SOCIETE GENERALE

# 12.31.2012 CONSOLIDATED FINANCIAL STATEMENTS

**(Unaudited figures)**

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## Consolidated financial statements


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# Consolidated financial statements

## Consolidated balance sheet

### Assets

| *(In millions of euros)* | | December 31, 2012 | December 31, 2011 |
|---|---|---|---|
| Cash, due from central banks | Note 5 | 67,591 | 43,963 |
| Financial assets at fair value through profit or loss | Note 6 | 484,026 | 422,494 |
| Hedging derivatives | Note 7 | 15,934 | 12,611 |
| Available-for-sale financial assets | Note 8 | 127,714 | 124,738 |
| Due from banks | Note 9 | 77,204 | 86,440 |
| Customers loans | Note 10 | 350,241 | 367,517 |
| Lease financing and similar agreements | Note 12 | 28,745 | 29,325 |
| Revaluation differences on portfolios hedged against interest rate risk | | 4,402 | 3,385 |
| Held-to-maturity financial assets | Note 13 | 1,186 | 1,453 |
| Tax assets | Note 14 | 5,909 | 5,230 |
| Other assets | Note 15 | 53,705 | 55,728 |
| Non-current assets held for sale | Note 16 | 9,410 | 429 |
| Deferred profit-sharing | Note 35 | - | 2,235 |
| Investments in subsidiaries and affiliates accounted for by the equity method | | 2,119 | 2,014 |
| Tangible and intangible fixed assets | Note 17 | 17,190 | 16,837 |
| Goodwill | Note 18 | 5,320 | 6,973 |
| **Total** | | **1,250,696** | **1,181,372** |

# Consolidated balance sheet (continued)

## Liabilities

| *(In millions of euros)* | | December 31, 2012 | December 31, 2011 |
|---|---|---|---|
| Due to central banks | | 2,398 | 971 |
| Financial liabilities at fair value through profit or loss | Note 6 | 411,388 | 395,247 |
| Hedging derivatives | Note 7 | 13,975 | 12,904 |
| Due to banks | Note 19 | 122,049 | 111,274 |
| Customer deposits | Note 20 | 337,230 | 340,172 |
| Securitised debt payables | Note 21 | 135,744 | 108,583 |
| Revaluation differences on portfolios hedged against interest rate risk | | 6,508 | 4,113 |
| Tax liabilities | Note 14 | 1,167 | 1,195 |
| Other liabilities | Note 22 | 58,163 | 59,525 |
| Non-current liabilities held for sale | Note 16 | 7,287 | 287 |
| Underwriting reserves of insurance companies | Note 35 | 90,831 | 82,998 |
| Provisions | Note 24 | 2,807 | 2,450 |
| Subordinated debt | Note 27 | 7,052 | 10,541 |
| **Total liabilities** | | **1,196,599** | **1,130,260** |
| **SHAREHOLDERS' EQUITY** | | | |
| **Shareholders' equity, Group share** | | | |
| Issued common stocks, equity instruments and capital reserves | | 26,196 | 25,081 |
| Retained earnings | | 22,458 | 20,616 |
| Net income | | 774 | 2,385 |
| **Sub-total** | | **49,428** | **48,082** |
| Unrealised or deferred capital gains and losses | Note 29 | 381 | (1,015) |
| **Sub-total equity, Group share** | | **49,809** | **47,067** |
| **Non-controlling interests** | | 4,288 | 4,045 |
| **Total equity** | | **54,097** | **51,112** |
| **Total** | | **1,250,696** | **1,181,372** |

## Consolidated income statement

| *(In millions of euros)* | | 2012 | 2011 |
|---|---|---|---|
| Interest and similar income | Note 36 | 29,904 | 32,389 |
| Interest and similar expense | Note 36 | (18,592) | (20,182) |
| Dividend income | | 314 | 420 |
| Fee income | Note 37 | 9,515 | 9,898 |
| Fee expense | Note 37 | (2,538) | (2,719) |
| Net gains and losses on financial transactions | | 3,201 | 4,432 |
| *o/w net gains and losses on financial instruments at fair value through profit or loss* | Note 38 | *2,566* | *4,434* |
| *o/w net gains and losses on available-for-sale financial assets* | Note 39 | *635* | *(2)* |
| Income from other activities | Note 40 | 38,820 | 23,675 |
| Expenses from other activities | Note 40 | (37,514) | (22,277) |
| **Net banking income** | | **23,110** | **25,636** |
| Personnel expenses | Note 41 | (9,513) | (9,666) |
| Other operating expenses | | (6,000) | (6,449) |
| Amortisation, depreciation and impairment of tangible and intangible fixed assets | | (925) | (921) |
| **Gross operating income** | | **6,672** | **8,600** |
| Cost of risk | Note 43 | (3,935) | (4,330) |
| **Operating income** | | **2,737** | **4,270** |
| Net income from companies accounted for by the equity method | | 154 | 94 |
| Net income/expense from other assets | | (507) | 12 |
| Impairment losses on goodwill | Note 18 | (842) | (265) |
| **Earnings before tax** | | **1,542** | **4,111** |
| Income tax | Note 44 | (334) | (1,323) |
| **Consolidated net income** | | **1,208** | **2,788** |
| Non-controlling interests | | 434 | 403 |
| **Net income, Group share** | | **774** | **2,385** |
| **Earnings per ordinary share** | Note 45 | **0.64** | **3.20** |
| **Diluted earnings per ordinary share** | Note 45 | **0.64** | **3.18** |

## Statement of net income and unrealised or deferred gains and losses

| *(In millions of euros)* | | **2012** | **2011** |
|---|---|---|---|
| **Consolidated net income** | | **1,208** | **2,788** |
| Translation differences | | 38 | (14) |
| Revaluation of available-for-sale financial assets | | 2,143 | (722) |
| Revaluation of cash flow hedge derivatives | | (31) | (52) |
| Unrealised gains and losses accounted for by the equity method | | 2 | (6) |
| Tax | | (611) | 280 |
| **Total unrealised gains and losses** | Note 29 | **1,541** | **(514)** |
| **Net income and unrealised gains and losses** | | **2,749** | **2,274** |
| O/w Group share | | 2,170 | 1,926 |
| O/w non-controlling interests | | 579 | 348 |

## Changes in shareholders' equity

| (In millions of euros) | Capital and associated reserves | | | | | Retained earnings |
|---|---|---|---|---|---|---|
| | Issued common stocks | Issuing premium and capital reserves | Elimination of treasury stock | Other equity instruments (See Note 28) | **Total** | |
| **Shareholders' equity as at January 1, 2011** | **933** | **17,974** | **(1,335)** | **7,382** | **24,954** | **22,023** |
| Increase in common stock | 37 | 1,067 | - | - | 1,104 | - |
| Elimination of treasury stock* | - | - | 70 | - | 70 | (119) |
| Issuance of equity instruments | - | - | - | (1,209) | (1,209) | 433 |
| Equity component of share-based payment plans | - | 162 | - | - | 162 | - |
| 2011 Dividends paid* | - | - | - | - | - | (1,754) |
| Effect of acquisitions and disposals on non-controlling interests | - | - | - | - | - | 36 |
| ***Sub-total of changes linked to relations with shareholders*** | **37** | **1,229** | **70** | **(1,209)** | **127** | **(1,404)** |
| Change in value of financial instruments having an impact on equity | - | - | - | - | - | - |
| Change in value of financial instruments recognised in income | - | - | - | - | - | - |
| Tax impact of change in value on financial instruments having an impact on equity or recognised in income | - | - | - | - | - | - |
| Translation differences and other changes | - | - | - | - | - | (3) |
| 2011 Net income for the period | - | - | - | - | - | - |
| ***Sub-total*** | **-** | **-** | **-** | **-** | **-** | **(3)** |
| Change in equity of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - |
| **Shareholders' equity as at December 31, 2011** | **970** | **19,203** | **(1,265)** | **6,173** | **25,081** | **20,616** |
| Appropriation of net income | - | - | - | - | - | 2,385 |
| **Shareholders' equity as at January 1, 2012** | **970** | **19,203** | **(1,265)** | **6,173** | **25,081** | **23,001** |
| Increase in common stock (See Note 28) | 5 | 75 | - | - | 80 | - |
| Elimination of treasury stock [1] | - | - | 294 | - | 294 | (181) |
| Issuance of equity instruments (See Note 28) | - | - | - | 608 | 608 | 142 |
| Equity component of share-based payment plans [2] | - | 133 | - | - | 133 | - |
| 2012 Dividends paid (See Note 28) | - | - | - | - | - | (441) |
| Effect of acquisitions and disposals on non-controlling interests [3] [4] | - | - | - | - | - | (44) |
| ***Sub-total of changes linked to relations with shareholders*** | ***5*** | ***208*** | ***294*** | ***608*** | ***1,115*** | ***(524)*** |
| Change in value of financial instruments having an impact on equity (See Note 29) | - | - | - | - | - | - |
| Change in value of financial instruments recognised in income (See Note 29) | - | - | - | - | - | - |
| Tax impact of change in value on financial instruments having an impact on equity or recognised in income (See Note 29) | - | - | - | - | - | - |
| Translation differences and other changes [5] | - | - | - | - | - | (19) |
| 2012 Net income for the period | - | - | - | - | - | - |
| ***Sub-total*** | **-** | **-** | **-** | **-** | **-** | ***(19)*** |
| Change in equity of associates and joint ventures accounted for by the equity method | - | - | - | - | - | - |
| **Shareholders' equity as at December 31, 2012** | **975** | **19,411** | **(971)** | **6,781** | **26,196** | **22,458** |

* Dividends relating to Treasury shares, previously recorded in Elimination of tresury stock, are now recorded in dividends paid.

(1) As at December 31, 2012, the Group held 33,200,126 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 4.25% of the capital of Societe Generale S.A.

The amount deducted by the Group from its net book value for equity instruments (shares and derivatives) came to EUR 971 million, including EUR 171 million in shares held for trading purposes and EUR 9 million in respect of the liquidity contract.

On August 22, 2011, the Group implemented a EUR 170 million liquidity contract in response to market volatility of its stock price.
As at December 31, 2012, this liquidity contract contained 335,000 shares valued at EUR 180 million.

**The change in treasury stock over 2012 breaks down as follows:**

| *(In millions of euros)* | Liquidity contract | Transaction-related activities | Treasury stock and active management of Shareholders' equity | Total |
|---|---|---|---|---|
| Disposals net of purchases | 12 | (66) | 348 | 294 |
| Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity | 3 | 17 | (201) | (181) |

(2) Share-based payments settled in equity instruments in 2012 amounted to EUR 133 million:

EUR 20 million for the stock-option plans and EUR 113 million for the allocation of free share.

| Net income, Group Share | Unrealised or deferred gains and losses | | | | | Shareholders' equity, Group share | Non-controlling interests | | | | Total consolidated shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Translation reserves | Change in fair value of assets available-for-sale | Change in fair value of hedging derivatives | Tax impact | **Total** | | Capital and Reserves | Preferred shares issued by subsidiaries (See Note 28) | Unrealised or deferred gains and losses | **Total** | |
| **-** | **(357)** | **(540)** | **136** | **205** | **(556)** | **46,421** | **3,496** | **962** | **96** | **4,554** | **50,975** |
| - | - | - | - | - | - | 1,104 | - | - | - | - | 1,104 |
| - | - | - | - | - | - | (49) | - | - | - | - | (49) |
| - | - | - | - | - | - | (776) | - | (312) | - | (312) | (1,088) |
| - | - | - | - | - | - | 162 | - | - | - | - | 162 |
| - | - | - | - | - | - | (1,754) | (306) | - | - | (306) | (2,060) |
| - | - | - | - | - | - | 36 | (6) | (230) | - | (236) | (200) |
| ***-*** | ***-*** | ***-*** | ***-*** | ***-*** | ***-*** | ***(1,277)*** | ***(312)*** | ***(542)*** | ***-*** | ***(854)*** | ***(2,131)*** |
| - | - | (1,133) | (46) | - | (1,179) | (1,179) | - | - | (32) | (32) | (1,211) |
| - | - | 412 | (1) | - | 411 | 411 | - | - | 26 | 26 | 437 |
| - | - | - | - | 277 | 277 | 277 | - | - | 2 | 2 | 279 |
| - | 37 | - | - | - | 37 | 34 | (3) | - | (51) | (54) | (20) |
| 2,385 | - | - | - | - | - | 2,385 | 403 | - | - | 403 | 2,788 |
| ***2,385*** | ***37*** | ***(721)*** | ***(47)*** | ***277*** | ***(454)*** | ***1,928*** | ***400*** | ***-*** | ***(55)*** | ***345*** | ***2,273*** |
| - | - | (7) | 1 | 1 | (5) | (5) | - | - | - | - | (5) |
| **2,385** | **(320)** | **(1,268)** | **90** | **483** | **(1,015)** | **47,067** | **3,584** | **420** | **41** | **4,045** | **51,112** |
| (2,385) | - | - | - | - | - | - | - | - | - | - | - |
| **-** | **(320)** | **(1,268)** | **90** | **483** | **(1,015)** | **47,067** | **3,584** | **420** | **41** | **4,045** | **51,112** |
| - | - | - | - | - | - | 80 | - | - | - | - | 80 |
| - | - | - | - | - | - | 113 | - | - | - | - | 113 |
| - | - | - | - | - | - | 750 | - | - | - | - | 750 |
| - | - | - | - | - | - | 133 | - | - | - | - | 133 |
| - | - | - | - | - | - | (441) | (225) | - | - | (225) | (666) |
| - | - | - | - | - | - | (44) | (106) | - | - | (106) | (150) |
| ***-*** | ***-*** | ***-*** | ***-*** | ***-*** | ***-*** | ***591*** | ***(331)*** | ***-*** | ***-*** | ***(331)*** | ***260*** |
| - | - | 2,420 | (31) | - | 2,389 | 2,389 | - | - | 183 | 183 | 2,572 |
| - | - | (448) | - | - | (448) | (448) | - | - | (12) | (12) | (460) |
| - | - | - | - | (574) | (574) | (574) | - | - | (36) | (36) | (610) |
| - | 28 | - | - | - | 28 | 9 | (5) | - | 10 | 5 | 14 |
| 774 | - | - | - | - | - | 774 | 434 | - | - | 434 | 1,208 |
| ***774*** | ***28*** | ***1,972*** | ***(31)*** | ***(574)*** | ***1,395*** | ***2,150*** | ***429*** | ***-*** | ***145*** | ***574*** | ***2,724*** |
| - | - | 4 | (2) | (1) | 1 | 1 | - | - | - | - | 1 |
| **774** | **(292)** | **708** | **57** | **(92)** | **381** | **49,809** | **3,682** | **420** | **186** | **4,288** | **54,097** |

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

| | |
|---|---|
| Cancellation of gains on disposals | (4) |
| Buybacks of non-controlling interests not subject to any put options | (20) |
| Transactions and variations in value on put options granted to non-controlling shareholders | (23) |
| Net income attributable to the non-controlling interests of shareholders holding a put option on their Group shares allocated to consolidated reserves | 3 |
| **Total** | **(44)** |

(4) EUR -106 million changes recorded under non-controlling interest reserves notably relate to negative effect of the variations in scope mainly related to the sale of Societe Alsacienne de Valeurs d'Entreprises et de Participations (EUR -62 million) and the acquisition of 17.57% of non controlling interests related to Banque Tarnaud by Credit du Nord (EUR -40 million).

(5) First implementation of hyperinflationist accounting by Belrosbank, Bielorussian subsidiary of Rosbank, generates a negative impact amounting to EUR -23 million out of which EUR -19 million recorded in retained earnings Group's share and EUR -4 million in capital and reserves of non-controlling interests.

## Cash flow statement

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Net cash inflow (outflow) related to operating activities** | | |
| **Net income (I)** | **1,208** | **2,788** |
| Amortisation expense on tangible fixed assets and intangible assets | 3,262 | 3,131 |
| Depreciation and net allocation to provisions | 4,612 | 4,163 |
| Net income/loss from companies accounted for by the equity method | (154) | (94) |
| Deferred taxes | (794) | 353 |
| Net income from the sale of long-term available-for-sale assets and subsidiaries | 457 | (190) |
| Change in deferred income | 91 | 122 |
| Change in prepaid expenses | 48 | 80 |
| Change in accrued income | 138 | (632) |
| Change in accrued expenses | 330 | 1,182 |
| Other changes | 3,382 | 2,410 |
| **Non-monetary items included in net income and others adjustments not including income on financial instruments at fair value through Profit or Loss (II)** | **11,372** | **10,525** |
| **Income on financial instruments at fair value through Profit or Loss [(1)] (III)** | **(2,566)** | **(4,434)** |
| Interbank transactions | 21,374 | 17,766 |
| Customers transactions | 7,623 | 2,012 |
| Transactions related to other financial assets and liabilities | (6,432) | 12,342 |
| Transactions related to other non financial assets and liabilities | (2,762) | (3,071) |
| **Net increase/decrease in cash related to operating assets and liabilities (IV)** | **19,803** | **29,049** |
| **Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III) + (IV)** | **29,817** | **37,928** |
| **Net cash inflow (outflow) related to investment activities** | | |
| Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments | 1,025 | 1,936 |
| Tangible and intangible fixed assets | (4,026) | (3,915) |
| **Net cash inflow (outflow) related to investment activities (B)** | **(3,001)** | **(1,979)** |
| **Net cash inflow (outflow) related to financing activities** | | |
| Cash flow from/to shareholders | 277 | (2,093) |
| Other net cash flows arising from financing activities | (3,354) | (1,881) |
| **Net cash inflow (outflow) related to financing activities (C)** | **(3,077)** | **(3,974)** |
| **Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C)** | **23,739** | **31,975** |
| **Cash and cash equivalents** | | |
| **Cash and cash equivalents at the start of the year** | | |
| Net balance of cash accounts and accounts with central banks | 42,992 | 11,303 |
| Net balance of accounts, demand deposits and loans with banks | 7,620 | 7,334 |
| **Cash and cash equivalents at the end of the year** | | |
| Net balance of cash accounts and accounts with central banks | 65,888 | 42,992 |
| Net balance of accounts, demand deposits and loans with banks | 8,463 | 7,620 |
| **Net inflow (outflow) in cash and cash equivalents** | **23,739** | **31,975** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 12, 2013.

## Note 1

## Significant accounting principles


- **Introduction**
- **1. Consolidation principles**
- **2. Accounting policies and valuation methods**
- **3. Presentation of financial statements**
- **4. Accounting standards and interpretations to be applied by the Group in the future**


### Introduction

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended December 31, 2012 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date (these standards are available on the European Commission website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

The standards comprise IFRS 1 to 8 and International Accounting Standards (IAS) 1 to 41, as well as the interpretations of these standards adopted by the European Union as at December 31, 2012.

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

The consolidated financial statements are presented in euros.

#### IFRS and IFRIC interpretations applied by the Group as of January 1st, 2012

| Accounting standards, amendments or Interpretations | Publication dates by IASB | Adoption dates by European Union |
|---|---|---|
| Amendment to IFRS 7 "Disclosures - Transfers of Financial Assets" | October 7, 2010 | November 22, 2011 |

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

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

This amendment requires new disclosures related to risk exposures arising from transfers of financial assets for which the transferor retains residual exposure. These additional disclosures will be presented in Note 32 "Transferred financial assets".

The main valuation and presentation rules used in drawing up the consolidated financial statements are disclosed below. These accounting methods and principles were applied consistently in 2011 and 2012.

### Use of estimates

When applying the accounting principles disclosed below for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on figures 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 uses information available at the date of preparation of the consolidated financial statements and can exercise its judgment. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and have a significant impact on the financial statements.

The use of estimates mainly concerns the following valuations:

- fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss, Hedging derivatives* or *available-for-sale financial assets* (described in paragraph 2 and Note 3) and fair value of unlisted instruments for which this information must be disclosed in the notes to the financial statements;

- the amount of impairment of financial assets (*Loans and receivables, available-for-sale financial assets, held-to-maturity financial assets*), lease financing and similar agreements, tangible or intangible fixed assets and goodwill (described in paragraph 2 and Notes 4, 18 and 24);

- provisions recognised under liabilities, including provisions for employee benefits or underwriting reserves of insurance companies as well as the deferred profit-sharing on the asset side of the balance sheet (described in paragraph 2 and Notes 23, 24, 26 and 35);

- the amount of deferred tax assets recognised in the balance sheet (described in paragraph 2 and Note 14);

- initial value of goodwill determined for each business combination (described in paragraph 1 and Notes 2 and 18);

- in the event of the loss of control of a consolidated subsidiary, the fair value that is used to remeasure the portion retained by the Group in this entity, where applicable (described in paragraph 1).

## 1. Consolidation principles

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

### Consolidation methods

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

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

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

The following consolidation methods are used:

- Full consolidation

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

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

- Proportionate consolidation

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

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

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

- Equity method

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

### Specific treatment of Special Purpose Vehicles (SPV)

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

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

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

- the Group retains the majority of the risks of the SPV.

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

### Translation of foreign entity financial statements

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

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

### Treatment of acquisitions and goodwill

The Group uses the acquisition method to recognise its business combinations. The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period.

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

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

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

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

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

In the event of an increase in Group stakes in entities over which it already exercises control: the difference between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under the Group's *Consolidated reserves*; also, in the event of a reduction in the Group's stake in an entity over which it keeps control, the difference between the sale price and the recoverable amount of share interests sold is accounted under *Retained earnings, Group share.* The cost

relative to these transactions is recognised directly in equity. At the date when the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is then remeasured at fair value through profit or loss, at the same time as the capital gain or loss is recorded under *Net income/expense from other assets* in the consolidated income statement.

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

If the recoverable amount of the cash-generating unit(s) is less than its(their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Impairment losses on goodwill.*

Goodwill for companies that are accounted for under the equity method are recorded under *Investments in subsidiaries and affiliates accounted for by the equity method* in the consolidated balance sheet and impairment of these investments are recorded under *Net income from companies accounted by the equity method.* Realised capital gains and losses on sale of these companies that are accounted for under the equity method are recognised under *Net income from other assets.*

### Commitments to buy out minority shareholders in fully consolidated subsidiaries

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

The commitments are recorded as follows:

- in accordance with IAS 32, the Group recorded a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability was initially recognised at the present value of the estimated exercise price of the put options under *Other liabilities;*

- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as that applied to transactions in *non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of *non-controlling interests* underlying the options, with any balance deducted from the Group's *Consolidated reserves;*

- subsequent variations in this liability linked to changes in the estimated exercise price of the options and the carrying value of *non-controlling interests* are recorded in full in the Group's *Consolidated reserves;*

- if the stake is bought, the liability is settled by the cash payment linked to the acquisition of *non-controlling interests* in the subsidiary in question. However if, when the commitment reaches its term, the purchase has not occurred, the liability is written off against *non-controlling interests* and the Group's *Consolidated reserves;*

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

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

### Segment reporting

The Group is managed on a matrix basis that takes into account of its different business lines and the geographical breakdown of its activities. Segment information is therefore presented under both criteria.

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

The Group is organised into five core business lines:

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

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

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

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

### Non-current assets held for sale and discontinued operations

A fixed asset or group of assets and liabilities is deemed to be “held for sale” if its carrying value will primarily be recovered via a sale and not through its continuing use. For this classification to apply, the asset or a group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group of assets and liabilities) and an active programme to locate a buyer must have been initiated; furthermore an asset or a group of assets and liabilities must be marketed for sale at a price that is reasonable in relation to its current fair value.

Assets and liabilities falling under this category are reclassified as *Non-current assets held for sale* and *Non-current liabilities held for sale,* with no netting.

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

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

## 2. Accounting policies and valuation methods

### Transactions denominated in foreign currencies

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

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

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

### Determining the fair value of financial instruments

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

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

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

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and between the various market participants mentioned above, or the fact that the latest transactions dealt on an arm's length basis are not recent enough.

When the financial instrument is traded in several markets to which the Group has immediate access, the fair value is the price at which a transaction would occur in the most advantageous active market. Where no price is quoted for a particular instrument but its components are quoted, the fair value is the sum of the various quoted components incorporating bid or asking prices for the net position, as appropriate.

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

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

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

### Financial assets and liabilities

Purchases and sales of non-derivative financial assets at fair value through profit or loss, held-to-maturity financial assets and available-for-sale financial assets (see below) are recognised in the balance sheet at the delivery-settlement date while derivatives are recognised at the trade date. Changes in fair value between the trade and settlement dates are recorded in the income statement or to shareholders' equity depending on the relevant accounting category. Loans and receivables are recorded in the balance sheet on the date they are paid or at the maturity date for invoiced services.
When initially recognised, financial assets and liabilities are measured at fair value including transaction costs (except for financial instruments recognised at fair value through profit or loss) and classified under one of the four following categories.

- Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, held for trading purposes or intended for sale from the time they are originated or contributed. Loans and receivables are recognised in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterparty. Thereafter, they are valued at amortised cost using the effective interest rate method and impairment may be recorded if appropriate.

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

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

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

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

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

  The Group also recognises at fair value through profit or loss the financial assets held to guarantee unit-linked policies of its life insurance subsidiaries to ensure their accounting treatment matches that of the corresponding insurance liabilities. Under IFRS 4, insurance liabilities must be recognised according to local accounting principles. The revaluations of underwriting reserves on unit-linked policies, which are directly linked to revaluations of the financial assets underlying their policies, are therefore recognised in the income statement. The fair value option thus allows the Group to record changes in the fair value of the financial assets through profit or loss so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies;

- secondly, so that the Group can recognise certain compound financial instruments at fair value, thereby avoiding the need to separate embedded derivatives that would otherwise have to be recognised separately. This approach is notably used for valuation of the convertible bonds held by the Group.

- Held-to-maturity financial assets

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

- Available-for-sale financial assets

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

### Securities lending and borrowing

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

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

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

### Reclassification of financial assets

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

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

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

- if rare circumstances generate a change of the holding purpose of non-derivative debt or equity financial assets held for trading, then these assets may be reclassified into *available-for-sale financial assets* or into *held-to-maturity financial assets*, provided in the latter case that the eligibility criteria for this category are met.

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

A financial asset initially recognised under *available-for-sale financial assets* may be reclassified in *held-to-maturity financial assets,* provided that the eligibility criteria for this category are met. Furthermore, if a financial asset with fixed or determinable payments initially recognised under *available-for-sale financial*

*assets* can subsequently no longer be quoted in an active market and if the Group has the intention and ability to hold it for the foreseeable future or until maturity, then this financial asset may be reclassified in *Loans and receivables* provided that the eligibility criteria for this category are met.

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

### Debts

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

- Amounts due to banks and Customer deposits

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

Interest accrued on these accounts at the effective interest rate is recorded as *Related payables* and as an expense in the income statement.

- Securitised debt payables

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

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

### Subordinated debt

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

### Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to the ownership of the asset.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, 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 Group only derecognises all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

### Financial derivatives and hedge accounting

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

Financial derivatives are divided into two categories:

- Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss.* Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss.*

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

- Derivative hedging instruments

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

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

*Fair value hedge*

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

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

*Cash flow hedge*

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

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

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

*Hedging of a net investment in a foreign operation*

As with a cash flow hedge, the effective portion of the changes in the fair value of the hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Gains and losses recognised directly in equity* while the ineffective portion is recognised in the income statement.

*Macro-fair value hedge*

In this type of hedge, interest rate derivatives are used to globally hedge structural interest rate risks usually arising from Retail Banking activities. When accounting for these transactions, the Group applies the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of financial derivatives designated as macro-fair value hedge is similar to that for other fair value hedging instruments. Changes in fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

*Embedded derivatives*

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

## Impairment of financial assets

- Financial assets measured at amortised cost

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

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

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

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

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

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

- receivables on counterparties which have encountered financial difficulties since these receivables were initially recognised, without any objective evidence of impairment having yet been identified at the individual level (sensitive receivables) or;

- receivables on counterparties linked to economic sectors considered as being in crisis further to the occurrence of loss events or;

- receivables on geographical sectors or countries on which a deterioration of credit risk has been assessed.

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

- Available-for-sale financial assets

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

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, the Group considers as impaired listed shares showing 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.

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

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

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

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

### Lease financing and similar agreements

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

Lease finance receivables are recognised in the balance sheet under *Lease financing and similar agreements* and represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee discounted at the interest rate implicit in the lease, plus any unguaranteed residual value.

Interest included in the lease payments is recorded under *Interest and similar income* in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of lease finance receivables on the asset side of the balance sheet.

Fixed assets held under operating lease activities are presented in the balance sheet under *Tangible and intangible fixed assets*. In the case of buildings, they are recorded under *Investment property.* Lease payments are recognised in the income statement on a straight-line basis over the life of the lease under *Income from other activities.* The accounting treatment of income invoiced for maintenance services provided in connection with leasing activities aims to show a constant margin on these products in relation to the expenses incurred, over the life of the lease.

### Tangible and intangible fixed assets

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

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

As soon as they are fit for use, fixed assets are depreciated over their useful life. Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

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

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

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

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

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

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*, while profits or losses on investment real estate are recognised as *net banking income* under *Income from other activities.*

## Provisions

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

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

The provisions are presented in the Note 24. Information on the nature and the amount of the risks is not disclosed when the Group estimates that such disclosure could prejudice seriously its position in a dispute with other parties on the subject matter of the provision.

### Commitments under "*Contrats Epargne-Logement*" (Mortgage savings agreements)

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

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

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

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

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

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

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

### Loan commitments

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

### Financial guarantees given

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

### Liabilities/shareholders' equity distinction

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

- Perpetual subordinated notes (TSDI)

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

These perpetual subordinated notes (TSDI) are then classified under *Subordinated debt*.

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

These notes issued by Societe Generale are recorded under *Equity instruments and associated reserves.*

- Preferred shares

Due to the discretionary nature of the decision to pay dividends to shareholders, preferred shares issued by subsidiaries of the Group are classified as equity.

Preferred shares issued by Group subsidiaries are recognised under *non-controlling interests.* Remuneration paid to preferred shareholders is recorded under *non-controlling interests* in the income statement.

- Deeply subordinated notes

Given the discretionary nature of the decision to pay interest in order to remunerate the deeply subordinated notes issued by the Group, these notes have been classified as equity.

These notes issued by Societe Generale are recognised under *Equity instruments and associated reserves.*

### Non-controlling interests

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

### Treasury shares

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

Financial derivatives having Societe Generale shares as their underlying instrument or shares in subsidiaries over which the Group exercises sole control and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are initially recognised as equity. Premiums paid or received on financial derivatives classified as equity instruments are recognised directly in equity. Changes in the fair value of the derivatives are not recorded.

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

### Interest income and expense

Interest income and expense are recognised in the income statement for all financial instruments valued at amortised cost using the effective interest rate method.

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

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

### Net fees for services

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

Fees for ongoing services, such as some payment services, custody fees, or web-service subscriptions are recognised as income over the lifetime of the service. Fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties following payment incidents are recognised as income when the service is provided under *Fee services.*

In syndication deals, the effective interest rate for the share of the issue retained on the Group's balance sheet is comparable to that applying to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees is recorded in the income statement at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete. These fees are recognised in the income statement under *Fee income from Primary market transactions.*

### Personnel expenses

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

### Employee benefits

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

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

- Post-employment benefits

Pension plans may be defined contribution or defined benefit plans.

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

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

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

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

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

- 10% of the present value of the defined benefit obligation;
- 10% of the fair value of the assets at the end of the previous financial year.

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

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

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

- Long-term benefits

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

### Payments based on Societe Generale shares or shares issued by a consolidated entity

Share-based payments include:

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

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

- Global Employee Share Ownership Plan

Every year the Group carries out a capital increase reserved for current and former employees as part of the Global Employee Share Ownership Plan. New shares are offered at a discount with an obligatory five-year holding period. The resultant benefit to the employees is recognised by the Group as an expense for the year under *Personnel expenses – Employee profit-sharing and incentives.* This benefit is measured as the difference between the fair value of each security acquired and the acquisition price paid by the employee, multiplied by the number of shares purchased. The fair value of the acquired securities is measured taking account of the associated legal obligatory holding period using market parameters (notably the borrowing rate) applicable to market participants who benefit from these non-transferable shares to estimate the free disposal ability.

- Other share-based payments

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

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

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

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded under *Equity instruments and associated reserves* under shareholders' equity. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Accrued social charges.* This payables item is then remeasured at fair value against income until settled. For hedging derivatives, the effective portion of the change in their fair value is recorded in profit or loss.

## Cost of risk

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

## Income tax

- Current taxes

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

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

- Deferred tax

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

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

## Insurance activities

- Financial assets and liabilities

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

- Underwriting reserves of insurance companies

Underwriting reserves correspond to the commitments of insurance companies with respect to policyholders and the beneficiaries of policies.

In accordance with IFRS 4 on insurance contracts, life and non-life underwriting reserves continue to be measured under the same local regulations.

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

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

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

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

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

- the first consists in simulating deterministic (“standardised” or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested.

- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified for projections based on extreme scenarios.

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

## 3. Presentation of financial statements

### CNC recommended format for banks’ summary financial statements

As the IFRS accounting framework does not specify a standard model, the format used for the financial statements is consistent with the format proposed by the French National Accounting Standards Board, the CNC, under Recommendation 2009-R-04 of July 2, 2009.

### Rule on offsetting financial assets and liabilities

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

In this respect, the Group recognises more particularly, in its balance sheet, for their net amount the fair value of options on indexes traded on organised markets and whose underlying are securities within a single legal entity, provided these options meet the following criteria:
- the market where they are traded requires a settlement on a net basis;
- they are managed according to the same strategy;
- they are traded on the same organised market;
- the settlement of options via the physical delivery of underlying assets is not possible on these organised markets;
- they have the same characteristics (offsetting of call options with other call options on the one hand and offsetting of put options with other put options on the other);
- they share the same underlying, currency and maturity date.

The Group recognises also, in its balance sheet, the net value of agreements to repurchase securities given and received where they fulfil the following conditions:
- the counterparty to the agreements is the same legal entity;
- they have the same firm maturity date from the start of the transaction;
- they are covered by a framework agreement that grants permanent entitlement, enforceable against third parties, to offset amounts for same-day settlement;
- they are settled through a clearing system that guarantees delivery of securities against payment of the corresponding cash sums.

### Cash and cash equivalents

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

### Earnings per share

Earnings per share are measured by dividing the net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. The net profit attributable to ordinary shareholders takes account of dividend rights of preferred shareholders such as holders of preferred shares, subordinated securities or deeply subordinated securities classified in equity. Diluted earnings per share take into account the potential dilution of shareholders’ interests in the event dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

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

Not all of the accounting standards published by the IASB had been adopted by the European Union at December 31, 2012. These accounting standards and interpretations are required to be applied from annual periods beginning on July 1, 2012 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Group as of December 31, 2012.

### Accounting standards, amendments or interpretations adopted by the European Union

| Accounting standards or Interpretations | Adoption dates by the European Union | Effective dates: annual periods beginning on or after |
|---|---|---|
| Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" | June 5, 2012 | July 1, 2012 |
| Amendments to IAS 19 "Employee Benefits" | June 5, 2012 | January 1, 2013 |
| IFRS 13 "Fair Value Measurement" | December 11, 2012 | January 1, 2013 |
| IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" | December 11, 2012 | January 1, 2013 |
| Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets" | December 11, 2012 | January 1, 2013 |
| Amendments to IFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities" | December 13, 2012 | January 1, 2013 |
| Amendments to IAS 32 "Presentation - Offsetting Financial Assets and Financial Liabilities" | December 13, 2012 | January 1, 2014 |
| IFRS 10 "Consolidated Financial Statements" | December 11, 2012 | January 1, 2014 |
| IFRS 11 "Joint Arrangements" | December 11, 2012 | January 1, 2014 |
| IFRS 12 "Disclosure of Interests in Other Entities" | December 11, 2012 | January 1, 2014 |
| Amendments to IAS 27 "Separate Financial Statements" | December 11, 2012 | January 1, 2014 |
| Amendments to IAS 28 "Investments in Associates and Joint Ventures" | December 11, 2012 | January 1, 2014 |

- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

These amendments will modify the presentation of the statement of net income and unrealised or deferred gains and losses in which the different components and their related tax will be grouped distinguishing whether they are potentially recyclable to profit or loss or not.

- Amendments to IAS 19 "Employee Benefits"

The main consequences of amendments to IAS 19 "Employee Benefits" will consist in the immediate recognition of actuarial gains and losses on post-employment defined benefit plans under *Gains and losses recognised directly in equity*, and in the immediate recognition in the income statement of past service costs when a plan is amended. The amount before tax of these unrecognised items is disclosed in the Note 26 for a total of -836 M EUR as at December 31, 2012.

- IFRS 13 "Fair Value measurement"

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 does not change when the fair value is required to be used but specifies how to measure fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The consequences expected from this

standard concern essentially how the Group will consider its own credit risk in the fair value of derivative financial liabilities. Besides, the update of valuation techniques, which will take into account the precision brought by this standard, can bring the Group to adjust how it will consider the counterpart risk in the fair value of derivative financial assets. IFRS 13 also requires additional disclosures in the notes to financial statements. IFRS 13 shall be applied prospectively as from January 1, 2013, accordingly, the impact of these amendments on the Group's consolidated financial statements will be recorded in its consolidated income for the first quarter of 2013. This impact is currently being estimated.

- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”

This interpretation clarifies the accounting treatment when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. As far as the Group is not involved in such transactions, this interpretation will have no impact on its net income or shareholders’ equity.

- Amendments to IAS 12 “Deferred Tax: Recovery of Underlying Assets”

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

- Amendments to IFRS 7 “Disclosures - Offsetting Financial Assets and Financial Liabilities”

This amendment requires the disclosure of information about rights of offset and related arrangements for financial instruments. The new disclosures are required for all financial instruments that are offset in the balance sheet in accordance with IAS 32 (gross amounts of financial assets and liabilities that are offset, amounts that are offset and net amounts presented in the balance sheet). Additional information shall also be disclosed for recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are offset in accordance with IAS 32.

- Amendments to IAS 32 “Presentation - Offsetting Financial Assets and Financial Liabilities”

This amendment clarifies existing application issues relating to offsetting rules: rights of offset must be legally enforceable in all circumstances, and the Group shall intend to either settle on a net basis or to realise the financial asset and settle the financial liability simultaneously. The Group is currently analysing the potential impact of these amendments on its consolidated financial statements.

- IFRS 10 “Consolidated Financial Statements”

This standard defines the principle of control that will require Management to exercise significant judgement. The new definition of control includes all of the following elements: power over the investee, rights or exposure to variable returns of the investee and ability to use the power over the investee to affect the amount of the investor’s returns. The Group is currently analysing the potential impact of this new standard on its consolidated financial statements.

- IFRS 11 “Joint Arrangements”

This standard distinguishes two forms of joint arrangement (joint operation and joint venture) by assessing the rights and obligations conferred upon the parties and removes the option of applying the proportionate consolidation method. Joint ventures must now be consolidated by applying the equity method. Newedge Group (brokerage and derivatives) is the most significant joint venture that is actually consolidated by the Group using the proportionate method (see Note 47).

- IFRS 12 “Disclosure of Interests in Other Entities”

This standard includes all the disclosures that are required to be presented in the notes for all subsidiaries, joint arrangements, associates as well as for consolidated and unconsolidated structured entities. Accordingly, the Group shall enhance its disclosures to financial statements for annual periods beginning on January 1, 2014.

- Amendments to IAS 27 “Separate Financial Statements”

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

- Amendments to IAS 28 “Investments in Associates and Joint Ventures”

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

## Amendments or interpretations not yet adopted by the European Union at December 31, 2012

| Accounting standards or Interpretations | Publication dates by IASB | Effective dates: annual periods beginning on or after |
|---|---|---|
| IFRS 9 “Financial Instruments” (Phase 1: Classification and Measurement) | November 12, 2009 October 28, 2010 and December 16, 2011 | January 1, 2015 |
| Improvements to IFRSs (2009-2011) - May 2012 | May 17, 2012 | January 1, 2013 |
| Transition guidance (Amendments to IFRS 10, 11 and 12) | June 28, 2012 | January 1, 2013 |
| Investment entities (Amendments to IFRS 10, 12 and IAS 27) | October 31, 2012 | January 1, 2014 |

- IFRS 9 “Financial Instruments” (Phase 1: Classification and Measurement)

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

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

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

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

Embedded derivatives will no longer be recognised separately when their host contracts are financial assets and the hybrid instrument in its entirety will then be measured at fair value through profit or loss.

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

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

The current IFRS 9 is subject to amendment proposals for which IASB has issued for public comment an exposure-draft “Classification and Measurement: Limited Amendments to IFRS 9” on November 28, 2012.
The final content of IFRS 9 “Financial instruments - Phase 1: classification and measurement” could be different from the current version described above.

- Improvements to IFRSs (2009-2011) - May 2012

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

- Transition guidance: Amendments to IFRS 10, IFRS 11 and IFRS 12

These amendments limit the requirement to provide adjusted comparative information to only the preceding comparative period and eliminate the requirement to present comparative information for unconsolidated structured entities for periods before IFRS 12 is first applied.

- Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss. It also set out disclosure requirements for investment entities.

## Note 2

## Changes in consolidation scope

As at December 31, 2012, the Group's consolidation scope included 803 companies:

- ***647*** fully consolidated companies;
- ***86*** proportionately consolidated companies;
- ***70*** companies accounted for by the equity method.

The consolidation scope includes entities under Group's exclusive control, joint control or significant influence that are not negligible compared to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope at December 31, 2012, compared with the scope applicable at the closing date of December 31, 2011, are as follows:

- During the second half of 2012:
  - The Group sold its stake in Géniki, i.e. 99.08%, to Piraeus Bank. No assets were transferred from Geniki to the Societe Generale Group within the framework of this transaction. The income before tax from this disposal was recorded in *Net income/expense from other assets* in the income statement for an amount of EUR -375 million.
  - The Group sold its stake in Société Alsacienne Lorraine de Valeurs d'Entreprises et de Participations (SALVEPAR), i.e. 51.42%, to the Tikehau Group.
  - The Group sold its stakes in Canadian Wealth Management Group Inc and Canadian Wealth Management Ltd, previously held via SG Hambros Limited, to Fiera Capital Corporation.
  - The Group's equity interest in Sogelease Egypt increased from 70.87% to 86.29% due to the purchase by National Societe Generale Bank of shares held by minority shareholders.
  - The Group's stake in LLC Prostofinance, whose assets and liabilities were reclassified in *Non-current assets and liabilities held for sale* in June 2012, was sold to Zapikeso Limited.
  - The Group finalised the sale of its stake in Family Credit Limited. The entity's assets and liabilities were reclassified in *Non-current assets and liabilities held for sale* in December 2011.
  - The Group's equity interest in Banque Tarneaud increased from 80% to 97.57% following a takeover bid by Crédit du Nord. Due to cross-holdings, the Group's stake in Amundi increased from 24.93% to 24.97%.
  - The Group's stake in Bank Republic increased to 93.64% due to the early exercise of a put option granted to a minority shareholder.
  - Following dilutive capital increases, the Group's stake in TCW Group, Inc decreased from 95.37% to 89.56%. These capital increases were related to stock-option plans granted to its employees and to the earn-out clause granted for the acquisition of Metropolitan West Asset Management in 2010. All the shares issued within the framework of these capital increases are subject to a liquidity guarantee provided by TCW Group, Inc to its new shareholders.
  - The Group's equity interest in Boursorama decreased from 57.39% to 57.31% due to an unevenly subscribed capital increase.
- During the first half of 2012:
  - The Group sold its stake in Capital Credit Comradeship Bank (Joint Stock Company), previously fully consolidated through Rusfinance SAS.

- The Group's stake in Bank Republic increased from 84.04% to 88.04% after an unevenly subscribed capital increase.

- The Group's stake in Banka Societe Generale Albania Sh.A increased from 87.47% to 88.64% due to an unevenly subscribed capital increase.

- Following two dilutive capital increases, the Group's stake in TCW Group, Inc decreased from 97.88% to 95.37%. The first capital increase was related to stock-option plans granted to its employees and the second to an earn-out clause granted for the acquisition of Metropolitan West Asset Management in 2010. All the shares issued within the framework of these capital increases are subject to a liquidity guarantee provided by TCW Group, Inc to its new shareholders.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the main items classified in *Non-current assets and liabilities held for sale* (See Note 16) are assets and liabilities relating to the TCW Group, Inc, National Societe Generale Bank and its subsidiaries.

## Note 3

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

| Notes | Description |
|---|---|
| Note 6 | Financial assets and liabilities at fair value through profit or loss |
| Note 7 | Hedging derivatives |
| Note 8 | Available-for-sale financial assets |
| Note 9 | Due from banks |
| Note 10 | Customer loans |
| Note 11 | Reclassification of financial assets |
| Note 12 | Lease financing and similar agreements |
| Note 13 | Held-to-maturity financial assets |
| Note 19 | Due to banks |
| Note 20 | Customer deposits |
| Note 21 | Securitised debt payables |
| Note 27 | Subordinated debt |

The second part of this section details the valuation methods used by the Group to establish the fair value of the financial instruments affected by the financial crisis.
Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

### 1. VALUATION METHODS

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

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

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

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the balance sheet date. Before being used, these valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division, who also carry out subsequent consistency checks (backtesting). Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are subject to exhaustive monthly checks by specialists from the Market Risk Department of the Group's Risk Division, and if necessary are supplemented by further reserves (such as bid-ask spreads and liquidity).

For information purposes, in the notes to the consolidated financial statements, financial instruments carried at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used:

- Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities. These instruments are mainly shares, government bonds and derivatives;

- Level 2 (L2): instruments valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Instruments quoted in an insufficiently liquid market and those traded over-the-counter market belong to this level. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices;

- Level 3 (L3): instruments valued using inputs that are not based on observable market data (unobservable inputs). These instruments are mainly those for which the sales margin is not immediately recognised in profit or loss (derivatives with higher maturities than the ones usually traded) and financial instruments classified in legacy assets, when their valuation is not based on observable data.

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

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable data. This is the case for the implicit volatility used for the valuation of share options with maturities of more than seven years. On the other hand, when the residual maturity of the instrument is less than seven years, its fair value becomes sensitive to observable parameters.
In the event of unusual tensions on the markets, leading to a lack of the usual reference data used for the valuation of a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

- **Shares and other variable income securities**

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

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

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

- **Debt (fixed-income) instruments held in portfolio, issues of structured securities measured at fair value and financial derivatives**

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques (See Note 1 "Significant accounting principles"). Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

- **Other debts**

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

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

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

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

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

The fair value of loans, receivables and lease financing transactions for large corporates is calculated, in the absence of an actively- traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero coupon yield) on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively-traded market for these loans, by discounting the associated expected cash flows to present value at the market rates in force on the balance sheet closing date for similar types of loans and similar maturities.

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

- **Customer deposits**

The fair value of retail customer deposits, in the absence of an actively-traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet closing date.

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

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

Normalisation of the markets in financial instruments affected by the financial crisis as well as deleveraging of these portfolios by Societe Generale continued in 2012.

### 2.1. SUPER SENIOR AND SENIOR TRANCHES OF CDOs EXPOSED TO THE US RESIDENTIAL MORTGAGE SECTOR

When there were no observable transactions, the valuation of super senior and senior tranches of CDOs exposed to the US residential mortgage market (CDO of US RMBS) was carried out using a model with largely unobservable data or not quoted in an active market.

With the increase of the CDOs dismantled on the market and the observability of the prices of the underlying assets of the CDOs (RMBS), the valuation of the CDOs is now on the marked-to-market value of the underlying assets as at December 31, 2012.

The nominal amount of super senior and senior unhedged tranches of US RMBS CDOs carried at fair value on the balance sheet decreased from EUR 1.7 billion as at December 31, 2011 to EUR 1.6 billion as at December 31, 2012, as a result of the dismantling of certain US RMBS CDOs. Concerning this position, write-downs recorded in 2012 amount to EUR 0.1 billion and negatively affect bonds and other debt instruments at fair value through profit or loss booked as assets on the consolidated balance sheet. The fair value of these tranches as at December 31, 2012 equals EUR 0.2 billion compared to EUR 0.4 billion at the end of December 2011.

The nominal amount of hedged US RMBS CDOs carried at fair value on the balance sheet is stable at EUR 1.7 billion as at December 31, 2012. Their fair value as at the end of December 2012 equals EUR 0.6 billion compared to EUR 0.5 billion at the end of December 2011.

## 2.2. EXPOSURE TO CREDIT RISK ON MONOLINE INSURERS

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

Value adjustments for credit risk on monoline insurers have been calculated based on the fair value of protection. Exposure to credit risk on monoline insurers can be broken down into three parts:

- exposure linked to CDO tranches of RMBS, for which the methodology applied by the Group is the same as for unhedged CDOs;
- exposure linked to non RMBS CDOs (excluding US residential mortgage market) and infrastructure finance measured at marked-to-market;
- exposure linked to corporate credit (CLOs) and other secured financial instruments measured at marked-to-market.

As a result, the fair value of protection before value adjustments decreased due to the sale of underlying assets mainly corporate credit (CLO), the change in valuation of the underlying assets and the euro's appreciation against the US dollar.

Consequently, the estimate of the amounts that may be due to the Societe Generale Group from monoline insurers' guarantees decreased from EUR 2.4 billion as at December 31, 2011 to EUR 1.7 billion as at December 31, 2012.

In 2012, the value adjustments calculated for credit risk on monoline insurers decreased by EUR 0.1 billion, reaching a total of EUR 1.2 billion. These adjustments are calculated based on the application of conservative cumulative loss rates (up to 80% for the most poorly rated monoline insurers). The expected loss rate applied to each monoline is reviewed quarterly and adjusted when needed.

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

| *(In billions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Fair value of protection before value adjustments | 1.73 | 2.39 |
| Value adjustments for credit risk on monolines insurers (booked under protection) | (1.24) | (1.28) |
| Net exposure to counterparty risk on monolines insurers | 0.49 | 1.11 |
| Nominal amount of hedges purchased | (0.34) | (1.06) |

## 3. SENSITIVITY OF FAIR VALUE OR INSTRUMENTS IN LEVEL 3

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

To quantify this, a sensitivity of fair value at December 31, 2012 was estimated on instruments whose valuation is based on unobservable parameters. This estimate was made on the basis of: a "standardised"[1] variation of other unobservable parameters, calculated for each parameter on a net position.

| Sensitivity to a standard variation in unobservable parameters - absolute value in millions of euros | |
|---|---|
| **Shares, other equity instruments and derivatives** | |
| Equity instrument volatility | 6 |
| Dividends | 3 |
| Correlation | 4 |
| Hedge Fund volatility | 16 |
| Mutual Fund volatility | 3 |
| **Bonds, other debt instruments and derivatives** | |
| Correlations between exchange rates | 8 |
| Correlations between exchange rates and interest rates | 6 |
| Time to default correlation | 18 |
| Correlation between exchange rates and time to default | 3 |
| Unobservable credit spreads | 1 |
| **others** | |
| Commodities correlations | 5 |

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

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

# Note 4

RISK MANAGEMENT LINKED TO FINANCIAL INSTRUMENTS

This note describes the main risks linked to financial instruments and the way they are managed by the Group according to IFRS 7 requirements (“Financial Instruments - Disclosures”).

- **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 performance:

- credit and counterparty risk (including country risk): risk of losses arising from the inability of the Group’s customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions (replacement risk), as well as securitisation activities. Country risk arises when an exposure can be negatively affected by changing political, economic, social and financial conditions in the country of operation. 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. Limits are set for some 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 of 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 (CACIR) in accordance with the risk appetite defined by the Board of Directors;
- liquidity risk: risk of the Group not being able to meet its cash or collateral requirements as they arise and at a 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. 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;
- 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 (operations involving equity capital, investments and bond issues). 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 as validated by the Finance policy committee. As for exchange rates, the Group's policy is to immunise its solvency ratio against fluctuations of the major currencies in which it operates.

## 1. ORGANISATION, PROCEDURES AND METHODS

### 1.1. RISK MANAGEMENT STRATEGY

Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale Group, in all businesses, markets and regions in which the bank operates, as well as are maintaining a balance between strong risk culture and promoting innovation. 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) program, 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.

## 1.2. 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 organised around two key principles:
- risk assessment departments should be independent from the operating divisions;
- the risk management approach and risk monitoring should 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, and the Risk Committee. The Group's Corporate Divisions, such as the Risk Division and Finance Division, which are independent from the business divisions, are dedicated to permanent risk management and control under the authority of the General Management.

### 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 of, and notable changes to, the Group's risk management strategy are made to the Board of Directors by the General Management at least once a year (more often if circumstances require it), in the frame of the exercise to determine Risk Appetite.

### Audit, Internal Control and Risk Committee

Within the Board of Directors, the Audit, Internal Control and Risk Committee plays a crucial role in the assessment of the quality of the Group's internal control. More specifically it is responsible for examining the internal framework for risk monitoring to ensure consistency and compliance with procedures, laws and regulations in force. Special presentation are made by the General Management to the Committee, which reviews the procedures for controlling market risks as well as the structural interest rate risk, and is consulted about the setting of risk limits. It also issues an opinion on the Group's overall provisioning policy as well as on large specific provisions. 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 Authority (ACP).

- **Risk Committee and Large Exposures Committee**

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

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

- **Risk Division**

The main responsibility of the Risk Division is to help develop the activities and profitability of Societe Generale Group by working with the business divisions to define the Group's risk Appetite (deployed within the Group's various businesses), and to establish a risk management and monitoring system. In exercising its functions, the Risk Division reconciles independence from and close cooperation with the business divisions, which are responsible first and foremost for the transactions they initiate.

Accordingly, the Risk Division is responsible for:

- providing hierarchical and functional supervision of the Group's Risk structure;
- identifying the risks borne by the Group;
- putting into practice a governance and monitoring system for these risks across all business lines, and regularly reporting on their nature and extent to the General Management, the Board of Directors and the supervisory authorities;
- contributing to the definition of risk policies, taking into account the aims of the businesses and the corresponding risk issues;
- defining or validating risk analysis, assessment, approval and monitoring methods and procedures;
- validating the transactions and limits proposed by the business managers;
- defining the "risk" information system, and ensuring its suitability for the needs of the businesses and its consistency with the Group's information system.

Regarding legacy assets [(1)], the Risk Division:

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

(1) For further details on the valuation of certain assets within this scope, see Note 3 to the consolidated financial statements,

## 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 team or new systems.

## Finance Division

Within the Finance Division, the Financial Management and Capital Department manages the capital requirements and the capital structure. In accordance with regulatory principles that advocate the separation of oversight and control functions, two different entities manage and monitor structural risks:

- the Balance Sheet and Global Treasury Management Department is dedicated to structural risk management. It also monitors and coordinates all Group treasury functions (external Group financing, internal entity financing, centralised collateral management). Moreover, it manages the Financial Centre and executes financial transactions;
- the ALM Risk Control Department is responsible for supervising structural risk for the entire Group. In particular, it validates structural risks models and monitors compliance with limits and management practices by the Group's divisions, business lines and entities.

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

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

Societe Generale's risk measurement and assessment processes are an integral part of the bank's ICAAP (Internal Capital Adequacy Assessment Process [(2)]). Alongside capital management, ICAAP is aimed at providing guidance to both CORISQ and the Finance Committee in defining the Group's overall risk Appetite and setting risk limits.

Within the Finance Division, the steering of scarce resources and performance has been the responsibility of the new Strategic and Financial Steering department since 1st January 2013.

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

# 2. CREDIT RISK

## 2.1. RISK MANAGEMENT - GENERAL PRINCIPLES

### 2.1.1. Credit policy

Societe Generale's credit policy is based on the principle that approval of any credit risk undertaking must be based on sound knowledge of the client and 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 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.

### 2.1.2. Approval process

The risk approval process is based on four core principles:

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

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

Finally, the supervision exercised by CORISQ is supplemented by the Large Exposures Committee which focuses on reviewing large individual exposures.

### 2.1.3. Credit and counterparty risk monitoring

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

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

## 2.2. RISK MEASUREMENT AND INTERNAL RATINGS

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

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

In both cases a set of procedures defines the rules relating to ratings (scope, frequency of rating review, rating approval procedure, etc.), and for the supervision, back-testing and validation of models. Among other things, these procedures facilitate human judgement, which provides a critical view of the results and is an essential complement to the models for these portfolios.

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

All Group risk models are developed and validated on the basis of the longest available internal historical data, which must be representative (both in terms of the portfolios in question and the effects of the economic

environment during the period considered) and conservative. As a result, the Group's risks estimates are not excessively sensitive to changes in the economic environment, while being able to detect any deterioration of risks. The PD modelling for large corporates has also been calibrated against long-term default statistics obtained from an external rating agency.

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

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

## 2.3. MANAGEMENT OF THE CREDIT PORTFOLIO AND OF COUNTERPARTY RISK

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

### • Use of credit derivatives to manage corporate concentration risk

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 77% of the total amount of individual protections purchased.

Total outstanding purchases of protection through Corporate credit derivatives decreased from EUR 4.6 billion at end-December 2011 to EUR 1.9 billion at end-December 2012, mainly due to the non-renewal of matured protection. In 2012, Credit Default Swap (CDS) spreads on European investment grade issues (iTraxx index) remained high during the first part of the year before falling once tensions over sovereign debt decreased.

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

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

## Guarantees and collateral

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. This category also includes Credit Default Swaps (CDS).

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). In addition, the Group has strengthened its policies relating to the acceptance and management of guarantees and collateral as well as their valuation (data collection on guarantees and collateral, deployment of operational procedures).

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 validating 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.

## 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.

Management of Over the Counter (OTC) collateral is monitored on an ongoing basis in order to minimise 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.

- **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 validated 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 reduction of risks.

## 2.4. CREDIT PORTFOLIO ANALYSIS

### 2.4.1 Breakdown of on-balance-sheet credit portfolio

Outstanding loans in the on-balance-sheet credit portfolio could be broken down as follows as at December, 31 2012:

| | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| *(In billions of euros)* | Debts instruments (3) | Customer loans (4) | Due from banks | **Total** | Debts instruments (3) | Customer loans (4) | Due from banks | **Total** |
| Outstanding performing assets | 114.26 | 344.25 | 42.44 | 500.95 | 115.02 | 369.97 | 37.36 | 522.35 |
| *of which including past due amount* | - | *6.73* | *0.02* | *6.75* | - | *7.24* | *0.14* | *7.38* |
| Impaired loans and advances | 0.48 | 26.93 | 0.20 | 27.61 | 1.32 | 27.71 | 0.20 | 29.23 |
| **Total gross outstanding loans** | 114.74 | 371.18 | 42.64 | **528.56** | 116.34 | 397.68 | 37.56 | **551.58** |
| Impairment | (0.14) | (15.85) | (0.06) | (16.05) | (0.99) | (16.76) | (0.12) | (17.87) |
| Revaluation of hedged items | - | 0.68 | 0.05 | 0.73 | - | 0.54 | 0.05 | 0.59 |
| **Total net outstanding loans** | 114.60 | 356.01 | 42.63 | **513.24** | 115.35 | 381.46 | 37.49 | **534.30** |
| Loans secured by notes and securities and securities purchased under resale agreement | - | 22.97 | 34.89 | 57.86 | - | 15.39 | 49.21 | 64.60 |
| **Total** | **114.60** | **378.98** | **77.52** | **571.10** | **115.35** | **396.85** | **86.70** | **598.90** |

(3) Debt instruments include available-for-sale and held–to-maturity assets.
(4) Including Lease Financing and similar agreements.

Outstanding performing assets with past due amounts account for 1.7% of unimpaired on-balance sheet assets excluding debt instruments and including loans that are past due for technical reasons. The amount is stable compared to December 31, 2011 (1.8% of outstanding performing assets excluding debt/securities).

### 2.4.2. Information on risk concentration

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

At December 31, 2012, the Group's Exposure at Default amounted to EUR 685 billion (including on-balance sheet assets of EUR 543 billion). Societe Generale proactively manages its risk concentrations, both at the individual and portfolio levels (geographic or industry concentration).

Individual concentration is managed upon origination of the loan and throughout its life. The counterparties representing the bank's most significant exposures of the bank are regularly reviewed by the General Management.

Global portfolio analyses, as well as geographic and sector analyses, are performed and periodically presented to

the General Management.

## CREDIT RISK EXPOSURE BY EXPOSURE CLASS EXCLUDING SECURITISATION AS AT DECEMBER 31, 2012 (EXPOSURE AT DEFAULT)

| **Portfolio by exposure class** *(In millions of euros)* | **December 31, 2012** | **December 31, 2011 *** |
|---|---|---|
| | **EAD** | **EAD** |
| Sovereign | 143,422 | 116,588 |
| Institutions (5) | 71,585 | 117,883 |
| Corporate | 266,682 | 298,534 |
| Retail | 184,282 | 183,520 |
| **Total** | **665,971** | **716,525** |

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

* EAD under Standard Approach calculated net of collateral - amounts adjusted with respect to financial statements published as at December 31, 2011 to allow year-to-year comparison.

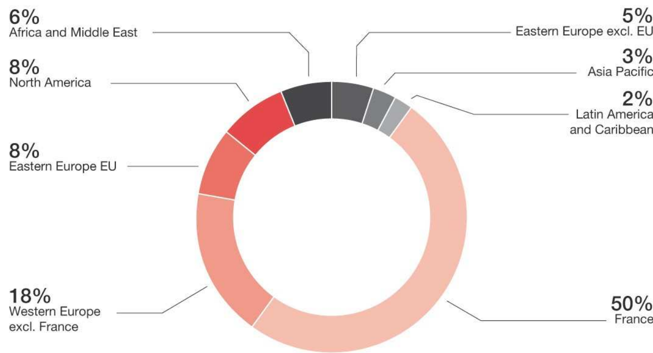
## RETAIL CREDIT RISK EXPOSURE BY CLASS AS AT DECEMBER 31, 2012 (EXPOSURE AT DEFAULT)

| **Retail portfolio by Exposure class** *(In millions of euros)* | **December 31, 2012** | **December 31, 2011 *** |
|---|---|---|
| | **EAD** | **EAD** |
| Residential mortgages | 94,565 | 91,245 |
| Revolving credit | 9,686 | 10,435 |
| Other credit to individual | 54,081 | 56,061 |
| Very small enterprises and self-employed | 25,950 | 25,778 |
| **Total** | **184,282** | **183,519** |

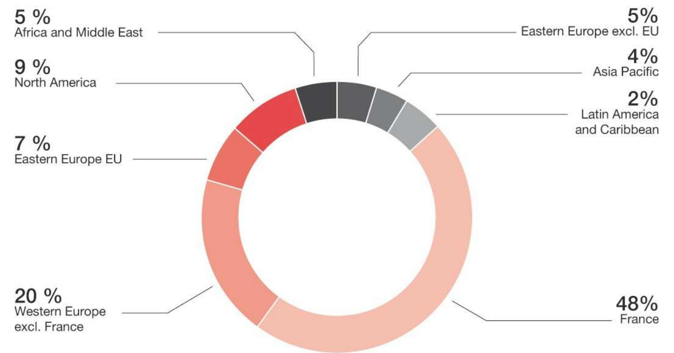
* EAD under Standard Approach calculated net of collateral - amounts adjusted with respect to financial statements published as at December 31, 2011 to allow year-to-year comparison.

## GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK OUTSTANDING AS AT DECEMBER 31, 2012 (ALL CLIENT TYPES INCLUDED)

Balance sheet commitments (EUR 543 billion in EAD)

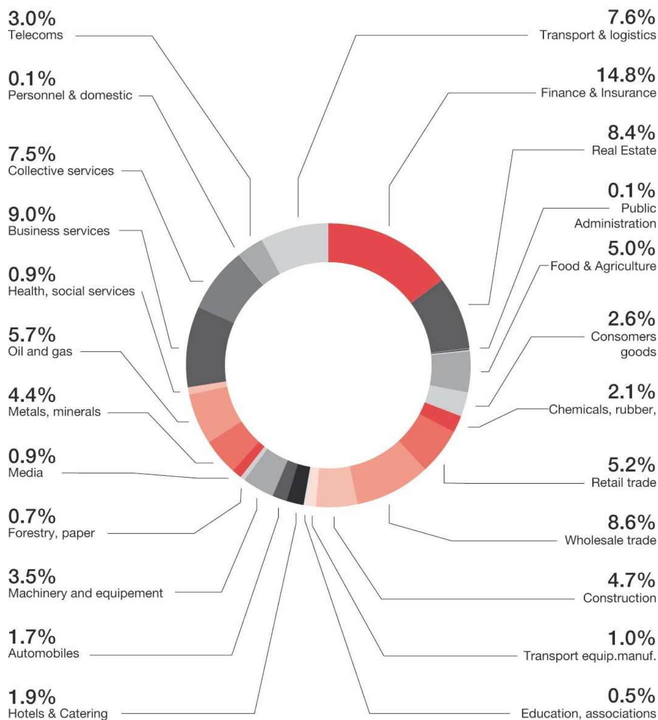



On-balance sheet and off-balance sheet commitments (EUR 685 billion in EAD)




At December 31, 2012, 85% of the Group's on and off-balance sheet outstanding loans were concentrated in the major industrialised countries. Half of the overall amount of outstanding loans was to French customers (28% to non-retail customers and 19% to individual customers).

## SECTOR BREAKDOWN OF GROUP CORPORATE CREDIT RISK OUTSTANDING AT DECEMBER 31, 2012 (BASEL CORPORATE PORTFOLIO, EUR 267 BILLION in EAD)*




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

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

At December 31, 2012, the Corporate portfolio amounted to EUR 267 billion (on and off-balance sheet outstanding measured in EAD). Only the Finance and Insurance sector accounts for more than 10% of the portfolio. The

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

### 2.4.3. Loans and advances past due but not individually impaired

| | December 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| *(In billions of euros)* | Loans and advances to customers | Loans and advances to Banks | % of Gross outstanding loans | Loans and advances to customers | Loans and advances to Banks | % of Gross outstanding loans |
| Amounts including past due less than 91 days old | 6.22 | 0.02 | 92.40% | 6.62 | 0.04 | 90.20% |
| *Of which less than 31 days old* | *3.94* | *0.01* | *58.00%* | *4.36* | *0.04* | *60.00%* |
| Amounts including past due between 91 and 180 days old | 0.30 | 0.00 | 4.50% | 0.36 | 0.03 | 5.30% |
| Amounts including past due over 180 days old | 0.21 | 0.00 | 3.20% | 0.26 | 0.07 | 4.50% |
| **Total** | **6.73** | **0.02** | | **7.24** | **0.14** | |

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

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

Once a payment has been past due for 90 days, the counterparty is deemed to be in default (with the exception of certain categories of outstanding loans, particularly those relating to public sector entities).

### 2.4.4. Restructured debt

For Societe Generale, "restructured" debt refers to loans whose amount, term or financial conditions have been contractually modified due to the borrower's insolvency (whether insolvendy has already occurred or will definitely occur unless the debt is restructured).

Restructured debt does not include commercial renegotiations involving clients for which the bank has agreed to renegotiate the debt in order to retain or develop a business relationship, in accordance with credit approval rules in force and without giving up any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the client in question in the Basel default category and classifying the loans themselves as impaired. These assets are then subject to specific impairment.

Societe Generale Group's banking practices call for most clients whose loans have been restructured to be maintained as impaired, as long as the bank remains uncertain of their ability to meet their future commitments.

Debt that was restructured and reclassified from impaired to performing in 2012 totalled EUR 468 million.

### 2.4.5. Guarantees and collateral

The total amount of guarantees and collateral allocated for the calculation of Group capital requirements was EUR 149 billion as at December 31, 2012 of which EUR 94.7 billion for retail customers and EUR 54.3 billion for non-retail customers (versus EUR 85.8 billion and EUR 59.7 billion, respectively as at December 31, 2011).

Alongside the regulatory calculation of Group capital requirements, a data collection process is in place for guarantees and collateral related to past due loans not individually impaired as well as individually impaired loans. The amount of guarantees and collateral related to past due not individually impaired loans was EUR 2.7 billion (EUR 1.7 billion for retail customers and EUR 1 billion for non retail customers) as at December 31, 2012. The amount of guarantees and collateral related to individually impaired loans was EUR 6.1 billion (EUR 2.7 billion for retail customers and EUR 3.4 billion for non retail customers) as at December 31, 2012.

## 2.5. IMPAIRMENT

### 2.5.1. Individual impairment for credit risk

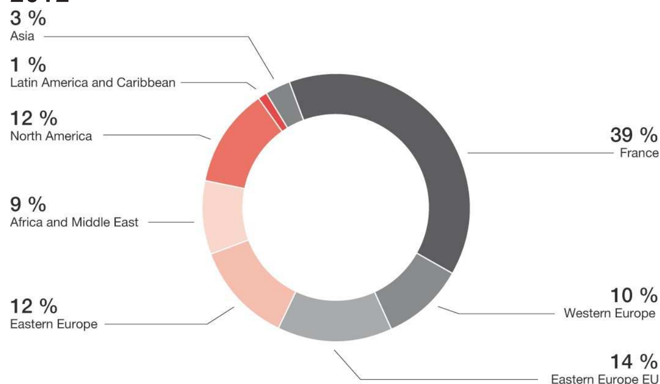
Decisions to book individual impairment on certain counterparties are taken where there is objective evidence of default. The amount of the impairment depends on the probability of recovering the amounts due. The expected cash flows are based on the financial position of the counterparty, its economic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

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

- a significant deterioration in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments (credit obligations), thus generating a risk of loss for the bank; and/or
- one or more payments more than 90 days past due are recorded; and/or
- an out–of-court settlement procedure is initiated, (with the exception of certain asset categories, such as loans to local authorities); and/or
- the debt is restructured (see. 2.4.4); and/or
- a legal proceeding such as a bankruptcy, legal settlement or compulsory liquidation is in progress.

As at December 31, 2012, impaired outstanding loans amounted to EUR 27.1 billion (EUR 27.9 billion as at December 31, 2011), including EUR 3.4 billion on legacy assets within the Corporate and Investment Banking Division. They can be broken down as follows:

**BREAKDOWN OF IMPAIRED OUTSTANDING LOANS BY GEOGRAPHIC REGION AT DECEMBER 31, 2012**




As at December 31, 2011, impaired outstanding loans were broken down as follows: 34% France, 19% Western Europe, 12% Eastern Europe EU, 12% Eastern Europe, 13% North America, 7% Africa and Middle East, 2% Asia and 1% Latin America and Caribbean.

As at December 31, 2012, the impairment of these loans amounted to EUR 14.8 billion, including EUR 2.3 billion for legacy assets.

### • 2.5.2. Impairment on groups of homogenous assets

Impairment on groups of homogenous assets are collective impairment 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 industrial sectors or countries. They are identified through regular analyses of the portfolio by industrial sector, country or counterparty type.

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

As at December 31, 2012, provisions on groups of homogeneous assets amounted to EUR 1.1 billion versus EUR 1.3 billion as at December 31, 2011.

### • 2.5.3. Impairment

Impairment on assets are broken down as follows:

| *(In millions of euros)* | **Amounts as at December 31, 2011** | **Net impairment allowance** | **Reversal used** | **Exchange and scope effects** | **Amounts as at December 31, 2012** |
|---|---|---|---|---|---|
| Specific impairments (Bank loan + Customer loan + lease financing) | 15,596 | 3,220 | (2,569) | (1,473) | 14,774 |
| Impairments on groups of homogenous assets | 1,291 | (1) | - | (158) | 1,132 |
| Impairments on available-for-sale assets and held to maturity securities, fixed income instruments | 985 | (134) | (722) | 16 | 145 |
| Other impairments | 223 | 55 | (35) | (4) | 239 |
| **Total** | **18,095** | **3,140** | **(3,326)** | **(1,619)** | **16,290** |

## 3. MARKET RISKS

Market risk is the risk of losses resulting from unfavourable changes in market parameters. It concerns all the trading book transactions as well as some of the banking book portfolios.

## 3.1. MARKET RISK MANAGEMENT STRUCTURE

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

This Department carries out the following tasks:

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

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

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

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

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

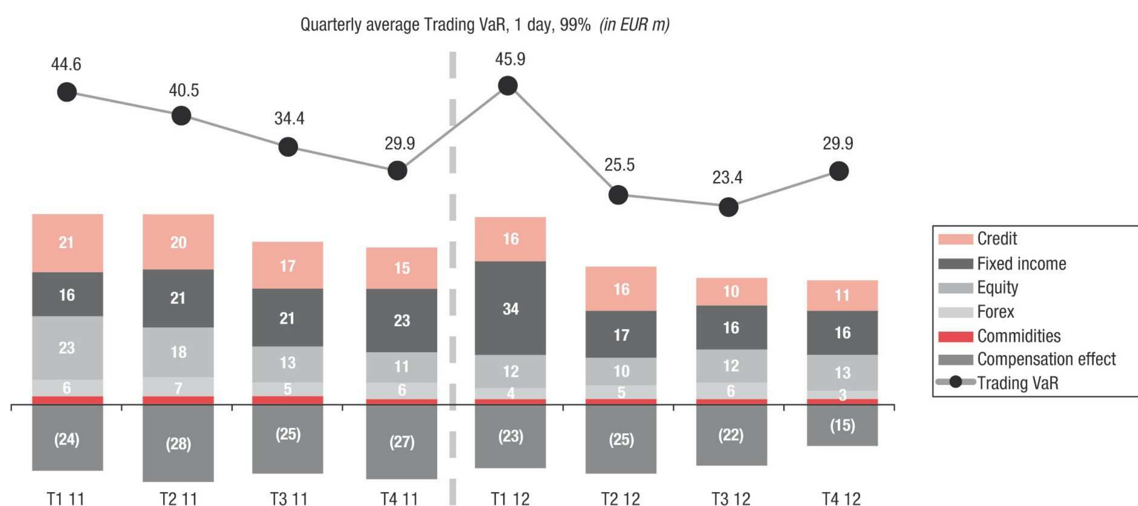
## 3. 2. METHODS FOR MEASURING MARKET RISK AND DEFINING EXPOSURE LIMITS

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

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

In accordance with CRD 3 (Capital Requirement Directive), 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 new internal models complement the previous measure (VaR) so as to better take into account extreme risks (in particular rating migration and default) and to limit the procyclical nature of capital requirements.

## BREAKDOWN[6] BY RISK FACTOR OF TRADING VAR - CHANGES IN QUARTERLY AVERAGE OVER THE 2011-2012 PERIOD (IN MILLIONS OF EUROS)




(6) In Q3-12, some Fixed-Income and Forex products were reweighted in the VaR breakdown by risk factor, with historical data restated. This reweighting does not change the VaR model and has no impact on the global VaR amount

### 3.2.1. Average VaR

Average VaR amounted to EUR 31 million for 2012 compared to EUR 37 million in 2011. VaR, which on average remained relatively low throughout 2012, experienced the following changes:

- increase until mid-March due to more risk-on positions that reflected the market normalisation observed during most of the quarter, and the non-renewal of the defensive positions taken in Q4-2011;
- then a sharp decrease until July due to the reduction of exposures and the implementation of defensive strategies following the return of considerable uncertainty regarding peripheral eurozone countries;
- beginning in August and continuing until the end of 2012, VaR increased due to the reduction of the defensive profile with gradually more risk-on positions as the market environment became favourable once more (announcement of the ECB's OMT (Outright Monetary Transactions) programme to buy back public debt and Fed's latest round of quantitative easing). This increase was nevertheless tempered by the gradual exit of volatile scenarii from the summer of 2011 and November 2011.

### 3.2.2. VaR calculation method

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

- the use of "1-day" shocks assumes that all positions can be unwound or hedged within one day, which is not the case for certain products and crisis situations;
- the use of the 99% confidence interval does not take into account losses arising beyond this point; 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;
- there are a number of approximations in the VaR calculation. For example, benchmark indices are used as opposed to more detailed risk factors and not all of the relevant risk factors are taken into account, in particular due to difficulties in obtaining historical daily data.

The Market Risk Department of the Risk Division mitigates these limitations by:

- performing stress tests and other additional measurements;
- assessing the relevance of the model through ongoing backtesting 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 or transactions changed during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions made and parameters adjusted for market risk. Some components (for example, some adjustements for market risk) calculated at various frequencies are allocated on a daily basis.

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 outside France. 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 requirements using the standard method or through alternative in-house methods.

### 3.2.3. Stressed VaR (SVaR)

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

The calculation method used is the same as under the VaR approach. This consists in carrying out a historical simulation with 1-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 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.

### 3.2.4. Stress Test assessment

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

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

This stress test risk assessment is applied to all of the Bank's market activities. It is based on 26 historical scenarii and 8 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 system. The underlying principles are as follows:

- risks are calculated every day for each of the Bank’s market activities (all products combined), using the 26 historical scenarii and 8 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 reflect the most adverse result arising from the 34 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.

### 3.2.5. Historical Stress Tests

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

Using this methodology, Societe Generale has defined 26 historical scenarii, including 7 new ones added in 2012:

- six of them cover the periods between Q3-2008 and Q1-2009 and are related to the subprime crisis and its consequences for all financial markets;
- the seventh corresponds to the PIIGS sovereign debt crisis in Q2-2010.

### 3.2.6. Hypothetical Stress Tests

The hypothetical scenarii are defined by the Bank’s economists and are designed to simulate possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The Bank’s aim is to select extreme but nonetheless plausible events which would have major repercussions on all the international markets. Societe Generale has therefore adopted 8 hypothetical scenarii.

## 4. STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Structural exposure to interest rate risks encompasses all exposures resulting from commercial activities and their hedging and the proprietary transactions of all 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 proprietary transactions must also be hedged as far as possible excepted for some foreign exchange positions kept to immunise the Tier 1 ratio.

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

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Risks Control Departments of the Group Business divisions conducts 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 Balance Sheet and Global Treasury Management Department, which is part of the Finance Division, is responsible for:**

- defining the structural interest rate, exchange rate and liquidity risk policies for the Group and in particular evaluating and planning the Group's funding;
- 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 risks.

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

- defining of the ALM principles for the Group and controlling the regulatory compliance in terms of the structural risks;
- 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 CRBF 97-02.

- **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 programmes in compliance with the principles set out by the Group and the limits validated by the Finance Committee.

## 4.2. STRUCTURAL INTEREST RATE RISK

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

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

### 4.2.1. Objective of the Group

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

To this end, any residual 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, representing an amount equal to 2.5% of its regulatory capital.

### 4.2.2. Measurement and monitoring of structural interest rate risks

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

Assets and liabilities are analysed independently, without any a priori matching. The maturities of outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' 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 2012, the Group's overall sensitivity to interest rate risk remained below 1% 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. Thanks to macro-hedging essentially through the use of interest rate swaps, the French retail networks' sensitivity to interest rate risk (on the basis of the adopted scenarii) has been kept inside its limits. At end of December 2012, the sensitivity of the French retail networks' economic value, based on their essentially euro-denominated assets and liabilities, was EUR 325 million;
- transactions with large corporates are generally micro-hedged and therefore present no residual interest rate risk;
- transactions with clients of the Specialised Financial Services subsidiaries are generally macro-hedged and therefore present only a very low interest rate risk;
- client transactions at our subsidiaries and branches located in countries with weak currencies can generate structural interest rate risk, which remains limited at the Group level. These entities may have problems in

optimally hedging interest rate risk due to the weak development of the financial markets in some countries;
- proprietary transactions are generally well hedged. Residual positions are limited and arise primarily from shareholders' equity that has not been fully reinvested at expected maturities.

Sensitivity to interest rate variations of the Group's main entities represented EUR 387 million as at December 31, 2012 (for a 1% parallel and instantaneous rise in the yield curve). These entities account for 90% of the Group's outstanding loans.

*(In millions of euros)*

| Less than one year | between 1 and 5 years | More than 5 years | **Total sensitivity** |
|---|---|---|---|
| 70 | (205) | 522 | **387** |

## 4.3. STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk is mainly caused by:

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

### 4.3.1. Objective of the Group

The Group's policy is to immunise its solvency ratio against fluctuations in the currencies it operates. To 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.

### 4.3.2. Measurement and monitoring of structural exchange rate risks

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

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

In 2012, the Group successfully neutralised the sensitivity of its solvency ratio to currency fluctuations by monitoring the structural positions in these currencies (the sensitivity of the solvency ratio is managed with limits per currency set according to the Group's risk Appetite in these currencies).

## 4.4. Hedging interest rate and exchange rate risk

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

In order to qualify these transactions as accounting hedges, the Group documents said hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging

instrument – the expected ratio between the two changes in fair value being within the range of 80%-125%. Effectiveness is measured each quarter on a prospective (discounted over future periods) and retrospective (booked in past periods) basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

- **Fair value hedging**

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

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

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

Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged instrument.

- **Cash flow hedging**

Cash flow hedges on interest rates are used to hedge against the risk of fluctuation in the future cash flow of a floating-rate financial instrument due to variation in market interest rates.

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

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

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in creating a hypothetical derivative which bears exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.) but which works in the opposite way and whose fair value is nil when the hedging is set up, then comparing the expected changes in the fair value of the hypothetical derivative with those of the hedge instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge. Here, only any "over-hedging" is deemed ineffective.

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

| **At December 31, 2012** *(In millions of euros)* | **Less than 3 months** | **From 3 months to 1 year** | **From 1 to 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|
| Floating cash flows hedged | 302 | 375 | 843 | 745 | 2,265 |
| Highly probable forecast transaction | 20 | 398 | 863 | 39 | 1,320 |
| Other | - | - | 624 | - | 624 |
| **Total flows covered by cash flow hedge** | 322 | 773 | 2,330 | 784 | 4,209 |

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

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

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

The item hedged is an investment in a country whose currency differs from the Group's functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary against an exchange rate risk linked to the entity's functional currency.

## 5. LIQUIDITY RISK

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

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

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

### 5.1. ORGANISATION AND GOVERNANCE

- **5.1.1. ORGANISATION OF LIQUIDITY RISK MANAGEMENT**

Since January 1, 2011, liquidity risk steering, management and monitoring have been provided by two distinct entities of the Group Finance Division, in compliance with the regulatory principles that advocate a separation of risk steering and monitoring functions:

- The Balance Sheet and Global Treasury Management Department:
  - manages liquidity and structural risks,
  - oversees and coordinates all Group treasury functions (external Group funding, internal entity financing and centralised collateral management);
  - manages the Group's corporate centre and conducts financing operations.

- The ALM Risk Control Department:
  - supervises and manages the structural risks to which the Group is exposed,
  - in particular, validates models, monitors compliance with limit restrictions and management practices by the divisions, business lines and entities of the Group.
  - reports hierarchically to the Chief Financial Officer and reports 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 for the Group Chief Risk Officer. Specifically, they relate to:

- the independent review of capital market models;
- 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 overages.

### 5.1.2. GOVERNANCE

The principles and standards applicable to the management of liquidity risks are defined at Group level.

The business divisions and major Group entities manage liquidity under the direct supervision of the Group's Finance Division.

The other operating entities are responsible for managing their own liquidity and for adhering to applicable regulatory constraints, under the supervision of the business division to which they report. The entities submit reports on their structural liquidity risk to the Group via a shared IT system.

In 2012, the Group's Balance Sheet and Global Treasury Management Department had full responsibility for managing the Group's liquidity and functionally supervised the Corporate and Investment Banking business unit's Treasury Department.

The main functions of the Group's governing bodies in the area of liquidity are listed below:

- The Group's Board of Directors:
  - meets on a quarterly basis to examine the liquidity risk situation and to provide follow-up to its past decisions,
  - conducts an annual review of the liquidity risk management and monitoring system,
  - establishes the level of liquidity-related risk tolerance, including the time horizon over which the Group can operate under conditions of stress ("survival horizon"), as part of determining the Group's risk Appetite,
  - monitors adherence to the main risk limits.

- General Management:
  - presents a framework of Group-wide liquidity risk tolerance levels to the Board of Directors for validation as part of determining the Group's risk Appetite,
  - sets the liquidity limits per business division and per major Group entity,
  - monitors adherence to liquidity limits Group-wide and per business division,

- validates remedial action plans in the event that liquidity limits are exceeded at the Group level or by the business divisions.

- The Finance Committee:
  - meets at least quarterly under the chairmanship of the Chairman and Chief Executive Officer or a Deputy Chief Executive Officer with the representatives from the different corporate divisions and business divisions,
  - readies the decisions of General Management in the areas of general policy, liquidity risk tolerance and limits,
  - ensures the adequacy of the risk management and control system,
  - examines and validates the steps advocated by the Departments: the Balance Sheet and Global Treasury Management Department and ALM Risk Control Department,
  - monitors developments in the liquidity situation falling under the Group's scope of management.

## 5.2. Underlying principles of liquidity management

### 5.2.1. Group objective, principles and challenges

The Group's overriding objective is to ensure the funding of its activities in the most cost-effective way while managing liquidity risk and adhering to regulatory limits.

In 2012, the Group strengthened the management of its balance sheet structure, i.e. the absolute limit on borrowing on the financial market, both short term and long term, with a view to securing its liabilities and optimising its refinancing structure. With this in mind, structural efforts were made to rebalance liabilities toward customer deposits and long-term funding was set in motion.

Furthermore, during the first half of 2012 the Group conducted, at the request of General Management, a strategic review of all its businesses from a liquidity standpoint in order to optimise the allocation of this scarce resource in the Group-wide management of its businesses and to set medium-term objectives for the business lines consistent with the Group's strategy.

As a result, the Group's operating principles for liquidity management introduced in 2011 were maintained and strengthened in 2012, namely:

- Group Funding

1. The dynamic management and coordination of the businesses' borrowing requirements from the Group, consistent with the Group's capacity for leveraging financial resources and in line with the objectives established by the General Management.
2. The plan for short- and long-term funding, in addition to resources gathered from clients, is sized conservatively with reduced control in the short term while ensuring diversification in terms of products and target areas.
3. Conservative and close monitoring of short-term liquidity and the Group's footprint in the markets. The Treasury Department of the Corporate and Investment Banking division, which manages the Group's short-term liquidity by delegation and monitors its liquidity gap under stress scenarii taking into account assets eligible for central bank refinancing operations. A weekly Liquidity Committee meeting, chaired by the Chief Financial Officer and attended by the Chief Risk Officer, the Head and Treasurer of SGCIB and the Head of Balance Sheet and Global Treasury Management Department, assesses the Bank's short-term liquidity situation and makes management decisions according to the market environment by delegation from the Finance Committee.

- Liquidity Risk

4. Using internal stress tests to be certain that the time limit during which the Group can continue to operate under liquidity stress conditions, whether systemic, specific or a combination thereof, is met as established by the Board of Directors.

5. Defining, measuring and managing business line liquidity gaps. The businesses will be expected to respect to the principle of a zero or small gap, averting any risk of mismatch.
6. Actively managing eligible assets. The Group has set the aim of optimising the management of the pool of assets eligible for the various refinancing mechanisms (central bank refinancing operations, *société de crédit foncier*, securitisation, etc.) using a centralised application that creates an inventory of saleable assets to allow an optimum allocation and secure management of these asset pools.

- Regulatory Requirements

7. Implementing a Group steering structure, taking into account regulatory ratios (LCR, NSFR) and guiding the contribution of the business lines to these ratios.

Since 2012, Societe Generale has been working intensively to transpose the Basel document into a banking standard to be enforced Group-wide governing standards and steering. The automation of liquidity ratio calculation was begun in the first quarter of 2012 and will continue into 2013.

The key performance indicator regulatory framework, which was initiated in the first half of 2011 by the Group, created the conditions for setting targets and limits per business division and major entities in 2012 covering the 2012-2015 period for most key liquidity performance indicators validated by General Management.

## 5.2.2. Key liquidity performance indicators

The task of managing liquidity in the Group's Finance Division notably includes:

1. From a qualitative point of view, direct supervision of the liquidity of the business divisions and the major entities
2. From a quantitative point of view, controlling the Group, the divisions and the business divisions and monitoring several key performance indicators that it defined in line with needs of informing the General Management, some of which are an integral part of the targets and limits defined as part of the Group's Risk Appetite arrangement.

- Qualitative coordination of the liquidity requirements of the business divisions of the Group, the divisions and the major entities:

Liquidity supervision of the business divisions and major entities by the Group's Finance Division aims at setting out the main objectives of monitoring the business lines as well as ensuring that any operational sticking points that need to be reported back to the Group level are indeed reported.

With this in mind, the Group's Finance Division participates, at the business divisions level and in major entities, both in France and in foreign countries, to the meetings of the ALM Committees and Funding Committees and is involved in enterprise-wide efforts related to thoughts on the targets and trends of the Group and its businesses.

- Quantitative liquidity planning for the Group, the business divisions, the major entities and the business lines:

Current and forward-looking vision, the main key steering performance indicators and close monitoring.

1. Group Funded Balance Sheet
   - Budget caps and control of the business lines' borrowing requirements in both the short and long term.
   - Controlling the absolute and relative level and maturity of borrowing and its adequacy for the business lines' borrowing requirements.
   - The net borrowing requirements of the business divisions and the major entities as regards liquidity will be monitored and managed monthly, consistently with the Group's capacity for leveraging financial resources on the market, the structure of the Group's balance sheet and the business lines' business and development plan.
2. The Group's regulatory liquidity: monitoring the Basel LCR and NSFR ratios.
   - Budget limits and consolidated view of liquidity per business divisions and per major entities.

- Monitoring the contribution of the business divisions to the Group's regulatory liquidity shortage or surplus by means of implementing specific action plans in all of the Group's business lines.

3. Liquidity gaps and stress
   - Zero or low liquidity gap limits at the Group, business divisions and major entities level.
   - Determination by the General Management of the time horizon over which the Group can continue to operate in a liquidity stress scenario, reviewed quarterly by the Board of Directors and monitored daily by the Finance Division.

4. French Prudential Supervisory Authority's liquidity Ratio
   - Monitoring the Societe Generale Parent Company's liquidity ratio under current French regulation.

# 6. CAPITAL MANAGEMENT AND COMPLIANCE WITH REGULATORY RATIOS

## 6.1. QUALITATIVE INFORMATION

### • Description of the approach to capital management

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

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

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

### • Compliance with ratios

The solvency ratio (Basel 2 solvency ratio) complies with the calculation methods established by the French Prudential Supervisory Authority. This ratio is based on the Group's consolidated banking activities, thus eliminating the contributions of the insurance entities.

Prudential capital is comprised of the following: Tier 1 capital, upper Tier 2 capital and lower Tier 2 capital are calculated in accordance with Regulation No. 90-02 relating to capital. Supplementary capital (Tier 2) is taken into account only within the limit of 100% of Tier 1 capital. Furthermore, additional Tier 2 capital may not exceed the limit of 50% of Tier 1 capital. Hybrid equity instruments (both innovative and non-innovative) are limited to 35% of the consolidated bank's Tier 1 capital, innovative hybrid equity instruments being subject to stringent conditions and limited to a maximum of 15% of this Tier 1 capital.
The solvency ratio represents the level of capital in reserve on a permanent basis, in order to cover all the risks to which Societe Generale Group is exposed. The minimum capital requirement is 8% of risks expressed as risk-weighted assets for credit risks and as capital requirements multiplied by 12.5 for market risks and operational risks, calculated using internal models for which Societe Generale obtained authorisation from the French Banking Commission (Commission bancaire) in 2007.

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

In order to better take into account the default and rating migration risk for assets in the trading portfolio and in order to reduce the procyclicality of Value at Risk (VaR), the Basel Committee published new proposals in July

2009, within the Basel 2.5 framework. The risk of rating migration and default with regard to issuers in trading portfolios lead to two capital charges for specific market risk: IRC (Incremental Risk Charges), and CRM (Comprehensive Risk Measurement, specific to correlation trading portfolios). Moreover, the regulator requires an estimated stressed VaR calculation, similar to the VaR, but estimated for a crisis period. These proposals have been rolled out in the European Capital Requirements Directive (CRD 3) in July 2010 and are applied since December 31, 2011.

In 2012, Societe Generale Group complied with all of the prudential solvency ratios applicable to its activities.
Since June 30, 2012, and in line with the monitoring of European bank solvency ratios by the European Banking Authority in the first half of 2012, the regulatory minimum imposed on the Group now applies to the Core Tier One ratio (calculated in accordance with the methodology set out in the EBA recommendation published on December 8, 2011), which must be greater than 9%. Societe Generale Group fulfilled this requirement as of December 31, 2012 with a Core Tier 1 ratio of 10.7%. Furthermore, Societe Generale Group also applies Directive No. 2005-04 relating to “additional monitoring of financial conglomerates”.

The Basel 3 regulation will be rolled out in Europe by the European Capital Requirements Directive IV (CRD IV) and the European Capital Requirements Regulation (CRR), which will come into force after adoption by the European Parliament. The Group will be able to meet these new requirements, with a Basel 3 Core Tier 1 ratio above 9% by the end of 2013.

## 6.2. QUANTITATIVE DATA

At the end of 2012, total regulatory capital was EUR 41,308 million.

| **Prudential capital - Basel 2 (*In millions of euros*)** | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Group shareholders’ equity | 49,809 | 47,067 |
| Estimated and forecast dividends | (508) | (184) |
| Non-controlling interests including preferred shares | 4,115 | 4,045 |
| Estimated and forecast dividends related to non-controlling interests | (182) | (180) |
| Prudential deductions | (10,609) | (10,567) |
| **Tier 1 capital** | **42,625** | **40,181** |
| Basel 2 deductions | (2,126) | (2,717) |
| **Total Core Tier 1 capital** | **34,609** | **31,548** |
| **Total Tier 1 capital** | **40,499** | **37,464** |
| Tier 2 capital | 7,738 | 10,742 |
| Other deductions | (6,929) | (6,778) |
| **Total regulatory capital** | **41,308** | **41,428** |

# Note 5

## Cash, due from central banks

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Cash | 2,595 | 2,684 |
| Due from central banks | 64,996 | 41,279 |
| **Total** | **67,591** | **43,963** |

## Note 6

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

#### Financial assets at fair value through profit or loss

| (In millions of euros) | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation on the basis of quoted prices in active markets (L1) [2] | Valuation using observable inputs other than quoted prices included in L1 (L2) [2] | Valuation using mainly inputs that are not based on observable market data (L3) [2] | Total | Valuation on the basis of quoted prices in active markets (L1) [2] | Valuation using observable inputs other than quoted prices included in L1 (L2) [2] | Valuation using mainly inputs that are not based on observable market data (L3) [2] | Total |
| **Trading portfolio** | | | | | | | | |
| Bonds and other debt securities | 55,821 | 6,019 | 894 | 62,734 | 36,609 | 8,185 | 3,486 | 48,280 |
| Shares and other equity securities [1] | 69,059 | 3,341 | 98 | 72,498 | 34,361 | 2,691 | 279 | 37,331 |
| Other financial assets | 2 | 91,165 | 318 | 91,485 | 52 | 61,571 | 312 | 61,935 |
| **Sub-total trading portfolio** | **124,882** | **100,525** | **1,310** | **226,717** | **71,022** | **72,447** | **4,077** | **147,546** |
| *o/w securities on loan* | | | | *14,382* | | | | *13,602* |
| **Financial assets measured using fair value option through P&L** | | | | | | | | |
| Bonds and other debt securities | 8,370 | 171 | 45 | 8,586 | 6,582 | 514 | 25 | 7,121 |
| Shares and other equity securities [1] | 10,577 | 1,994 | 131 | 12,702 | 10,899 | 1,737 | 120 | 12,756 |
| Other financial assets | 12 | 17,497 | 283 | 17,792 | - | 12,908 | 330 | 13,238 |
| Separate assets for employee benefit plans | - | 104 | 1 | 105 | - | 99 | - | 99 |
| **Sub-total of financial assets measured using fair value option through P&L** | **18,959** | **19,766** | **460** | **39,185** | **17,481** | **15,258** | **475** | **33,214** |
| *o/w securities on loan* | | | | - | | | | - |
| **Interest rate instruments** | **48** | **158,774** | **1,273** | **160,095** | **15** | **146,662** | **912** | **147,589** |
| *Firm instruments* | | | | | | | | |
| Swaps | | | | 119,453 | | | | 107,683 |
| FRA | | | | 517 | | | | 899 |
| *Options* | | | | | | | | |
| Options on organised markets | | | | 4 | | | | 7 |
| OTC options | | | | 30,753 | | | | 30,174 |
| Caps, floors, collars | | | | 9,368 | | | | 8,826 |
| **Foreign exchange instruments** | **398** | **21,023** | **59** | **21,480** | **425** | **30,340** | **129** | **30,894** |
| *Firm instruments* | | | | *16,554* | | | | *24,438* |
| *Options* | | | | *4,926* | | | | *6,456* |
| **Equity and index instruments** | **8** | **17,393** | **879** | **18,280** | **103** | **23,365** | **1,671** | **25,139** |
| *Firm instruments* | | | | *1,109* | | | | *1,858* |
| *Options* | | | | *17,171* | | | | *23,281* |
| **Commodity instruments** | **4** | **4,231** | **43** | **4,278** | **385** | **7,485** | **153** | **8,023** |
| *Firm instruments-Futures* | | | | *3,420* | | | | *6,351* |
| *Options* | | | | *858* | | | | *1,672* |
| **Credit derivatives** | **-** | **12,542** | **1,066** | **13,608** | **-** | **27,271** | **2,409** | **29,680** |
| **Other forward financial instruments** | **9** | **236** | **138** | **383** | **216** | **13** | **180** | **409** |
| *On organised markets* | | | | *175* | | | | *147* |
| *OTC* | | | | *208* | | | | *262* |
| **Sub-total trading derivatives** | **467** | **214,199** | **3,458** | **218,124** | **1,144** | **235,136** | **5,454** | **241,734** |
| **Total financial instruments at fair value through P&L [3]** | **144,308** | **334,490** | **5,228** | **484,026** | **89,647** | **322,841** | **10,006** | **422,494** |

*(1) Including UCITS.*
*(2) See Note 3 for valuation level definitions.*
*(3) O/w EUR 89,745 million in securities purchased under resale agreements at December 31, 2012 versus EUR 60,220 million at December 31, 2011.*

## Note 6 (continued)

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

#### Financial liabilities at fair value through profit or loss

| (In millions of euros) | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation on the basis of quoted prices in active markets (L1) [4] | Valuation using observable inputs other than quoted prices included in L1 (L2) [4] | Valuation using mainly inputs that are not based on observable market data (L3) [4] | Total | Valuation on the basis of quoted prices in active markets (L1) [4] | Valuation using observable inputs other than quoted prices included in L1 (L2) [4] | Valuation using mainly inputs that are not based on observable market data (L3) [4] | Total |
| **Trading portfolio** | | | | | | | | |
| Securitised debt payables | - | 10,866 | 14,980 | 25,846 | - | 9,079 | 13,849 | 22,928 |
| Amounts payable on borrowed securities | 20,684 | 40,230 | 29 | 60,943 | 4,777 | 35,130 | - | 39,907 |
| Bonds and other debt instruments sold short | 6,900 | 32 | - | 6,932 | 6,271 | 146 | 91 | 6,508 |
| Shares and other equity instruments sold short | 1,308 | 182 | - | 1,490 | 2,348 | 69 | 1 | 2,418 |
| Other financial liabilities | - | 79,294 | 325 | 79,619 | - | 65,757 | 768 | 66,525 |
| **Sub-total trading portfolio [4]** | **28,892** | **130,604** | **15,334** | **174,830** | **13,396** | **110,181** | **14,709** | **138,286** |
| | | | | | | | | |
| **Interest rate instruments** | **40** | **152,085** | **1,738** | **153,863** | **75** | **140,809** | **2,544** | **143,428** |
| *Firm instruments* | | | | | | | | |
| Swaps | | | | 112,070 | | | | 101,887 |
| FRA | | | | 331 | | | | 856 |
| *Options* | | | | | | | | |
| Options on organised markets | | | | 21 | | | | 21 |
| OTC options | | | | 31,073 | | | | 30,390 |
| Caps, floors, collars | | | | 10,368 | | | | 10,274 |
| **Foreign exchange instruments** | **1,003** | **21,908** | **111** | **23,022** | **283** | **30,155** | **92** | **30,530** |
| *Firm instruments* | | | | *17,613* | | | | *24,266* |
| *Options* | | | | *5,409* | | | | *6,264* |
| **Equity and index instruments** | **96** | **20,087** | **711** | **20,894** | **83** | **25,956** | **1,162** | **27,201** |
| *Firm instruments* | | | | *1,712* | | | | *1,924* |
| *Options* | | | | *19,182* | | | | *25,277* |
| **Commodity instruments** | **43** | **4,506** | **80** | **4,629** | **422** | **8,350** | **262** | **9,034** |
| *Firm instruments-Futures* | | | | *3,454* | | | | *7,098* |
| *Options* | | | | *1,175* | | | | *1,936* |
| **Credit derivatives** | **-** | **12,143** | **676** | **12,819** | **-** | **26,878** | **1,308** | **28,186** |
| **Other forward financial instruments** | **4** | **868** | **1** | **873** | **157** | **860** | **1** | **1,018** |
| *On organised markets* | | | | *73* | | | | *97* |
| *OTC* | | | | *800* | | | | *921* |
| **Sub-total trading derivatives** | **1,186** | **211,597** | **3,317** | **216,100** | **1,020** | **233,008** | **5,369** | **239,397** |
| **Sub-total of financial liabilities measured using fair value option through P&L [4] [6]** | **632** | **17,643** | **2,183** | **20,458** | **307** | **16,669** | **588** | **17,564** |
| **Total financial instruments at fair value through P&L [5]** | **30,710** | **359,844** | **20,834** | **411,388** | **14,723** | **359,858** | **20,666** | **395,247** |

*(4) See Note 3 for valuation level definitions.*
*(5) O/w EUR 78,951 million in securities sold under repurchase agreements at December 31, 2012 versus EUR 63,062 million at December 31, 2011.*

#### Financial liabilities measured using fair value option through profit or loss

| (In millions of euros) | December 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Fair value | Amount repayable at maturity | Difference between fair value and amount repayable at maturity | Fair value | Amount repayable at maturity | Difference between fair value and amount repayable at maturity |
| **Total financial liabilities measured using fair value option through P&L [6] [7]** | **20,458** | **20,089** | **369** | **17,564** | **17,806** | **(242)** |

*(6) The change in fair value attributable to the Group's own credit risk generated an expense of EUR 1,255 million as at December 31, 2012 of which EUR -130 million due to a basis adjustment.*
*The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale Group's actual financing terms and conditions on the markets and the residual maturity of the related liabilities.*

*(7) Mainly indexed EMTNs.*

## Note 6 (continued)

**Variation in financial assets at fair value through profit or loss whose valuation is not based on observable market data (Level 3 [8])**

| *(In millions of euros)* | Trading portfolio | | | Financial assets measured using fair value option through profit or loss | | | Trading derivatives | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bonds and other debt securities | Shares and other equity securities | Other financial assets | Bonds and other debt securities | Shares and other equity securities | Other financial assets | Interest rate instruments | Foreign exchange instruments | Equity and index instruments | Commodity instruments | Credit derivatives | Other forward financial instruments | Total financial instruments at fair value through P&L |
| **Balance at January 1, 2012** | **3,486** | **279** | **312** | **25** | **120** | **330** | **912** | **129** | **1,671** | **153** | **2,409** | **180** | **10,006** |
| Acquisitions | 183 | 2 | - | 21 | 12 | 57 | 283 | 4 | 35 | 22 | 254 | - | 873 |
| Disposals / redemptions | (869) | - | (4) | - | - | (66) | (246) | (23) | (156) | (17) | (376) | - | (1,757) |
| Transfer to Level 2 [8] | (887) | - | - | - | - | (12) | (151) | (12) | (434) | - | - | - | (1,496) |
| Transfer to Level 1 [8] | (629) | - | - | - | - | - | - | - | - | - | - | - | (629) |
| Transfer from Level 2 [8] | 35 | 94 | - | - | - | 118 | 100 | - | - | 5 | - | - | 352 |
| Gains and losses on changes in fair value during the period [9] | (432) | (122) | 4 | (1) | (1) | (147) | 360 | (37) | (257) | (119) | (1,234) | (41) | (2,027) |
| Translation differences | 7 | - | 6 | - | - | 4 | 15 | (2) | 20 | (1) | 13 | (1) | 61 |
| Change in scope and others | - | (155) | - | - | - | - | - | - | - | - | - | - | (155) |
| **Balance at December 31, 2012** | **894** | **98** | **318** | **45** | **131** | **284** | **1,273** | **59** | **879** | **43** | **1,066** | **138** | **5,228** |

*(8) See Note 3 for valuation level definitions.*
*(9) Gains and losses for the year are recognised in "Net gains and losses on financial instruments at fair value through profit or loss" in P&L.*

**Variation in financial liabilities at fair value through profit or loss whose valuation is not based on observable market data (Level 3 [10])**

| *(In millions of euros)* | Trading portfolio | | | | Trading derivatives | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Securitised debt payables | Amounts payable on borrowed securities | Shares and other equity instruments sold short | Other financial liabilities | Interest rate instruments | Foreign exchange instruments | Equity and index instruments | Commodity instruments | Credit derivatives | Other forward financial instruments | **Financial liabilities measured using fair value option through P&L** | Total financial instruments at fair value through P&L |
| **Balance at January 1, 2012** | **13,849** | **-** | **92** | **768** | **2,544** | **92** | **1,162** | **262** | **1,308** | **1** | **588** | **20,666** |
| Issues | 4,740 | - | - | - | - | - | 164 | - | - | - | - | 4,904 |
| Acquisitions / disposals | (442) | - | - | (366) | 223 | (1) | (70) | 110 | (285) | - | 1,754 | 923 |
| Redemptions | (2,607) | - | - | - | - | - | (31) | - | - | - | - | (2,638) |
| Transfer to Level 2 [10] | (1,220) | - | - | (13) | (298) | (34) | (394) | - | - | - | (10) | (1,969) |
| Transfer from Level 2 [10] | 151 | - | - | - | 52 | 11 | 17 | 4 | - | - | 7 | 242 |
| Gains and losses on changes in fair value during the period [11] | 537 | 29 | (92) | (61) | (809) | 40 | (149) | (295) | (356) | 1 | (166) | (1,321) |
| Translation differences | (28) | - | - | (3) | 26 | 3 | 12 | (1) | 9 | - | 10 | 28 |
| Change in scope and others | - | - | - | - | - | - | - | - | - | (1) | - | (1) |
| **Balance at December 31, 2012** | **14,980** | **29** | **-** | **325** | **1,738** | **111** | **711** | **80** | **676** | **1** | **2,183** | **20,834** |

*(10) See Note 3 for valuation level definitions.*
*(11) Gains and losses of the year are recognised in "Net gains and losses on financial instruments at fair value through profit or loss" in P&L.*

# Note 7

## Hedging derivatives

| *(In millions of euros)* | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| **FAIR VALUE HEDGE** | | | | |
| **Interest rate instruments** | | | | |
| *Firm instruments* | | | | |
| Swaps | 14,836 | 13,199 | 11,640 | 11,881 |
| *Options* | | | | |
| Caps, floors, collars | 84 | - | 151 | - |
| **Foreign exchange instruments** | | | | |
| *Firm instruments* | | | | |
| Currency financing swaps | 151 | 20 | 219 | 39 |
| Forward foreign exchange contracts | 17 | - | - | - |
| **Equity and index instruments** | | | | |
| *Equity and stock index options* | *-* | *3* | *-* | *1* |
| **CASH FLOW HEDGE** | | | | |
| **Interest rate instruments** | | | | |
| *Firm instruments* | | | | |
| Swaps | 808 | 576 | 522 | 467 |
| **Foreign exchange instruments** | | | | |
| *Firm instruments* | | | | |
| Currency financing swaps | 16 | 118 | 19 | 162 |
| Forward foreign exchange contracts | 13 | 9 | 29 | 106 |
| **Other forward financial instruments** | | | | |
| *On organised markets* | *9* | *50* | *31* | *248* |
| **Total** | **15,934** | **13,975** | **12,611** | **12,904** |

## Note 8

### Available-for-sale financial assets

| (In millions of euros) | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation on the basis of quoted prices in active markets (L1) [2] | Valuation using observable inputs other than quoted prices included in L1 (L2) [2] | Valuation using mainly inputs that are not based on observable market data (L3) [2] | Total | Valuation on the basis of quoted prices in active markets (L1) [2] | Valuation using observable inputs other than quoted prices included in L1 (L2) [2] | Valuation using mainly inputs that are not based on observable market data (L3) [2] | Total |
| **Current assets** | | | | | | | | |
| Bonds and other debt securities | 101,113 | 12,090 | 206 | **113,409** | 93,919 | 19,302 | 685 | **113,906** |
| *o/w provisions for impairment* | | | | *(139)* | | | | *(946)* |
| Shares and other equity securities [1] | 10,838 | 903 | 284 | **12,025** | 6,608 | 1,159 | 330 | **8,097** |
| *o/w impairment losses* | | | | *(1,873)* | | | | *(1,905)* |
| **Sub-total current assets** | **111,951** | **12,993** | **490** | **125,434** | **100,527** | **20,461** | **1,015** | **122,003** |
| **Long-term equity investments** | 430 | 570 | 1,280 | **2,280** | 551 | 707 | 1,477 | **2,735** |
| *o/w impairment losses* | | | | *(518)* | | | | *(628)* |
| **Total available-for-sale financial assets** | **112,381** | **13,563** | **1,770** | **127,714** | **101,078** | **21,168** | **2,492** | **124,738** |
| *o/w securities on loan* | | | | - | | | | - |

*(1) Including UCITS.*
*(2) See Note 3 for valuation level definitions.*

**Changes in available-for-sale financial assets**

| (In millions of euros) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Balance at January 1** | **124,738** | **103,836** |
| Acquisitions | 141,504 | 108,921 |
| Disposals / redemptions [3] | (145,852) | (88,050) |
| Reclassifications and changes in scope | (313) | 125 |
| Gains and losses on changes in fair value recognised directly in equity [4] | 7,713 | (41) |
| Change in impairment on fixed income securities recognised in P&L | 771 | (301) |
| *O/w: increase* | *(259)* | *(945)* |
| *write-backs* | *1,079* | *472* |
| *others* | *(49)* | *172* |
| Impairment losses on variable income securities recognised in P&L | (281) | (308) |
| Change in related receivables | 1 | 212 |
| Translation differences | (567) | 344 |
| **Balance at December 31** | **127,714** | **124,738** |

*(3) Disposals are valued according to the weighted average cost method.*
*(4) The difference versus "Revaluation of available-for-sale assets of the period" in note 29 mainly results from the variation in Insurance Companies-Net allowances for deferred profit-sharing.*

**Variation of Available-for-sale assets whose valuation method is not based on observable market data (Level 3 [5])**

| (In millions of euros) | Bonds and other debt securities | Shares and other equity securities | Long-term equity investments | Total |
|---|---|---|---|---|
| **Balance at January 1, 2012** | **685** | **330** | **1,477** | **2,492** |
| Acquisitions | 93 | 284 | 128 | 505 |
| Disposals / redemptions | (263) | (309) | (119) | (691) |
| Transfer to Level 2 [5] | (18) | (17) | (1) | (36) |
| Transfer to Level 1 [5] | (112) | - | (25) | (137) |
| Transfer from Level 2 [5] | 15 | - | 1 | 16 |
| Gains and losses recognised directly in equity during the period | 38 | 1 | 33 | 72 |
| Changes in impairment on fixed income securities recognised in P&L | (17) | - | - | (17) |
| *O/w: increase* | *(17)* | *-* | *-* | *(17)* |
| *write-backs* | *-* | *-* | *-* | *-* |
| Impairment losses on variable income securities recognised in P&L | - | (2) | (54) | (56) |
| Changes in related receivables | 3 | (1) | - | 2 |
| Translation differences | 1 | 1 | 21 | 23 |
| Change in scope and others | (219) | (3) | (181) | (403) |
| **Balance at December 31, 2012** | **206** | **284** | **1,280** | **1,770** |

*(5) See Note 3 for valuation level definitions.*

## Note 9

### Due from banks

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| **Deposits and loans** | | |
| ***Demand and overnights*** | | |
| Current accounts | 21,199 | 15,401 |
| Overnight deposits and loans and others | 2,346 | 1,556 |
| Loans secured by overnight notes | 35 | 6 |
| ***Term*** | | |
| Term deposits and loans (1) | 17,980 | 19,460 |
| Subordinated and participating loans | 580 | 715 |
| Loans secured by notes and securities | 287 | 245 |
| Related receivables | 219 | 173 |
| **Gross amount** | **42,646** | **37,556** |
| Impairment | | |
| Impairment of individually impaired loans | (60) | (124) |
| Revaluation of hedged items | 48 | 49 |
| **Net amount** | **42,634** | **37,481** |
| Securities purchased under resale agreements | 34,570 | 48,959 |
| **Total** | **77,204** | **86,440** |
| **Fair value of amounts due from banks** | **77,190** | **87,270** |

*(1) As at December 31, 2012, the amount of receivables with incurred credit risk was EUR 202 million compared with EUR 199 million as at December 31, 2011.*

## Note 10

### Customer loans

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| **Customer loans** | | |
| Trade notes | 11,528 | 11,384 |
| Other customer loans [(1)] | 311,601 | 337,965 |
| *o/w short-term loans* | *86,078* | *100,940* |
| *o/w export loans* | *10,795* | *11,450* |
| *o/w equipment loans* | *57,801* | *63,099* |
| *o/w housing loans* | *107,042* | *104,528* |
| *o/w other loans* | *49,885* | *57,948* |
| Overdrafts | 17,168 | 16,848 |
| Related receivables | 1,448 | 1,507 |
| **Gross amount** | **341,745** | **367,704** |
| Impairment | | |
| Impairment of individually impaired loans | (14,027) | (14,824) |
| Impairment of groups of homogenous receivables | (1,128) | (1,287) |
| Revaluation of hedged items | 680 | 539 |
| **Net amount** | **327,270** | **352,132** |
| Loans secured by notes and securities | 394 | 1,067 |
| Securities purchased under resale agreements | 22,577 | 14,318 |
| **Total amount of customer loans** | **350,241** | **367,517** |
| **Fair value of customer loans** | **353,525** | **365,695** |

*(1) As at December 31, 2012, the amount of receivables with incurred credit risk was EUR 25,300 million compared with EUR 26,038 million as at December 31, 2011.*

## Note 11

### Reclassification of financial assets

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

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

Furthermore, due to the exceptional deterioration of the world's financial markets, the Group decided on October 1, 2008 to reclassify into the *Available-for-sale financial assets* category certain financial instruments initially measured at fair value through profit or loss, insofar as these instruments were no longer held for trading purposes.

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

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

No reclassification was performed in 2012.

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

| **New Category** *(In millions of euros)* | **Fair value on December 31, 2012 *** | **Book value on December 31, 2012 *** | **Fair value on December 31, 2011** | **Book value on December 31, 2011** | **Book value on the date of reclassification (October 1, 2008)** |
|---|---|---|---|---|---|
| Available-for-sale financial assets | 190 | 190 | 241 | 241 | 969 |
| Due from banks | 4,515 | 4,518 | 4,014 | 4,602 | 6,345 |
| Customer loans | 3,716 | 4,496 | 6,161 | 7,580 | 21,293 |
| **Total** | **8,421** | **9,204** | **10,416** | **12,423** | **28,607** |

** Net reimbursements and disposals that have been received since January 1, 2012: EUR 1,268 million and EUR 1,835 million.*

| ***Contribution of reclassified financial assets over the period*** *(In millions of euros)* | **2012** |
|---|---|
| recognised in Shareholders' equity | 31 |
| recognised in Net banking income | 276 |
| recognised in Net cost of risk | (245) |

| ***Changes in fair value*** *(In millions of euros)* | **On December 31, 2012** | **On December 31, 2011** |
|---|---|---|
| that would have been recognised in Shareholders' equity if the financial assets had not been reclassified ** | 649 | (550) |
| that would have been recognised in Net banking income if the financial assets had not been reclassified ** | 223 | (752) |

The effective interest rates on December 31, 2012 of reclassified financial assets ranged from 0.53% to 5.68%.

Expected recoverable cash flows on reclassified financial assets are EUR 9,818 million.

*** Including insurance activity reclassifications whose impact would have been neutralised by deferred profit-sharing for EUR 615 million in shareholders' equity and for EUR 17 million in Net banking income.*

## Note 12

### Lease financing and similar agreements

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Real estate lease financing agreements | 8,230 | 8,295 |
| Non-real estate lease financing agreements | 21,145 | 21,615 |
| Related receivables | 61 | 67 |
| **Gross amount [1]** | **29,436** | **29,977** |
| Impairment of individually impaired loans | (687) | (648) |
| Impairment of groups of homogenous receivables | (4) | (4) |
| Revaluation of hedged items | - | - |
| **Net amount** | **28,745** | **29,325** |
| **Fair value of receivables on lease financing and similar agreements** | **29,388** | **29,731** |

*(1) As at December 31, 2012, the amount of individually impaired loans with incurred credit risk was EUR 1,632 million compared to EUR 1,672 million as at December 31, 2011.*

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Gross investments** | **32,666** | **33,593** |
| less than one year | 8,066 | 8,542 |
| 1-5 years | 16,858 | 17,445 |
| more than five years | 7,742 | 7,606 |
| **Present value of minimum payments receivable** | **27,859** | **28,298** |
| less than one year | 7,375 | 7,646 |
| 1-5 years | 14,359 | 14,460 |
| more than five years | 6,125 | 6,192 |
| **Unearned financial income** | **3,230** | **3,616** |
| **Unguaranteed residual values receivable by the lessor** | **1,577** | **1,679** |

## Note 13

### Held-to-maturity financial assets

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Bonds and other debt securities | 1,192 | 1,492 |
| Impairment | (6) | (39) |
| **Total held-to-maturity financial assets** | **1,186** | **1,453** |
| **Fair value of held-to-maturity financial assets** | **1,217** | **1,421** |

## Note 14

### Tax assets and liabilities

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Current tax assets | 790 | 648 |
| Deferred tax assets | 5,119 | 4,582 |
| *o/w defered tax assets on tax losses carryforwards* | *4,519* | *4,386* |
| *o/w defered tax assets on temporary differences [(1)]* | *600* | *196* |
| **Total** | **5,909** | **5,230** |

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Current tax liabilities | 711 | 756 |
| Deferred tax liabilities [(2)] | 456 | 439 |
| **Total** | **1,167** | **1,195** |

*(1) O/w EUR -2 million as at December 31,2012 on items credited or charged to shareholder's equity for unrealised gains and losses against EUR 526 million as at December 31,2011.*
*(2) O/w EUR 119 million as at December 31,2012 on items credited or charged to shareholder's equity for unrealised gains and losses against EUR 43 million as at December 31,2011.*

**Deferred tax assets recognised on tax losses carryforwards**

As at December 31, 2012, based on the tax system of each entity and realistic projection of their tax income or expense, the projected period for deferred tax asset recovery is indicated in the table below :

| *(In millions of euros)* | **December 31, 2012** | **Statutory time limit on carryforwards** | **Expected recovery period** |
|---|---|---|---|
| Total deferred tax assets relating to tax loss carryforwards | 4,519 | - | - |
| *o/w French tax group* | *3,545* | *unlimited [(3)]* | *16 years* |
| *o/w US tax group* | *831* | *20 years* | *7 years* |
| *others* | *143* | - | - |

*(3) In accordance with the 2013 Finance Law, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.*

## Note 15

### Other assets

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Guarantee deposits paid [1] | 33,470 | 35,224 |
| Settlement accounts on securities transactions | 2,610 | 2,314 |
| Prepaid expenses | 666 | 746 |
| Miscellaneous receivables | 17,224 | 17,699 |
| **Gross amount** | **53,970** | **55,983** |
| Impairment | (265) | (255) |
| **Net amount** | **53,705** | **55,728** |

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

## Note 16

### Non-current assets and liabilities held for sale

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| **Assets [(1)]** | **9,410** | **429** |
| Fixed assets and Goodwill | 1,108 | 6 |
| Financial assets | 2,398 | 85 |
| Receivables | 5,575 | 178 |
| *O/w: due from banks* | *476* | *40* |
| *customer loans* | *4,400* | *138* |
| *others* | *699* | *-* |
| Other assets | 329 | 160 |
| **Liabilities [(1)]** | **7,287** | **287** |
| Allowances | 77 | - |
| Debts | 6,908 | 236 |
| *O/w: due to banks* | *191* | *152* |
| *customer deposits* | *5,667* | *-* |
| *others* | *1,050* | *84* |
| Other liabilities | 302 | 51 |

*(1) In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the main items classified in Non-current assets and liabilities held for sale are assets and liabilities relating to the TCW Group, Inc, National Societe Generale Bank and its subsidiaries.*

## Note 17

### Tangible and intangible fixed assets

| *(In millions of euros)* | Gross book value at December 31, 2011 | Acquisitions | Disposals | Changes in translation, consolidation scope and reclassifications | Gross value at December 31, 2012 | Accumulated depreciation and amortisation of assets at December 31, 2011 | Allocations to amortisation and depreciation in 2012 | Impairment of assets 2012 | Write-backs from amortisation and depreciation in 2012 | Changes in translation, consolidation scope and reclassifications | Net book value at December 31, 2012 | Net book value at December 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Intangible assets** | | | | | | | | | | | | |
| Software, EDP development costs | 1,600 | 94 | (29) | (99) | 1,566 | (1,245) | (135) | (1) | 22 | 95 | 302 | 355 |
| Internally generated assets | 1,412 | 76 | (25) | 228 | 1,691 | (972) | (215) | - | 16 | (10) | 510 | 440 |
| Assets under development | 393 | 300 | - | (318) | 375 | - | - | - | - | - | 375 | 393 |
| Others | 771 | 8 | - | (20) | 759 | (280) | (39) | (3) | - | 27 | 464 | 491 |
| **Sub-total** | **4,176** | **478** | **(54)** | **(209)** | **4,391** | **(2,497)** | **(389)** | **(4)** | **38** | **112** | **1,651** | **1,679** |
| **Operating tangible assets** | | | | | | | | | | | | |
| Land and buildings | 4,571 | 73 | (31) | 103 | 4,716 | (1,464) | (145) | (2) | 17 | 54 | 3,176 | 3,107 |
| Assets under development | 861 | 302 | (17) | (379) | 767 | - | - | - | - | - | 767 | 861 |
| Lease assets of specialised financing companies | 13,432 | 4,584 | (3,858) | 67 | 14,225 | (4,002) | (2,342) | 10 | 2,030 | (17) | 9,904 | 9,430 |
| Others | 5,175 | 250 | (158) | 14 | 5,281 | (3,762) | (377) | (3) | 84 | 49 | 1,272 | 1,413 |
| **Sub-total** | **24,039** | **5,209** | **(4,064)** | **(195)** | **24,989** | **(9,228)** | **(2,864)** | **5** | **2,131** | **86** | **15,119** | **14,811** |
| **Investment property** | | | | | | | | | | | | |
| Land and buildings | 395 | 2 | (4) | 5 | 398 | (150) | (9) | - | 2 | (4) | 237 | 245 |
| Assets under development | 102 | 81 | - | - | 183 | - | - | - | - | - | 183 | 102 |
| **Sub-total** | **497** | **83** | **(4)** | **5** | **581** | **(150)** | **(9)** | **-** | **2** | **(4)** | **420** | **347** |
| **Total tangible and intangible fixed assets** | **28,712** | **5,770** | **(4,122)** | **(399)** | **29,961** | **(11,875)** | **(3,262)** | **1** | **2,171** | **194** | **17,190** | **16,837** |

### Operational leasing

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Breakdown of minimum payments receivable | | |
| due in less than one year | 2,762 | 2,421 |
| due in 1-5 years * | 4,826 | 4,894 |
| due in more than five years | 26 | 21 |
| **Total minimum future payments receivable** | **7,614** | **7,336** |

** Amounts adjusted with respect to the published financial statements at December 31, 2011.*

## Note 18

### Goodwill

**The table below presents the Cash Generating Unit (CGU) by business units :**

| *(In millions of euros)* | Gross value at December 31, 2011 | Acquisitions and other increases | Disposals and other decreases | Translation differences | Gross value at December 31, 2012 | Impairment of goodwill at December 31, 2011 | Impairment losses | Disposals, translation differences and other changes | Impairment of goodwill at December 31, 2012 | Net goodwill at December 31, 2011 | Net goodwill at December 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **French Networks** | **750** | **1** | **-** | **1** | **752** | **-** | **-** | **-** | **-** | **750** | **752** |
| Crédit du Nord | 511 | - | - | - | 511 | - | - | - | - | 511 | 511 |
| Societe Generale Network | 239 | 1 | - | 1 | 241 | - | - | - | - | 239 | 241 |
| **International Retail Banking** | **3,511** | **-** | **(416)** | **41** | **3,136** | **(337)** | **(250)** | **50** | **(537)** | **3,174** | **2,599** |
| International Retail Banking - European Union and Pre-European Union | 1,960 | - | (65) | 22 | 1,917 | (65) | - | 65 | - | 1,895 | 1,917 |
| Russian Retail Banking | 1,103 | - | - | 39 | 1,142 | (272) | (250) | (15) | (537) | 831 | 605 |
| Other International Retail Banking | 448 | - | (351) | (20) | 77 | - | - | - | - | 448 | 77 |
| **Specialised Financial Services and Insurance** | **1,291** | **1** | **-** | **(10)** | **1,282** | **(243)** | **-** | **-** | **(243)** | **1,048** | **1,039** |
| Insurance Financial Services | 10 | 1 | - | - | 11 | - | - | - | - | 10 | 11 |
| Individual Financial Services | 705 | - | - | (14) | 691 | (243) | - | - | (243) | 462 | 448 |
| Business Financial Services | 399 | - | - | 3 | 402 | - | - | - | - | 399 | 402 |
| Auto Leasing Financial Services | 177 | - | - | 1 | 178 | - | - | - | - | 177 | 178 |
| **Corporate and Investment Banking** | **50** | **-** | **-** | **-** | **50** | **-** | **-** | **-** | **-** | **50** | **50** |
| Corporate and Investment Banking | 50 | - | - | - | 50 | - | - | - | - | 50 | 50 |
| **Asset Management** | **662** | **-** | **(684)** | **22** | **-** | **-** | **(200)** | **200** | **-** | **662** | **-** |
| Asset Management | 662 | - | (684) | 22 | - | - | (200) | 200 | - | 662 | - |
| **Private Banking** | **374** | **-** | **(18)** | **3** | **359** | **-** | **-** | **-** | **-** | **374** | **359** |
| Private Banking | 374 | - | (18) | 3 | 359 | - | - | - | - | 374 | 359 |
| **SGSS and Brokers** | **980** | **1** | **-** | **(3)** | **978** | **(65)** | **(392)** | **-** | **(457)** | **915** | **521** |
| SGSS | 532 | 1 | - | - | 533 | - | (12) | - | (12) | 532 | 521 |
| Brokers | 448 | - | - | (3) | 445 | (65) | (380) | - | (445) | 383 | - |
| **TOTAL** | **7,618** | **3** | **(1,118)** | **54** | **6,557** | **(645)** | **(842)** | **250** | **(1,237)** | **6,973** | **5,320** |

The Group performs an annual impairment test as at December 31, 2012 for each cash-generating unit (CGU) to which goodwill has been allocated.
An impairment loss is recognised in the income statement if the carrying amount of a cash-generating unit, including its allocated goodwill, is higher than its recoverable amount. This impairment loss is then allocated first to reduce the carrying amount of goodwill.

## Note 18 (continued)

### Goodwill

The recoverable amount of a cash-generating unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit.
Cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit. They are determined on the basis of the CGU's business plan, which is derived from the prospective three-year budgets approved by Management, extrapolated over a period of sustainable growth (usually seven more years) then extended to infinity (see table below for assumptions made on long-term growth rates).

The discount rate used is the cost of capital calculated using a risk-free interest rate grossed up by a risk premium, which is determined according to the underlying activities of the cash-generating unit. This risk premium, specific to each activity, is calculated from series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta).
Where appropriate, the risk-free interest rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free interest rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued in the currency of assignment.

Discount rate and long-term growth rate: specific rates applied to each CGU as disclosed in the table below:

| Assumptions as at December 31, 2012 | Discount rate | Long-term growth rate |
|---|---|---|
| French Networks | 8.0% | 2.0% |
| International Retail Banking | 10.6 to 12.7% | 4.0% |
| Specialised Financial Services and Insurance | 8.8 to 10.0% | 2.0% to 2.5% |
| Corporate and Investment Banking | 11.2% | 2.0% |
| Asset Management, Private Banking , SGSS and Brokers | 8.5 to 10.0% | 2.0% to 2.5% |

Sensitivity tests are carried out to measure in particular the impact on each CGU's recoverable value of the variation in certain assumptions such as profitability, long-term growth or discount rate.

During first-half 2012, due to the updating of Rosbank's business plan and the consideration of the asset management market in the current economic environment, the Group conducted an impairment test on the Russian Retail Banking and Asset Management CGUs and consequently recorded impairments amounting respectively to EUR 250 million and EUR 200 million.

As at December 31, 2012, given risks relating to underlying activities in the current environment, impairment tests were performed using cautious assumptions and taking into account an adverse change of 50 basis points in discount and perpetual growth rates. As a result, impairments were recorded in the amount of EUR 380 million for the Brokers CGU and EUR 12 million for the SGSS CGU in order to maintain a recoverable value exceeding the impaired carrying value even in this challenging climate.

Due to the impairments booked in 2012, recoverable values are not very sensitive to additional changes in the assumptions of long-term growth and discount rates. Accordingly:
- an increase of 50 basis points applied to all the discount rates of the CGUs disclosed in the table above would lead to a decrease of 6.8% in the recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 2.6% in the recoverable value and would not generate any additional impairment.

## Note 19

### Due to banks

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Demand and overnight deposits** | | |
| Demand deposits and current accounts | 12,008 | 7,793 |
| Overnight deposits and borrowings and others | 10,214 | 7,123 |
| **Sub-total** | **22,222** | **14,916** |
| **Term deposits** | | |
| Term deposits and borrowings | 68,978 | 73,613 |
| Borrowings secured by notes and securities | 182 | 143 |
| **Sub-total** | **69,160** | **73,756** |
| Related payables | 319 | 235 |
| Revaluation of hedged items | 219 | 148 |
| Securities sold under repurchase agreements | 30,129 | 22,219 |
| **Total** | **122,049** | **111,274** |
| **Fair value of amounts due to banks** | **121,107** | **110,270** |

# Note 20

## Customer deposits

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| **Regulated savings accounts** | | |
| Demand | 55,471 | 48,648 |
| Term | 19,322 | 18,324 |
| **Sub-total** | **74,793** | **66,972** |
| **Other demand deposits** | | |
| Businesses and sole proprietors | 53,269 | 52,317 |
| Individual customers | 46,217 | 43,924 |
| Financial customers | 31,548 | 24,229 |
| Others [(1)] | 13,014 | 15,591 |
| **Sub-total** | **144,048** | **136,061** |
| **Other term deposits** | | |
| Businesses and sole proprietors | 42,894 | 38,358 |
| Individual customers | 17,814 | 18,804 |
| Financial customers | 16,336 | 20,419 |
| Others [(1)] | 6,925 | 6,730 |
| **Sub-total** | **83,969** | **84,311** |
| Related payables | 1,694 | 1,307 |
| Revaluation of hedged items | 534 | 277 |
| **Total customer deposits** | **305,038** | **288,928** |
| Borrowings secured by notes and securities | 115 | 188 |
| Securities sold to customers under repurchase agreements | 32,077 | 51,056 |
| **Total** | **337,230** | **340,172** |
| **Fair value of customer deposits** | **336,901** | **340,417** |

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

## Note 21

### Securitised debt payables

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Term savings certificates | 798 | 1,853 |
| Bond borrowings | 17,964 | 14,026 |
| Interbank certificates and negotiable debt instruments | 113,481 | 89,846 |
| Related payables | 940 | 1,001 |
| **Sub-total** | **133,183** | **106,726** |
| Revaluation of hedged items | 2,561 | 1,857 |
| **Total** | **135,744** | **108,583** |
| *O/w floating-rate securities* | *32,913* | *39,683* |
| **Fair value of securitised debt payables** | **137,431** | **109,899** |

## Note 22

### Other liabilities

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Guarantee deposits received [(1)] | 31,258 | 32,000 |
| Settlement accounts on securities transactions | 3,075 | 2,753 |
| Other securities transactions | 23 | 27 |
| Expenses payable on employee benefits | 2,513 | 2,605 |
| Deferred income | 1,803 | 1,716 |
| Miscellaneous payables | 19,491 | 20,424 |
| **Total** | **58,163** | **59,525** |

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

## Note 23

### PEL/CEL mortgage saving accounts

**1. Outstanding deposits in PEL/CEL accounts**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **PEL accounts** | **13,849** | **13,253** |
| less than 4 years old | 4,853 | 3,960 |
| between 4 and 10 years old | 2,806 | 4,422 |
| more than 10 years old | 6,190 | 4,871 |
| **CEL accounts** | **1,828** | **1,951** |
| **Total** | **15,677** | **15,204** |

**2. Outstanding housing loans granted with respect to PEL/CEL accounts**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| less than 4 years old | 174 | 247 |
| between 4 and 10 years old | 117 | 78 |
| more than 10 years old | 18 | 28 |
| **Total** | **309** | **353** |

**3. Provisions for commitments linked to PEL/CEL accounts**

| *(In millions of euros)* | December 31, 2011 | Allocations | Reversals | December 31, 2012 |
|---|---|---|---|---|
| **PEL accounts** | **118** | **36** | **(77)** | **77** |
| less than 4 years old | 5 | 34 | - | 39 |
| between 4 and 10 years old | 30 | - | (26) | 4 |
| more than 10 years old | 83 | 2 | (51) | 34 |
| **CEL accounts** | **4** | **20** | **-** | **24** |
| **Total** | **122** | **56** | **(77)** | **101** |

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

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2012, the provisions for PEL and CEL mortgage saving accounts are mainly linked to the risks attached to the commitment to remunerate the deposits. Provisioning for PEL/CEL savings amounted to 0.64% of total outstandings as at December 31, 2012.

**4. Methods used to establish the parameters for valuing provisions**

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

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

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

## Note 24

### Provisions and impairments

#### 1. Asset impairments

| *(In millions of euros)* | Assets impairments as at December 31, 2011 | Allocations | Write-backs available | Net impairment losses | Reversals used | Currency and scope effects | Assets impairments as at December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Banks | 124 | 8 | (19) | **(11)** | (30) | (23) | **60** |
| Customer loans | 14,824 | 5,449 | (2,367) | **3,082** | (2,452) | (1,427) | **14,027** |
| Lease financing and similar agreements | 648 | 402 | (253) | **149** | (87) | (23) | **687** |
| Groups of homogeneous assets | 1,291 | 609 | (610) | **(1)** | - | (158) | **1,132** |
| Available-for-sale assets (1) (2) | 3,479 | 275 | (530) | **(255)** | (722) | 28 | **2,530** |
| Others (1) (3) | 546 | 327 | (162) | **165** | (81) | (73) | **557** |
| **Total** | **20,912** | **7,070** | **(3,941)** | **3,129** | **(3,372)** | **(1,676)** | **18,993** |

*(1) Including a EUR 79 million net reversal for counterparty risks, o/w a EUR 24 million impairment on Greek government bonds (See Note 25).*
*(2) O/w write-down on variable-income securities, excluding insurance activities, of EUR 157 million, which can be broken down as follows:*
*● EUR 109 million: impairment loss on securities not written down as at December 31, 2011;*
*● EUR 48 million: additional impairment loss on securities already written down as at December 31, 2011.*
*(3) O/w a EUR 120 million provision for impairment of non current assets held for sale and related payables (See Note 16).*

#### 2. Provisions

| *(In millions of euros)* | Provisions as at December 31, 2011 | Allocations | Write-backs available | Net allocation | Write-backs used | Effect of discounting | Currency and scope effects | Provisions as at December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| Provisions for off-balance sheet commitments to banks | - | 4 | - | **4** | - | - | 3 | **7** |
| Provisions for off-balance sheet commitments to customers | 267 | 235 | (158) | **77** | (1) | - | (63) | **280** |
| Provisions for employee benefits | 1,112 | 383 | (258) | **125** | (181) | - | (33) | **1,023** |
| Provisions for tax adjustments | 351 | 170 | (47) | **123** | (103) | - | (20) | **351** |
| Other provisions (4) | 720 | 639 | (200) | **439** | (46) | 1 | 32 | **1,146** |
| **Total** | **2,450** | **1,431** | **(663)** | **768** | **(331)** | **1** | **(81)** | **2,807** |

*(4) Including :*
*● a EUR 318 million net allocation for net cost of risk, predominantly comprising allocations to provisions for disputes;*
*● a EUR 101 million in PEL/CEL provisions as at December 31, 2012 for the French Networks (See Note 23).*

## Note 25

### Exposure to sovereign risk

#### 1. Banking activities

##### 1.1. Significant European exposure

The table below shows the Societe Generale Group's significant exposure to European sovereign risk by country as at December 31, 2012, in accordance with the methodology defined by the European Banking Authority (EBA) for the European bank capital requirements tests:

| *(In millions of euros)* | Banking book | Trading book | CDS - Faire value of net positions [1] | Net direct exposure [2] |
|---|---|---|---|---|
| France | 16,617 | (34) | 28 | **16,611** |
| Czech Republic | 3,718 | 1,085 | 7 | **4,810** |
| Germany | 2,535 | 283 | 166 | **2,984** |
| Italy | 1,369 | 260 | (61) | **1,568** |
| Romania | 1,065 | 121 | (3) | **1,183** |
| Spain | 632 | 527 | 9 | **1,168** |
| **Total** | **25,936** | **2,242** | **146** | **28,324** |

*(1) Difference between the market value of short positions and long positions.*
*(2) After allocation for write-down and excluding direct exposure to derivatives.*

| | CDS - Nominal amounts | | |
|---|---|---|---|
| *(In millions of euros)* | CDS - Long positions [3] | CDS - Short positions [3] | CDS - Net positions [4] |
| France | 8 | 29 | 21 |
| Czech Republic | 47 | 37 | (10) |
| Germany | 1,298 | 1,808 | 510 |
| Italy | 1,794 | 1,920 | 126 |
| Romania | 90 | 95 | 5 |
| Spain | 558 | 671 | 113 |
| **Total** | **3,795** | **4,560** | **765** |

*(3) These positions are offset by counterparty and by country of exposure, in accordance with the applicable rules for determining risk-based capital requirements.*

*(4) Difference between the nominal value of short positions and long positions.*

##### 1.2. Exposure to Greece

##### 1.2.1. Sovereign portfolio

| *(In millions of euros)* | December 31, 2011 * | Redemptions | Exchange | Disposals | Change in scope | December 31, 2012 |
|---|---|---|---|---|---|---|
| Loans and receivables | 6 | - | (6) | - | - | - |
| Available-for-sale securities | 311 | (5) | (206) | (65) | (35) | - |
| Held-to-maturity securities | 12 | - | (12) | - | - | - |
| **Total** | **329** | **(5)** | **(224)** | **(65)** | **(35)** | **-** |

** Amounts as at December 31, 2011 adjusted for accrued interest and premiums/discounts.*

The exchange offer on Greek government bonds, open to private investors (PSI - Private Sector Involvement), was finalised in Q1 2012. Under this PSI scheme, all Greek government bonds held by the Group were tendered for exchange in March 2012, except for the UK securities held by Greek subsidiary Geniki, for which the exchange did not take place until April 2012.

Accordingly, the Greek government bonds tendered for exchange under the PSI scheme were fully derecognised on the exchange date. The EFSF (European Financial Stability Fund) securities and the new Greek bonds received were recorded directly in the Group's balance sheet at their fair value on that date.

The difference between the net book value as at December 31, 2011 of Greek government bonds previously classified in *available-for-sale financial assets* or *held-to-maturity financial assets* and the fair value of the financial assets received during the exchange was recorded in profit and loss under the heading Cost of risk for EUR -24 million. The EFSF securities and the new Greek government bonds received were recorded in *available-for-sale financial assets*. Following disposals on these security lines carried out since the exchange date, and further to the sale of Geniki, the Group held no more exposure to Greek bonds as a December 31, 2012.

As at December 31, 2011, the exposure of the Group's trading book to Greek government bonds amounted to EUR 77 million. All securities in the trading book in March 2012 (April 2012 for UK securities), classified in *Financial assets at fair value through profit or loss,* were tendered for exchange. The EFSF securities and the new Greek government bonds received were recorded in *Financial assets at fair value through profit or loss*. At December 31, 2012, the Group had no more exposure to Greek government bonds in its trading book and held no CDS on Greek sovereign debt.

##### 1.3. Countries having requested or received aid from a European rescue plan or receiving European Union aid for their banking sector

##### 1.3.1. Breakdown of exposure

At December 31, 2012, sovereign risk exposure with respect to countries having requested or received aid from a European rescue plan or receiving European Union aid for their banking sector, was as follows (according to the EBA methodology):

| *(In millions of euros)* | Banking book | Trading book | CDS - Fair value of net positions [5] | Net direct exposure [6] |
|---|---|---|---|---|
| Cyprus | - | - | - | **-** |
| Spain | 632 | 527 | 9 | **1,168** |
| Ireland | 309 | 6 | - | **315** |
| Portugal | - | 92 | 8 | **100** |
| **Total** | **941** | **625** | **17** | **1,583** |

*(5) Difference between the market value of short positions and long positions.*
*(6) After allocation for write-down and excluding direct exposure to derivatives.*

| | CDS - Nominal amounts | | |
|---|---|---|---|
| *(In millions of euros)* | CDS - Long positions [7] | CDS - Short positions [7] | CDS - Net positions [8] |
| Cyprus | 1 | 1 | - |
| Spain | 558 | 671 | 113 |
| Ireland | 217 | 223 | 6 |
| Portugal | 327 | 427 | 100 |
| **Total** | **1,103** | **1,322** | **219** |

*(7) These positions are offset by counterparty and by country of exposure, in accordance with the applicable rules for determining risk-based capital requirements.*

*(8) Difference between the nominal value of short positions and long positions.*

## Note 25 (continued)

### 1.3.2. Changes in exposure

Changes in the Group's exposure to sovereign risk in the banking book in 2012 are presented in the table below:

| (In millions of euros) | December 31, 2011 * | Acquisitions | Disposals | Redemptions | December 31, 2012 |
|---|---|---|---|---|---|
| Cyprus | - | - | - | - | - |
| Spain [9] | 924 | 13 | - | (305) | 632 |
| Ireland | 309 | 9 | - | (9) | 309 |
| Portugal | 217 | - | (10) | (207) | - |
| **Total** | **1,450** | **22** | **(10)** | **(521)** | **941** |

** Amounts as at December 31, 2011 adjusted for accrued interest and premiums/discounts.*
*(9) Amounts adjusted with respect to the published financial statements as at December 31, 2011.*

Changes in the Group's exposure to sovereign risk in the trading book and CDS in 2012 are presented in the table below:

| | Trading book | | CDS - Fair value of net positions [10] | |
|---|---|---|---|---|
| (In millions of euros) | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Cyprus | - | - | - | - |
| Spain | 527 | 283 | 9 | 14 |
| Ireland | 6 | 48 | - | 4 |
| Portugal | 92 | 210 | 8 | (8) |
| **Total** | **625** | **541** | **17** | **10** |

*(10) Difference between the market value of short positions and long positions.*

### 1.3.3. Evaluation of risks

Greece remains a "unique case". There is no debt restructuring plan in the other countries subject to the bailout package. The European Summit on June 18 and 19 reinforced the aid instruments to countries in difficulty by easing the aid mechanisms (EFSF and European Stability Mechanism (ESM)). These tools will be able to directly recapitalise banks, once a single supervisory mechanism has been established in the euro zone. They will also be able to purchase public debt in the primary and secondary markets.

The Troika has approved the disbursement of the next bailout instalments for countries included in the programme. In Ireland, like Portugal, the implementation of reforms is considered satisfactory, despite the sluggish economic outlook and concerns over the level of unemployment. Ireland would like to ease the conditions of its programme following the proposal of European aid to the Spanish banking sector. A specific maximum bailout of EUR 100 billion has been announced by the European Union for Spanish banks. This amount appears to be sufficient and the risk of a banking crisis has diminished.

At the end of June 2012, Cyprus requested a bailout plan for its banking system, due to its exposure to Greece (approximately 140% of Cyprus' gross domestic product). The terms and conditions of the plan, estimated at EUR 17 billion, have not yet been disclosed.

On these bases, there is no risk of default on the Group's exposure to Ireland, Portugal, Cyprus and Spain that would call for recognition of an impairment in the financial statements as at December 31, 2012.

### 1.3.4. Unrealised losses on available-for-sale financial assets

| (In millions of euros) | December 31, 2012 |
|---|---|
| Cyprus | - |
| Spain | 2 |
| Ireland | 2 |
| Portugal | - |
| **Total** | **4** |

### 1.3.5. Fair value of held-to-maturity financial assets

| (In millions of euros) | Book value at December 31, 2012 | Fair value at December 31, 2012 |
|---|---|---|
| Cyprus | - | - |
| Spain | 308 | 301 |
| Ireland | - | - |
| Portugal | - | - |
| **Total** | **308** | **301** |

## 2. Insurance activities

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

Exposure to the countries subject to a European Union rescue plan is presented below:

| (In millions of euros) | Gross exposure [11] | Net exposure |
|---|---|---|
| Greece | - | - |
| Cyprus | - | - |
| Spain | 1,367 | 61 |
| Ireland | 499 | 27 |
| Portugal | 146 | 9 |
| **Total** | **2,012** | **97** |

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

The Greek government bonds held by the Group as at December 31, 2011, which represented gross exposure of EUR 30 million, were tendered for exchange in March 2012. For the other countries subject to a European Union rescue plan, gross and net exposure did not vary significantly in 2012.

## Note 26

### Employee benefits

#### 1. Defined contribution plans

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

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

Contributions to these plans amount to EUR 624 million in 2012 (EUR 611 million in 2011).

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

**2.1. Reconciliation of assets and liabilities recorded in the balance sheet**

| | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Post-employment benefits | | Other long-term benefits | Total | Post-employment benefits | | Other long-term benefits | Total |
| *(In millions of euros)* | Pension plans | Others | | | Pension plans | Others | | |
| Net liabilities recorded in the balance sheet | 420 | 37 | 495 | **952** | 400 | 56 | 397 | **853** |
| Assets recorded in the balance sheet | (143) | - | - | **(143)** | (121) | - | - | **(121)** |
| **Net balance** | **277** | **37** | **495** | **809** | **279** | **56** | **397** | **732** |
| **Breakdown of the net balance** | | | | | | | | |
| Present value of defined benefit obligations | 2,714 | - | 107 | **2,821** | 2,287 | - | 95 | **2,382** |
| Fair value of plan assets | (1,971) | - | (61) | **(2,032)** | (1,806) | - | (54) | **(1,860)** |
| **A - Actuarial deficit (net balance)** | 743 | - | 46 | **789** | 481 | - | 41 | **522** |
| **B - Present value of unfunded obligations** | 350 | 57 | 449 | **856** | 327 | 62 | 356 | **745** |
| Unrecognised items | - | - | - | **-** | | | | |
| Unrecognised Past Service Cost | 44 | - | - | **44** | 51 | - | - | **51** |
| Unrecognised Net Actuarial (Gain) / Loss | 773 | 20 | - | **793** | 479 | 6 | - | **485** |
| Separate assets | (1) | - | - | **(1)** | (1) | - | - | **(1)** |
| Plan assets impacted by change in Asset Celling | (0) | - | - | **-** | (0) | - | - | **-** |
| **C - Total unrecognised items** | 816 | 20 | - | **836** | 529 | 6 | - | **535** |
| **A + B - C Net balance** | **277** | **37** | **495** | **809** | **279** | **56** | **397** | **732** |

*Notes:*

*1. For pensions and other post-employment plans, actuarial gains and losses that exceed 10% of the greater of the defined benefit obligations or funding assets are amortised over the estimated average remaining working life of the employees participating in the plan in accordance with the IAS 19 option (corridor approach).*

*2. Pension plans include pension benefit as annuities, end of career payments and cash balance plans. Pension benefit annuities are paid in addition to state pension plans.*
*The Group has 148 pension plans in 40 countries. Ten pension plans mainly located in France, the UK, Germany, the USA and Switzerland represent 80% of the gross liabilities of these pension plans. Other post-employment benefit plans are mainly healthcare plans. These 12 plans are located in 6 countries among which France represents 34% of the gross liabilities and Northern Africa 60%.*

*Other long-term employee benefits include deferred variable remuneration, flexible working provisions (French term: compte épargne temps) and long-service awards.*
*90 plans are located in 24 countries.*

*3. The present value of defined benefit obligations have been valued by independent qualified actuaries.*

*4. The application of IAS 19 amendments, as at January 1, 2013, will have an impact of EUR -836 million on shareholders' equity, Group share.*

**2.2. Expenses recognised in the income statement**

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Post-employment benefits | | Other long-term benefits | Total | Post-employment benefits | | Other long-term benefits | Total |
| *(In millions of euros)* | Pension plans | Others | | | Pension plans | Others | | |
| Current service cost including social security contributions | 86 | 2 | 194 | **282** | 85 | 3 | 195 | **283** |
| Employee contributions | (7) | - | - | **(7)** | (7) | - | - | **(7)** |
| Interest cost | 112 | 3 | 6 | **121** | 109 | 3 | 5 | **117** |
| Expected return on plan assets | (97) | - | (3) | **(100)** | (97) | - | (3) | **(100)** |
| Expected return on separate assets | - | - | - | **-** | (0) | - | - | **-** |
| Amortisation of past service cost | 15 | - | - | **15** | 7 | - | 2 | **9** |
| Amortisation of losses (gains) | 28 | 3 | 18 | **49** | 29 | 3 | (3) | **29** |
| Settlement, curtailment (1) | - | (6) | - | **(6)** | 1 | (4) | (1) | **(4)** |
| Change in asset ceiling | - | - | - | **-** | - | - | - | **-** |
| Transfer from unrecognised assets | - | - | - | **-** | - | - | - | **-** |
| **Total charges** | **137** | **2** | **215** | **354** | **127** | **5** | **195** | **327** |

*(1) Settlement of SMC healthcare plan.*

**2.3. Changes in net liabilities of post-employment benefit plans recorded in the balance sheet**

2.3.1. Changes in the present value of defined benefit obligations

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Post-employment benefits | | Total | Post-employment benefits | | Total |
| *(In millions of euros)* | Pension plans | Others | | Pension plans | Others | |
| **At January 1** | **2,614** | **62** | **2,676** | **2,574** | **62** | **2,636** |
| Current service cost including social security contributions | 86 | 2 | **88** | 85 | 3 | **88** |
| Interest cost | 112 | 3 | **115** | 109 | 3 | **112** |
| Employee contributions | - | - | **-** | - | - | **-** |
| Actuarial (gain)/loss | 405 | 17 | **422** | (44) | (1) | **(45)** |
| Foreign exchange adjustment | 5 | (3) | **2** | 35 | - | **35** |
| Benefit payments | (145) | (2) | **(147)** | (135) | (5) | **(140)** |
| Past service cost | 8 | - | **8** | 10 | - | **10** |
| Acquisition/(Sale) of subsidiaries (1) | (19) | - | **(19)** | (9) | 5 | **(4)** |
| Transfers, reductions and others | (2) | (22) | **(24)** | (11) | (5) | **(16)** |
| **At December 31** | **3,064** | **57** | **3,121** | **2,614** | **62** | **2,676** |

(1) Mainly due to the sale of Geniki for an amount of EUR 19 million.

## Note 26 (continued)
**Employee benefits**

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

| *(In millions of euros)* | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Post-employment benefits | | Total | Post-employment benefits | | Toal |
| | Pension plans | Others | | Pension plans | Others | |
| **At January 1** | **1,806** | **-** | **1,806** | **1,814** | **-** | **1,814** |
| Expected return on plan assets | 97 | - | **97** | 97 | - | **97** |
| Expected return on separate assets | - | - | **-** | - | - | **-** |
| Actuarial gain/(loss) | 74 | - | **74** | (63) | - | **(63)** |
| Foreign exchange adjustment | 9 | - | **9** | 29 | - | **29** |
| Employee contributions | 7 | - | **7** | 7 | - | **7** |
| Employer contributions to plan assets | 92 | - | **92** | 44 | - | **44** |
| Benefit payments | (113) | - | **(113)** | (95) | - | **(95)** |
| Acquisition/(Sale) of subsidiaries | - | - | **-** | (14) | - | **(14)** |
| Transfers and others | (1) | - | **(1)** | (13) | - | **(13)** |
| **At December 31** | **1,971** | **-** | **1,971** | **1,806** | **-** | **1,806** |

**2.4. Information regarding plan assets**

2.4.1. General information regarding plan assets
*(for all benefits and future contributions)*
The breakdown of the fair value of plan assets is as follows: 47% bonds, 40% equities, 2% money market instruments and 11% others. Directly held Societe Generale shares are not significant.
For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 143 million.
Employer contributions to be paid to post-employment defined benefit plans for 2013 are estimated at EUR 28 million.

2.4.2. Actual returns on plan assets
The actual returns on plan and separate assets were:

| *(In millions of euros)* | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Post-employment benefits | | Other long-term benefits | Total | Post-employment benefits | | Other long-term benefits | Total |
| | Pension plans | Others | | | Pension plans | Others | | |
| Plan assets | 171 | - | 7 | **178** | 34 | - | - | **34** |

The assumptions on return on assets are presented in section 2.5.

**2.5. Main assumptions detailed by geographical area**

| | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Discount rate | | |
| Europe | 3.10% | 4.32% |
| Americas | 4.00% | 4.92% |
| Asia-Oceania-Africa | 3.11% | 3.98% |
| Long-term inflation | | |
| Europe | 2.12% | 2.18% |
| Americas | 2.00% | 2.00% |
| Asia-Oceania-Africa | 1.83% | 1.79% |
| Expected return on plan assets (separate and plan assets) (1) | | |
| Europe | 3.29% | 5.26% |
| Americas | 3.98% | 6.50% |
| Asia-Oceania-Africa | 2.92% | 6.30% |
| Future salary increase | | |
| Europe | 0.75% | 1.03% |
| Americas | 2.00% | 2.00% |
| Asia-Oceania-Africa | 2.28% | 2.31% |
| Healthcare cost increase rate | | |
| Europe (2) | 2.24% | 3.40% |
| Americas | NA | NA |
| Asia-Oceania-Africa | 5.52% | 5.72% |
| Average remaining working lifetime of employees (in years) | | |
| Europe | 10.5 | 11.2 |
| Americas | 9.0 | 9.0 |
| Asia-Oceania-Africa | 12.9 | 11.3 |

*(1) In accordance with the amendments of IAS 19 applicable from January 1, 2013, the expected return on plan assets is the discount rate at closing.*
*(2) The healthcare cost increase rate, as at December 31, 2012, takes into account the settlement of SMC healthcare plan.*

*Notes:*
*1. The assumptions by geographical area are averages weighted by the present value of the liabilities (DBO) with the exception of the expected returns on plan assets, which are averages weighted by the fair value of assets.*

*2. The yield curves used to discount the liabilities are corporate AA yield curves (source: Merrill Lynch) observed in the end of October for USD, GBP and EUR, and corrected at the end of December if the decrease in discount rates had a significant impact.*

*Inflation rates used are the long-term targets of the central banks of the monetary areas above.*
*3. The average remaining working lifetime of employees is calculated taking into account withdrawal assumptions.*

## Note 26 (continued)
**Employee benefits**

**2.6. Obligations sensitivities to main assumptions ranges**

| *(Percentage of item measured)* | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Pension plans | Post-employment healthcare plans | Other plans | Pension plans | Post-employment healthcare plans | Other plans |
| Variation of +1% in discount rate | | | | | | |
| Impact on the present value of defined benefit obligations at December 31 N | -13% | -15% | -9% | -12% | -13% | -8% |
| Variation of +1% in expected return on plan and separate assets | | | | | | |
| Impact on the plan assets at December 31 N+1 | 1% | NA | 1% | 1% | NA | 1% |
| Variation of +1% in future salary increases | | | | | | |
| Impact on the present value of defined benefit obligations at December 31 N | 5% | NA | 6% | 4% | NA | 5% |
| Variation of +1% in healthcare cost increase rate | | | | | | |
| Impact on the present value of defined benefit obligations at December 31 N | NA | 17% | NA | NA | 18% | NA |

The impact of +1% variation in healthcare service cost is 23%.

*Note:*
*1. The disclosed sensitivities are averages of the variations weighted by the present value of liabilities (impact on the defined benefit obligation at December 31, 2012) or by the fair value of assets.*

**2.7. Experience adjustments of post-employment defined benefit obligations**

| *(in millions of euros)* | December 31, 2012 | December 31, 2011 | December 31, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|---|---|
| Defined benefit obligations current value | 3,064 | 2,614 | 2,574 | 2,304 | 2,047 |
| Fair value of plan assets | 1,971 | 1,806 | 1,814 | 1,593 | 1,541 |
| **Deficit/(surplus)** | **1,093** | **808** | **760** | **711** | **506** |
| Adjustments of plan liabilities due to experience (negative: gain) | 6 | 17 | (50) | 55 | 17 |
| Adjustments of plan liabilities due to experience (negative: gain), % of DBO | 0.2% | 0.7% | -1.9% | 2.4% | 0.8% |
| Adjustments of plan assets due to experience (negative: gain) | (74) | 63 | (72) | (95) | 532 |
| Adjustments of plan assets due to experience (negative: gain), % of assets | -3.8% | 3.5% | -4.0% | -6.0% | 34.5% |

## Note 27

### Subordinated debt

| *(In millions of euros)* | Maturity dates | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Currency of issue** | **2013** | **2014** | **2015** | **2016** | **2017** | **Other** | **Outstanding at December 31, 2012** | **Outstanding at December 31, 2011** |
| **Subordinated Capital notes** | | | | | | | | |
| EUR | 328 | 355 | 789 | 767 | 192 | 2,517 | 4,948 | 7,436 |
| USD | - | - | 57 | 393 | - | - | 450 | 831 |
| GBP | - | - | - | - | - | 339 | 339 | 718 |
| Other currencies | - | 9 | - | - | - | - | 9 | 9 |
| **Sub-total** | **328** | **364** | **846** | **1,160** | **192** | **2,856** | **5,746** | **8,994** |
| **Dated subordinated debt** | | | | | | | | |
| EUR | - | - | - | - | - | 50 | 50 | 50 |
| Other currencies | - | - | - | - | - | 224 | 224 | 180 |
| **Sub-total** | **-** | **-** | **-** | **-** | **-** | **274** | **274** | **230** |
| **Related payables** | **166** | **-** | **-** | **-** | **-** | **-** | **166** | **248** |
| **Total excluding revaluation of hedged items** | **494** | **364** | **846** | **1,160** | **192** | **3,130** | **6,186** | **9,472** |
| Revaluation of hedged items | | | | | | | 866 | 1,069 |
| **Total** | | | | | | | **7,052** | **10,541** |

The fair value of subordinated debt securities stood at EUR 7,615 million at December 31, 2012 (EUR 9,829 million at December 31, 2011).

## Note 28

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

#### 1. Ordinary shares issued by Societe Generale S.A.

| *(Number of shares)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Ordinary shares | 780,273,227 | 776,079,991 |
| Including treasury stock with voting rights [(1)] | 26,270,956 | 29,092,954 |
| Including shares held by employees | 59,344,358 | 58,566,866 |

*(1) Societe Generale shares held for trading excluded.*

As at December 31, 2012, Societe Generale S.A.'s capital amounted to EUR 975,341,534 and was made up of 780,273,227 shares with a nominal value of EUR 1.25.
In the first half of 2012 , Societe generale S.A. carried out a capital increase reserved for the employees amounting to EUR 5 million, with an issue premium of EUR 75 million.

#### 2. Shareholders' equity issued

2.1. Perpetual subordinated notes

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

As at December 31, 2012, the amount of perpetual subordinated notes (TSDI) issued by the Group and recognised under Group shareholder's equity in other equity instruments totalled EUR 1,560 million.
This amount changed due to the issuance of a new perpetual subordinated note amounting to USD 1,500 million in December 2012 and reimburments occured in 2012.

| Issuance Date | Amounts in local currency as at December 31, 2011 | Repurchases and redemptions in 2012 | Amounts in local currency as at December 31, 2012 | Amounts in millions of euros at historical rate | Remuneration |
|---|---|---|---|---|---|
| July 1, 1985 | EUR 70 M | EUR 7 M | EUR 63 M | 63 | BAR -0.25% with BAR = Bond Average Rate of the period from June, 1 to May, 31 before each due date |
| November 24, 1986 | USD 248 M | | USD 248 M | 182 | Average 6-months Euro/Dollar deposit rates communicated by reference banks +0.075% |
| June 30, 1994 | JPY 15,000 M | | JPY 15,000 M | 107 | 5.385% until December 2014 and for next due dates: the more favourable rate between the fixed rate and a variable rate + spread defined as follow: Mid Swap Rate JPY 5 years +1.25% until December 2019 and Mid Swap JPY 5 years + 2% for the next due dates |
| December 30, 1996 | JPY 10,000 M | | JPY 10,000 M | 71 | 3.936% until September 2016 and for next due date: the more favourable rate between the fixed rate and a variable rate + spread defined as follow: Mid Swap Rate JPY 5 years +2.0% |
| March 27, 2007 | GBP 350 M | GBP 350 M | - | - | 5.75% until March 2012 and for the next due dates 3-month GBP Libor +1.10% |
| December 11, 2012 | | | USD 1,500 M | 1,137 | 6.625% until June 2018 and for the next due dates Mid Swap Rate USD 5 years +5.754% |

2.2. Preferred shares issued by subsidiaries

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

As at December 31, 2012, the amount of preferred shares issued by the Group's subsidiaries and recognised under non-controlling interests totalled EUR 420 million.

| Issuance Date | Amount | Remuneration |
|---|---|---|
| 4th quarter of 2003 (step up clause after 10 years) | EUR 420 M | 5.419%, from 2013 3-months Euribor +1.95% annually |

2.3. Deeply subordinated notes

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

As at December 31, 2012, the amount of deeply subordinated notes issued by the Group and recognised under Group shareholder's equity in other equity instruments totalled EUR 5,221 million. The amount of deeply subordinated notes issued by the Group decreased due to repurchases occured during the first half of 2012.

| Issuance Date | Amounts in local currency as at December 31, 2011 | Repurchases and redemptions in 2012 | Amounts in local currency as at December 31, 2012 | Amount in millions of euros at historical rate | Remuneration |
|---|---|---|---|---|---|
| January 26, 2005 | EUR 732 M | EUR 4 M | EUR 728 M | 728 | 4.196%, from 2015 3-months Euribor +1.53% annually |
| April 5, 2007 | USD 63 M | | USD 63 M | 47 | 3-months USD Libor +0.75% annually, from 2017 3-months USD Libor +1.75% annually |
| April 5, 2007 | USD 808 M | | USD 808 M | 604 | 5.922%, from 2017 3-months USD Libor +1.75% annually |
| December 19, 2007 | EUR 464 M | EUR 1 M | EUR 463 M | 463 | 6.999%, from 2018 3-months Euribor +3.35% annually |
| May 22, 2008 | EUR 797 M | EUR 2 M | EUR 795 M | 795 | 7.76%, from 2013 3-months Euribor +3.35% annually |
| June 12, 2008 | GBP 506 M | | GBP 506 M | 642 | 8.875%, from 2018 3-months GBP Libor +3.4% annually |
| February 27, 2009 | USD 450 M | | USD 450 M | 356 | 3-months USD Libor +6.77% annually |
| September 4, 2009 | EUR 905 M | | EUR 905 M | 905 | 9.375%, from 2019 3-months Euribor +8.901% annually |
| October 7, 2009 | USD 1,000 M | | USD 1,000 M | 681 | 8.75% |

Changes related to the perpetual subordinated notes and to the deeply subordinated notes included in *Retained earnings* are detailed below:

| *(In millions of euros)* | Deeply subordinated notes | Perpetual subordinated notes | Total |
|---|---|---|---|
| Remuneration paid booked under dividends (2012 Dividends paid line) | (402) | (39) | (441) |
| Changes in nominal values in 2012 | (7) | 615 | 608 |
| Tax savings on the remuneration to be paid to shareholders and recorded under reserves | 139 | 9 | 148 |
| Issuance fees relating to the perpetual subordinated note issued in 2012 | - | (10) | (10) |
| Others | 2 | 3 | 5 |

#### 3. Dividend paid

Dividends paid by the Societe Generale Group in 2012 amounted to EUR - 666 million and are detailed in the following table:

| *(In millions of euros)* | Group Share | Non-controlling interests | Total |
|---|---|---|---|
| Ordinary shares | - | (202) | (202) |
| *o/w paid in equity* | - | - | - |
| *o/w paid in cash* | - | *(202)* | *(202)* |
| Other equity instruments | (441) | (23) | (464) |
| **Total** | **(441)** | **(225)** | **(666)** |

## Note 29

### Unrealised or deferred gains and losses

*(In millions of euros)*

| Change in unrealised or deferred gains and losses | December 31, 2012 | Period | December 31, 2011 |
|---|---|---|---|
| **Translation differences [(1)]** | **(279)** | **38** | **(317)** |
| Revaluation differences | | 38 | |
| Recycled to P&L | | - | |
| **Revaluation of available-for-sale assets** | **920** | **2,143** | **(1,223)** |
| Revaluation differences | | 2,603 | |
| Recycled to P&L | | (460) | |
| **Revaluation of hedging derivatives** | **46** | **(31)** | **77** |
| Revaluation differences | | (31) | |
| Recycled to P&L | | - | |
| **Unrealised or deferred gains and losses for companies accounted for by the equity method** | **11** | **2** | **9** |
| **Tax** | **(131)** | **(611)** | **480** |
| **TOTAL** | **567** | **1,541** | **(974)** |

| | December 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| *(In millions of euros)* | Gross Value | Tax | Net of tax | Gross Value | Tax | Net of Tax |
| Translation differences [(1)] | (279) | | (279) | (317) | | (317) |
| Revaluation of available-for-sale assets | 920 | (111) | 809 | (1,223) | 514 | (709) |
| Revaluation of hedging derivatives | 46 | (16) | 30 | 77 | (31) | 46 |
| Unrealised or deferred gains and losses for companies accounted for by the equity method | 11 | (4) | 7 | 9 | (3) | 6 |
| **Total unrealised or deferred gains and losses** | **698** | **(131)** | **567** | **(1,454)** | **480** | **(974)** |
| **Group share** | | | **381** | | | **(1,015)** |
| **Non-controlling interests** | | | **186** | | | **41** |

*(1) The variation in Group translation differences for 2012 amounted to EUR 28 million.*

*This variation was mainly due to the increase against the Euro of the Pound sterling (EUR 106 million), Russian Rouble (EUR 49 million) and Czech koruna (EUR 41 million) largely offset by the decrease against the Euro of the US Dollar (EUR -65 million), Japanese yen (EUR -64 million) and Egyptian Pound (EUR -43 million).*
*The variation in translation differences attributable to non-controlling interests amounted to EUR 10 million.*

*This is mainly due to the increase against the Euro of the Czech koruna (EUR 26 million) and Russian Rouble (EUR 21 million) partly offset by the decrease against the Euro of the Romanian Leu (EUR -16 million) and Egyptian Pound (EUR -12 million) .*

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

| *(In millions of euros)* | Unrealised gains | Unrealised losses | Unrealised gains and losses |
|---|---|---|---|
| Unrealised gains and losses on equity instruments available-for-sale | 708 | (52) | 656 |
| Unrealised gains and losses on debt instruments available-for-sale | 1,276 | (1,099) | 177 |
| Unrealised gains and losses of insurance companies | 181 | (94) | 87 |
| *o/w equity instruments available-for-sale* | *898* | *(105)* | - |
| *o/w debt instruments available-for-sale and assets reclassified in Loans and receivables* | *4,852* | *(1,151)* | - |
| *o/w deferred profit-sharing* | *(5,569)* | *1,162* | - |
| **Total** | **2,165** | **(1,245)** | **920** |

## Note 30

### Commitments

#### 1. Commitments granted and received

**Commitments granted**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Loan commitments** | | |
| To banks | 8,623 | 8,466 |
| To customers (1) | | |
| Issuance facilities | - | - |
| Confirmed credit lines | 119,079 | 129,400 |
| Others | 2,442 | 2,177 |
| **Guarantee commitments** | | |
| On behalf of banks | 6,831 | 4,324 |
| On behalf of customers (1) (2) | 53,181 | 56,917 |
| **Securities commitments** | | |
| Securities to be delivered | 21,382 | 27,555 |

**Commitments received**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 * |
|---|---|---|
| **Loan commitments** | | |
| From banks | 42,697 | 44,609 |
| **Guarantee commitments** | | |
| From banks | 63,776 | 66,366 |
| Other commitments (3) * | 73,440 | 86,158 |
| **Securities commitments** | | |
| Securities to be received | 21,135 | 28,892 |

** Amounts adjusted with respect to the published financial statements at December 31, 2011.*

*(1) As at December 31, 2012, credit lines and guarantee commitments granted to securisation vehicles and other special purpose vehicles amounted to EUR 9,180 million and EUR 649 million respectively.*

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

*(3) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 33,204 million as at December 31, 2012 versus 37,602 million as at December 31, 2011. The remaining balance mainly comprises securities and assets pledged as a guarantee for EUR 1,343 million as at December 31, 2012 versus EUR 1,468 million as at December 31, 2011.*

#### 2. Forward financial instrument commitments (notional amounts)

| *(In millions of euros)* | December 31, 2012 | | December 31, 2011 * | |
|---|---|---|---|---|
| | Trading transactions | Hedging transactions | Trading transactions | Hedging transactions |
| **Interest rate instruments** | | | | |
| *Firm transactions* | | | | |
| Swaps | 10,014,755 | 263,815 | 9,892,512 | 271,728 |
| Interest rate futures | 2,028,168 | 1,438 | 2,489,776 | 1,892 |
| *Options* | *2,546,427* | *5,311* | *2,840,878* | *6,358* |
| **Foreign exchange instruments** | | | | |
| *Firm transactions* | *1,996,807* | *8,904* | *1,810,373* | *8,223* |
| *Options* | *494,730* | - | *579,117* | - |
| **Equity and index instruments** | | | | |
| *Firm transactions* | *59,538* | - | *55,247* | - |
| *Options* | *543,795* | *2* | *674,991* | *5* |
| **Commodity instruments** | | | | |
| *Firm transactions* | *126,604* | - | *150,185* | - |
| *Options* | *60,327* | - | *75,845* | - |
| **Credit derivatives** | **1,073,793** | **-** | **1,447,794** | **-** |
| **Other forward financial instruments** | **6,108** | **393** | **3,768** | **643** |

**Securitisation transactions on behalf of external counterparties**

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

As at December 31, 2012, there were 2 non-consolidated vehicles (Barton and Antalis) structured by the Group on behalf of external counterparties. Total assets held by these vehicles and financed through the issuance of commercial papers amounted to EUR 6,938 million (EUR 7,318 million as at December 31, 2011).

The non-controlling situation of the Group over these vehicles is regularly assessed using the consolidation criteria applicable to special purpose entities (See Note 1). As at December 31, 2012, none of these vehicles was consolidated, as the Group does not control them and is not exposed to the majority of the related risks and rewards.

The default risk on the assets held by these vehicles is borne by the transferers of the underlying receivables or by third parties. The Societe Generale Group provides an additional guarantee as a credit enhancement through the issuance of letters of credit in the amount of EUR 649 million (EUR 1,012 million as at December 31, 2011). Furthermore, the Group granted these vehicles short-term loan facilities in the amount of EUR 9,180 million at this date (EUR 10,338 million as at December 31, 2011).

## Note 31

### Assets pledged and received as security

#### 1. Assets pledged as security

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 * |
|---|---|---|
| Book value of assets pledged as security for liabilities * [1] | 183,080 | 210,577 |
| Book value of assets pledged as security for transactions in financial instruments [2] | 32,291 | 34,418 |
| Book value of assets pledged as security for off-balance sheet commitments | 614 | 555 |
| **Total** | **215,985** | **245,550** |

** Amounts adjusted with respect to the published financial statements at December 31, 2011.*
*(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).*

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

#### 2. Assets received as security and available for the entity

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 * |
|---|---|---|
| **Fair value of reverse repos *** | **146,913** | **123,858** |

** Amounts adjusted with respect to the published financial statements at December 31, 2011.*

## Note 32

### Transferred financial assets

#### 1. Transferred financial assets not derecognised

Transferred financial assets that are not derecognised include securities lending and repurchase agreements as well as certain loans transferred to consolidated securitisation vehicles.

The tables below show securities lending and repurchase agreements that only concern securities recognised on the asset side of the balance sheet in the categories indicated.
The accounting treatment of securities lending and repurchase agreements is presented in note 1 - Significant accounting principles.
With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to the increase or decrease of securities prices (market risk). The financial assets underlying securities lending and repurchase agreements cannot simultaneously be used as collateral in other transactions.

In 2012, the Group carried out two securitisations of customer loans which had been partially refinanced with external investors. The vehicles carrying these loans are consolidated by the Group.
The Group remains exposed to the majority of the risks and rewards associated with these loans. Furthermore, the loans can neither be used as collateral or sold outright in other transactions.

##### 1.1. Repurchase agreements

| *(In millions of euros)* | Carring amount of transferred assets | Carrying amount of associated liabilities |
|---|---|---|
| Available-for-sale securities | 3,888 | 3,723 |
| Securities at fair value through profit or loss | 44,487 | 41,646 |
| **Total** | **48,375** | **45,369** |

##### 1.2. Securities lending

| *(In millions of euros)* | Carring amount of transferred assets | Carrying amount of associated liabilities |
|---|---|---|
| Securities at fair value through profit or loss | 9,195 | 266 |
| **Total** | **9,195** | **266** |

##### 1.3. Securitisation for which the counterparties to the associated liabilities have recourse only to the transferred assets

| *(In millions of euros)* | Carring amount of transferred assets | Carrying amount of associated liabilities | Fair value of transferred assets | Fair value of associated liabilities | Net position |
|---|---|---|---|---|---|
| Customer loans | 1,055 | 835 | 1,073 | 840 | 233 |
| **Total** | **1,055** | **835** | **1,073** | **840** | **233** |

#### 2. Transferred financial assets partially or fully derecognised

The Group has no material transferred financial assets that are either partially or fully derecognised.

## Note 33

### Breakdown of assets and liabilities by term to maturity

#### Contractual maturities of financial liabilities [1]

| *(In millions of euros at December 31, 2012)* | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Undetermined | Total |
|---|---|---|---|---|---|---|
| Due to central banks | 2,414 | - | - | - | - | **2,414** |
| Financial liabilities at fair value through profit or loss, except derivatives | 134,643 | 12,546 | 29,094 | 22,890 | - | **199,173** |
| Due to banks | 77,474 | 7,356 | 33,834 | 3,009 | - | **121,673** |
| Customer deposits | 290,345 | 15,859 | 26,205 | 5,309 | - | **337,718** |
| Securitised debt payables | 56,794 | 27,086 | 30,704 | 19,575 | - | **134,159** |
| Subordinated debts | 155 | 307 | 2,227 | 3,644 | 3 | **6,336** |
| **Total Liabilities** | **561,825** | **63,154** | **122,064** | **54,427** | **3** | **801,473** |
| Loan commitment granted | 45,504 | 35,060 | 42,406 | 7,164 | - | **130,134** |
| Guarantee commitments granted | 19,256 | 18,061 | 12,418 | 11,573 | - | **61,308** |
| **Total commitments granted** | **64,760** | **53,121** | **54,824** | **18,737** | **-** | **191,442** |

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

#### Insurance company underwriting reserves [2]

| *(In millions of euros at December 31, 2012)* | Less than 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Undetermined | Total |
|---|---|---|---|---|---|---|
| Insurance company underwriting reserves | 8,059 | 6,567 | 23,217 | 52,988 | - | **90,831** |

*(2) Breakdown of carrying accounting amounts.*

#### Notional maturities of commitments in financial derivatives [3]

| | ASSETS | | | | LIABILITIES | | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions of euros at December 31, 2012)* | Less than 1 year | 1 to 5 years | More than 5 years | Total | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| **Interest rate instruments** | | | | | | | | |
| *Firm instruments* | | | | | | | | |
| Swaps | 2,675,561 | 3,989,452 | 3,613,557 | **10,278,570** | - | - | - | **-** |
| Interest rate futures | 750,491 | 181,037 | 7 | **931,535** | 843,295 | 253,577 | 1,199 | **1,098,071** |
| *Options* | 369,449 | 542,527 | 357,836 | **1,269,812** | 341,326 | 577,304 | 363,296 | **1,281,926** |
| **Forex instruments** | | | | | | | | |
| *Firm instruments* | *1,252,852* | *538,710* | *214,149* | ***2,005,711*** | - | - | - | **-** |
| *Options* | *147,790* | *69,452* | *31,136* | ***248,378*** | *147,450* | *68,646* | *31,605* | ***247,701*** |
| **Equity and index instruments** | | | | | | | | |
| *Firm instruments* | *15,097* | *2,794* | *1,087* | ***18,978*** | *33,029* | *4,936* | *2,595* | ***40,560*** |
| *Options* | *109,650* | *133,977* | *19,918* | ***263,545*** | *109,805* | *152,731* | *17,716* | ***280,252*** |
| **Commodity instruments** | | | | | | | | |
| *Firm instruments* | *56,752* | *8,754* | *137* | ***65,643*** | *52,060* | *8,734* | *167* | ***60,961*** |
| *Options* | *16,020* | *13,160* | *30* | ***29,210*** | *16,926* | *14,041* | *150* | ***31,117*** |
| **Credit derivatives** | 115,945 | 383,352 | 39,392 | **538,689** | 109,306 | 386,927 | 38,871 | **535,104** |
| **Other forward financial instruments** | 1,033 | 642 | 29 | **1,704** | 2,657 | 2,062 | 79 | **4,798** |

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

## Note 34

### Foreign exchange transactions

| *(In millions of euros)* | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | 775,715 | 812,578 | 20,499 | 14,189 | 725,336 | 763,220 | 8,735 | 14,807 |
| USD | 238,398 | 210,768 | 30,975 | 35,509 | 274,939 | 247,333 | 24,126 | 30,980 |
| GBP | 50,235 | 51,220 | 4,144 | 3,231 | 28,885 | 29,418 | 2,603 | 7,437 |
| JPY | 36,986 | 36,261 | 6,705 | 5,844 | 27,104 | 22,524 | 5,219 | 5,818 |
| AUD | 6,549 | 6,527 | 2,154 | 1,626 | 7,427 | 7,015 | 2,731 | 3,848 |
| CZK | 29,107 | 30,361 | 91 | 331 | 26,409 | 28,214 | 79 | 232 |
| RUB | 18,230 | 14,697 | 205 | 414 | 13,804 | 12,735 | 1 | 380 |
| RON | 5,587 | 6,278 | 124 | 96 | 5,684 | 6,271 | 86 | 168 |
| Other currencies | 89,889 | 82,006 | 15,812 | 9,085 | 71,784 | 64,642 | 8,295 | 10,240 |
| **Total** | **1,250,696** | **1,250,696** | **80,709** | **70,325** | **1,181,372** | **1,181,372** | **51,875** | **73,910** |

## Note 35

### Insurance activities

#### Underwriting reserves of insurance companies

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Underwriting reserves for unit-linked policies | 16,521 | 15,124 |
| Life insurance underwriting reserves | 70,043 | 67,155 |
| Non-life insurance underwriting reserves | 854 | 719 |
| Deferred profit-sharing booked in liabilities | 3,413 | - |
| **Total** | **90,831** | **82,998** |
| Deferred profit-sharing booked in assets | - | (2,235) |
| Attributable to reinsurers | (440) | (395) |
| **Underwriting reserves of insurance companies (including provisions for deferred profit-sharing) net of the share attributable to reinsurers** | **90,391** | **80,368** |

#### Statement of changes in underwriting reserves of insurance companies

| *(In millions of euros)* | **Underwriting reserves for unit-linked policies** | **Life insurance underwriting reserves** | **Non-life insurance underwriting reserves** |
|---|---|---|---|
| **Reserves at January 1, 2012 (except provisions for deferred profit-sharing)** | **15,124** | **67,155** | **719** |
| Allocation to insurance reserves | 6 | 565 | 92 |
| Revaluation of unit-linked policies | 1,792 | - | - |
| Charges deducted from unit-linked policies | (98) | - | - |
| Transfers and arbitrage | (403) | 402 | - |
| New customers | - | 89 | - |
| Profit-sharing | 96 | 1,815 | - |
| Others | 4 | 17 | 43 |
| **Reserves at December 31, 2012 (except provisions for deferred profit-sharing)** | **16,521** | **70,043** | **854** |

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed as at December 31, 2012. This test assesses whether recognised insurance liabilities are adequate, using current estimates of future cash flows under insurance policies. It is carried out on the basis of stochastic modelling similar to the one used for asset/liability management. The result of the test as at December 31, 2012 was conclusive.

#### Net investments of insurance companies

| *(In millions of euros before elimination of intercompany transactions)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| **Financial assets at fair value through Profit or Loss** | **21,841** | **19,770** |
| Debt instruments | 9,233 | 7,162 |
| Equity instruments | 12,608 | 12,608 |
| **Due from Banks** | **9,888** | **12,067** |
| **Available-for-sale financial assets** | **70,484** | **58,778** |
| Debt instruments | 59,020 | 50,964 |
| Equity instruments | 11,464 | 7,814 |
| **Investment property** | **331** | **256** |
| **Total** (1) | **102,544** | **90,871** |

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

## Note 35 (continued)

### Technical income from insurance companies

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Earned premiums | 10,183 | 9,948 |
| Cost of benefits (including changes in reserves) | (11,297) | (8,939) |
| Net income from investments | 5,301 | 1,513 |
| Other net technical income (expense) | (3,533) | (1,995) |
| **Contribution to operating income before elimination of intercompany transactions** | **654** | **527** |
| Elimination of intercompany transactions [(2)] | 478 | 225 |
| **Contribution to operating income after elimination of intercompany transactions** | **1,132** | **752** |

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

### Net Fee Income

| *(In millions of euros before elimination of intercompany transactions)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Received Fees** | | |
| Acquisition fees | 413 | 340 |
| Management fees | 666 | 674 |
| Others | 33 | 44 |
| **Paid Fees** | | |
| Acquisition fees | (420) | (364) |
| Management fees | (322) | (333) |
| Others | (47) | (44) |
| **Total Fees** | **323** | **317** |

### Management of insurance risks

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

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

In the area of pricing risks and risks of discrepancies in total loss experience, a number of guidelines are applied:
• heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile from the very beginning. Proper application of these procedures is verified via Quality Audits and multi-annual Internal Audits. These processes have been ISO-certified;
• monitoring of claim/premium ratios on a regular basis, based on statistics developed per year of occurrence. This analysis (expansion of the portfolio, level of provisions for reported claims and for incurred but not reported claims) allows pricing adjustments to be made, where applicable, for the subsequent financial years;
• implementation of a reinsurance plan to protect the Group from major/serial claims.
Management of risks linked to the financial markets is just as much an integral part of the investment strategy as the aim of long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line. Societe Generale's overall asset and liability management policy is validated by the Group's General Management at the ALM Committee meetings held every six months.

Risk management and analysis are based on the following key principles:
- Asset/liability risk management:
• monitoring of long-term cash flows: the term of a liability is matched against the term of an asset, and cash flow peaks are strictly controlled in order to minimise liquidity risks;
• close monitoring of the redemption flows and stress *scenarios* simulations;
• close monitoring of the equity markets and stress scenarios simulations;
• hedging of exchange rate risks (in the event of rise or drop in the markets) using financial instruments.

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

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

## Note 36

### Interest income and expense

| *(In millions of euros)* | 2012 | 2011 |
|---|---|---|
| **Transactions with banks** | **1,880** | **2,375** |
| Demand deposits and interbank loans | 1,172 | 1,642 |
| Securities purchased under resale agreements and loans secured by notes and securities | 708 | 733 |
| **Transactions with customers** | **16,245** | **17,827** |
| Trade notes | 675 | 699 |
| Other customer loans (1) | 14,716 | 16,163 |
| Overdrafts | 715 | 771 |
| Securities purchased under resale agreements and loans secured by notes and securities | 139 | 194 |
| **Transactions in financial instruments** | **10,233** | **10,639** |
| Available-for-sale financial assets | 3,521 | 3,803 |
| Held-to-maturity financial assets | 52 | 72 |
| Securities lending | 11 | 20 |
| Hedging derivatives | 6,649 | 6,744 |
| **Finance leases** | **1,546** | **1,548** |
| Real estate finance leases | 278 | 287 |
| Non-real estate finance leases | 1,268 | 1,261 |
| **Total interest income** | **29,904** | **32,389** |
| **Transactions with banks** | **(1,550)** | **(1,728)** |
| Interbank borrowings | (1,286) | (1,331) |
| Securities sold under resale agreements and borrowings secured by notes and securities | (264) | (397) |
| **Transactions with customers** | **(7,271)** | **(7,718)** |
| Regulated savings accounts | (1,385) | (1,253) |
| Other customer deposits | (5,699) | (6,029) |
| Securities sold under resale agreements and borrowings secured by notes and securities | (187) | (436) |
| **Transactions in financial instruments** | **(9,770)** | **(10,735)** |
| Securitised debt payables | (2,614) | (2,591) |
| Subordinated and convertible debt | (375) | (492) |
| Securities borrowing | (35) | (49) |
| Hedging derivatives | (6,746) | (7,603) |
| **Other interest expense** | **(1)** | **(1)** |
| **Total interest expense (2)** | **(18,592)** | **(20,182)** |
| *Including interest income from impaired financial assets* | 588 | 478 |

### *(1) Breakdown of other customer loans*

| *(In millions of euros)* | 2012 | 2011 |
|---|---|---|
| Short-term loans | 5,659 | 6,058 |
| Export loans | 291 | 318 |
| Equipment loans | 2,464 | 2,608 |
| Housing loans | 4,614 | 4,532 |
| Other customer loans | 1,688 | 2,647 |
| **Total** | **14,716** | **16,163** |

*(2) These expenses include the refinancing cost of financial instruments at fair value through P&L, which is classified in net gain or loss (See Note 38). Insofar as income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through P&L must be assessed as a whole.*

## Note 37

### Fee income and expense

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| **Fee income from** | | |
| Transactions with banks | 211 | 162 |
| Transactions with customers | 2,739 | 2,885 |
| Securities transactions | 452 | 583 |
| Primary market transactions | 208 | 175 |
| Foreign exchange transactions and financial derivatives | 844 | 864 |
| Loan and guarantee commitments | 797 | 799 |
| Services | 3,961 | 4,106 |
| Others | 303 | 324 |
| **Total fee income** | **9,515** | **9,898** |
| **Fee expense on** | | |
| Transactions with banks | (151) | (153) |
| Securities transactions | (495) | (637) |
| Foreign exchange transactions and financial derivatives | (686) | (717) |
| Loan and guarantee commitments | (143) | (154) |
| Others | (1,063) | (1,058) |
| **Total fee expense** | **(2,538)** | **(2,719)** |

**Fee income and expense includes:**

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Fee income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss | 3,980 | 4,158 |
| Fee income linked to trust or similar activities | 2,051 | 1,965 |
| Fee expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss | (144) | (153) |
| Fee expense linked to trust or similar activities | (880) | (963) |

## Note 38

### Net gains and losses on financial instruments at fair value through profit or loss

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Net gain/loss on non-derivative financial assets held for trading | 7,025 | (485) |
| Net gain/loss on financial assets measured using fair value option | (743) | (583) |
| Net gain/loss on non-derivative financial liabilities held for trading | (8,074) | (3,187) |
| Net gain/loss on financial liabilities measured using fair value option | 3 | (492) |
| Net gain/loss on derivative instruments | 2,713 | 8,310 |
| Net gain/loss on fair value hedging instruments | 1,815 | 1,729 |
| Revaluation of hedged items attributable to hedged risks | (1,202) | (2,010) |
| Ineffective portion of cash flow hedge | (4) | - |
| Net gain/loss on foreign exchange transactions | 1,033 | 1,152 |
| **Total (1) (2)** | **2,566** | **4,434** |

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

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

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

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Remaining amount to be recorded in the income statement as at January 1 | 765 | 796 |
| Amount generated by new transactions within the period | 372 | 348 |
| Amount recorded in the income statement within the period | (303) | (379) |
| *Amortisation* | *(169)* | *(188)* |
| *Switch to observable parameters* | *(19)* | *(93)* |
| *Expired or terminated* | *(115)* | *(114)* |
| *Translation differences* | - | *16* |
| **Remaining amount to be recorded in the income statement as at December 31** | **834** | **765** |

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

## Note 39

### Net gains and losses on available-for-sale financial assets

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| **Current activities** | | |
| Gains on sale [1] | 1,403 | 1,036 |
| Losses on sale [2] | (359) | (846) |
| Impairment losses on variable-income securities | (54) | (208) |
| Deferred profit-sharing on available-for-sale financial assets of insurance subsidiaries | (312) | (32) |
| **Sub-total** | **678** | **(50)** |
| **Long-term equity investments** | | |
| Gains on sale | 116 | 158 |
| Losses on sale | (14) | (10) |
| Impairment losses on variable-income securities | (145) | (100) |
| **Sub-total** | **(43)** | **48** |
| **Total** | **635** | **(2)** |

*(1) O/w EUR 576 million for Insurance activities as at December 31, 2012.*

*(2) O/w EUR -145 million for Insurance activities as at December 31, 2012.*

## Note 40

### Income and expenses from other activities

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| **Income from other activities** | | |
| Real estate development | 70 | 77 |
| Real estate leasing | 69 | 159 |
| Equipment leasing | 6,547 | 6,187 |
| Other activities [(1)] [(3)] | 32,134 | 17,252 |
| **Sub-total** | **38,820** | **23,675** |
| **Expenses from other activities** | | |
| Real estate development | - | (10) |
| Real estate leasing | (36) | (46) |
| Equipment leasing | (4,566) | (4,336) |
| Other activities [(2)] [(3)] | (32,912) | (17,885) |
| **Sub-total** | **(37,514)** | **(22,277)** |
| **Net total** | **1,306** | **1,398** |

*(1) O/w EUR 11,591 million for Insurance activities as at December 31, 2012.*

*(2) O/w EUR -11,425 million for Insurance activities as at December 31, 2012.*

*(3) The increase of income and expenses from other activities is mainly due to the development of new activities on non-ferrous metals on the London Metal Exchange in 2012.*

## Note 41

### Personnel expenses

| *(In millions of euros)* | 2012 | 2011 |
|---|---|---|
| Employee compensation | (6,858) | (7,118) |
| Social security charges and payroll taxes | (1,667) | (1,516) |
| Net pension expenses - defined contribution plans | (626) | (615) |
| Net pension expenses - defined benefit plans | (135) | (120) |
| Employee profit-sharing and incentives | (227) | (297) |
| **Total** | **(9,513)** | **(9,666)** |

## Note 42
**Share-based payment plans**

**1. Expenses recorded in the income statement**

| (In millions of euros) | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Cash settled plans | Equity settled plans | **Total plans** | Cash settled plans | Equity settled plans | **Total plans** |
| Net expenses from stock purchase plans * | | | | - | - | **-** |
| Net expenses from stock option and free share plans | 160.5 | 133.0 | **293.5** | 278.2 | 171.8 | **450.0** |

* See paragraph 4. Allocation of Societe Generale shares with a discount.
The charge described above relates to equity-settled plans and to cash-settled plans.

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

**2.1. Equity-settled stock option plans for Group employees for the year ended December 31, 2012 are briefly described below:**
**2.1.1 Stock options (purchase and subscription)**

For plans 2005 to 2007, the information provided is limited due to the situation of the plans.

| **Issuer** | **Societe Generale** | **Societe Generale** | **Societe Generale** | **Societe Generale** | **Societe Generale** | **Societe Generale** |
|---|---|---|---|---|---|---|
| **Year of allocation** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Type of plan | | | | subscription stock option | subscription stock option | subscription stock option |
| Shareholders agreement | | | | 05.30.2006 | 05.27.2008 | 05.27.2008 |
| Board of Directors' decision | 01.13.2005 | 01.18.2006 | 01.19.2007 | 03.21.2008 | 03.09.2009 | 03.09.2010 |
| Number of stock-options granted (1) | | | | 2,328,128 | 1 344 552 (3) | 1,000,000 |
| O/w number of stock-options granted to Executive Committee members | | | | 293,230 | 155,289 | 415,596 |
| Number of Executive Committee beneficiaries | | | | 10 | 7 | 10 |
| Contractual life of options granted | 7 years | 7 years | 7 years | 7 years | 7 years | 7 years |
| Settlement | | | | Societe Generale shares | Societe Generale shares | Societe Generale shares |
| Vesting period | | | | 03.21.2008 - 03.31.2011 | 03.09.2009 - 03.31.2012 | 03.09.2010 - 03.31.2014 |
| Performance conditions | | | | yes(2) | yes(2) | yes(2) |
| Resignation from the Group | | | | forfeited | forfeited | forfeited |
| Redundancy | | | | forfeited | forfeited | forfeited |
| Retirement | | | | maintained | maintained | maintained |
| Death | | | | maintained for 6 months | maintained for 6 months | maintained for 6 months |
| Share price at grant date (in euros) (1) (4) | | | | 63.6 | 23.18 | 43.64 |
| Discount | | | | 0% | 0% | not applicable |
| Exercise price (in euros) (1) | 64.63 | 93.03 | 115.6 | 63.6 | 23.18 | 41.2 |
| Options authorised but not allocated | | | | - | - | - |
| Options exercised as at December 31, 2012 | | | | - | 2,290 | - |
| Options forfeited as at December 31, 2012 | | | | 1,295,940 | 906,705 | 23,646 |
| Options outstanding as at December 31, 2012 | 0 | 1,554,561 | 1,100,692 | 1,032,188 | 435,557 | 976,354 |
| Number of shares reserved as at December 31, 2012 | | | | - | - | - |
| Share price of shares reserved (in euros) | | | | - | - | - |
| Total value of shares reserved (in millions of euros) | | | | - | - | - |
| First authorised date for selling shares | | | | 03.21.2012 | 03.31.2013 | 03.31.2014 |
| Delay for selling after vesting period | | | | 1 year | 1 year | - |
| Fair value (% of the share price at grant date) | | | | 24% | 27% | 26% (5) |
| Valuation method used to determine the fair value | | | | Monte-Carlo | Monte-Carlo | Monte-Carlo |

*(1) In accordance with IAS 33, as a result of the detachment of Societe Generale share preferential subscription right, the historical share data have been adjusted for the coefficients given by Euronext which reflect the portion attributable to the share after detachment following the capital increases which took place in the fourth quarter of 2009.*

*(2) The performance conditions are described in the "corporate governance" section. For the options granted in 2008, the performance conditions on EPS 2010 were not met.*

*(3) Of which 320,000 options initially granted to the Chief Executive Officer and his deputies who gave them up. These options have thus been forfeited.*

*(4) Average share price of 20 days prior to grant date for the 2008 and 2009 plans and closing share price at grant date for the 2010 plan.*

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

## Note 42 (continued)

**Share-based payment plans**

**2.1.2. Free shares**

| Issuer | Societe Generale | Societe Generale | | Societe Generale | Societe Generale |
|---|---|---|---|---|---|
| **Year** | **2009** | **2010** | | **2011** | **2012** |
| Shareholders agreement | 05.27.2008 | | 05.27.2008 | 05.25.2010 | 05.25.2010 |
| Board of Directors' decision | 01.20.2009 | | 03.09.2010 | 03.07.2011 | 03,02,2012 |
| Number of free shares granted (6) | 3,155,781 | | 4,200,000 | 2,351,605 | 2,975,763 |
| Number of beneficiaries | 4,760 | | 5,617 | 5,969 | 6,363 |
| O/w number of free shares granted to Executive Committee members | 16,140 | | 20,873 | 190,009 | - |
| Number of Executive Committee beneficiaries | 7 | | 10 | 14 | - |
| Settlement | Societe Generale shares | | Societe Generale shares | Societe Generale shares | Societe Generale shares |
| Vesting period | 01.20.2009 - 03.31.2012 (8) | sub-plan n°1: 03.09.2010 - 03.31.2013 (8) | sub-plan n°2 : 03.09.2010 - 03.31.2012 03.09.2010 - 03.31.2013 (10) | 03.07.2011 - 03.31.2013 (10) (11) | 03,02.2012 - 03.31.2014 (10) (11) |
| Performance conditions | yes (7) | performance condition for certain recipients (7) | performance condition for certain recipients (7) | yes (7) | yes (7) |
| Resignation from the Group | forfeited | | forfeited | forfeited | forfeited |
| Redundancy | forfeited | | forfeited | forfeited | forfeited |
| Retirement | maintained | | maintained | maintained | maintained |
| Death | maintained for 6 months | | maintained for 6 months | maintained for 6 months | maintained for 6 months |
| Share price at grant date (6) | 23.36 | | 43.64 | 46.55 | 25.39 |
| Shares delivered as at December 31, 2012 | 1,986,934 | | 834,358 | 874 | 1,033 |
| Shares forfeited as at December 31, 2012 | 894,787 | | 581,579 | 72,110 | 12,566 |
| Shares outstanding as at December 31, 2012 | 274,060 | | 2,784,063 | 2,278,621 | 2,962,164 |
| Number of shares reserved as at December 31, 2012 | 274,060 | | 2,784,063 | 2,278,621 | 2,962,164 |
| Share price of shares reserved (In euros) | 59.7 | | 47.71 | 45.67 | 29.75 |
| Total value of shares reserved (In millions of euros) | 16 | | 133 | 104 | 88 |
| First authorised date for selling the shares | 03.31.2014 | 03.31.2015 | 03.31.2014 03.31.2015 | 31.03.2015 | 04.01.2016 |
| Delay for selling after vesting period | 2 years | | 2 years | 2 years (11) | 2 years (11) |
| Fair value (% of share price at grant date) | 78% | | vesting period 2 years: 86% vesting period 3 years: 82% (9) | 86% (12) | 86% |
| Valuation method used to determine fair value | Arbitrage | | Arbitrage | Arbitrage | Arbitrage |

*(6) In accordance with IAS 33 , as a result of the detachment of Societe Generale share preferential subscription right, the historical share data have been adjusted for the coefficients given by Euronext which reflect the portion attributable to the share after detachment following the capital increases which took place in the fourth quarter of 2009.*

*(7) The performance conditions are described in the "corporate governance" section.*

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

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

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

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

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

**2.2. Statistics concerning Societe Generale stock-option plans**

Main figures concerning Societe Generale stock-option plans, for the year ended December 31, 2012:

| | Options outstanding as at January 01, 2012 | Options granted in 2012 | Options forfeited in 2012 | Options exercised in 2012 | Options expired in 2012 | Outstanding options as at December 31, 2012 | Exercisable options as at December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Options granted in 2008 | 1,067,862 | - | 35,674 | - | - | 1,032,188 | 1,032,188 |
| Options granted in 2009 | 908,955 | - | 471,519 | 1,879 | - | 435,557 | 435,557 |
| Options granted in 2010 | 991,216 | - | 14,862 | - | - | 976,354 | - |
| Weighted average remaining contractual life | | | | | | 15 months | |
| Weighted average fair value at grant date (In euros) | | | | | | 15.41 | |
| Weighted average share price at exercise date (In euros) | | | | 26 | | | |
| Range of exercise prices (In euros) | | | | 23-30 | | | |

## Note 42 (continued)

**Share-based payment plans**

Notes

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

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Risk-free interest rate | 4.2% | 3.0% | 2.9% |
| Implied share volatility | 38% | 55% | 29% |
| Forfeited rights rate | 0% | 0% | 0% |
| Expected dividend (yield) (% of the exercise price) | 5.0% | 3.5% | 1.3% |
| Expected life (after grant date) | 5 years | 5 years | 5 years |

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

### 3. Main characteristics of the free share plan granted to all employees of the Group

In order to involve all employees of the Group in the success of the Ambition SG 2015 program, the Board of Directors decided at a meeting on November 2, 2010 to grant 40 Societe Generale shares to each Group employee (nearly 159,000 employees in 79 countries). The grants are subject to presence and performance conditions. The vesting period and the holding period depend on the location of the entity in which the employee works:
- in France: the vesting period ends on March 29, 2013 for the first section i.e. 16 shares and on March 31, 2014 for the second section i.e. 24 shares. The shares are subject to a holding period of 2 years;
- International: the vesting period ends on March 31, 2015 for the first section i.e. 16 shares and on March 31, 2016 for the second section i.e. 24 shares. There is no holding period.

The performance conditions are described in chapter 6 "Human Resources".

There were no shares reserved at December 31, 2012 for the plan because it is a subscription plan.

The share price at the grant date is equal to EUR 42.1. The valuation method used to determine the fair values is the arbitrage model. These fair values (expressed as a % of the share price at the grant date) amount to:
- for France: 85% for the first section and 82% for the second section;
- International: 82% for the first section and 79% for the second section.

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

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

### 4. Information on other plans

**Allocation of SG shares with a discount rate - Global employee share ownership plan**

As part of the Group employee shareholding policy, on April 2, 2012 Societe Generale offered its employees the opportunity to subscribe for a reserved capital increase at a share price of EUR 19.19, with a discount of 20% compared to the average of the last 20 Societe Generale share prices before this date.

The number of shares subscribed was 4,191,357. There is no expense for this plan, as the valuation model used, which complies with the recommendation of the National Accounting Board on the accounting treatment of company savings plans, compares the gain employees would have obtained if they had been able to sell the shares immediately and the notional cost that the 5-year holding period represents to the employee. This model gives a unit value of 0: the average of the 20 Société Générale share prices during the subscription period (from April 23 to May 7) minus the cost of the 5-year holding period is lower than the subscription price.

**TCW Stock-option plan and free share plans**

In accordance with IFRS 5 "non current assets held for sale and discontinued operations", assets and liabilities of TCW Group Inc are classified as *non current assets and liabilities held for sale* (See Note 16).

# Note 43

## Cost of risk

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| **Counterparty risk** | | |
| Net allocation to impairment losses | (3,228) | (4,012) |
| Losses not covered | (466) | (430) |
| *on bad loans* | *(423)* | *(379)* |
| *on other risks* | *(43)* | *(51)* |
| Amounts recovered | 151 | 184 |
| *on bad loans* | *132* | *167* |
| *on other risks* | *19* | *17* |
| **Other risks** | | |
| Net allocation to other provisions [(1)] | (392) | (72) |
| **Total [(2)]** | **(3,935)** | **(4,330)** |

*(1) To take into account the developments in a number of legal risks, including in particular the ongoing judicial investigations and proceedings with the US and European authorities, as well as the French "Conseil d'Etat" recent ruling on the "précompte" (equalisation tax – for which the Group's exposure stands at EUR 1.5 billion before exercising any potential recourse), the Group recorded an additional provision of EUR 300 million at December 31, 2012.*

*(2) Allocations to provisions for legacy assets amounted to EUR -262 million as at December 31, 2012 versus EUR -425 million as at December 31, 2011.*

## Note 44

### Income tax

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Current taxes | (1,128) | (970) |
| Deferred taxes | 794 | (353) |
| **Total taxes [(1)]** | **(334)** | **(1,323)** |

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

| | **2012** | **2011** |
|---|---|---|
| Income before tax excluding net income from companies accounted for by the equity method and impairment losses on goodwill (in millions of euros) | 2,230 | 4,282 |
| Normal tax rate applicable to French companies (including 3.3% tax contributions) | 34.43% | 34.43% |
| Permanent differences | -2.69% | 0.11% |
| Differential on items taxed at reduced rate | -0.45% | -0.27% |
| Tax rate differential on profits taxed outside France | -13.73% | -4.93% |
| Impact of non-deductible losses and use of tax losses carried forward | -2.58% | 1.56% |
| **Group effective tax rate [(2)]** | **14.98%** | **30.90%** |

*(2) The variation of the Group effective tax rate compared to December 31, 2011 is mainly attributable to the tax impact arising from disposals of subsidiaries in 2012.*

In France, the standard Corporate Income Tax rate is 33.33%. A Contribution Sociale (national contribution payment based on pre-tax earnings) was introduced in 2000 equal to 3.3% (after a deduction from basic taxable income of EUR 0.76 million). In 2011, an additional contribution of 5% was introduced, in respect of fiscal years 2011 and 2012 and subsequently renewed for fiscal years 2013 and 2014, applicable to profitable companies generating revenue in excess of EUR 250 million.

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. Since December 31, 2012, in accordance with the 2013 Finance Law, 88% of long-term capital gains on equity investments have been exempt, resulting in an effective rate of 4.13%.

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

The standard tax rate applicable to French companies to determine their deferred tax is 34.43%. The reduced rate is 4.13% taking into account the nature of the taxed transactions.

## Note 45

### Earnings per share

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Net income, Group share | 774 | 2,385 |
| Net income attributable to deeply subordinated notes | (266) | (273) |
| Net income attributable to perpetual subordinated notes shareholders | (16) | (25) |
| Issuance fees relating to perpetual subordinated notes | (11) | - |
| Net gain related to the redemption of the deeply subordinated notes at a price below the issuance value | 2 | 276 |
| **Net income attributable to ordinary shareholders** | **483** | **2,363** |
| Weighted average number of ordinary shares outstanding (1) | 751,736,154 | 739,383,366 |
| **Earnings per ordinary share (in EUR)** | **0.64** | **3.20** |

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Net income, Group share | 774 | 2,385 |
| Net income attributable to deeply subordinated notes | (266) | (273) |
| Net income attributable to perpetual subordinated notes shareholders | (16) | (25) |
| Issuance fees relating to perpetual subordinated notes | (11) | - |
| Net gain related to the redemption of the deeply subordinated notes at a price below the issuance value | 2 | 276 |
| **Net income attributable to ordinary shareholders** | **483** | **2,363** |
| Weighted average number of ordinary shares outstanding (1) | 751,736,154 | 739,383,366 |
| Average number of ordinary shares used in the dilution calculation (2) | 1,023,545 | 2,723,995 |
| Weighted average number of ordinary shares used in the calculation of diluted net earnings per share | 752,759,699 | 742,107,361 |
| **Diluted earnings per ordinary share (in EUR)** | **0.64** | **3.18** |

*(1) Excluding treasury shares.*

*(2) The number of shares used in the dilution calculation is computed using the "share buy-back" method and takes into account free shares and stock-options plans.*
*Stock-option plans' dilutive effect depends on the average stock-market price of Societe Generale which was EUR 21.51 for 2012.*
*In this contexte, as at December 31, 2012, free shares without performance condition in the 2009 and 2010 plans were dilutive.The characteristics of the stock-option and free shares plans can be found in Note 42 "Share-based payment plans".*

# Note 46

## Transactions with related parties

### 1. Definition

In accordance with the definitions provided under IAS 24, the Group's related parties include the following: members of the Board of Directors, corporate officers (the Chairman and Chief Executive Officers and the three Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, and the subsidiaries which are either controlled exclusively or jointly by the Group, i.e. companies over which Societe Generale exercises significant influence.

#### 1.1. Remuneration of the Group's managers

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

| *(In millions of euros)* | **December 31, 2012** | **December 31, 2011** |
|---|---|---|
| Short-term benefits | 8.0 | 8.2 |
| Post-employment benefits | 0.4 | 0.3 |
| Long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | 0.4 | 0.5 |
| **Total** | **8.8** | **9.0** |

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

#### 1.2. Related party transactions

The transactions with members of the Board of Directors, corporate officers and members of their families included in this note comprise loans and guarantees outstanding as at December 31, 2012, for a total amount of EUR 7.2 million. All other transactions with these individuals were insignificant.

#### 1.3. Total amounts provisioned or booked by the Societe Generale Group for the payment of pensions and other benefits

The total amount provisioned or booked by the Societe Generale Group at December 31, 2012 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Deputy Chief Executive Officers (Mr Cabannes, Mr Sammarcelli and Mr Sanchez Incera) and the two staff-elected Directors was EUR 8,4 million.

## Note 46 (continued)

### Transactions with related parties

#### 2. Principal subsidiaries and affiliates [1]

**Outstanding assets with related parties**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Financial assets at fair value through profit or loss | 61 | 59 |
| Other assets | 1,490 | 1,263 |
| **Total outstanding assets** | **1,551** | **1,322** |

**Outstanding liabilities with related parties**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Liabilities at fair value through profit or loss | 117 | 90 |
| Customer deposits | 487 | 1,302 |
| Other liabilities | 1,237 | 1,165 |
| **Total outstanding liabilities** | **1,841** | **2,557** |

**Net banking income from related parties**

| *(In millions of euros)* | 2012 | 2011 |
|---|---|---|
| Interest and similar income | (6) | (3) |
| Fees | 131 | 182 |
| Net income from financial transactions | 27 | 29 |
| Net income from other activities | (11) | (1) |
| **Net banking income** | **141** | **207** |

**Commitments to related parties**

| *(In millions of euros)* | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Loan commitments granted | - | - |
| Guarantee commitments granted | 902 | 7 |
| Forward financial instrument commitments | 8,005 | 7,032 |

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

## Note 47

### Companies included in the consolidation scope

| | COUNTRY | METHOD * | Group ownership interest | | Group voting interest | |
|---|---|---|---|---|---|---|
| | | | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| **FRANCE** | | | | | | |
| **BANKS** | | | | | | |
| . BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN | France | FULL | 49.99 | 50.00 | 49.99 | 50.00 |
| . CRÉDIT À L'INDUSTRIE FRANÇAISE (CALIF) [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . CREDIT DU NORD [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GÉNÉBANQUE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG DE BANQUE AUX ANTILLES | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| **FINANCIAL COMPANIES** | | | | | | |
| . SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES FRANCE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . INTER EUROPE CONSEIL | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . INTERGA | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LYXOR ASSET MANAGEMENT | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LYXOR INTERNATIONAL ASSET MANAGEMENT | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE HOLDING DE PARTICIPATIONS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EUROPEAN MORTGAGE INVESTMENTS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE RETIREMENT SERVICES (SGRS) FRANCE [5] | France | FULL | - | 100.00 | - | 100.00 |
| . SOCIÉTÉ GÉNÉRALE SCF | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . AMUNDI GROUP [1] | France | EQUITY | 24.97 | 24.93 | 25.00 | 25.00 |
| . FCT CODA [2] [10] | France | FULL | - | - | - | - |
| . FCT BLANCO [2] [10] | France | FULL | - | - | - | - |
| . FCT RED & BLACK CONSUMER 2008-1 | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| **SPECIALIST FINANCING** | | | | | | |
| . AIR BAIL | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . TEMSYS [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD INTERNATIONAL S.A. [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . BULL FINANCE [8] | France | FULL | - | 51.35 | - | 51.35 |
| . COMPAGNIE FINANCIÈRE DE BOURBON | France | FULL | 99.99 | 99.99 | 100.00 | 100.00 |
| . COMPAGNIE GÉNÉRALE DE LOCATION D'EQUIPEMENTS [1] | France | FULL | 99.88 | 99.88 | 99.88 | 99.88 |
| . DISPONIS | France | FULL | 99.94 | 99.94 | 100.00 | 100.00 |
| . EVALPARTS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . FENWICK LEASE | France | FULL | 99.99 | 100.00 | 100.00 | 100.00 |
| . FRANFINANCE | France | FULL | 99.99 | 99.99 | 99.99 | 99.99 |
| . FRANFINANCE LOCATION | France | FULL | 99.99 | 99.99 | 100.00 | 100.00 |
| . GÉNÉCAL | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GÉNÉCOMI | France | FULL | 99.70 | 99.94 | 99.70 | 99.94 |
| . ORPAVIMOB | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . RUSFINANCE SAS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SAGEMCOM LEASE | France | FULL | 99.99 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE S.A. | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG SERVICES | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGÉFIMUR [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGÉFINANCEMENT | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGELEASE FRANCE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOLOCVI | France | FULL | 99.99 | 100.00 | 100.00 | 100.00 |
| . FCT RED AND BLACK - GUARANTEED HOME LOANS [5] | France | FULL | - | 100.00 | - | 100.00 |
| . FCT RED & BLACK FRENCH SMALL BUSINESS 2010-1 | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LA BANQUE POSTALE FINANCEMENT | France | EQUITY | 35.00 | 35.00 | 35.00 | 35.00 |
| . SOCIÉTÉ GÉNÉRALE SFH | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . PHILIPS MEDICAL CAPITAL FRANCE | France | FULL | 59.99 | 60.00 | 60.00 | 60.00 |
| **PORTFOLIO MANAGEMENT** | | | | | | |
| . FCT R&B BDDF PPI [10] | France | FULL | - | - | - | - |
| . FCC ALBATROS | France | FULL | 100.00 | 100.00 | 51.00 | 51.00 |
| . FINAREG | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GÉNÉ ACT 1 | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GÉNÉFINANCE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GÉNÉVAL [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GÉNINFO | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LIBÉCAP | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE ALSACIENNE ET LORRAINE DE VALEURS, D'ENTREPRISES ET DE PARTICIPATIONS [7] | France | FULL | - | 51.42 | - | 51.42 |
| . LA FONCIERE DE LA DEFENSE | France | FULL | 99.99 | 99.99 | 100.00 | 100.00 |
| . SG CAPITAL DEVELOPPEMENT | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG CONSUMER FINANCE [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG FINANCIAL SERVICES HOLDING | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES HOLDING [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGEFIM HOLDING | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGENAL PARTICIPATIONS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE DE PARTICIPATIONS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGÉPARTICIPATIONS [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGÉPLUS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE CAPITAL PARTENAIRES | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ DE LA RUE EDOUARD VII | France | FULL | 99.91 | 99.91 | 99.91 | 99.91 |
| . VOURIC | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| **BROKERS** | | | | | | |
| . BOURSORAMA S.A. [1] | France | FULL | 57.31 | 57.39 | 57.31 | 57.39 |
| . SOCIETE GENERALE ENERGIE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EURO CT | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG OPTION EUROPE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG SECURITIES (PARIS) SAS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . NEWEDGE GROUP [1] | France | PROP | 50.00 | 50.00 | 50.00 | 50.00 |
| **REAL ESTATE AND REAL ESTATE FINANCING** | | | | | | |
| . GALYBET | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GENEFIM [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GENEFIMMO [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE POUR LE DÉVELOPPEMENT DES OPÉRATIONS DE CRÉDIT-BAIL IMMOBILIER | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |

## Note 47

### Companies included in the consolidation scope

| | COUNTRY | METHOD * | Group ownership interest | | Group voting interest | |
|---|---|---|---|---|---|---|
| | | | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| . SOGEPROM [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOPHIA-BAIL | France | FULL | 51.00 | 51.00 | 51.00 | 51.00 |
| **SERVICES** | | | | | | |
| . COMPAGNIE GÉNÉRALE D'AFFACTURAGE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . PARIS RÈGLEMENT LIVRAISON | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE DE CONTROLE ET DE GESTION FINANCIERE- SOCOGEFI [9] | France | FULL | - | 100.00 | - | 100.00 |
| . SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES NET ASSET VALUE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| **GROUP REAL ESTATE MANAGEMENT COMPANIES** | | | | | | |
| . COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM) [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ELEAPARTS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GENEGIS I | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GENEGIS II | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GENEVALMY | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGEMARCHE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGECAMPUS | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SC ALICANTE 2000 | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SC CHASSAGNE 2000 | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . OPERA 72 | France | FULL | 99.99 | 99.99 | 100.00 | 100.00 |
| . SI DU 29 BOULEVARD HAUSSMANN | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGE PERIVAL I | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGE PERIVAL II | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGE PERIVAL III | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGE PERIVAL IV | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGEFONTENAY | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGINFO - SOCIETE DE GESTION ET D'INVESTISSEMENTS FONCIERS [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ DES TERRAINS ET IMMEUBLES PARISIENS (STIP) | France | FULL | 99.99 | 99.99 | 100.00 | 100.00 |
| . VALMINVEST | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| **INSURANCE** | | | | | | |
| . SG DE COURTAGE ET DE REASSURANCE (GENECAR) | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ORADEA VIE | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGECAP [1] | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGESSUR | France | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGECAP RISQUES DIVERS [2] | France | FULL | 100.00 | - | 100.00 | - |
| **EUROPE** | | | | | | |
| **BANKS** | | | | | | |
| . OHRIDSKA BANKA | Macedonia | FULL | 70.02 | 70.02 | 72.76 | 70.02 |
| . DELTACREDIT [1] | Russia | FULL | 82.40 | 82.40 | 100.00 | 100.00 |
| . BRD - GROUPE SOCIETE GENERALE [1] | Romania | FULL | 60.17 | 60.17 | 60.17 | 60.17 |
| . BANKA SOCIÉTÉ GÉNÉRALE ALBANIA SH.A. [1] | Albania | FULL | 88.64 | 87.47 | 88.64 | 87.47 |
| . BANK REPUBLIC [1] | Georgia | FULL | 93.64 | 84.04 | 93.64 | 84.04 |
| . GENIKI [7] | Greece | FULL | - | 99.05 | - | 99.05 |
| . KOMERCNI BANKA A.S [1] | Czech Republic | FULL | 60.73 | 60.73 | 60.73 | 60.73 |
| . SOCIÉTÉ GÉNÉRALE BANK NEDERLAND N.V. | Netherlands | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EXPRESS BANK [1] | Bulgaria | FULL | 99.74 | 99.72 | 99.74 | 99.72 |
| . SG HAMBROS LIMITED (HOLDING) [1] | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG PRIVATE BANKING SUISSE S.A. [1] | Switzerland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE BANKA SRBIJA | Serbia | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE BANK AND TRUST LUXEMBOURG [1] | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG PRIVATE BANKING MONACO | Monaco | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SKB BANKA [1] | Slovenia | FULL | 99.72 | 99.72 | 99.72 | 99.72 |
| . SG PRIVATE BANKING BELGIQUE | Belgium | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE SPLITSKA BANKA | Croatia | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SGSS SPA | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ROSBANK [1] | Russia | FULL | 82.40 | 82.40 | 82.40 | 82.40 |
| . MOBIASBANCA GROUPE SOCIETE GENERALE | Moldova | FULL | 79.93 | 79.93 | 87.90 | 87.90 |
| . SOCIÉTÉ GÉNÉRALE BANKA MONTENEGRO A.D. | Montenegro | FULL | 90.56 | 90.56 | 90.56 | 90.56 |
| **FINANCIAL COMPANIES** | | | | | | |
| . EURO VL IRLANDE | Ireland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOLENTIS INVESTMENT SOLUTIONS PCC | Jersey | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE HEDGING LIMITED [10] | Ireland | FULL | - | - | - | - |
| . SG LETTRES DE GAGE | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . BRD FINANCE IFN S.A. | Romania | FULL | 80.48 | 80.48 | 100.00 | 100.00 |
| . BRIGANTIA INVESTMENTS B.V. | Netherlands | FULL | 100.00 | 100.00 | 100.00 | 80.00 |
| . CLARIS 4 [10] | Jersey | FULL | - | - | - | - |
| . SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES LUXEMBOURG | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . HALYSA S.A. | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . IRIS II SPV LIMITED [10] | Ireland | FULL | - | - | - | - |
| . IVEFI S.A. | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LIGHTNING ASSET FINANCE LIMITED [5] | Ireland | FULL | - | 100.00 | - | 100.00 |
| . LYXOR MASTER FUND | Jersey | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LYXOR ASSET MANAGEMENT (IRELAND) LIMITED | Ireland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG ISSUER | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SGBF S.A. | Belgium | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE CONSUMER FINANCE HOLDING HELLAS S.A. [1] | Greece | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EFFEKTEN | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE IMMOBEL [1] | Belgium | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE INVESTMENTS (U.K.) LIMITED [1] | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ EUROPÉENNE DE FINANCEMENT ET D'INVESTISSEMENT | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . VERI SG FONDS [6] | Germany | FULL | - | 100.00 | - | 100.00 |
| . CODEIS SECURITIES S.A. | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LLC PROSTOFINANCE [7] | Ukraine | FULL | - | 100.00 | - | 100.00 |
| . THE TURQUOISE FUND | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . THE TURQUOISE II FUND | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . PILLAR CAPITAL LIMITED PARTNERSHIP | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . EUROPEAN FUND SERVICES S.A. [2] | Luxembourg | FULL | 100.00 | - | 100.00 | - |
| . CONDORCET OPPORTUNITY LIMITED [2] [10] | Ireland | FULL | - | - | - | - |

## Note 47

### Companies included in the consolidation scope

| | COUNTRY | METHOD * | Group ownership interest | | Group voting interest | |
|---|---|---|---|---|---|---|
| | | | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| **SPECIALIST FINANCING** | | | | | | |
| . ALD AUTOMOTIVE SRL | Romania | FULL | 92.03 | 92.03 | 100.00 | 100.00 |
| . SG EQUIPEMENT FINANCE IBERIA S.A. | Spain | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . LIMITED LIABILITY COMPANY RUSFINANCE (1) | Russia | FULL | 82.40 | 82.40 | 100.00 | 100.00 |
| . LIMITED LIABILITY COMPANY RUSFINANCE BANK | Russia | FULL | 82.40 | 82.40 | 100.00 | 100.00 |
| . SG EQUIPEMENT FINANCE ITALY SPA | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . AXUS SA/NV | Belgium | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOMOTIVE A/S (1) | Denmark | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . AXUS FINLAND OY (1) | Finland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . AXUS ITALIANA SRL | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . AXUS NEDERLAND BV | Netherlands | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOMOTIVE AS (1) | Norway | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOMOTIVE AB (1) | Sweden | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOLEASING D GMBH (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOMOTIVE GROUP PLC (1) | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOMOTIVE SRO | Czech Republic | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD INTERNATIONAL SAS & CO. KG (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD LEASE FINANZ GMBH (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG ALD AUTOMOTIVE PORTUGAL SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ S.A. | Portugal | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ALD AUTOMOTIVE S.A. | Spain | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . AXUS LUXEMBOURG S.A. | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . DC MORTGAGE FINANCE NETHERLAND BV (5) | Netherlands | FULL | - | 100.00 | - | 100.00 |
| . EIFFEL LIMITED PARTNERSHIP | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . ESSOX SRO | Czech Republic | FULL | 80.00 | 80.00 | 100.00 | 100.00 |
| . EURO BANK SPOLKA AKCYJNA | Poland | FULL | 99.52 | 99.52 | 99.52 | 99.52 |
| . FIDITALIA SPA (1) | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . FRAER LEASING SPA | Italy | FULL | 73.85 | 73.85 | 73.85 | 73.85 |
| . SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. | Czech Republic | FULL | 80.33 | 80.33 | 100.00 | 100.00 |
| . SG LEASING SPA | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT LEASING POLSKA SP Z.O.O. | Poland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GEFA GESELLSCHAFT FÜR ABSATZFINANZIERUNG MBH (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . GEFA LEASING GMBH | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . HANSEATIC BANK GMBH & CO. KG (1) | Germany | FULL | 75.00 | 75.00 | 75.00 | 75.00 |
| . MONTALIS INVESTMENT BV | Netherlands | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SGBT FINANCE IRELAND LIMITED | Ireland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE BENELUX BV | Netherlands | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE INTERNATIONAL GMBH (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE SCHWEIZ AG | Switzerland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE S.A. & CO KG (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG FACTORING SPA | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG FINANS AS (1) | Norway | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG HOLDING DE VALORES Y PARTICIPATIONES S.L. | Spain | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG LEASING XII (1) | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE ITALIA HOLDING S.P.A | Italy | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOGELEASE B.V. (1) | Netherlands | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . PEMA GMBH (1) | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . MILFORD | Belgium | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . NEW HOLDING LIMITED (5) | United Kingdom | FULL | - | 99.78 | - | 99.78 |
| . SGSS DEUTSCHLAND KAPITALANLAGEGESELLSCHAFT MBH | Germany | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE LIMITED (1) | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| **BROKERS** | | | | | | |
| . SG ENERGIE UK LIMITED | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES UK LTD | United Kingdom | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCGEN INVERSIONES FINANCIERAS S.A. (3) | Spain | FULL | 100.00 | - | 100.00 | - |
| **INSURANCE** | | | | | | |
| . GENERAS | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . INORA LIFE LTD | Ireland | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . KOMERCNI POJISTOVNA A.S | Czech Republic | FULL | 80.76 | 80.76 | 100.00 | 100.00 |
| . SOGELIFE | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC | Russia | FULL | 96.66 | 96.66 | 100.00 | 100.00 |
| . SOCIETE GENERALE RE S.A. | Luxembourg | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE STRAKHOVANIE CJSC (2) | Russia | FULL | 96.66 | - | 100.00 | - |
| **AFRICA AND THE MIDDLE-EAST** | | | | | | |
| **BANKS** | | | | | | |
| . SOCIETE GENERALE TCHAD | Tchad | FULL | 55.19 | 55.19 | 66.16 | 66.16 |
| . BANKY FAMPANDROSOANA VAROTRA SG | Madagascar | FULL | 70.00 | 70.00 | 70.00 | 70.00 |
| . SG DE BANQUES AU BURKINA | Burkina Faso | FULL | 51.27 | 51.27 | 52.61 | 52.61 |
| . SG DE BANQUE EN GUINÉE EQUATORIALE | Equatorial Guinea | FULL | 52.44 | 52.44 | 57.24 | 57.24 |
| . NATIONAL SOCIETE GENERALE BANK (1) | Egypt | FULL | 77.17 | 77.17 | 77.17 | 77.17 |
| . SOCIÉTÉ GÉNÉRALE ALGÉRIE | Algeria | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE DE BANQUE AU CAMEROUN | Cameroon | FULL | 58.08 | 58.08 | 58.08 | 58.08 |
| . SG DE BANQUES EN CÔTE D'IVOIRE (1) | Ivory Coast | FULL | 73.25 | 73.25 | 73.25 | 73.25 |
| . SG DE BANQUES EN GUINÉE | Guinea | FULL | 57.94 | 57.94 | 57.94 | 57.94 |
| . SG DE BANQUE AU LIBAN (1) | Lebanon | EQUITY | 19.00 | 19.00 | 19.00 | 19.00 |
| . SG DE BANQUES AU SÉNÉGAL | Senegal | FULL | 64.45 | 64.45 | 64.87 | 64.87 |
| . SG MAROCAINE DE BANQUES (1) | Morocco | FULL | 56.91 | 56.91 | 56.91 | 56.91 |
| . SG-SSB LIMITED | Ghana | FULL | 52.24 | 52.24 | 52.24 | 52.24 |
| . UNION INTERNATIONALE DE BANQUES | Tunisia | FULL | 57.20 | 57.20 | 52.34 | 52.34 |
| . SOCIETE GENERALE-BENIN (2) | Benin | FULL | 78.83 | - | 79.50 | - |
| **SPECIALIST FINANCING** | | | | | | |
| . ALD AUTOMOTIVE S.A. MAROC | Morocco | FULL | 43.54 | 43.54 | 50.00 | 50.00 |
| . SOCIÉTÉ D' ÉQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM" | Morocco | FULL | 45.63 | 46.31 | 53.72 | 54.92 |
| . SOGÉLEASE EGYPT | Egypt | FULL | 86.29 | 70.87 | 99.99 | 80.00 |
| . SOCIETE GENERALE DE LEASING AU MAROC (4) | Morocco | FULL | - | 56.91 | - | 100.00 |
| **INSURANCE** | | | | | | |

## Note 47
### Companies included in the consolidation scope

| | COUNTRY | METHOD * | Group ownership interest | | Group voting interest | |
|---|---|---|---|---|---|---|
| | | | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| . LA MAROCAINE VIE | Morocco | FULL | 88.86 | 88.86 | 99.98 | 99.98 |
| | | | | | | |
| **THE AMERICAS** | | | | | | |
| | | | | | | |
| **BANKS** | | | | | | |
| . BANCO SG BRAZIL S.A. [1] | Brazil | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . BANCO PECUNIA S.A. [1] | Brazil | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE (CANADA) [1] | Canada | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . BANCO CACIQUE S.A. [1] | Brazil | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG AMERICAS SECURITIES HOLDINGS, LLC [1] | United States | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL [3] | Brazil | FULL | 100.00 | - | 100.00 | - |
| | | | | | | |
| **FINANCIAL COMPANIES** | | | | | | |
| . SGFP MEXICO, S. DE R.L. DE C.V. | Mexico | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SGE HOLDINGS INC. [1] | Canada | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG AMERICAS, INC. [1] | United States | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG WARRANTS N.V. [5] | Curacao | FULL | - | 100.00 | - | 100.00 |
| . TCW GROUP INC [1] | United States | FULL | 89.56 | 97.88 | 89.56 | 97.88 |
| . THE TURQUOISE FUND LTD | Cayman Islands | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIETE GENERALE ENERGY LLC [4] | United States | FULL | - | 100.00 | - | 100.00 |
| . SGA SOCIÉTÉ GÉNÉRALE ACCEPTANCE N.V. ("SGA") | Curacao | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **SPECIALIST FINANCING** | | | | | | |
| . MAKATEA JV INC. [7] | United States | FULL | - | 100.00 | - | 66.67 |
| . SG CONSTELLATION CANADA LTD | Canada | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG FINANCE LLC [5] | United States | FULL | - | 100.00 | - | 100.00 |
| . SG PREFERRED CAPITAL III, LLC [1] | United States | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SG EQUIPMENT FINANCE USA CORP. | United States | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . BENNINGTON STARK CAPITAL COMPANY , LLC [2] [10] | United States | FULL | - | - | - | - |
| | | | | | | |
| **PORTFOLIO MANAGEMENT** | | | | | | |
| . LYXOR ASSET MANAGEMENT HOLDING CORP. [1] | United States | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **INSURANCE** | | | | | | |
| . CATALYST RE INTERNATIONAL LTD. | Bermuda | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **ASIA AND OCEANIA** | | | | | | |
| | | | | | | |
| **BANKS** | | | | | | |
| . SOCIETE GENERALE PRIVATE BANKING (JAPAN) LTD | Japan | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE SECURITIES (NORTH PACIFIC) LTD | Japan | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . SOCIÉTÉ GÉNÉRALE (CHINA) LIMITED | China | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . BANQUE DE POLYNÉSIE [1] | Polynesia | FULL | 72.10 | 72.10 | 72.10 | 72.10 |
| . SG CALÉDONIENNE DE BANQUE [1] | Caledonie | FULL | 90.10 | 90.10 | 90.10 | 90.10 |
| | | | | | | |
| **FINANCIAL COMPANIES** | | | | | | |
| . FORTUNE SG FUND MANAGEMENT CO. , LTD. | China | PROP | 49.00 | 49.00 | 49.00 | 49.00 |
| . SOCIETE GENERALE ASIA LTD | Hong Kong | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . TH INVESTMENTS (HONG KONG) 1 LIMITED [1] | Hong-Kong | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| . TH INVESTMENTS (HONG-KONG) 3 LIMITED [1] | Hong-Kong | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **BROKERS** | | | | | | |
| . SG SECURITIES ASIA INTERNATIONAL HOLDINGS LTD (HONG-KONG) [1] | Hong-Kong | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **SERVICES** | | | | | | |
| . SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE LIMITED | India | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **SPECIALIST FINANCING** | | | | | | |
| . SG LEASING AND RENTING CO LTD | China | FULL | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| **PORTFOLIO MANAGEMENT** | | | | | | |
| . LYXOR ASSET MANAGEMENT JAPAN CO LTD [2] | Japan | FULL | 100.00 | - | 100.00 | - |

** FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method*

*(1) Companies carrying out sub-consolidation.*
*(2) Consolidated for the first time in 2012.*
*(3) Companies now consolidated directly.*
*(4) Entities now sub-consolidated.*
*(5) Entities deconsolidated during 2012.*
*(6) Entities wound up in 2012.*
*(7) Entities sold in 2012.*
*(8) Dissolution by transfer of assets with Franfinance.*
*(9) Dissolution by transfer of assets with Genefim.*
*(10) Special purpose vehicles substantially controlled by the Group.*

## Note 48

### Segment information

### Segment information by business lines

| (In millions of euros) | French Networks | | International Retail Banking | | Specialised Financial Services and Insurance | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Net banking income | 8,161 | 8,165 | 4,943 | 5,017 | 3,489 | 3,443 |
| Operating Expenses (1) | (5,264) | (5,248) | (3,077) | (2,988) | (1,844) | (1,846) |
| **Gross operating income** | **2,897** | **2,917** | **1,866** | **2,029** | **1,645** | **1,597** |
| Cost of risk | (931) | (745) | (1,348) | (1,284) | (687) | (829) |
| **Operating income** | **1,966** | **2,172** | **518** | **745** | **958** | **768** |
| Net income from companies accounted for by the equity method | 11 | 10 | 8 | 13 | 15 | (33) |
| Net income / expense from other assets | (3) | 1 | (4) | - | (12) | (5) |
| Impairment of goodwill | - | - | (250) | - | - | (200) |
| **Earnings before tax** | **1,974** | **2,183** | **272** | **758** | **961** | **530** |
| Income tax | (669) | (739) | (112) | (161) | (271) | (219) |
| **Net income before non-controlling interests** | **1,305** | **1,444** | **160** | **597** | **690** | **311** |
| Non-controlling interests | 14 | 16 | 211 | 272 | 16 | 14 |
| **Net income, Group share** | **1,291** | **1,428** | **(51)** | **325** | **674** | **297** |

| (In millions of euros) | Private Banking, Global Investment Management and Services | | | | | |
|---|---|---|---|---|---|---|
| | Asset Management | | Private Banking | | SGSS, Brokers | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Net banking income | 338 | 344 | 757 | 762 | 1,065 | 1,063 |
| Operating Expenses (1) | (289) | (342) | (624) | (619) | (992) | (1,006) |
| **Gross operating income** | **49** | **2** | **133** | **143** | **73** | **57** |
| Cost of risk | 1 | - | (6) | (1) | (5) | (12) |
| **Operating income** | **50** | **2** | **127** | **142** | **68** | **45** |
| Net income from companies accounted for by the equity method | 115 | 98 | - | - | - | - |
| Net income / expense from other assets | - | - | 1 | 2 | 10 | (8) |
| Impairment of goodwill | (200) | - | - | - | (380) | (65) |
| **Earnings before tax** | **(35)** | **100** | **128** | **144** | **(302)** | **(28)** |
| Income tax | (17) | (1) | (35) | (29) | (25) | (13) |
| **Net income before non-controlling interests** | **(52)** | **99** | **93** | **115** | **(327)** | **(41)** |
| Non-controlling interests | 6 | - | - | - | 1 | 2 |
| **Net income, Group share** | **(58)** | **99** | **93** | **115** | **(328)** | **(43)** |

| (In millions of euros) | Corporate and Investment Banking (2) | | Corporate Centre (3) | | Societe Generale Group | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Net banking income (2) | 6,189 | 5,980 | (1,832) | 862 | 23,110 | 25,636 |
| Operating Expenses (1) | (4,189) | (4,748) | (159) | (239) | (16,438) | (17,036) |
| **Gross operating income** | **2,000** | **1,232** | **(1,991)** | **623** | **6,672** | **8,600** |
| Cost of risk | (630) | (563) | (329) | (896) | (3,935) | (4,330) |
| **Operating income** | **1,370** | **669** | **(2,320)** | **(273)** | **2,737** | **4,270** |
| Net income from companies accounted for by the equity method | - | - | 5 | 6 | 154 | 94 |
| Net income / expense from other assets | 10 | 76 | (509) | (54) | (507) | 12 |
| Impairment of goodwill | - | - | (12) | - | (842) | (265) |
| **Earnings before tax** | **1,380** | **745** | **(2,836)** | **(321)** | **1,542** | **4,111** |
| Income tax | (313) | (97) | 1,108 | (64) | (334) | (1,323) |
| **Net income before non-controlling interests** | **1,067** | **648** | **(1,728)** | **(385)** | **1,208** | **2,788** |
| Non-controlling interests | 14 | 13 | 172 | 86 | 434 | 403 |
| **Net income, Group share** | **1,053** | **635** | **(1,900)** | **(471)** | **774** | **2,385** |

*(1) Including depreciation and amortisation.*

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

| (In millions of euros) | 2012 | 2011 |
|---|---|---|
| Global Markets | 4,875 | 4,141 |
| Financing and Advisory | 1,582 | 2,315 |
| Legacy Assets | (268) | (476) |
| **Total Net banking income** | **6,189** | **5,980** |

*(3) Income and expense not directly related to the business line activities are recorded in the Corporate Centre's profit and loss. Thus the debt revaluation differences linked to own credit risk (EUR -1,255 million at December 31, 2012), the revaluation differences of the credit derivative instruments hedging the loans and receivables portfolios (EUR -56 million at December 31, 2012) and the impact of the sovereign securities, mainly Greek, are allocated to the Corporate Centre.*

| (In millions of euros) | French Network | | International Retail Banking | | Specialised Financial Services and Insurance | |
|---|---|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Segment assets | 211,915 | 197,688 | 98,098 | 97,604 | 146,262 | 136,692 |
| Segment liabilities (4) | 172,891 | 158,583 | 79,433 | 76,905 | 101,343 | 90,405 |

| (In millions of euros) | Private Banking, Global Investment Management and Services | | | | | |
|---|---|---|---|---|---|---|
| | Asset Management | | Private Banking | | SGSS, Brokers | |
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Segment assets | 2,655 | 2,846 | 23,875 | 21,110 | 56,997 | 48,704 |
| Segment liabilities (4) | 517 | 546 | 25,688 | 22,217 | 69,993 | 62,613 |

| (In millions of euros) | Corporate and Investment Banking | | Corporate Centre (5) | | Societe Generale Group | |
|---|---|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Segment assets | 613,969 | 614,652 | 96,925 | 62,076 | 1,250,696 | 1,181,372 |
| Segment liabilities (4) | 660,144 | 658,468 | 86,590 | 60,523 | 1,196,599 | 1,130,260 |

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

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

## Note 48 (continued)

### Segment information

### Segment information by geographical region

**Geographical breakdown of Net banking income**

| *(In millions of euros)* | France | | Europe | | Americas | |
|---|---|---|---|---|---|---|
| | **2012** | **2011*** | **2012** | **2011*** | **2012** | **2011*** |
| Net interest and similar income | 5,570 | 6,104 | 4,325 | 4,508 | 425 | 748 |
| Net fee income | 4,191 | 4,328 | 1,654 | 1,745 | 470 | 480 |
| Net income / expense from financial transactions | (257) | 1,801 | 1,951 | 1,436 | 677 | 586 |
| Other net operating income | 331 | 391 | 1,012 | 987 | 1 | 6 |
| **Net banking income** | **9,835** | **12,624** | **8,942** | **8,676** | **1,573** | **1,820** |

| *(In millions of euros)* | Asia | | Africa | | Oceania | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | **2011*** | **2012** | **2011*** | **2012** | **2011*** | **2012** | **2011*** |
| Net interest and similar income | 98 | 179 | 1,123 | 981 | 85 | 107 | 11,626 | 12,627 |
| Net fee income | 178 | 186 | 435 | 392 | 49 | 48 | 6,977 | 7,179 |
| Net income / expense from financial transactions | 773 | 569 | 53 | 40 | 4 | - | 3,201 | 4,432 |
| Other net operating income | (50) | (9) | 10 | 21 | 2 | 2 | 1,306 | 1,398 |
| **Net banking income** | **999** | **925** | **1,621** | **1,434** | **140** | **157** | **23,110** | **25,636** |

**Geographical breakdown of balance sheet items**

| *(In millions of euros)* | France | | Europe | | Americas | |
|---|---|---|---|---|---|---|
| | **December 31, 2012** | **December 31, 2011 *** | **December 31, 2012** | **December 31, 2011 *** | **December 31, 2012** | **December 31, 2011 *** |
| Segment assets | 959,716 | 926,920 | 147,468 | 123,911 | 94,344 | 86,515 |
| Segment liabilities [6] | 914,915 | 882,690 | 139,177 | 118,403 | 96,607 | 88,638 |

| *(In millions of euros)* | Asia | | Africa | | Oceania | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **December 31, 2012** | **December 31, 2011 *** | **December 31, 2012** | **December 31, 2011 *** | **December 31, 2012** | **December 31, 2011 *** | **December 31, 2012** | **December 31, 2011 *** |
| Segment assets | 21,564 | 16,912 | 24,993 | 24,601 | 2,611 | 2,513 | 1,250,696 | 1,181,372 |
| Segment liabilities [6] | 20,858 | 15,867 | 22,585 | 22,318 | 2,457 | 2,344 | 1,196,599 | 1,130,260 |

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

** Amounts adjusted with respect to the 2011 published financial statements.*

## Note 49

### Fees to statutory auditors

Fees to statutory auditors recorded in the income statement are:

| *(In millions of euros)* | **2012** | **2011** |
|---|---|---|
| Fees related to statutory audit, certification, examination of parent company and consolidated statements | 30 | 31 |
| Fees related to audit services and related assignments | 6 | 6 |
| **Total** | **36** | **37** |

## Note 50

### Post closing events

Sale of Group’s stake in Trust Company of the West (TCW).

On August 9, 2012, Societe Generale entered into a definitive agreement to sell the whole of its stake in TCW to the Carlyle Group and TCW's Management.

After obtaining all the necessary approvals on February 1, 2013, the transaction was finalised on February 6, 2013.