the proceedings went to the Supreme Court. To date, six cases have been terminated in favor of SGA and thirteen remain pending for a cumulative amount of EUR 106.92 million.

- In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing.

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

  On 20th September 2010, after several years of investigation, the French competition authority considered that the joint implementation and setting of the amount of the CEIC and of two additional fees for "related services" were in breach of competition law. The authority fined all the participants to the agreement (including the *Banque de France*) a total of nearly 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 million.

  However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except *Banque de France*, upheld the absence of any competition law infringement, allowing the banks to recoup the fines paid. The French competition authority has filed an appeal before the Supreme Court.

- Societe Generale Private Banking (Suisse), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. ("SIBL"), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16th February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants bear some responsibility for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are alleged to have been fraudulent transfers.

  Societe Generale Private Banking (Suisse)'s motion to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5th June 2014. Societe Generale Private Banking (Suisse) then filed another motion for reconsideration of this decision. On 8th September 2014, the judge handed down a decision confirming the jurisdiction of the US Court. On 21st October 2014, Societe Generale Private Banking (Suisse) filed an ultimate motion, a *Notice for Supplemental Authority*, for the judge to reconsider his decision given a recent case law's evolution. On 9th December 2014, the judge rejected this motion, thus confirming his jurisdiction. Motions to dismiss these claims on substantive grounds remain pending.

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

- Societe Generale, along with other financial institutions, has received formal requests for information from several authorities in Europe, the United States and Asia, in connection with investigations regarding submissions to the British Bankers Association for setting certain London Interbank Offered Rates ("LIBOR") and submissions to the European Banking Federation for setting the Euro Interbank Offered Rate ("EURIBOR"), as well as trading in derivatives indexed to various benchmark rates. Societe Generale is cooperating fully with the investigating authorities.

  Societe Generale, along with other financial institutions, was named as a defendant in two putative class actions 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. These actions, which have been brought by purchasers of certain over the counter derivative contracts and purchasers of certain exchange-listed derivatives contracts, respectively, are pending before a single judge in the United States District Court in Manhattan. On 23rd June 2014, the court dismissed the claims against Societe Generale in these two putative class actions. On 13th February 2015, the plaintiffs in these actions appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

  Societe Generale, along with other financial institutions, has been named as a defendant in a third putative class action in the United States District Court in Manhattan in connection with its involvement in the setting of US Dollar LIBOR that alleges violations of various state antitrust laws, and is brought on behalf of those who owned preferred equity securities on which dividends were payable at a rate linked to US Dollar LIBOR rates. Societe Generale along with other financial institutions, has been named as a defendant in a fourth putative class action in the same court also in connection with its involvement in the setting of US Dollar LIBOR. This action alleges violations of California law and common law fraud and is brought on behalf of United States residents who purchased US Dollar LIBOR-based adjustable rate mortgages. Motions to dismiss this fourth putative class action have been filed. Societe Generale also has been named as a defendant in several actions pending in the United States District Court in Manhattan by "opt out" plaintiffs that make substantially the same allegations as those made in the class actions. Motions to dismiss the "opt out" actions have been filed.

  Societe Generale, along with other financial institutions, also has been named as a defendant in a putative class action in the United States District Court in Manhattan that alleges violations of, among other laws, United States antitrust laws and the United States Commodity Exchange Act, and is brought on behalf of purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange which are alleged to have traded at artificial levels due to alleged manipulation of Yen LIBOR and Euroyen TIBOR rates. On 28th March 2014, the court dismissed the antitrust claims, among others, but permitted certain Commodity Exchange Act claims to proceed. The court denied the defendants' motion seeking reconsideration of its decision to allow certain Commodity Exchange Act claims to proceed.

  Societe Generale, along with other financial institutions, also has been named as a defendant in a putative class action in the United States District Court in Manhattan that alleges violations of, among other laws, United States antitrust laws, the United States Commodity Exchange Act in connection with a Euro denominated index. The action is brought on behalf of purchasers or sellers of EURIBOR-linked futures contracts on the NYSE LIFFE exchange or Euro currency futures contracts on the Chicago Mercantile Exchange which are alleged to have traded at artificial levels due to alleged manipulation of EURIBOR rates.

  Societe Generale, along with other financial institutions, has been named as a defendant in litigation in Argentina brought by a consumer association on behalf of Argentine consumers who held government bonds or other instruments that paid interest tied to US Dollar LIBOR that alleges violations of Argentine consumer protection law in connection with an alleged manipulation of the US Dollar LIBOR rate. Societe Generale has not yet been served with the complaint in this matter.

On 4th December 2013, the European Commission issued a decision further to its investigation into the EURIBOR rate, that provides for the payment by Societe Generale of EUR 445.9 million in relation to events that occurred between March 2006 and May 2008. Societe Generale has filed an appeal with the Luxembourg Court regarding the method used to determine the value of the sales that served as a basis for the calculation of the fine.

- On 10th December 2012, the Council of State made two rulings on the lawfulness of withholding tax (précompte), a tax which has now been abolished. It concluded that this tax violated EC law and defined the conditions pursuant to which the amounts levied towards the withholding tax should be restituted to companies. The conditions for restitution defined by the Council of State significantly reduce the amount of restitution. In 2005, two companies assigned their rights to restitution to Societe Generale with a limited right of recourse against the assignors. The Council of State's ruling concerns one of the two companies in question (Rhodia). Societe Generale defended its rights in the various proceedings against the French tax authorities before French administrative Courts (Administrative Court, Administrative Court of Appeal, the last decision having been handed down by the Paris Administrative Court of Appeal on 12th December 2014 in the Suez matter), which continue to apply the conditions of restitution of withholding tax defined by the Council of State in its decision of 10th December 2012.

  Seized by several companies, the European Commission considered that the decisions handed down by the Council of State on 10th December 2012, following the decision handed down by the European Court of Justice C-310/09 on 15th December 2011, breach several European law principles. The European Commission informed the plaintiffs, including Societe Generale, that it initiated an infringement procedure against the French Republic by sending a letter of formal notice on 26th November 2014.

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

- Vladimir Golubkov, CEO of Rosbank at the time of the events, and an employee of the bank are under criminal investigation in the Russian Federation on suspicion of corruption.

- On 22nd May 2013, the ACPR launched disciplinary proceedings against Societe Generale in relation to the resources and procedures deployed by it pursuant to the legal requirements relating to the "right to a bank account" (*"Droit au compte"*). On 11th April 2014, the ACPR sanctions commission imposed the following sanctions on Societe Generale: a fine of EUR 2 million, a reprimand, and the publication of the decision. In May 2014, Societe Generale referred this decision to the *Conseil d'Etat*.

- On 7th March 2014, the Libyan Investment Authority (LIA) brought proceedings against Societe Generale before the High Court of England regarding the conditions pursuant to which LIA entered into certain investments with the Societe Generale group. LIA alleges that Societe Generale and other parties who participated in the conclusion of the investments committed acts amounting to corruption. Societe Generale firmly refutes such allegations and any claim tending to question the lawfulness of these investments. Discovery is ongoing. The English Court decided that the trial hearing will take place in January 2017. Also, on 8th April 2014, the Attorney General for the Eastern District of New York served Societe Generale with a subpoena requesting the production of documents relating to various entities and individuals, including the LIA.

- Societe Generale and other banks have been named as defendants in several putative class actions in the United States courts. The plaintiffs allege that the defendants manipulated the price of gold on the London market. Societe Generale is defending these proceedings vigorously.

- On 30th January 2015, the US Commodity Futures Trading Commission served Societe Generale with a subpoena requesting the production of information and documents concerning trading in precious metals conducted since 1st January 2009.

11. OTHER RISKS

EQUITY RISKS

Investment strategies and purpose

Societe Generale Group's exposure to its non-trading equity portfolio relates to several of the bank's activities and strategies. It includes equities and equity instruments, mutual fund units invested in equities, and holdings in the Group's subsidiaries and affiliates which are not deducted from shareholders' equity for the purpose of calculating solvency ratios. Generally speaking, due to their unfavourable treatment under regulatory capital, the Group's future policy is to limit these investments.

- First, the Group has a portfolio of industrial holdings which mainly reflect its historical or strategic relations with these companies.
- It also has some minority holdings in certain banks for strategic purposes, with a view to developing its cooperation with these establishments.
- In addition, the equities that are not part of the trading book include Group shares in small subsidiaries which operate in France and outside of France, and which are not included in its consolidation scope. This includes various investments and holdings that are ancillary to the Group's main banking activities, particularly in Retail Banking France, Corporate and Investment Banking, and Securities Services (private equity activities in France, closely linked with banking networks, stock market bodies, brokerages, etc.).
- Lastly, Societe Generale and certain subsidiaries may hold equity investments related to their asset management activities (particularly seed capital for mutual funds promoted by Societe Generale), in France and outside of France.

Monitoring of banking book equity investments and holdings

The portfolio of industrial holdings has been significantly reduced in recent years, further to the disposal of non-strategic lines. It now includes only a limited number of investments. It is monitored on a monthly basis by the Group's Finance Division, and where necessary value adjustments are recognised quarterly in accordance with the Group's provisioning policy.

The holdings that are ancillary to the Group's banking activity are monitored on a quarterly basis by the Group's Finance Division and, where necessary, value adjustments are recognized quarterly in accordance with the Group's provisioning policy. Private equity activities in France are subject to dedicated governance and monitoring, within the budgets periodically reviewed by the Group's Executive Committee. Investment or disposal decisions take the financial aspects and the contribution to the Group's activities into consideration (supporting clients in their development, cross-selling with flow activities, Corporate and Investment Banking, Private Banking, etc.).

Valuation of banking book equities

From an accounting perspective, Societe Generale's exposure to equities that are not part of its trading book is classified under shares held for sale insofar as the equities may be held for an indefinite period or they may be sold at any time.

Societe Generale Group's exposure to equities that are not part of the trading book is equal to their book value net of impairments.

The following table presents these exposures at end-December 2014 and 2013, for both the accounting scope and the regulatory scope. Regulatory data cannot be reconciled with data from consolidated financial statements, specifically because the regulatory scope excludes equity investments held on behalf of clients by the Group's insurance subsidiaries.

TABLE 63: BANKING BOOK EQUITY INVESTMENTS AND HOLDINGS

(in EUR m)	31st DEC. 2014	31st DEC. 2013
Banking book equity investments and holdings - Accounting scope	15,200	13,294
Of which equities and other (AFS) instruments	13,180	11,160
Of which AFS equities held over the long term	2,020	2,134
Banking book equity investments and holdings - Prudential scope (EAD)	10,799	6,737
Of which listed shares	466	427
Of which unlisted shares	10,333	6,310

* Prudential amounts: 2013 data pro forma for applicable Basel 3 rules. Accounting amounts: restated 2013 amounts of the financial statement further to the coming into force of IFRS 10 and 11 as at 1st January 2014, with retrospective effect.

AFS: Available For Sale.

EAD: Exposure At Default.

With regard to the regulatory scope, the exposure to equities and holdings that are not included in the trading book, and calculated as EAD amounted to EUR 10.8 billion at the end of 2014, versus EUR 6.7 billion at the end of 2013, Basel 3 pro forma. This increase is due primarily to the consolidation of Newedge Group (see Note 2 to the consolidated financial statements).

Changes in fair value are recognised in shareholders' equity under "Unrealised or deferred capital gains and losses". In the event of a sale or durable 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". Dividends received on equity investments are recognised in the income statement under "Dividend income".

For listed shares, the fair value is estimated based on the closing share price. For unlisted shares, the fair value is estimated based on the category of financial instrument and one of the following methods:

- the share of net assets owned;
- the valuation based on recent transactions involving the company's shares (acquisition of shares by third parties, expert valuations, etc.);
- the valuation based on recent transactions involving companies in the same sector (earnings or NAV multiples, etc.).

TABLE 64: NET GAINS AND LOSSES ON BANKING BOOK EQUITIES AND HOLDINGS

(in EUR m)	31st DEC. 2014	31st DEC. 2013
Gains and losses on the sale of shares	163	771
Impairment of assets in the equity portofolio	(28)	(17)
In proportion to the net income on the equities portofolio	63	76
Net gains/losses on banking book equities and holdings	198	830
Unrealised gains/losses on holdings	1,587	1,669
Share included in Tier 1 and Tier 2 capital*	467	588

* Amounts pro forma Basel 3.

Provisioning 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 as a result of one or more events that accurred after the initial recognition of this asset.

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

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above; the value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3 to the consolidated financial statements in chapter 6 of the Registration Document: "Fair value of financial instruments" (p. 375 and following).

Regulatory capital requirements

To calculate the risk-weighted assets under Basel 3, the Group applies the simple risk weight method as defined in the Internal Ratings Based approach for the majority of its non-trading equity portfolio.

Shares in private equity companies are assigned a risk-weighting coefficient of 190%, shares in listed companies a coefficient of 290%, and shares in unlisted companies, including the holdings in our insurance subsidiaries, a coefficient of 370%. Note that private equity shares acquired before January 2008 can be weighted at 150%.

Furthermore, if they are not deducted from own funds, material investments in the capital of finance companies are assigned a weighting coefficient of 250%.

At 31st December 2014, the Group's risk-weighted assets related to its non-trading equity portfolio, and its capital requirements were as follows:

TABLE 65: CAPITAL REQUIREMENTS RELATED TO BANKING BOOK EQUITIES AND HOLDINGS(1)

(in EUR m)			31st DEC. 2014			31st DEC. 2013*		
Equities & holdings	**Approach**	**Weighting**	**Exposure at default**	**Risk weighted assets**	**Capital requirements**	**Exposure at default**	**Risk weighted assets**	**Capital requirements**
Private equity	Standard	150%	123	185	15	95	143	11
Private equity	Simple approach	190%	171	325	26	126	240	19
Financial securities	Simple approach	250%	1,404	3,511	281	1,436	3,590	287
Listed shares	Simple approach	290%	403	1,169	93	298	865	69
Unlisted shares	Simple approach	370%	4,387	16,231	1,299	4,164	15,407	1,233
Total			**6,488**	**21,421**	**1,714**	**6,120**	**20,244**	**1,620**

* Prudential amounts: 2013 data pro forma for applicable Basle 3 rules.

(1) Excluding cash investments.

STRATEGIC RISKS

Strategic risks are defined as the risks inherent to the choice of a given business strategy or resulting from the Group's inability to execute its strategy. They are monitored by the Board of Directors, which approves the Group's strategic direction and reviews them at least once every year. Moreover, the Board of Directors approves strategic investments and any transaction, particularly disposals and acquisitions, that could significantly affect the Group's results, the structure of its balance sheet or its risk profile.

Strategic steering is carried out, under the authority of the General Management, by the Executive Committee, with the assistance of the Group Management Committee. The Executive Committee meets once a week, barring exceptions.

The makeup of these different bodies is laid out in the Corporate Governance chapter of this Registration Document (p. 76 and following). The Internal Rules of the Board of Directors define the procedures for convening meetings as described in Chapter 7 of the Registration Document (p. 541).

RISKS RELATING TO UNDERLYING ACTIVITIES

Activity risk is the risk of taking a loss if expenses incurred are higher than revenues generated. They are managed by the Finance Division through monthly revenue committees. During these meetings, which are chaired by a member of the General Management, the Group's business lines present their results and comment on the state of business, and also present an analysis of their consumption of their budget and scarce resources (especially capital and liquidity).

RISKS RELATING TO INSURANCE ACTIVITIES

Through its insurance subsidiaries, the Group is also exposed to a variety of risks inherent to this business. These include ALM risk management (risks related to interest rates, valuations, counterparties, exchange rates) as well as premium pricing risk, mortality risk and structural risk related to life and non-life insurance activities, including pandemics, accidents and catastrophes (such as earthquakes, hurricanes, industrial disasters, terrorist attacks or military conflicts). The risk monitoring structure related to these risks and related issues are described in Note 32 of the consolidated financial statements and in chapter 6 of the Registration Document (p. 433).

ENVIRONMENTAL AND SOCIAL RISKS

Information on environmental and social risks appears in Chapter 5 of this Registration Document, p. 293 and following.

12. SPECIFIC FINANCIAL INFORMATION

Since June 2008 and in accordance with the recommendations of the Financial Stability Board, Societe Generale has disclosed the information on its exposure with regard to its assets affected by the global financial crisis.

In 2014, the Group continued to actively manage its exposure to risky assets by selling off part of its RMBS CDO portfolio and its CMBS portfolio. Also the Group has liquidated all US RMBS and CMBS residual exotic credit derivatives positions.

There have been no reclassifications from the trading portfolio to the loans and receivables portfolio following the reclassifications in October 2008.

PROVISIONS FOR ASSETS AFFECTED BY THE FINANCIAL CRISIS IN 2008

Assets reclassified on 1st October 2008

On 1st October 2008 the Group reclassified some of its non-derivative financial assets from the "financial assets at fair value through profit or loss" and "available-for-sale financial assets" categories to the "available-for-sale financial assets" and "loans and receivables" portfolios, in accordance with the amendments to IAS 39 and IFRS 7. In the case of structured products, the asset write-down process is triggered by events affecting the underlying assets: outstanding payments, defaults or losses. Generally, this situation occurs before the actual asset default is recorded (for example CDOs - Collateralised Debt Obligations).

Since 2009, the Group has carried out quarterly impairment tests on these assets. These tests are designed to estimate the total incurred loss after netting of protection. They are based on estimates of expected future cash flows which take account of:

- the performances observed for underlying assets; and
- estimated of incurred losses on underlying assets based on a statistical approach.

The resulting total impairment is booked under net cost of risk. This is one of the main procedures for monitoring reclassified assets.

At 31st December 2014, provisions for reclassified financial assets amounted to EUR 2.5 billion unchanged versus the amount at 31st December 2013.

UNHEDGED POSITIONS IN CDO (COLLATERALISED DEBT OBLIGATIONS) TRANCHES EXPOSED TO THE US REAL ESTATE SECTOR

Societe Generale holds unhedged positions in super senior and senior CDO tranches which are exposed to the US residential real estate sector.

The valuation of the CDOs was based on the marked-to-market value of the underlying assets as since 31st December 2012.

At 31st December 2014, gross exposure to super senior and senior RMBS CDO tranches classified as held for trading increased at EUR 1.15 billion (compared with EUR 1.08 billion at 31st December 2013), explained mainly by a forex effect. These assets were subject to an average haircut of 99%.

For the record, part of the portfolio was transferred from the trading portfolio to Loans and Receivables on 1st October 2008. Gross exposure held in the Loans and Receivables portfolios totalled EUR 3.65 billion at 31st December 2014 (compared with EUR 4.35 billion at 31st December 2013).

UNHEDGED CDOS EXPOSED TO THE US RESIDENTIAL MORTGAGE SECTOR

	CDO	
	Super senior & senior tranches	
(In billions of euros)	**L&R Portfolio**	**Trading Book**
Gross exposure at 31st December 2013[1]	4.35	1.08
Gross exposure at 31st December 2014[1]	3.65	1.15
Type of underlying	high grade/mezzanine	mezzanine
% of underlying subprime assets	81%	na
o/w 2004 and earlier	22%	na
o/w 2005	56%	na
o/w 2006	0%	na
o/w 2007	2%	na
% of Mid-prime and Alt-A underlying assets	7%	na
% of Prime underlying assets	2%	na
% of other underlying assets	10%	na
Total impairments and writedowns	(1.74)	(1.14)
Total provisions for credit risk	(1.83)	
% of total CDO write-downs at 31st December 2014	98%	99%
Net exposure at 31st December 2014[1]	**0.08**	**0.01**

(1) Exposure at closing price.

PROTECTION ACQUIRED TO HEDGE EXPOSURE TO CDOS OR OTHER ASSETS

Societe Generale is exposed to credit risk linked to monoline insurers with regard to the financial guarantees received from them as hedges on certain assets.

Since 2013, SG has no more exposure to US residential mortgage market CDOs hedged with monoline. Hedges purchased against monoline risk have been sold.

PROTECTION ACQUIRED FROM MONOLINES

	31st DEC. 2013	31st DEC. 2014			
(In billions of euros)	**Fair value of protection before value adjustments**	**Fair value of protection before value adjustments**	**Fair value of hedged instruments (net exposure)**	**Gross notional amount of protection purchased**	**Gross notional amount of hedged instruments**
Protection purchased from monolines insurers					
against CDOs (excl. US residential mortgage market)	0.05	0.04	0.21	0.26	0.26
against corporate collateralised loan obligations (CLOs)	0.03	0.02	1.10	1.13	1.13
against structured and infrastructure finance	0.13	0.07	0.75	0.88	0.79

(In billions of euros)	31st DEC. 2013	31st DEC. 2014
Fair value of protection before value adjustments	0.21	0.13
Value adjustments for credit risk on monoline insurers	(0.10)	(0.05)
Net exposure to credit risk on monoline insurers	**0.11**	**0.08**

82% of the fair value of protection before value adjustments is rated at least A by the rating agencies Standard & Poor's and Moody's at 31st December 2014.

EXPOSURE TO US RESIDENTIAL MORTGAGE MARKET: RESIDENTIAL LOANS AND RMBS

The Group is exposed to underlying assets related to the US residential mortgage market through RMBS.

Since the first half of 2011, the valuation method has used prices on external markets.

The residual exposure booked at fair value on the balance sheet to US RMBS amounted to EUR 0.07 billion as at 31st December 2014 versus EUR 0.09 billion as at 31st December 2013.

Societe Generale has no residential loan origination activity in the US.

"US" RMBS

	31st DEC. 2013	31st DEC. 2014					2014		
			Gross exposure(2)						
(In billions of euros)	Net exposure(1)	Net exposure(1)	Amount	% net exposure	% AAA(3)	% AA & A(3)	Net banking income	Cost of risk	Equity
Held for Trading' portfolio	0.01	0.01	0.07	19%	0%	0%	0.01	0.00	0.00
Available-for-sale' portfolio	0.07	0.05	0.17	28%	0%	20%	0.01	0.00	0.00
Loans & Receivables' portfolio	0.01	0.01	0.01	89%	0%	35%	0.00	0.00	0.00
TOTAL	**0.09**	**0.07**	**0.25**	**27%**	**0%**	**15%**	**0.02**	**0.00**	**0.00**

(1) Net of hedging and impairments.
(2) Nominal exposure before hedging.
(3) As a % of nominal exposure.

Note: Societe Generale has a portfolio of mid-prime loans purchased from an originator that defaulted (EUR 0.1 billion in the banking book net of write-downs).

EXPOSURE TO RESIDENTIAL MORTGAGE MARKETS IN SPAIN AND THE UNITED KINGDOM

The Group is exposed to underlying assets relative to the Spanish and UK residential mortgage markets through RMBS.

These exposures are marked-to-market.

Part of the portfolio was transferred from the trading portfolio to Loans and Receivables on 1st October 2008.

Societe Generale has no residential loan origination activity in Spain or the UK.

"SPAIN" RMBS[1]

	31st DEC. 2013	31st DEC. 2014					2014		
			Gross exposure[2]						
(In billions of euros)	Net exposure[1]	Net exposure[1]	Amount	% net exposure	% AAA[3]	% AA & A[3]	Net banking income	Cost of risk	Equity
Held for Trading' portfolio	0.00	0.01	0.01	99%	0%	8%	0.00	0.00	0.00
Available-for-sale' portfolio	0.07	0.02	0.02	93%	0%	68%	0.00	0.00	0.00
Loans & Receivables' portfolio	0.02	0.00	0.00	0%	0%	0%	0.00	0.00	0.00
Held To Maturity' portfolio	0.00	0.00	0.00	100%	0%	0%	0.00	0.00	0.00
TOTAL	**0.09**	**0.03**	**0.03**	**95%**	**0 %**	**53 %**	**0.00**	**0.00**	**0.00**

(1) Net of hedging and impairments.
(2) Nominal exposure before hedging.
(3) As a % of nominal exposure.

"UK" RMBS

	31st DEC. 2013	31st DEC. 2014					2014		
			Gross exposure[2]						
(In billions of euros)	Net exposure[1]	Net exposure[1]	Amount	% net exposure	% AAA[3]	% AA & A[3]	Net banking income	Cost of risk	Equity
Held for Trading' portfolio	0.05	0.03	0.03	96%	0%	71%	0.00	0.00	0.00
Available-for-sale' portfolio	0.06	0.05	0.05	95%	0%	85%	0.00	0.00	0.00
Loans & Receivables' portfolio	0.00	0.00	0.00	na	na	na	0.00	0.00	0.00
TOTAL	**0.11**	**0.08**	**0.08**	**96%**	**0%**	**80%**	**0.00**	**0.00**	**0.00**

(1) Net of hedging and impairments.
(2) Nominal exposure before hedging.
(3) As a % of nominal exposure.

EXPOSURE TO CMBS

The Group is exposed to underlying assets related to the commercial real estate market through CMBS. This portfolio is marked-to-market.

Part of the portfolio was transferred from the trading book to Loans and Receivables on 1st October 2008.

The residual exposure booked at fair value on the balance sheet to CMBS fell by EUR 0.07 billion in 2014 to EUR 0.24 billion as at 31st December 2014.

	31st DEC. 2013	31st DEC. 2014					2014		
			Gross exposure(2)						
(In billions of euros)	Net exposure(1)	Net exposure(1)	Amount	% net exposure	% AAA(3)	% AA & A(3)	Net banking income	Cost of risk	Equity
Held for Trading' portfolio	0.07	0.10	0.14	75%	15%	31%	0.00	0.00	0.00
Available-for-sale' portfolio	0.02	0.01	0.01	94%	15%	11%	0.00	0.00	0.00
Loans & Receivables' portfolio	0.20	0.10	0.20	53%	0%	12%	0.00	(0.01)	0.00
Held To Maturity' portfolio	0.02	0.01	0.01	97%	0%	1%	0.00	0.00	0.00
TOTAL	**0.31**	**0.24**	**0.37**	**65%**	**6%**	**19%**	**0.02**	**(0.01)**	**0.00**

(1) Net of hedging and impairments.
(2) Nominal exposure before hedging.
(3) As a % of nominal exposure.

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GLOSSARY

GLOSSARY OF MAIN TECHNICAL TERMS

ACRONYM TABLE

Acronym	Definition	Glossary
ABS	Asset-backed-securities	See: Securitisation
CDS	Credit Default Swap	See: Securitisation
CDO	Collaterallised Debt Obligation	See: Securitisation
CLO	Collateralised Loan Obligation	See: Securitisation
CMBS	Commercial Mortgage Backed Securities	See: Securitisation
CRD	Capital Requirement Directive	CRD
CVaR	Credit Value at Risk	Credit Value at Risk (CVaR)
EAD	Exposure at default	Exposure at default (EAD)
EL	Expected Loss	Expected Loss (EL)
GSIB	Global Systemically Important Banks (see: SIFI)	SIFI
LCR	Liquidity Coverage Ratio	Liquidity Coverage Ratio (LCR)
LGD	Loss Given Defalut	Loss Given Defalut (LGD)
NSFR	Net Stable Funding Ratio	Net Stable Funding Ratio (NSFR)
PD	Probability of default	Probability of default (PD)
RMBS	Residential Mortgage backed securities	RMBS
RWA	Risk Weighted Assets	Risk Weighted Assets (RWA)
SVaR	Stressed Value at Risk	Stressed Value at Risk (SVaR)
VaR	Value at Risk	Value at Risk (VaR)

Risk Weighted Assets (RWA): value of exposure multiplied by its risk-weighted interest rate.

Netting agreement: a contract in which two parties to a forward financial instrument, securities lending or resale contract agree to offset reciprocal claims arising from these contracts, with the settlement of these claims based only on the net balance, especially in the event of default or termination. A master netting agreement enables this mechanism to be extended to different kinds of transactions, subject to various framework agreements under a master agreement.

Share: equity stake issued by a company in the form of shares, representing a share of ownership and granting its holder (shareholder) the right to a proportional share in any distribution of profits or net assets as well as a right to vote in a General Meeting of Shareholders.

Risk appetite: level of risk by type and by business line, which the Group is prepared to take on with regard to its strategic objectives. Risk appetite is derived using both quantitative and qualitative criteria. Exercising risk appetite is one of the strategic steering tools available to the Group's decision-making bodies.

Asset Backed Securities (ABS): see securitisation.

Monoline insurer: insurance company participating in a credit enhancement transaction and which guarantees bond issues (for example, a securitisation transaction), in order to improve the issue's credit rating.

Treasury shares: shares held by a company in its own equity through one or several intermediary companies in which it holds a controlling share either directly or indirectly. Treasury shares are excluded from voting rights and are not included in the calculation of earnings per share.

Own shares: shares held by the company, especially as part of the Share Buyback programme. Own shares are excluded from voting rights and are not included in the calculation of earnings per share, with the exception of shares held as part of a liquidity contract.

Basel 1 (Accords): prudential framework established in 1988 by the Basel Committee to ensure solvency and stability in the international banking system by setting an international minimum and standardised limit on banks' capital bases. It notably establishes a minimum capital ratio—a proportion of the total risks taken on by banks—which must be greater than 8%. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012).

Basel 2 (Accords): prudential framework used to better assess and limit banks' risks. It is focused on banks' credit, market and operational risks. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012).

Basel 3 (Accords): further changes to prudential standards which included lessons from the 2007-2008 financial crisis. They supplement the Basel 2 accords by improving the quality and quantity of banks' required capital. They also implement minimum requirements in terms of liquidity risk management (quantitative ratios), define measures to limit the financial system's procyclicality (capital buffers that vary according to the economic cycle) and even strengthen requirements related to systemically significant banks. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012). The Basel 3 accords are defined in Europe in Directive 2013/36/EU ("CRD4") and Regulation 575/2013 ("CRR") that have been in force since 1st January 2014.

Net earnings per share: net earnings of the company (adjusted for hybrid securities recorded under equity instruments) divided by the weighted average number of shares outstanding.

Cost/income ratio: ratio indicating the share of Net Banking Income (NBI) used to cover the company's operating costs. It is determined by dividing management fees by the NBI.

Collateral: transferable asset or guarantee used as a pledge for the repayment of a loan in the event that the borrower cannot meet its payment obligations. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012).

Collateralised Debt Obligation (CDO): see securitisation.

Collateralised Loan Obligation (CLO): see securitisation.

Commercial Mortgage Backed Securities: see securitisation.

Comprehensive Risk Measurement (CRM): capital charge in addition to Incremental Risk Charge (IRC) for the credit activities correlation portfolio which accounts for specific price risks (spread, correlation, collection, etc.) The CRM is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Cost of risk in basis points: the cost of risk in basis points is calculated using the ratio of the net cost of commercial risk to loan outstandings at the start of the period.

Credit Default Swaps (CDS): insurance mechanism against credit risk in the form of a bilateral financial contract, in which the protection buyer periodically pays the seller in return for a guarantee to compensate the buyer for losses on reference assets (government, bank or corporate bond) if a credit event occurs (bankruptcy, payment default, moratorium, restructuring). (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012).

CRD3: European Directive on capital requirements, incorporating the provisions known as Basel 2 and 2.5, notably in respect of market risk: improvement in the incorporation of the risk of default or rating migration for assets in the trading book (tranched and untranched assets), and reduction in the procyclicality of Value at Risk (see definition).

CRD4/CRR (Capital Requirement Regulation): The Directive 2013/36/EU ("CRD4") and the Regulation (EU) No. 575/2013 ("CRR") constitute the corpus of the texts transposing Basel 3 in Europe. They therefore define the European regulations relating to the solvency ratio, large exposures, leverage and liquidity ratios, and are supplemented by the European Banking Authority's ("EBA") technical standards.

Haircut: percentage by which the market value of securities is reduced to reflect their value in the context of stress (counterparty or market stress risk). The extent of the reduction reflects the perceived risk.

Impairment: recording of probable loss on an asset. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012)

Derivative: a financial asset or financial contract, the value of which changes based on the value of an underlying asset, which may be financial (equities, bonds, currencies, etc.) or non-financial (commodities, agricultural commodities, etc.). Depending on the circumstances, this change may be accompanied by a leverage effect. Derivatives can take the form of securities (warrants, certificates, structured EMTNs, etc.) or in the form of contracts (forwards, options, swaps, etc.).

Structured issue or structured product: a financial instrument combining a bond product and an instrument (an option for example) providing exposure to all types of asset (equities, currencies, interest rates, commodities). Instruments can include a total or partial guarantee in respect of the invested capital. The term "structured product" or "structured issue" also refers to securities resulting from securitisation transactions, where holders are subject to a ranking hierarchy.

Common Equity Tier 1 capital: includes principally share capital, associated share premiums and reserves, less prudential deductions.

Tier-1 capital: comprises Common Equity Tier 1 capital and Additional Tier 1 capital. The latter corresponds to perpetual debt instruments, with no incentive to redeem, less prudential deductions.

Tier-2 capital: supplementary capital consisting mainly of subordinated notes less prudential deductions.

Incremental Risk Charge (IRC): capital cost incurred due to rating migration risk and risk of issuers' default within a one-year horizon for trading book debt instruments (bonds and CDS). The IRC is a 99.9% risk factor, meaning the highest risk obtained after eliminating the 0.1% most unfavourable incidents.

Internal Capital Adequacy Assessment Process (ICAAP): process outlined in Pillar 2 of the Basel Accord, by which the Group verifies its capital adequacy with regard to all risks incurred.

Investment grade: long-term rating provided by an external ratings agency, ranging from AAA/Aaa to BBB-/Baa3 for a counterparty or underlying issue. A rating of BB+/Ba1 or lower indicates a Non-Investment Grade instrument.

Fair value: the amount for which an asset could be exchanged or a liability settled, between informed and consenting parties under normal market conditions.

Liquidity: for a bank, the capacity to cover its short-term maturities. For an asset, this term indicates the potential to purchase or sell it quickly on the market, with a limited discount. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012).

Liquidity Coverage Ratio (LCR): this ratio is intended to promote short-term resilience of a bank's liquidity risk profile. The LCR requires banks to hold risk-free assets that may be easily liquidated on markets in order to meet required payments for outflows net of inflows during a thirty-day crisis period without central bank support (source: December 2010 Basel document).

Mezzanine: form of financing between equity and debt. In terms of ranking, mezzanine debt is subordinate to senior debt, but it is still above equity.

Rating: assessment by a ratings agency (Moody's, Fitch Ratings, Standard & Poor's, etc.) of an issuer's financial solvency risk (company, government or other public institution) or of a given transaction (bond loan, securitisation, covered bond). The rating has a direct impact on the cost of raising capital. (Source: Bank of France Glossary - *Documents et Débats* - No. 4 - May 2012).

Net Stable Funding Ratio (NSFR): this ratio aims to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding. This structural ratio has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities (source: December 2010 Basel document).

Bond: a bond is a fraction of a loan, issued in the form of a security, which is tradable and—in a given issue—grants rights to the issuer according to the issue's nominal value (the issuer being a company, public sector entity or government).

Expected Loss (EL): losses that may occur given the quality of a transaction's structuring and all measures taken to reduce risk, such as collateral.

Loss Given Default (LGD): ratio between the loss incurred from exposure to default by a counterparty and the amount of the exposure at the time of default.

Probability of Default (PD): likelihood that a counterparty of the bank will default within one year.

Total capital ratio: ratio between total (Tier-1 and Tier-2) capital and risk-weighted assets.

Common Equity Tier 1 ratio: ratio between Common Equity Tier 1 capital and risk-weighted assets, according to CRD4/CRR rules. Common Equity Tier 1 capital has a more restrictive definition than in the earlier CRD3 Directive (Basel 2).

Core Tier-1 ratio: ratio between Core Tier-1 capital and risk-weighted assets, according to Basel 2 rules and their changes known as Basel 2.5.

Leverage ratio: The leverage ratio intends to be a simple ratio that aims to limit the size of banks' balance sheets. The leverage ratio compares the Tier One prudential capital with the accounting balance sheet/off-balance sheet, after restatements of certain items. A new definition of the leverage ratio has been implemented in accordance with the application of the CRR regulation.

Tier-1 ratio: ratio between Tier-1 capital and risk-weighted assets.

Residential mortgage backed securities (RMBS): see securitisation.

Resecuritisation: securitisation of an already securitised exposure where the risk associated with underlyings is divided into tranches and, therefore, at least one of the underlying exposures is a securitised exposure.

Return On Equity (ROE): ratio between the net income restated for interest on hybrid securities recorded under equity instruments and restated book equity (especially hybrid securities), which enables return on capital to be measured.

Insurance risk: beyond asset/liability risk management (interest-rate, valuation, counterparty and currency risk), these include underwriting risk, mortality risk and structural risk of life and non-life insurance activities, including pandemics, accidents and catastrophic events (such as earthquakes, hurricanes, industrial disasters, or acts of terrorism or war).

Credit and counterparty risk: risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk also includes the counterparty risk linked to market transactions, as well as that stemming from securitisation activities.

Market risk: risk of impairment of financial instruments arising from changing market parameters, as well as their volatility and the correlations between them. In particular, these parameters are foreign exchange rates, interest rates, as well as the prices of securities (equities and bonds), commodities, derivatives and all other assets, such as real estate assets.

Operational risks (including accounting and environmental risks): risk of losses or sanctions, notably due to failures in procedures and internal systems, human error or external events, etc.

Structural interest rate and currency risk: risk of loss or of write-downs in the Group's assets arising from variations in interest or exchange rates. Structural interest rate and exchange rate risks are incurred in commercial activities and proprietary transactions.

Transformation risk: appears as soon as assets are financed through resources with a different maturity. Due to their traditional activity of transforming resources with a short maturity into longer-term maturities, banks are naturally faced with transformation risk which itself leads to liquidity and interest-rate risk. Transformation occurs when assets have a longer maturity than liabilities; anti-transformation occurs when assets are financed through longer-maturity resources.

SIFI (Systemically Important Financial Institution): the Financial Stability Board (FSB) coordinates all of the measures to reduce moral hazard and risks to the global financial system posed by systematically important institutions Globally Systemically Important Financial Institutions (G-SIFI). These banks meet criteria defined in the Basel Committee rules included in the document titled «Global systemically important banks: Assessment methodology and the additional loss absorbency requirement» and published as a list in November 2011. This list is updated by the FSB each November (29 banks to date).

Market stress tests: to assess market risks, alongside the internal VaR and SVaR model, the Group monitors its exposure using market stress test simulations to take into account exceptional market occurrences, based on 26 historical *scenarii* and eight hypothetical *scenarii*.

Personal commitment: represented by a deposit, autonomous guarantee or letter of intent. Whoever makes themselves guarantor for an obligation binds themselves to the creditor to honour that obligation, if the debtor does not honour it themselves. An independent guarantee is an undertaking by which the guarantor binds themself, in consideration of a debt subscribed by a third party, to pay a sum either on first demand or subject to terms agreed upon. A letter of intent is an undertaking to do or not to do, the purpose of which is the support provided to a debtor in honouring their obligation

Collateral: guarantees consisting of assets including tangible and intangible property and securities, including commodities, precious metals, cash, financial instruments and insurance contracts.

Risk weight: percentage of weighting of exposures which are applied to a particular exposure in order to determine the related risk-weighted asset.

Securitisation: transaction that transfers a credit risk (loan outstandings) to an organisation that issues, for this purpose, tradable securities to which investors subscribe. This transaction may involve a transfer of outstandings (physical securitisation) or a transfer of risk only (credit derivatives). Securitisation transactions may, if applicable, enable securities subordination (tranches). The following products are considered securitisations:

ABS: Asset Backed Securities;

CDO: Collateralised Debt Obligation, a debt security backed by an asset portfolio (bank loans (residential) or corporate bonds). Interest and principal payment may be subordinated (tranche creation);

CLO: Collateralised Loan Obligation, a CDO backed by an asset portfolio of bank loans;

CMBS: Commercial Mortgage Backed Securities, a debt security backed by an asset portfolio of corporate real estate loans leading to a mortgage;

RMBS: Residential Mortgage Backed Securities, a debt security backed by an asset portfolio of residential mortgage loans.

Value at Risk (VaR): composite indicator used to monitor the Group's daily market risk exposure, notably for its trading activities (99% VaR in accordance with the internal regulatory model). It corresponds to the greatest risk calculated after eliminating the top 1% of most unfavourable occurrences observed over a one-year period. Within the framework described above, it corresponds to the average of the second and third largest losses computed.

Credit Value at Risk (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.

Stressed Value at Risk (SVaR): Identical to the VaR approach, the calculation method consists of a "historical simulation" with "one-day" shocks and a 99% confidence interval. Unlike the VaR, which uses 260 *scenarii* of daily variation year-on-year, the stressed VaR uses a fixed one-year window that corresponds to a historical period of significant financial tensions.

Exposure at default (EAD): Group exposure to default by a counterparty. The EAD includes both balance sheet and off-balance sheet exposures. Off-balance sheet exposures are converted to their balance sheet equivalent using internal or regulatory conversion factors (drawdown assumption).