BASE LISTING DOCUMENT DATED 27 APRIL 2007

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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Base Listing Document relating to Structured Products to be issued by

SGA Société Générale Acceptance N.V.

(incorporated in the Netherlands Antilles with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

(incorporated in France)

SOCIETE GENERALE

Sponsor

SG Securities (HK) Limited

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to us, SGA Société Générale Acceptance N.V., and Société Générale (the "**Guarantor**"), our derivative warrants (the "**Warrants**"), callable bull/bear contracts (the "**CBBCs**") and other structured products (the Warrants, the CBBCs and such other structured products are, collectively, the "**Structured Products**") to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

Our obligations under the Structured Products are guaranteed by the Guarantor under a guarantee executed by the Guarantor dated 27 April 2007 (the "**Guarantee**"). **We and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that, to the best of our knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.**

Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person, and the Guarantee constitutes the general unsecured contractual obligations of the Guarantor and of no other person. The Structured Products will rank equally among themselves and with all our other unsecured obligations and the other unsecured obligations of the Guarantor (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index.

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1. IMPORTANT INFORMATION

What documents should you read before investing in the Structured Products?

A supplemental listing document will be issued on the issue date of each series of the Structured Products which will include detailed commercial terms of the relevant series. You must read this document, (including any addendum to this document to be issued from time to time) together with such supplemental listing document (including any addendum to such supplemental listing document to be issued from time to time) (together, the "**Listing Documents**") before investing in any relevant series of the Structured Products. You should carefully study the risk factors set out in the Listing Documents.

What are our credit ratings?

Our obligations in relation to the Structured Products will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor's long term debt ratings are:

Rating agency	*Rating as of the date of this document*
Moody's Investors Service, Inc., New York	Aa2
Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies Inc.	AA

Are we regulated by any bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules?

We are regulated by the Central Bank of the Netherlands Antilles. The Hong Kong Branch of the Guarantor is a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority. The Guarantor is also regulated by, amongst others, the Commission Bancaire in France.

Are we subject to any litigation?

Save as disclosed in the section headed "Risk Management" in Appendix 4 of this document, we, the Guarantor and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Structured Products

The issue of each series of the Structured Products will be authorised by our board of directors on each occasion when we issue the relevant series of the Structured Products.

Has the financial position of the Guarantor changed since last financial year-end?

There has been no material adverse change in the financial or trading position of the Guarantor since 31 December 2006 that would have a material adverse effect on the Guarantor's ability to perform its obligations in the context of the Guarantee in respect of the Structured Products.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.004 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duty, other taxes or other charges in accordance with the laws and practices of the country of your purchase in addition to the issue price of each Structured Product. See section 10 (Taxation) of this document for further information.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at SG Securities (HK) Limited (presently at Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong):

(a) our Memorandum and Articles of Association and the constitutional documents of the Guarantor;

(b) our updated audited financial statements, interim unaudited reports (if any) and quarterly unaudited reports (if any);

(c) the Guarantor's updated audited financial statements, interim unaudited reports (if any) and quarterly unaudited reports (if any);

(d) consent letters from our auditors, Ernst & Young et Autres, and the auditors of the Guarantor, Deloitte & Associés and Ernst & Young Audit (the "**Auditors**") ;

(e) this document and any addendum to this document;

(f) the Guarantee ;

(g) the other Listing Documents (including the supplemental listing document) as long as the relevant series of the Structured Products is listed on the Stock Exchange;

(h) the master instrument (the "**Instrument**") executed by us by way of deed poll on 26 August 2006 (as modified and supplemented by a supplement to the master instrument by way of deed poll dated 2 June 2006) which constitutes the Structured Products; and

(i) a Chinese translation of each of the Listing Documents.

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The Listing Documents are also available on the website of the Stock Exchange at *www.hkex.com.hk*.

各上市文件亦可於聯交所網站 (www.hkex.com.hk) 瀏覽。

How can you get further information about the Guarantor?

You may visit the corporate website of the Guarantor at *www.socgen.com* to obtain further information relating to the Guarantor.

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any of the Structured Products.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the financial soundness of the Guarantor or the merits of investing in any of the Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

We do not imply that there has been no change in the information set out in this document since its date. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

Sales restrictions and grey market

No action has been taken to permit a public offering of any of the Structured Products or the distribution of this document in any jurisdiction where action would be required for such purposes. The distribution of this document and the offering of the Structured Products may, in certain jurisdictions, be restricted by law. You must inform yourself of and observe all such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Structured Products and the distribution of any Listing Document, see section 8 (Sales Restrictions) of this document.

Following the launch of a series of Structured Products, the Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by us and/or any of our subsidiaries or associated companies in the grey market to the Stock Exchange on the listing date through the website of the Stock Exchange at *www.hkex.com.hk*.

Have our auditors and the Guarantor's auditors agreed to the inclusion of their reports in this document?

Our auditors and the Guarantor's auditors have given and have not withdrawn their written consent to the inclusion of their reports dated 16 February 2007 and 6 March 2007 respectively in this document and/or the references to their name in the Listing Documents, in the form and context in which they are included. Their reports were not prepared exclusively for incorporation into this document.

The Auditors do not hold our shares or shares in the Guarantor or any of our subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities, the securities of the Guarantor or any of our subsidiaries.

Authorised Representatives

Mr. Jongbeum Kim of SG Securities (HK) Limited, Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong is our authorised representative.

SG Securities (HK) Limited of Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong has been authorised to accept, on behalf of us and the Guarantor, service of process and any other notices required to be served on us or the Guarantor.

In the event that we have not promptly performed our obligations to you, you may, but are not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF – Market Transaction & Financing.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the terms and conditions applicable to the relevant Structured Products set out in Appendices 1 and 2 (the "**Conditions**"). Terms not defined in this document in respect of the Structured Products shall have the meanings ascribed to them in the other Listing Documents.

Governing Law

Save for the terms of the Guarantee which will be governed by and construed in accordance with French law, all contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

2. OVERVIEW OF THE WARRANTS

What is a derivative warrant?

A derivative warrant linked to a security, an index, a currency, a commodity (such as oil, gold and platinum), a commodity future or other asset (each, the "**Underlying Asset**") is an instrument which gives the holder a right to "buy" or "sell" the Underlying Asset at, or derives its value by reference to, a pre-set price or level called the Exercise Price, Strike Price or Strike Level. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

The Warrants are European Style Warrants, meaning that they can only be exercised on the Expiry Date.

The Warrants will be automatically exercised on the Expiry Date, entitling you to a cash amount called the "**Cash Settlement Amount**" (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon expiry. If the Cash Settlement Amount is at or below the Exercise Expenses, you will not receive any payment upon expiry of the Warrants.

How do the Warrants work?

The potential payoff of a Warrant is calculated by us by reference to the difference between:

(a) for a Warrant linked to a security, a currency, a commodity or a commodity future, the Exercise Price/Strike Price and the Closing Price; and

(b) for a Warrant linked to an index, the Strike Level and the Closing Level.

Call Warrants

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Closing Price/Closing Level is greater than the Exercise Price/Strike Price/Strike Level (as the case may be). The more the Closing Price/Closing Level exceeds the Exercise Price/Strike Price/Strike Level (as the case may be), the higher the payoff upon expiry or exercise. If the Closing Price/Closing Level is at or below the Exercise Price/Strike Price/Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrants

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Closing Price/Closing Level is lower than the Exercise Price/Strike Price/Strike Level (as the case may be). The more the Closing Price/Closing Level is below the Exercise Price/Strike Price/Strike Level (as the case may be), the higher the payoff upon expiry or exercise. If the Closing Price/Closing Level is at or above the Exercise Price/Strike Price/Strike Level (as the case may be), an investor in the put Warrant will lose all of his investment.

Other types of Warrants

The supplemental listing document applicable to other types of Warrants will specify the type of such Warrants and whether such Warrants are exotic warrants.

Where can you find the Conditions applicable to the Warrants?

You should review the Conditions applicable to each type of the Warrants before your investment.

The Conditions applicable to each type of the Warrants are set out in Appendix 1 (as may be amended or supplemented by any addendum or the relevant supplemental listing document).

What are the factors determining the price of a derivative warrant?

The price of a Warrant generally depends on the price or level of the Underlying Asset. However, throughout the term of a Warrant, its price will be influenced by a number of factors, including:

(a) the Exercise Price, the Strike Price and/or the Strike Level (as the case may be);

(b) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset);

(c) the time remaining to expiry: a warrant is generally more valuable the longer the remaining life of the warrants;

(d) interest rates;

(e) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index (as the case may be);

(f) the supply and demand for the Warrant; and

(g) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in investing in a series of the Warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit the Stock Exchange website at *http://www.hkex.com.hk/prod/dwrc/dw.htm* to obtain further information on derivative warrants or any notice given by us or the Stock Exchange in relation to the Warrants.

3. OVERVIEW OF THE CBBCS

What are the CBBCs?

The CBBCs are a type of Structured Products that track the performance of an Underlying Asset. The CBBCs can be issued on different types of Underlying Assets, including:

(a) shares listed on the Stock Exchange;

(b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or

(c) overseas shares, overseas indices, currencies or commodities (such as oil, gold and platinum) as prescribed by the Stock Exchange from time to time.

A list of eligible Underlying Assets for the CBBCs is available on the website of the Stock Exchange at *www.hkex.com.hk/prod/cbbc/underlying.htm*.

The CBBCs are issued either as callable bull contracts or callable bear contracts, allowing you to take either bullish or bearish positions on the Underlying Asset.

Callable bull contracts are designed for investors who have an optimistic view on the Underlying Asset.

Callable bear contracts are designed for investors who have a pessimistic view on the Underlying Asset.

Your maximum potential loss in investing in a series of the CBBCs will be limited to the purchase price, which is generally a fraction of the value of the Underlying Asset, for the CBBCs plus the costs involved in your purchase.

The CBBCs have a mandatory call feature (the "**Mandatory Call Event**") and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See "*What is the mandatory call feature of the CBBCs?*" below.

There are 2 categories of CBBCs, namely:

(a) Category R CBBCs; and

(b) Category N CBBCs.

Your entitlement following the occurrence of the Mandatory Call Event will depend on the category of the CBBCs. See "*What is the mandatory call feature of the CBBCs*" below for further details.

If the Mandatory Call Event does not occur, the CBBCs will be exercised automatically on the Expiry Date by payment of the applicable Cash Settlement Amount (if any) less the Exercise Expenses at expiry.

The applicable Cash Settlement Amount at expiry (if any) represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level.

The Conditions applicable to each type of the CBBCs are set out in Appendix 2.

What is the mandatory call feature of the CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if the Mandatory Call Event occurs. The Mandatory Call Event occurs if the Spot Price or Spot Level of the Underlying Asset is:

(a) at or below the Call Price/Call Level (in the case of a callable bull contract); or

(b) at or above the Call Price/Call Level (in the case of a callable bear contract),

at any time during the Observation Period.

The Observation Period starts from and including the Observation Commencement Date of the relevant CBBCs and ends on and including the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed:

(a) all trades in the CBBCs concluded or recorded in the Stock Exchange's system after the time of the occurrence of the Mandatory Call Event; and

(b) in the case of European Style CBBCs over single equities (the "**Single Equity CBBCs**"), where the Mandatory Call Event occurs during a pre-opening session, all auction trades in such Single Equity CBBCs concluded in the pre-opening session, will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange.

The time at which the Mandatory Call Event occurs will be determined by reference to:

(a) in respect of the Single Equity CBBCs, the Stock Exchange's automatic order matching and execution system time at which the Spot Price is at or below the Call Price (for a series of callable bull contracts) or is at or above the Call Price (for a series of callable bear contracts); or

(b) in respect of European Style CBBCs over an index (the "**Index CBBCs**"), the time the relevant Spot Level published by the Index Compiler/Sponsor/Publisher at which the Spot Level is at or below the Call Level (for a series of callable bull contracts) or is at or above the Call Level (for a series of callable bear contracts).

Category R CBBCs vs. Category N CBBCs

The supplemental listing document for the relevant series of the CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

"**Category N CBBCs**" refer to CBBCs of which the Call Price/Call Level is equal to the Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

"**Category R CBBCs**" refer to CBBCs of which the Call Price/Call Level is different from the Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

(a) in respect of a callable bull contract, the difference between the Minimum Trade Price/Minimum Index Level of the Underlying Asset and the Strike Price/Strike Level; and

(b) in respect of a callable bear contract, the difference between the Strike Price/Strike Level and the Maximum Trade Price/ Maximum Index Level of the Underlying Asset,

provided that we may, at our absolute discretion, pay a higher amount than the above amount.

You must read the relevant Conditions and the relevant supplement listing document to obtain further information on the calculation formula of the Residual Value applicable to the relevant series of Category R CBBCs.

You may lose all of your investment in a particular series of the CBBCs if:

(a) in the case of a series of callable bull contracts, the Minimum Trade Price/ Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or

(b) in the case of a series of callable bear contracts, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

Where can you find the Conditions applicable to the CBBCs?

You should review the Conditions applicable to each type of the CBBCs before your investment.

The Conditions applicable to each type of the CBBCs are set out in Appendix 2 (as may be amended or supplemented by any addendum or the relevant supplemental listing document).

How is the funding cost calculated?

The issue price of a CBBC represents the difference between the initial spot price or level of the Underlying Asset as at the Launch Date of the CBBC and the Strike Price/Strike Level, plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant supplemental listing document for the relevant series and will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of the CBBCs will be described in the relevant supplemental listing document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on our and/or our affiliates' abilities to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

What are the factors determining the price of a CBBC?

The price of a CBBC tends to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

(a) the Strike Price/Strike Level and the Call Price/Call Level (as the case may be);

(b) the likelihood of the occurrence of a Mandatory Call Event;

(c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;

(d) the time remaining to expiry;

(e) any change(s) in interim interest rates;

(f) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

(g) the supply and demand for the CBBCs;

(h) the depth of the market or liquidity of future contracts relating to the index;

(i) any related transaction cost; and

(j) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in investing in a CBBC will be limited to your investment amount in that CBBC plus any transaction costs.

How can you get information about the CBBCs after issue?

You may visit the Stock Exchange website at *http://www.hkex.com.hk/prod/cbbc/intro.htm* to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to the CBBCs.

4. DESCRIPTION OF THE GUARANTEE RELATING TO THE STRUCTURED PRODUCTS

Our obligations under the Structured Products are guaranteed by the Guarantor pursuant to a guarantee dated 27 April 2007, the text of which is set out below. Mr. Christophe Leblanc, Managing Director - Equity Derivatives of Société Générale, who signed the guarantee was empowered by the power of attorney dated 17 July 2005 by Mr. Jean-Pierre Mustier, Chief Executive Officer of Société Générale Corporate and Investment Banking, to execute guarantees in favour of third parties on behalf of the Guarantor. The standing power of attorney dated 14 January 2003 granted by Mr. Daniel Bouton, Chairman and Chief Executive Officer (Président Directeur Général) of the Guarantor, authorised by Mr. Jean-Pierre Mustier, Chief Executive Officer Corporate and Investment Banking of the Guarantor, with power of substitution to execute guarantees in favour of third parties on behalf of the Guarantor.

"This guarantee (the "**Guarantee**") is given by Société Générale, a *société anonyme* registered under No. 552 120 222 R.C.S. Paris, duly organized and existing under the laws of the Republic of France, with its principal office at 29 boulevard Haussmann, 75009 Paris, France (the "**Guarantor**").

1. In this Guarantee, unless the context otherwise requires:

   "**Exchange**" means The Stock Exchange of Hong Kong Limited.

   "**Creditor**" means any person to whom an Obligation is from time to time owed.

   "**Obligation**" means any obligation or liability of SGA Société Générale Acceptance N.V., Landhuis Joonchi, Kaya Richard J. Beaujon z/n, Curaçao, Netherlands Antilles (the "**Company**") in respect of any structured products (the "**Structured Products**") permitted by the rules governing the listing of securities on the Exchange issued by the Company between 27 April 2007 and 26 April 2008 (the "**Issue Period**") and any further Structured Products issued by the Company after the Issue Period but forming part of the same series as the Structured Products issued during the Issue Period listed on the Exchange together with all reasonable costs, commissions and other expenses incurred by any person in connection with the enforcement of this Guarantee and, for the avoidance of doubt, "**Obligations**" shall include any such obligation or liability assumed under or incurred pursuant to any novation, transfer, assignment or other similar agreement between the Company and any other company within the same group of companies as the Guarantor.

   "**person**" means any person, firm, trust estate, corporation, association, cooperative, government or government agency, or other entity.

2. (a) The Guarantor hereby unconditionally and irrevocably guarantees, for the benefit of the Exchange and each Creditor, in accordance with the terms and conditions of this Guarantee, the full performance by the Company when due (whether at stated maturity, upon acceleration or otherwise) of each and every Obligation and in the event that the Company shall default in the due and punctual performance of any Obligation, undertakes to perform or procure the performance of such Obligation including the payment of all amounts payable by the Company in respect of such Obligation (in the case of any payment Obligation, in the currency in which the particular Obligation is expressed to be payable) upon written demand being made under this Guarantee by the relevant Creditor.

   As a separate and independent stipulation, the Guarantor agrees that each and every Obligation which is not binding on, or is not performed by, the Company for whatever reason and in whatever circumstance, shall nevertheless be performed by the Guarantor on demand in accordance with its terms as though the Structured Products had been issued by the Guarantor and as though the Guarantor were the sole or principal obligor in respect of such Obligation.

   (b) The Guarantor waives any right it may have of first requiring any Creditor to make demand, proceed or enforce any rights or security against the Company or any other person before making a claim against the Guarantor under the Guarantee.

3. The Creditor shall only be entitled to take or obtain the benefit of this Guarantee upon the condition that after receipt by the Guarantor of a written demand from the Creditor, the Guarantor shall be entitled to deal with the Creditor, and the Creditor shall be obliged to deal with the Guarantor with respect to the Obligation due to the Creditor and this Guarantee without the necessity or duty to rely on, act through or otherwise involve or deal with one another as principals in relation to the same provided that the rights, powers, privileges and remedies of the Creditor under this Guarantee shall not thereby be in any way limited or otherwise affected.

4. No delay or omission on the part of the Creditor in exercising any right, power, privilege or remedy (hereinafter together called "**Rights**") in respect of this Guarantee shall impair any such Rights or be construed as a waiver of any thereof nor shall any single or partial exercise of any such Rights preclude any further exercise thereof or the exercise of any other Rights. The Rights herein provided are cumulative and not exclusive of any rights, powers, privileges or remedies provided by law. Nothing in this Guarantee shall be construed as voiding, negating or restricting any right of set-off or any other right whatsoever existing in favour of the Creditor or arising at common law, by statute or otherwise howsoever.

5. This Guarantee is a continuing guarantee and shall not be satisfied, discharged or affected by any intermediate payment, performance or settlement of account. The provisions of this Guarantee shall continue in full force and effect until each and every Obligation shall have been performed in full.

6. The Guarantor shall be subrogated to all rights of the Creditors against the Company in respect of any amounts paid under this Guarantee, provided however that the Guarantor will not exercise any rights of subrogation or any other rights or remedies (including, without limiting the generality of the foregoing, the benefit of any security or right of set-off) which it may acquire due to its performance of any Obligation pursuant to the terms of this Guarantee and will not prove in the liquidation of the Company in competition with the Creditor unless and until each and every Obligation due to the Creditor hereby guaranteed have been satisfied in full by the Guarantor, and/or the Company. In the event that the Guarantor shall receive any payment or distribution on account of such rights while any Obligation remains outstanding, the Guarantor shall account for all amounts so received to the Creditor.

7. If the Guarantor makes a payment of any additional amount hereunder by reason of any requirement to deduct or withhold amounts from any payment hereunder and the Creditor determines that it has received or been granted a credit against or relief or payment of any tax paid or payable by it in respect thereof the Creditor shall to the extent that it can do so without prejudice to the retention of the amount of such credit relief or repayment pay to the Guarantor such amount as shall be attributable to such deduction provided that nothing contained in this paragraph shall interfere with the right of any Creditor to arrange its tax affairs in whatsoever manner it thinks fit and, in particular, no Creditor shall be under any obligation to claim relief in respect of any such deduction in priority to any other claims for relief available to it.

8. Any notice or demand in respect of this Guarantee will be sufficiently given to a party if in writing and delivered in person, sent by certified or registered mail (airmail, if overseas) or their equivalent (with return receipt requested or by overnight courier or given by telex) (with answerback received). A notice or demand will be effective:

   (a) if delivered by hand or sent by overnight courier, on the day it is delivered (or if that day is not a day on which commercial banks are open for business in Paris) (a "**Banking Day**"), or if delivered after the close of business on a Banking Day, on the first following day that is a Banking Day;

   (b) if sent by telex, on the day of the recipient's answerback is received (or if that day is not a Banking Day, or if after the close of business on a Banking Day, on the first following day that is a Banking Day); or

   (c) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), three Banking Days after despatch if the recipient's address for notice is in the same country as the place of despatch and otherwise seven Banking Days after despatch.

9. The liability of the Guarantor under this Guarantee shall not be affected by the liquidation, winding up or other incapacity of the Company. In the event that performance of any Obligation is avoided or reduced by virtue of any enactments for the time being in force relating to liquidation or insolvency the Creditor shall be entitled to recover the value or amount so avoided or reduced from the Guarantor as if such Obligation had not been performed by the Company.

10. This Guarantee shall remain in full force and effect irrespective of the validity, regularity, legality or enforceability against the Company of, or of any defence or counterclaim whatsoever available in relation to, any Obligation whether or not any action has been taken to enforce the same or any judgment obtained against the Company or any other person, whether or not any time or indulgence has been granted to the Company or any other person by or on behalf of the Creditor; whether or not there have been any dealings or transactions between the Company or any other person and any of the Creditors; whether or not the Company or any other person has been dissolved, liquidated, merged, consolidated, become bankrupt or has changed its status, functions, control or ownership; whether or not the Company or any other person has been prevented from performing any Obligation by foreign exchange or any other provision applicable at its place of registration or incorporation, and whether or not any circumstances have occurred which might otherwise constitute a legal or equitable discharge of or a defence to a guarantor.

11. The Guarantor agrees to submit for all purposes in connection with this Guarantee to the non-exclusive jurisdiction of the courts of Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**").

12. The Guarantor not having a place of business in Hong Kong agrees that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding in Hong Kong, to SG Securities (HK) Limited at Level 38 Three Pacific Place, 1 Queen's Road East, Hong Kong.

13. In the event that any of the terms or provisions of this Guarantee are or shall become invalid, illegal or unenforceable, the remaining terms and provisions hereof shall survive unaffected.

14. This Guarantee shall be governed by and construed in accordance with the laws of the Republic of France."

5. INFORMATION ABOUT US

Incorporation, Duration, Seat and Purpose

We were incorporated on 7 October 1986 for an unlimited duration as a limited liability company under the laws of the Netherlands Antilles. We are a 100 percent. subsidiary of the Guarantor and a fully consolidated company. We have no subsidiaries.

Our registered address is located at Landhuis Joonchi, Kaya Richard J. Beaujon z/n Curaçao, Netherlands Antilles. We are registered in the Commercial Register of the Chamber of Commerce and Industry at Curaçao, Netherlands Antilles. We have not established a place of business in Hong Kong.

Our purpose and object pursuant to our Deed of Incorporation, is to invest our funds in securities, such as shares and other certificates of participation, and bonds and in other interest-bearing debentures under whatever name and in whatever form, to borrow money and to issue certificates of indebtedness thereof, as well as to lend money within the group to which we belong and to provide security in any form on behalf of third parties. In addition, we engage in the issuance of notes, warrants and other types of indebtedness.

Share capital

Our issued capital is US$560,000 divided into 560,000 ordinary shares of US$1.00 each, all issued and fully paid up.

Indebtedness

As at 31 December 2006, our total indebtedness was US$91,427,536,000. As at the date of this document we have no hire purchase commitments, guarantees or other material contingent liabilities.

Under a eurocommercial paper programme, we may issue eurocommercial paper in an amount not exceeding US$25 billion or its equivalent in other currencies. The commercial paper issued under the programme is guaranteed by the Guarantor. Our debt guaranteed by the Guarantor is rated A1+/AA by Standard & Poor's Ratings Group and P-1/Aa2 by Moody's Investors Service, Inc.

In addition, under a euro medium term note programme first established in April 1993, we (together with the Guarantor) may issue medium term notes in an amount not exceeding €65,000,000,000 or its equivalent in other currencies (as at 8 August 2005). The medium term notes issued by the Issuer under the Euro Medium Term Note Programme are guaranteed by the Guarantor.

Management and Supervision

Pursuant to our Deed of Incorporation, we are managed by a board of management, consisting of one or more managing directors under the supervision of a board of supervisory directors, consisting of one or more supervisory directors. The members of the board of management are United International Trust N.V., Christophe August Gratien Leblanc and Grégoire Varenne. The members of the supervisory board are Bruno Georges Dejoux and Jean-Luc Andre Parer (all of whom currently hold full-time management positions with the Guarantor).

The business address of United International Trust N.V. is Landhuis Joonchi, Kaya, Richard J. Beaujon, z/n PO Box 837, Curaçao, Netherlands Antilles, and the business address of Christophe Leblanc, Grégoire Varenne, Bruno Georges Dejoux and Jean-Luc Andre Parer is Tour Société Générale, 17 Cours Valmy, 92972 Paris La Defense, Cedex, France.

General Meetings of Shareholders

Each of the managing directors and the supervisory directors, and shareholders together represent at least ten per cent. of our issued share capital, are entitled to convene general meetings of shareholders.

The annual general meeting of shareholders must be held within nine months after the expiration of each financial year of the Issuer.

Shareholders are entitled to one vote per share. Resolutions proposed at annual general meetings of shareholders require a clear majority of the votes cast or, in the case of a resolution to dissolve the Issuer or to amend its articles, a majority of three-quarters of the votes cast in a meeting where at least two-thirds of the issued shares are represented.

Financial Information

We publish an audited annual report following the end of each financial year. Our financial year runs from 1 January to 31 December.

Our audited financial statements for the year ended 31 December 2006 and our independent auditors' report on the financial statements for the year ended 31 December 2006 are reproduced in Appendix 3 to this document.

There has been no material adverse change in our financial position or operations since 31 December 2006.

No person has, or is entitled to be given, an option to subscribe for our shares or debentures.

Our Deed of Incorporation provides that our directors may exercise all our powers to borrow money for the purposes of the company without limit and upon such terms as they think fit.

Our Capitalisation Table

The following table sets out our capitalisation as at 31 December 2006 as adjusted to give effect to the issuance of additional debt by SGA since such date and to the redemption of some issues.

Except as set out on this page, there have been no material changes in our capitalisation since 31 December 2006.

CAPITALISATION TABLE
(USD thousands)

	31 December 2006	**31 December 2005**
Short Term Debt ≤ 2 years		
- Denominated in USD	5,209,441	4,028,006
- Denominated in other currencies	26,514,918	17,480,980
	31,724,359	**21,508,986**
Medium Term Debt > 2 years and ≤ 7 years		
- Denominated in USD	11,294,832	8,941,448
- Denominated in other currencies	29,585,448	24,387,857
	40,880,280	**33,329,305**
Long Term Debt > 7 years		
- Denominated in USD	4,612,919	5,611,805
- Denominated in other currencies	14,209,978	11,070,118
	18,822,897	**16,681,923**
TOTAL	**91,427,536**	**71,520,214**
Shareholders' equity		
- Capital stock	560	560
- Retained earnings	875	875
- Net income	0	0
Total Shareholders' Equity	**1,435**	**1,435**
Total Capitalisation	**91,428,971**	**71,521,649**

6. INFORMATION ABOUT THE GUARANTOR

Incorporation, Duration, Seat, Purpose and Financial Year

The Guarantor was incorporated in France in 1864. It was then nationalized in 1945, but returned to the private sector in July 1987 as a *Société Anonyme* under the laws of the Republic of France. Its existence has been extended to 31 December 2047.

The Guarantor, which is registered under n° 552 120 222 R.C.S. Paris, has its registered office at 29, boulevard Haussmann, 75009 Paris.

The purpose of the Guarantor is to engage in banking, finance, insurance brokerage and credit operations in France and outside France with all persons, corporate entities, public and local authorities in accordance with the regulations applicable to *établissements de crédit* (credit institutions).

The Guarantor may also engage on a regular basis in all transactions other than those listed above, including in particular insurance brokerage, under the conditions set by the *Comité de la réglementation bancaire et financiére* (French Banking and Financial Regulations Committee).

Generally, the Guarantor may also carry out, on its own account, on behalf of third parties or in a joint venture, all financial, commercial, industrial or agricultural personalty and realty transactions, directly or indirectly related to the above-mentioned activities or likely to facilitate the accomplishment of such activities.

The Guarantor's financial year runs from 1 January to 31 December.

Organisational Structure

The Guarantor's subsidiaries included in its consolidated group as at 31 December 2006 are set out on pages 24 and 25 of the section headed "Group Management Report" in Appendix 4 of this document.

Business Overview

The Guarantor and its group of companies (the "**Group**") are structured around three core businesses. The following is a brief description of each of the three businesses.

Retail Banking

The Group serves, as at the end of 2006, over 22.5 million individual customers in France and worldwide. In France, the Guarantor operates two complementary distribution networks, namely Société Générale and Crédit du Nord. Overseas, its retail banking arm is present in 32 subsidiaries. The Group's financial services have enjoyed strong growth in recent years, with the Group now being a leading bank in Europe in vendor and equipment finance, IT asset leasing and management, operational vehicle leasing and fleet management.

Global Investment Management & Services

The Group's asset management, private banking and securities services activities are regrouped within the Global Investment Management and Services ("GIMS") division. This division, set up in February 2004, incorporates SG Asset Management, SG Private Banking and the Global Securities Services for Investors ("SGSS") business.

SG Asset Management is the Group's asset management subsidiary. It offers all types of clients (individual, corporate, retailers, institutional investors) access to all asset classes across all financial markets.

SG Private Banking provides wealth management services, and offers estate planning and investment products to clients with minimum financial assets of EUR 1 million or showing significant potential to reach this threshold.

SGSS provides full investor services on securities and listed derivatives covered by the Group around the world.

Corporate and Investment Banking

SG Corporate & Investment Banking ("SG CIB") serves corporates, financial institutions and investors in 45 countries across Europe, the Americas and Asia. SG CIB provides value-added integrated financial solutions and is a reference bank in its three specialist areas: euro capital markets, derivatives and structured finance.

Board of Directors and Management

Pursuant to the *Statuts*, the Guarantor's business affairs are administered by the Board of Directors, which is composed of at least nine and no more than thirteen Directors elected by the shareholders and three Directors elected by Guarantor's employees. The Directors elected by the shareholders are appointed for a maximum term of four years. The Directors representing the employees are elected in compliance with the *Statuts* and in compliance with the provisions of the articles L.225-27 to L.225-34 of the *Code de Commerce* (French Commercial Code). They are appointed for a term of three years.

The Board of Directors elects a Chairman from amongst its members and sets the duration of this individual's term in office, which may not exceed that of his/her term in office as Director. The general management of the Group is the responsibility of either the Chairman of the Board of Directors, or any other individual appointed by the Board of Directors to act as Chief Executive Officer. The Board of Directors chooses between the two general management structures.

The Board of Directors sets the duration of the Chief Executive Officer's term, which may not exceed that of the dissociation of functions of Chairman and Chief Executive Officer nor, where applicable, the term of his Directorship. On recommendation by the Chief Executive Officer, the Board of Directors can appoint up to five persons to assist the Chief Executive Officer, who shall have the title of Co-Chief Executive Officer.

Censeurs (Non-voting Directors)

On the proposal of the Chairman, the Board of Directors may appoint one or two non-voting directors or *censeurs*. Non-voting directors are convened and attend Board of Directors' meetings in a consultative capacity.

Information on the Board of Directors, the Non-voting Director, the Executive Committee and the Group Management Committee of the Guarantor as at 31 December 2006 is set out as follows:

The Board of Directors:

Daniel Bouton	*Chairman and Chief Executive Officer of Société Générale. Member of the Nomination Committee.*
Philippe Citerne	*Director and Co-Chief Executive Officer of Société Générale.*
Marc Viénot	*Honorary Chairman and Director of Société Générale.*
Jean Azéma	*Chief Executive Officer of Groupama, Independent Director.*
Michel Cicurel	*Chairman of the Management Board of Cie Financière Edmond de Rothschild and Cie Financière Saint-Honoré. Independent Director and member of the Nomination Committee and the Compensation Committee.*
Elie Cohen	*Independent Director and Member of the Audit Committee. Professor at the Universite Paris Dauphine.*
Robert Day	*Chairman of Trust Company of the West TCW, Independent Director.*
Antoine Jeancourt-Galignani	*Independent Director, Chairman of the Nomination Committee and the Compensation Committee, Company Director.*
Elisabeth Lulin	*Founder and CEO of Paradigmes et Caetera (company specialised in benchmarking and public policy forecasting), Independent Director and Member of the Audit Committee.*
Gianemilio Osculati	*Chairman of McKinsey's Mediterranean Office, Independent Director and Member of the Audit Committee.*
Patrick Ricard	*Chairman and Chief Executive Officer of Pernod-Ricard, Independent Director and Member of the Nomination Committee and the Compensation Committee.*

Luc Vandevelde *Chairman of the Supervisory Board of Carrefour, Independent Director, Founder and Managing Director of Change Capital Partners.*

Anthony Wyand *Company Director, Chairman of the Audit Committee.*

Philippe Pruvost *Director elected by employees of Société Générale, Asset Management Adviser at the Annemasse Branch.*

Gérard Révolte *Director elected by employees of Société Générale, Head of Employee Relations – Orleans.*

Non-voting Directors:

Kenji Matsuo *Chairman of Meiji Yasuda, Life Insurance.*

The Executive Committee:

Daniel Bouton *Chairman and Chief Executive Officer of Société Générale.*

Philippe Citerne *Director and Co-Chief Executive Officer of Société Générale.*

Didier Alix *Co-Chief Executive Officer, Retail Banking and Specialised Financial Services.*

Séverin Cabannes

Philippe Collas *Chief Executive Officer, Global Investment Management and Services.*

Didier Hauguel *Head of Group Risk Management.*

Hugues Le Bret *Head of Group Communications.*

Anne Marion-Bouchacourt *Senior Executive Vice-President, Corporate Resources and Human Relations.*

Jean-Pierre Mustier *Chief Executive Officer, Société Générale Corporate and Investment Banking.*

Frédéric Oudéa *Senior Executive Vice-President, Group Chief Financial Officer.*

Alain Py *Chairman and Chief Executive Officer, Crédit du Nord.*

Jean-François Sammarcelli *Head of Retail Banking, Société Générale, France.*

Christian Schricke *Senior Executive Vice-President, Corporate Secretary and Group Head of Compliance Monitoring.*

Christian Poirier *Senior Advisor to the Chairman (attends meetings on subjects within his domain of competence only).*

The Group Management Committee:

Daniel Bouton *Chairman and Chief Executive Officer of Société Générale.*

Philippe Citerne *Director and Co-Chief Executive Officer of Société Générale.*

Didier Alix *Co-Chief Executive Officer of Société Générale.*

Séverin Cabannes

Philippe Collas *Chief Executive Officer of Société Générale Global Investment Management and Services.*

Anne Marion-Bouchacourt *Senior Executive Vice-President, Corporate Resources and Human Relations.*

Jean-Pierre Mustier *Chief Executive Officer, Société Générale Corporate and Investment Banking.*

Frédéric Oudéa *Senior Executive Vice-President, Group Chief Financial Officer.*

Alain Py *Chairman and Chief Executive Officer, Crédit du Nord.*

Christian Schricke *Senior Executive Vice-President, Corporate Secretary and Head of Compliance function.*

Christian Poirier *Senior Advisor to the Chairman (attends meetings on subjects within his domain of competence only).*

Thierry Augagnon *Co-Head of the Corporates, Institutions and Advisory Division.*

Marc Breillout *Co-Head of the Fixed Income, Currencies and Commodities Division.*

Yannick Chagnon *Head of SG Payment Services.*

Alain Closier	*Global Head of Securities Service.*
Alain Clot	*Chairman and Chief Executive Officer, SG Asset Management.*
Michel Douzou	*Deputy Head of Retail Banking, Société Générale France.*
Jean-François Gautier	*Head of Specialised Financial Services.*
Didier Hauguel	*Head of Group Risk Management.*
Maurice Kouby	*Head of Information Systems, Société Générale Retail Banking.*
Hugues Le Bret	*Head of Group Communications.*
Albert Le Dirac'h	*Deputy Head of Group Human Resources.*
Jean-Pierre Lesage	*Head of Resources, Corporate and Investment Banking.*
Jean-Louis Mattei	*Head of International Retail Banking.*
Inès Mercereau	*Head of Corporate Strategy.*
Christophe Mianné	*Deputy Chief Executive, Corporate and Investment Banking.*
Philippe Miécret	*Head of Group Internal Audit.*
Jean-Jacques Ogier	*Chief Executive Officer, SG Americas.*
Benoît Ottenwaelter	*Co-Head of the Corporates, Institutions and Advisory Division.*
Jean-François Sammarcelli	*Head of Retail Banking Société Générale, France.*
Patrick Soulard	*Deputy Chief Executive Officer, Corporate and Investment Banking.*
Catherine Théry	*Chief Operating Officier, Securities Services.*
Yves Thieffry	*Deputy Head of Resources, Corporate and Investment Banking.*
Daniel Truchi	*Global Head of Private Banking.*

The business address of each of the above-mentioned individuals is at 29, boulevard Haussmann, 75009, Paris, France.

Auditors

In accordance with French law, the Guarantor is required to have two statutory auditors (*commissaries aux comptes*) and two substitute statutory auditors.

As at the date of this document, the statutory auditors are:

- Ernst & Young Audit (represented by Philippe Peuch-Lestrade) of 11 allée de l'Arche, 92400 Courbevoie, France; and
- Deloitte & Associés (represented by José-Luis Garcia) of 185, avenue Charles-de Gaulle, 92200 Neuilly-sur-Seine, France.

General Meetings of Shareholders

The annual general meeting of shareholders is convened and held as provided by legal provisions in force.

Being a credit institution, the Guarantor is obliged by virtue of Article 8 of French *décret* n^{o} 84-708 of 24 July 1984 to submit its annual financial statements at the general meeting of shareholders before 31 May of each year, unless otherwise authorised by the *Commission Bancaire* (French Banking Commission).

Share capital

As of 11 January 2007, the Guarantor's fully-paid capital amounted to EUR 576,780,702.50 divided into 461,424,562 ordinary shares with a nominal value of EUR 1.25 each.

Risk Management Policies

Appendix 4 to this document contains a reproduction of the description of the Guarantor's risk management policies.

Financial Information of the Guarantor

The Guarantor's consolidated financial statements as at and for the year ended 31 December 2006 prepared in accordance with IFRS as endorsed by the European Union as of 31 December 2006 are included in Appendix 4 and have been audited in accordance with French auditing professional standards by Ernst & Young Audit and Deloitte & Associés as stated in their auditors' report dated 6 March 2007 included therein.

Any interim and/or quarterly unaudited reports will be reproduced in the relevant supplemental listing document(s). All these reports are available for inspection at the address specified in section 1 (Important Information) on page 4 of this document.

Set out below is, as at 31 December 2006, the replacement cost of the Guarantor's significant derivatives contracts with a positive value if counterparties (other than clearing houses or exchanges) defaulted. These figures are unaudited and take no account of any collateral which may be held against the mark to market values.

Valuation of financial instruments of the Guarantor on a consolidated basis (other than those with clearing houses or exchanges (in thousands of Euros))

Trading Activities

Unaudited 31 December 2006

	Positive Fair value		Negative Fair Value		Net	
	EUR (in thousands)	*HKD (in thousands)*	*EUR (in thousands)*	*HKD (in thousands)*	*EUR (in thousands)*	*HKD (in thousands)*
Exchange rate and gold	9,947,152	101,867,789	7,317,223	74,934,949	2,629,929	26,932,840
Interest rate	46,739,652	478,656,102	38,662,810	395,941,971	8,076,842	82,714,131
Equity	21,893,725	224,211,448	9,690,980	99,244,357	12,202,745	124,967,091
Commodities	5,877,499	60,190,880	3,499,736	35,840,446	2,377,763	24,350,433
Precious metal	199,203	2,040,018	121,217	1,241,371	77,986	798,647
Total	**84,657,231**	**866,966,237**	**59,291,966**	**607,203,094**	**25,365,265**	**259,763,142**

Non-Trading Activities

Unaudited 31 December 2006

	Positive Fair value		Negative Fair Value		Net	
	EUR (in thousands)	*HKD (in thousands)*	*EUR (in thousands)*	*HKD (in thousands)*	*EUR (in thousands)*	*HKD (in thousands)*
Exchange rate and gold	350,743	3,591,924	273,434	2,800,210	77,309	791,714
Interest rate	444,683	4,553,954	416,774	4,268,141	27,909	285,813
Equity	38,408	393,332	1,324	13,559	37,084	379,774
Commodities	40	410	-	-	40	410
Precious metal	-	-	-	-	-	-
Total	**833,874**	**8,539,620**	**691,532**	**7,081,910**	**142,342**	**1,457,711**

Capitalisation of the Guarantor

The following table sets out the Guarantor's capitalisation as at 31 December 2006 and 31 December 2005, as adjusted to give effect to the issuance of additional debt by the Guarantor since such dates.

Except as set out below, there has been no material change in the Guarantor's capitalisation since 31 December 2006.

	31 December 2005	**31 December 2006**
	(EUR millions)	**(EUR millions)**
Medium and long-term debt (2) (3)		
- denominated in Euros	637	381
- denominated in other currencies (4)	1,447	1,265
SUB TOTAL	**2,084**	**1,646**
Long-term subordinated debt		
- denominated in Euros	7,913	7,859
- denominated in other currencies	2,479	2,995
SUB TOTAL	10,392	10,854
TOTAL	**12,476**	**12,500**
Shareholders' equity and undated		
subordinated loans and capital notes		
- Undated subordinated capital notes (5)	3,236	2,710
- Capital stock	543	577
- Reserves and unappropriated earnings	14,796	17,649
SUB TOTAL	**18,575**	**20,936**
TOTAL	**31,051**	**33,436**

(1) Above figures include the 2005 net income (dividends excluded) as approved by the Board of Directors on 30 May 2006. On 31 December 2006, the Guarantor's fully paid-up capital stock amounted to EUR 576,780,702.50 or 461,424,562 shares with a nominal value of EUR 1.25 each.

(2) In accordance with French bank regulatory practice, the Guarantor's debt is classified depending on its initial term to maturity as (i) short-term, less than one year, (ii) medium-term, one to seven years, and (iii) long-term, more than seven years. The Guarantor's medium-term and long-term debt other than its long-term subordinated debt and undated subordinated capital notes ranks equally with deposits.

(3) Above figures only include debt in the form of debt securities or '*obligations*'. It should be noted that in addition to debt securities, the Guarantor regularly sells term savings certificates or '*bons de caisse*' to its customers, most of which have a five year maturity, and certificates of deposit which have varying maturities. These instruments have maturities similar to medium and long-term unsubordinated debt and rank equally with such debt and deposits.

(4) As set out in the table on the following page, principal amounts of debt denominated in foreign currencies have been translated to Euros at the indicatory exchange rates for such currencies released by the Banque de France on 31 December 2005 (first column) and on 31 December 2006 (second column).

Rate of conversion :	31 December 2005	31 December 2006
Exchange Rate AUD :	1.61090	1.66910
Exchange Rate USD :	1.17970	1.31700
Exchange Rate JPY :	138.90000	156.93000
Exchange Rate HKD :	9.14740	10.24090
Exchange Rate GBP :	0.68530	0.67150
Exchange Rate CAD :	1.37250	1.52810
Exchange Rate CHF :	1.55510	1.60690
Exchange Rate ZAR :	7.46420	9.21240
Exchange Rate CZK :	29.00000	27.48500
Exchange Rate DKK :	7.46050	7.45600

(5) The Guarantor issued the following amounts of undated subordinated fixed/floating rate notes in 1985, 1986, 1994, 1996, 1997, 2000, 2001, 2003 and 2005:

1985:	EUR 69,657,004
1986:	USD 247,800,000
1994:	JPY 15,000,000,000
1996:	JPY 10,000,000,000
1997:	USD 400,000,000 EUR 228,673,525
2000:	EUR 500,000,000
2003:	EUR 45,000,000 EUR 215,000,000
2005:	EUR 1,000,000,000

Furthermore, since 1 January 2007, the Guarantor has issued the following undated subordinated notes:

(i) USD 1,100,000,000 fixed/floating rate notes;

(ii) USD 200,000,000 floating rate notes; and

(iii) GBP 350,000,000 fixed/floating rate notes.

The issue of notes have no fixed maturity dates (although they may be redeemed at the Guarantor's option), and the Guarantor may defer payment of interest on either issue in any year during which it does not declare a dividend. The issue of notes become due and payable upon the Guarantor's liquidation, after all unsubordinated creditors have been paid in full.

Further Information

As a company whose shares are quoted on the Paris Stock Exchange, the Guarantor is required to make periodic and/or continuous disclosure obligations under the relevant listing rules of the Paris Stock Exchange.

Financial information and/or any major developments of the Guarantor including filings requested by the Paris Stock Exchange may be viewed from *www.ir.socgen.com/en/index.asp.*

7. INFORMATION ABOUT THE LIQUIDITY PROVIDER

We and the Guarantor have appointed our affiliate, SG Securities (HK) Limited, as the liquidity provider (the "**Liquidity Provider**") for the Structured Products. Both the Liquidity Provider and we are wholly owned subsidiaries of the Guarantor. The Liquidity Provider is a Stock Exchange participant and its conduct is therefore regulated by the Stock Exchange and the Securities and Futures Commission in Hong Kong.

Further information on the Liquidity Provider in relation to the Structured Products will be set out in the relevant supplemental listing document.

8. SALES RESTRICTIONS

Hong Kong

No person, unless permitted to do so under the securities laws of Hong Kong, may issue in or from Hong Kong any advertisement, invitation or listing document relating to any of the Structured Products other than with respect to the Structured Products intended to be disposed of to persons outside Hong Kong or in Hong Kong only to persons whose business involves the acquisition, disposal, or holding of securities, whether as principal or agent.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, the "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no offer of any of the Structured Products to the public in that Relevant Member State has been, or will be, made except for an offer of the Structured Products to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Structured Products which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of any of the Structured Products to the public**" in relation to any Structured Products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**")) in connection with the issue or sale of the Structured Products has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA would not, if we were not an authorised person, apply to us. All applicable provisions of the FSMA with respect to any Structured Products have been complied, and will be complied, with in, from or otherwise involving the United Kingdom.

United States of America

Each series of the Structured Products has not been, and will not be, registered under the Securities Act. Subject to certain exceptions, the Structured Products, or any interests therein, may not at any time be offered, sold, resold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of the Structured Products, or any interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. No person will offer, sell, re-sell, transfer or deliver any of the Structured Products within the United States or to U.S. persons, except as permitted by the Master Placing Agreement between us and the Sponsor, acting as manager. As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means any national or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other U.S. person as such term is defined in Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer, sale, re-sale, transfer or delivery of the Structured Products within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

9. OFFERING MECHANISM

The Structured Products will be offered by way of placing. Upon launch of each series of the Structured Products, the Guarantor will fully subscribe for the Structured Products in that series.

We, the Guarantor and SG Securities (HK) Limited (the "**Placing Agent**") have entered into a Master Placing Agreement dated 2 May 2006 (as amended by the Amendment Agreement to the Master Placing Agreement dated 2 June 2006) (together, the "**Master Placing Agreement**") relating to the placing of the Structured Products for the issue of each series of Structured Products. We will execute a confirmation to the Placing Agent following the launch of each series of the Structured Products under the Master Placing Agreement. The Placing Agent undertakes to use its best efforts to procure placees for the Structured Products.

The Placing Agent may appoint brokers, both electronic brokers and traditional brokers (together, the "**Brokers**") to distribute the Structured Products between the launch date and the listing of the relevant Structured Products. The Brokers and the number thereof who the Placing Agent may appoint may vary with each Structured Products issue, however and in any event, the Brokers will be persons licensed by the Securities and Futures Commission under the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong).

Following the listing of the Structured Products on the Stock Exchange, the Structured Products will be traded in the secondary market. Investors wishing to buy or sell the Structured Products will be able to trade with other investors in the Structured Products or trade through our Liquidity Provider for the Structured Products.

10. TAXATION

The information below is of a general nature and only a summary of the law and practice currently applicable under Hong Kong law. The comments relate to the position of persons who are the absolute beneficial owners of the Structured Products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any Structured Product, you should consult your own tax advisers as to the Hong Kong or other tax consequences of the acquisition, ownership and disposition of Structured Products, including, in particular, the effect of any foreign, state or local tax laws to which you are subject.

Taxation in Hong Kong

Profits Tax

No tax is payable in Hong Kong by withholding or otherwise in respect of:

(a) dividends of any company;

(b) distributions of any trust authorised as a collective investment scheme by the Securities and Futures Commission under section 104 of the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong) or otherwise approved by the SFC which has issued the underlying units; and

(c) any capital gains,

arising on the sale of the underlying securities or Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp Duty

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

11. RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant supplemental listing document.

General risks in relation to us and the Guarantor

Structured Products are unsecured obligations

Each series of the Structured Products constitutes our general unsecured contractual obligations and of no other person, and the Guarantee constitutes general and unsecured contractual obligations of the Guarantor and of no other person. Each series of the Structured Products will rank equally with our other unsecured contractual obligations and the Guarantor's unsecured and unsubordinated debt. At any given time, the number of the Structured Products issued by us which are outstanding may be substantial since we issue a large number of financial instruments on a global basis.

Repurchase of our Structured Products

Our Group may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or at the prevailing market price at our discretion. You should not make any assumption as to the number of Structured Products in issue for any particular series at any time.

Creditworthiness

If you purchase the Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against:

(a) any company which issues the underlying shares;

(b) the trustee or the manager of the underlying trust; or

(c) any index sponsor/publisher/compiler of the underlying index.

We do not guarantee the repayment of your investment in any of the Structured Products.

Any downgrading of our rating or the Guarantor's rating by rating agencies such as Moody's Investors Service, Inc., New York, Standard and Poor's Rating Services, a division of The McGraw-Hill Companies Inc. or Fitch Ratings Ltd., London, could result in a reduction in the value of the Structured Products.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the Conditions of each series of the Structured Products upon expiry, as the case may be. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of Structured Product.

Conflicts of interest

We, the Guarantor or our affiliates (the "**SG Group**") may engage in trading or hedging transactions involving the Underlying Assets or other derivative products that may affect the value of the Underlying Assets. In addition, the SG Group may engage in other business activities such as the introduction of competing products, acting as underwriter and/or financial adviser of other securities offerings which may create conflicts of interest with the Underlying Assets thus affecting the value of the Underlying Assets. Such actions and conflicts may include, without limitation, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The SG Group:

(a) is not obliged to disclose such information about the Underlying Assets or such activities. The SG Group and/or our respective officers and directors may engage in any such activities without regard to the issue of the Structured Products by us or the effect that such activities may directly or indirectly have on any of the Structured Products;

(b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the value of the Underlying Assets and consequently upon the value of the relevant series of the Structured Products;

(c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;

(d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of the Structured Products; and

(e) may also act as underwriter in connection with future offerings of shares, units or other securities or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such share or other security or in a commercial banking capacity for the issuer of any share or other security or the trustee or the manager of the trust. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

General risks relating to Structured Products

You may lose all your investment in the Structured Products

The Structured Products involve a high degree of risk, and are subject to a number of risks which may include, but are not limited to, interest rate, foreign exchange, time value, market and/or political risks. Structured Products may expire worthless.

Options, warrants and asset linked instruments are priced primarily on the basis of the price/level of the Underlying Asset, the volatility of the Underlying Asset's price/level, the time remaining to expiry of the Structured Products and our creditworthiness and the creditworthiness of the Guarantor.

The price of the Structured Products may fall in value as rapidly as it may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or part of your investment.

"European Style" Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product upon expiration means that, in order to recover and realise a return on investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price/level of the Underlying Asset as may be specified in the relevant supplemental listing document.

Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price/level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price/level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to movement in value of the Underlying Assets

An investment in the Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of the Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the Underlying Asset is increasing in value, the value of the Structured Product is falling.

If you intend to purchase any series of the Structured Products to hedge against the market risk associated with investing in the Underlying Asset specified in the relevant supplemental listing document, you should recognise the complexities of utilising the Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price/level of the Underlying Asset. Due to fluctuations in supply and demand for the Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset. The Structured Products may not be a perfect hedge to the Underlying Asset or portfolio of which the Underlying Asset forms a part.

It may not be possible to liquidate the Structured Products at a level which directly reflects the price/level of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of the Structured Products and at what price such series of the Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

The liquidity of any series of the Structured Products may also be affected by restrictions on offers and sales of the Structured Products in some jurisdictions. Transactions in off-exchange Structured Products may be subject to greater risks than dealing in exchange-traded Structured Products. To the extent that any series of the Structured Products is exercised or closed out, the number of the Structured Products outstanding in that series will decrease, which may result in a lessening of the liquidity of the Structured Products. A lessening of the liquidity of the affected series of the Structured Products may cause, in turn, an increase in the volatility associated with the price of such series of the Structured Products.

While we have, or will appoint, a liquidity provider for the purposes of making a market for each series of the Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of the Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Investments in the Structured Products may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Structured Products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of the Structured Products at any time prior to expiration may be less than the trading price of such series of the Structured Products at that time. The difference between the trading price/level and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend upon, among others, the time remaining to expiry and expectations concerning the range of possible future price/level of the Underlying Assets. The value of a Structured Product is likely to decrease over time. Therefore, the Structured Products should not be viewed as products for long term investments.

Exchange rate risk

There may be an exchange rate risk in the case where the Cash Settlement Amount of the Structured Products will be converted from a foreign currency into Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that the rates of exchange between any relevant currencies which are current rates at the date of issue of any of the Structured Products will be representative of the relevant rates of exchange used in computing the value of the relevant Structured Products at any time thereafter.

Where Structured Products are described as being "quantoed", the value of the Underlying Assets will be converted from one currency (the "**Original Currency**") into a new currency (the "**New Currency**") on the date and in the manner specified in, or implied by, the Conditions using a fixed exchange rate. The cost to us of maintaining such a fixing between the Original Currency and the New Currency will have an implication on the value of the Structured Products, which will vary during the term of the

Structured Products. No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the Original Currency and the New Currency, a quanto feature in a Structured Product would at any time enhance the return on the Structured Product over a level of a similar Structured Product issued without such a quanto feature.

Fixed notional exchange rate

In some series of the Structured Products the exchange rate may be fixed and the Cash Settlement Amount will be converted from the relevant foreign currency into Hong Kong dollars based on a fixed notional exchange rate of one unit of the foreign currency to one Hong Kong dollar. You should note that the fixed exchange rate feature will affect the calculation of the market value of the Structured Products in the secondary market. Our cost of arranging such a fixed exchange rate may have an implication on the value of the Structured Products, and may vary during the terms of the Structured Products.

No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the relevant foreign currency and Hong Kong dollars, a fixed exchange rate feature in the Structured Products would at any time enhance the return of the Structured Products over the same Structured Products issued without such a feature.

Taxes

You may be required to pay stamp duty, other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed "Taxation" and the paragraph "Do you need to pay any tax?" in section 1 (Important Information) on page 3 of this document for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, modify the terms and conditions applicable to the Structured Products if such modification is:

(a) not materially prejudicial to your interest;

(b) of a formal, minor or technical nature;

(c) to correct an obvious error; or

(d) for compliance with any mandatory provisions under Hong Kong law.

Risks relating to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to:

(a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the shares or units of a trust would normally be entitled to; or

(b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in the Structured Products may involve valuation risk as regards the Underlying Assets to which the particular series of the Structured Products relate. The price/level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, speculation and (where the Underlying Asset is an index) changes in the formula for or the method of calculating the index.

You must be experienced with dealing in these types of Structured Products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any of the Structured Products in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole discretion, adjust, among other things, the Entitlement and the Exercise Price in the events of a rights issue, an issue of shares out of capitalisation of profits or reserves or a consolidation or sub-division of the share capital of the company. However, we are not obliged to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Products and the return upon the exercise or expiry of the Structured Products may be affected.

In the case of a series of the Structured Products which relate to an index, the closing level of the index may be published by the index compiler at a time when one or more shares comprising the index are not trading. If this occurs on the Valuation Date and there is no Market Disruption Event under the applicable Conditions, then the value of such share(s) may not be included in the closing level of the index. This may have an unforeseen adverse impact on the value of your investment.

In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If the Underlying Assets are suspended from trading for whatever reason on the market on which they are listed or dealt in (including the Stock Exchange), or if the relevant index for whatever reason is not calculated, trading in the relevant series of the Structured Product will be suspended for a similar period.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of the Structured Products, there may be a time lag between the date on which the Structured Products expire, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such series of the Structured Products arising from our determination that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the Conditions. That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

You should note that in the event of there being a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Conditions of the Structured Products.

Risks relating to the Structured Products over trusts

In the case of Structured Products which relate to the units of a trust:

(a) neither we, the Guarantor nor our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interest of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and

(b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of such decisions may have a significant impact on the performance of the relevant units of the trust. Hence, the price of the units which is used to calculate the performance of the units is also subject to these risks.

Risk relating to the CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price/level of the Underlying Asset.

Mandatory Call Event is irrevocable except in limited circumstances.

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited (such as the setting up of the wrong Call Price/Call Level and other parameters), and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that the Mandatory Call Event is to be revoked; or

(b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant Index Sponsor / Publisher / Compiler), and such event is reported by us to the Stock Exchange, and we and the Stock Exchange mutually agree that the Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant supplemental listing document. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Disclaimers relating to Mandatory Call Event

The Stock Exchange and its recognised exchange controller, Hong Kong Exchanges and Clearing Limited, shall not incur any liability (whether based on contract, tort, (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEx) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (the "**Trading Suspension**") or the non-recognition of trades after the Mandatory Call Event (the "**Non-Recognition of Post MCE Trades**"), including without limitation, any delay, failure, mistake or error in the Trading Suspension or the Non-Recognition of Post MCE Trades.

We, the Guarantor and our respective affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or the Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event or the resumption of trading of the CBBCs or reinstatement of any Post MCE Trades cancelled in connection with the reversal of any Mandatory Call Event notwithstanding that such Trading Suspension and/or Non Recognition of Post MCE Trades occurs as a result of an error in the observation of the event.

The Residual Value may not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event may or may not include any residual funding cost for the CBBCs. You may or may not receive any residual funding cost back from us upon early termination of the CBBCs after the occurrence of a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBCs have been called. You must however be aware that there may be delay in the announcements of the occurrence of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

We, the Guarantor, any of our affiliates and/or our respective officers and directors may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the issuance and trading of any CBBCs, we, the Guarantor and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us, the Guarantor and/or any of our affiliates, we, the Guarantor and/or any of our affiliates may enter into transactions in respect of the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of the CBBCs and which could be deemed to be adverse to your interests. We, the Guarantor and/or our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we, the Guarantor, our respective affiliates and/or our respective officers and directors provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

Our trading and/or hedging activities and those of the Guarantor or any of our related parties related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall in or a rise (as the case may be) in the trading price/level, leading to the occurrence of a Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we, the Guarantor or any of our related party may unwind any hedging transactions entered into by us, the Guarantor or any of our related party in relation to our CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we, the Guarantor or any of our related party may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs they repurchase from the market from time to time. Upon the occurrence of a Mandatory Call Event, we, the Guarantor or any of our related party may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Adjustment related risk

We will make such adjustments as we consider appropriate as a consequence of certain corporate actions or index adjustment events affecting the Underlying Asset.

For Single Equity CBBCs, we may adjust the Call Price, the Strike Price and, if applicable, the Entitlement to take into account the effect of such event. For example, we may make adjustment to the Call Price and the Strike Price for certain dividend payments by the issuer of the Underlying Asset, in accordance with the relevant Conditions. However, no adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative). For any other forms of cash distribution ("**Cash Distribution**") announced by the issuer of the Underlying Asset, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Underlying Asset's closing price on the day of announcement by the relevant issuer.

For Index CBBCs, we may determine the Closing Level in good faith in the case of an index adjustment event in accordance with the relevant Conditions.

We are not required to adjust each and every corporate action or index adjustment event. See Condition 6 of the Conditions of the relevant CBBCs for further details.

In addition, for Single Equity CBBCs, if the Underlying Asset ceases to be listed on the Stock Exchange during the term of the CBBCs, we may make adjustments and amendments to the rights attaching to the CBBCs pursuant to Condition 6 of the Conditions of the relevant CBBCs. Such adjustments and amendments will be conclusive and binding on you.

Possible early termination for illegality or impracticality

If we determine that, for reasons beyond our control, the performance of our obligations under the CBBCs has become illegal or impractical for any reason or it is no longer desirable or practical for us to maintain our hedging arrangement with respect to the CBBCs for any reason, we may at our discretion and without obligation terminate early the CBBCs. If we terminate early the CBBCs, we will, if and to the extent permitted by applicable law, pay you an amount determined by us to be its fair market value notwithstanding the illegality or impracticality less the cost to us of unwinding any hedging arrangements relating to the Underlying Asset.

Risks relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a permanent global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Products issued in global registered form and held on your behalf within a clearing system effectively means that evidence of your title, as well as the efficiency of ultimate delivery of the Cash Settlement Amount, will be subject to the CCASS Rules. You should be aware of the following risks:

(a) you will not receive definitive certificates where the Structured Products remain in the name of HKSCC Nominees Limited for the entire life of the Structured Products;

(b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;

(c) you will need to rely on any statements you received from your brokers/custodians as evidence of your interest in the Structured Products;

(d) notices/announcements will be simultaneously published on the website of the Stock Exchange and/or released by CCASS to their participants. You will need to check the website of the Stock Exchange regularly and/or rely on your brokers/custodians to obtain such notices/ announcements; and

(e) following the Expiry Date and the determination by us as to the Cash Settlement Amount, our obligations to you will be duly performed by payment of the Cash Settlement Amount in accordance with the Conditions to HKSCC Nominees Limited as the **"holder"** of the Structured Products. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount to the respective CCASS participants in accordance with the CCASS Rules.

Fee arrangements with the Brokers and conflicts of interest of Brokers

We may enter into fee arrangements with the Brokers and/or any of its affiliates with respect to the placement of the Structured Products in the primary market. You should note that any Brokers with whom we have a fee arrangement does not, and cannot be expected to deal, exclusively in the Structured Products, therefore any Broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Assets and/or the structured products of other issuers over the same Underlying Assets to which the particular series of Structured Products may relate, or other underlying assets as the case may be, for their proprietary accounts and/or for the accounts or their clients. The fact that the same Broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Structured Products and present certain conflicts of interests.

Effect of the combination of risk factors is unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

APPENDIX 1 - TERMS AND CONDITIONS OF WARRANTS

The following pages set out the Conditions in respect of different types of Warrants.

PART A - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED CALL WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form*. The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

References in these Conditions to "**Shares**" shall be a reference to the shares of the Company.

(b) *Status and Guarantee*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise. The Warrants do not entitle the Warrantholders to delivery of any Shares, are not secured by Shares and do not entitle Warrantholders to any interest in any Shares.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer*. The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title*. Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses*. Warrantholders should note that they shall be responsible for additional costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Each Entitlement initially entitles each Warrantholder, upon due exercise, and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of every Exercise Amount, shall be an amount (if positive) payable in Hong Kong dollars equal to the Entitlement (subject to adjustment as provided in Condition 6) multiplied by the result of (i) the arithmetic mean of the closing prices of one Share (as derived from the Daily Quotation Sheet of The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong (as defined below) for the time being on which the Shares are listed (the "**Stock Exchange**") subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below) less (ii) the Exercise Price (subject to adjustment as provided in Condition 6).

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event and (ii) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in making up the five closing prices for calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount.

"**Market Disruption Event**" means (1) the occurrence or existence on the Valuation Date during the one-half hour period that ends at the close of trading of (i) any suspension of trading on the Stock Exchange in the Shares requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Shares if that suspension or limitation is, in the determination of the Issuer, material, (2) the hoisting of a Typhoon Signal or the issue of a Rainstorm Warning which either results in the Stock Exchange being closed for trading for the entire day or results in the Stock Exchange being closed for trading prior to its regular time for close of trading on such date provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on such date as a result of a Typhoon Signal having been hoisted or a Rainstorm Warning having being issued, or (3) the closing of the Stock Exchange or a disruption to trading on the Stock Exchange if that disruption occurs and/or exists during the one-half hour period that ends at the regular time for the close of trading, and is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism;

"**Valuation Date**" means, with respect to the exercise of Warrants, and subject as provided above in relation to a Market Disruption Event, each of the five Business Days immediately preceding the Expiry Date.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or, if the Maturity Date is not a Business Day, the immediately following Business Day (the "**Expiry Date**").

4. Exercise of Warrants

(a) *Exercise Amounts*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount on the Expiry Date is positive, all Warrants shall be deemed to have been exercised at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Expiry Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Adjustments

(a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where :

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

Adjusted Entitlement = (1 + N) x E

Where :

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*. If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*. If it is announced that the Company:

(i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or

(ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of shares of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Share(s) (as the case may be) to which a holder of the number of Shares comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 10(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

(a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

(b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

15. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

PART B - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED PUT WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

References in these Conditions to "**Shares**" shall be a reference to the shares of the Company.

(b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Each Entitlement initially entitles each Warrantholder, upon due exercise, and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of every Exercise Amount, shall be an amount (if positive) payable in Hong Kong dollars equal to the Entitlement (subject to adjustment as provided in Condition 6) multiplied by the result of (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) the arithmetic mean of the closing prices of one Share (as derived from the Daily Quotation Sheet of The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong (as defined below) for the time being on which the Shares are listed (the "**Stock Exchange**") subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below).

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event and (ii) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in making up the five closing prices for calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount.

"**Market Disruption Event**" means (1) the occurrence or existence on the Valuation Date during the one-half hour period that ends at the close of trading of (i) any suspension of trading on the Stock Exchange in the Shares requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Shares if that suspension or limitation is, in the determination of the Issuer, material, (2) the hoisting of a Typhoon Signal or the issue of a Rainstorm Warning which either results in the Stock Exchange being closed for trading for the entire day or results in the Stock Exchange being closed for trading prior to its regular time for close of trading on such date provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on such date as a result of a Typhoon Signal having been hoisted or a Rainstorm Warning having being issued, or (3) the closing of the Stock Exchange or a disruption to trading on the Stock Exchange if that disruption occurs and/or exists during the one-half hour period that ends at the regular time for the close of trading, and is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism;

"**Valuation Date**" means, with respect to the exercise of Warrants, and subject as provided above in relation to a Market Disruption Event, each of the five Business Days immediately preceding the Expiry Date.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or, if the Maturity Date is not a Business Day, the immediately following Business Day (the "**Expiry Date**").

4. Exercise of Warrants

(a) *Exercise Amounts*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount on the Expiry Date is positive, all Warrants shall be deemed to have been exercised at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Expiry Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Adjustments

(a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where :

E: Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

Adjusted Entitlement = $(1 + N) \times E$

Where :

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*. If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation.* If it is announced that the Company:

(i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or

(ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of shares of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Share(s) (as the case may be) to which a holder of the number of Shares comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates or any of its subsidiaries may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

(b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication.* To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 10(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

(a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

(b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

15. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen’s Road East
Hong Kong

PART C - TERMS AND CONDITIONS OF THE EUROPEAN STYLE INDEX CALL WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses*. Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Every Exercise Amount of Warrants entitles each Warrantholder, upon compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or if the Maturity Date is not a Business Day the immediately following Business Day (the "**Expiry Date**").

In these Conditions, "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

4. Exercise of Warrants

(a) *Exercise*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by the Closing Level of the Index. If the Closing Level of the Index is greater than the Strike Level, all Warrants shall be deemed to have been exercised automatically at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Closing Level of the Index is less than or equal to the Strike Level, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder the Cash Settlement Amount.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Valuation Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Index Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Index Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date. In that case:

(i) that fifth Index Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that fifth Index Business Day but for the Market Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Index Business Day**" means a day on which the Index is published by the Index Sponsor / Publisher / Compiler or, as the case may be, the Successor Index Sponsor / Publisher / Compiler;

"**Market Disruption Event**" means the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any of:

(i) the suspension or limitation of the trading of a material number of securities/commodities from time to time comprising the Index; or

(ii) the suspension or limitation of the trading of securities/commodities (a) on the Stock Exchange or (b) generally; or

(iii) the suspension or limitation of the trading of (a) options or futures relating to the Index on any options or futures exchanges or (b) options or futures generally on any options and/or futures exchanges on which options relating to the Index are traded; or

(iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition, (i) the limitation on the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (ii) a limitation on trading imposed including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or hoisting by the Hong Kong Observatory of the tropical cyclone warning signal 8 or above or issuing by the Hong Kong Observatory of the "black" rainstorm signal or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Market Disruption Event; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Adjustments to the Index

(a) *Successor Sponsor Calculates and Reports Index*. If the Index is (i) not calculated and announced by the Index Sponsor / Publisher / Compiler, but is calculated and published by a successor to the Index Sponsor / Publisher / Compiler (the "**Successor Index Sponsor / Publisher / Compiler**") acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Sponsor / Publisher / Compiler or that successor index, as the case may be.

(b) *Modification and Cessation of Calculation of Index*. If:

(i) on or prior to the Valuation Date the Index Sponsor / Publisher / Compiler or (if applicable) the Successor Index Sponsor / Publisher / Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(ii) on the Valuation Date the Index Sponsor / Publisher / Compiler or (if applicable) the Successor Index Sponsor / Publisher / Compiler fails to calculate and publish the Index;

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant Exchange) or, as the case may be, the final settlement price for settling the relevant Index Futures Contracts on the relevant Futures Exchange on the Expiry Date as determined pursuant to the Rules, Specifications, Regulations and Procedures of such Exchange.

(c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 10(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

13. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

14. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

PART D - TERMS AND CONDITIONS OF THE EUROPEAN STYLE INDEX PUT WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses*. Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Every Exercise Amount of Warrants entitles each Warrantholder, upon compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 4.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or if the Maturity Date is not a Business Day the immediately following Business Day (the "**Expiry Date**").

In these Conditions, "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

4. Exercise of Warrants

(a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by the Closing Level of the Index. If the Strike Level of the Index is greater than the Closing Level, all Warrants shall be deemed to have been exercised automatically at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Strike Level of the Index is less than or equal to the Closing Level, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Valuation Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Index Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Index Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date. In that case:

(i) that fifth Index Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that fifth Index Business Day but for the Market Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Index Business Day**" means a day on which the Index is published by the Index Sponsor / Publisher / Compiler or, as the case may be, the Successor Index Sponsor / Publisher / Compiler; and

"**Market Disruption Event**" means the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any of:

(i) the suspension or limitation of the trading of a material number of securities/commodities from time to time comprising the Index; or

(ii) the suspension or limitation of the trading of securities/commodities (a) on the Stock Exchange or (b) generally; or

(iii) the suspension or limitation of the trading of (a) options or futures relating to the Index on any options or futures exchanges or (b) options or futures generally on any options and/or futures exchanges on which options relating to the Index are traded; or

(iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition, (i) the limitation on the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (ii) a limitation on trading imposed including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or hoisting by the Hong Kong Observatory of the tropical cyclone warning signal 8 or above or issuing by the Hong Kong Observatory of the "black" rainstorm signal or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Market Disruption Event.

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Adjustments to the Index

(a) *Successor Sponsor Calculates and Reports Index*. If the Index is (i) not calculated and announced by the Index Sponsor / Publisher / Compiler but is calculated and published by a successor to the Index Sponsor / Publisher / Compiler (the "**Successor Index Sponsor / Publisher / Compiler**") acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Sponsor / Publisher / Compiler or that successor index, as the case may be.

(b) *Modification and Cessation of Calculation of Index*. If:

(i) on or prior to the Valuation Date the Index Sponsor / Publisher / Compiler or (if applicable) the Successor Index Sponsor / Publisher / Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(ii) on the Valuation Date the Index Sponsor / Publisher / Compiler or (if applicable) the Successor Index Sponsor / Publisher / Compiler fails to calculate and publish the Index;

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant Exchange) or, as the case may be, the final settlement price for settling the relevant Index Futures Contracts on the relevant Futures Exchange on the Expiry Date as determined pursuant to the Rules, Specifications, Regulations and Procedures of such Exchange.

(c) *Notice of Determinations*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication.* To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication.* Subject to Condition 10(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies.* If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

13. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

14. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

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PART E - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CURRENCY CALL WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title*. Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses*. Warrantholders should note that they shall be responsible for all costs and expenses in connection with settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Every Exercise Amount of the Warrants entitles each Warrantholder, upon compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if positive) converted into Hong Kong dollars at the Hong Kong Dollar Price. Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 4.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or if the Maturity Date is not a Business Day the immediately following Business Day (the "**Expiry Date**").

In these Conditions, "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

4. Exercise of Warrants

(a) *Exercise*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount is positive. If the Cash Settlement Amount is positive, all Warrants shall be deemed to have been exercised automatically at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is zero or negative, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder in Hong Kong dollars the Cash Settlement Amount (if any), converted into Hong Kong dollars at the Hong Kong Dollar Price.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Valuation Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open in Hong Kong for carrying on foreign exchange transactions and for business; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of applicable law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Web-site publication.* To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 9(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable or appropriate, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies.* If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 9(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

10. Postponement of Valuation Date, Cancellation of Warrants

(a) *Postponement of Valuation Date*. If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Valuation Date will be postponed until the next following Business Day on which there is no Disruption Event provided, however, that if a Disruption Event has occurred or is continuing to occur on the thirtieth Business Day after the original date that, but for the Disruption Event, would have been the Valuation Date, the Issuer may (but is not obliged to) cancel the Warrants and shall pay to Warrantholders a payment in accordance with, and made in the manner referred to in, Condition 10(c).

(b) *Disruption Event*. For the purposes of these Conditions, a "**Disruption Event**" means any circumstances in which the Final Settlement Price or the Hong Kong Dollar Price cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer may believe appropriate at such time after taking into account all the relevant circumstances.

(c) *Cancellation of Warrants*. If the Issuer determines that a Disruption Event has occurred or has continued for at least thirty Business Days after the original date that, but for the Disruption Event, would have been the Valuation Date and is continuing, then:

(i) the Issuer may, at its option, cancel the Warrants and notify HKSCC of such cancellation (the "**Cancellation Date**");

(ii) all rights under the Warrants shall thereupon cease; and

(iii) the Issuer shall pay in accordance with Condition 4 an amount, if positive, in respect of each Warrant being the fair market value of such Warrant (less the Exercise Expenses (if any)) as determined by the Issuer as at the Cancellation Date.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by the central banking authority or other governmental or regulatory body of Hong Kong which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase Hong Kong dollars, (ii) otherwise restrict the Issuer's ability to obtain Hong Kong dollars or (iii) otherwise adversely regulates the purchase or holding of Hong Kong dollars such that additional costs are imposed in obtaining Hong Kong dollars which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining Hong Kong dollars at the Hong Kong Dollar Price is determined by the Issuer to be excessive because of a disruption in the Hong Kong dollar foreign exchange market, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 4(b) shall receive, at the option of the Issuer, in lieu of Hong Kong dollars, an amount equal to the Cash Settlement Amount in the Second Currency.

13. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

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Hong Kong

PART F - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CURRENCY PUT WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights.* Every Exercise Amount of the Warrants entitles each Warrantholder, upon compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if positive) converted into Hong Kong dollars at the Hong Kong Dollar Price. Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 4.

(b) *Exercise Expenses.* Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or if the Maturity Date is not a Business Day the immediately following Business Day (the "**Expiry Date**").

In these Conditions, "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

4. Exercise of Warrants

(a) *Exercise*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount is positive. If the Cash Settlement Amount is positive, all Warrants shall be deemed to have been exercised automatically at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is zero or negative, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder in Hong Kong dollars the Cash Settlement Amount (if any), converted into Hong Kong dollars at the Hong Kong Dollar Price.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Valuation Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open in Hong Kong for carrying on foreign exchange transactions and for business; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of applicable law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 9(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable or appropriate, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 9(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

10. Postponement of Valuation Date, Cancellation of Warrants

(a) *Postponement of Valuation Date*. If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Valuation Date will be postponed until the next following Business Day on which there is no Disruption Event provided, however, that if a Disruption Event has occurred or is continuing to occur on the thirtieth Business Day after the original date that, but for the Disruption Event, would have been the Valuation Date, the Issuer may (but is not obliged to) cancel the Warrants and shall pay to Warrantholders a payment in accordance with, and made in the manner referred to in, Condition 10(c).

(b) *Disruption Event*. For the purposes of these Conditions, a "**Disruption Event**" means any circumstances in which the Final Settlement Price or the Hong Kong Dollar Price cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer may believe appropriate at such time after taking into account all the relevant circumstances.

(c) *Cancellation of Warrants*. If the Issuer determines that a Disruption Event has occurred or has continued for at least thirty Business Days after the original date that, but for the Disruption Event, would have been the Valuation Date and is continuing, then:

(i) the Issuer may, at its option, cancel the Warrants and notify HKSCC of such cancellation (the "**Cancellation Date**");

(ii) all rights under the Warrants shall thereupon cease; and

(iii) the Issuer shall pay in accordance with Condition 4 an amount, if positive, in respect of each Warrant being the fair market value of such Warrant (less the Exercise Expenses (if any)) as determined by the Issuer as at the Cancellation Date.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by the central banking authority or other governmental or regulatory body of Hong Kong which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase Hong Kong dollars, (ii) otherwise restrict the Issuer's ability to obtain Hong Kong dollars or (iii) otherwise adversely regulates the purchase or holding of Hong Kong dollars such that additional costs are imposed in obtaining Hong Kong dollars which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining Hong Kong dollars at the Hong Kong Dollar Price is determined by the Issuer to be excessive because of a disruption in the Hong Kong dollar foreign exchange market, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 4(b) shall receive, at the option of the Issuer, in lieu of Hong Kong dollars, an amount equal to the Cash Settlement Amount in the Second Currency.

13. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

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PART G - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED COMMODITY WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights.* Every Board Lot of the Warrants entitles each Warrantholder, upon compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if positive). Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 4.

(b) *Exercise Expenses.* Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Expiry Date.

In these Conditions, "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

4. Exercise of Warrants and Capitalised Terms

(a) *Exercise*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount is positive. If the Cash Settlement Amount is positive, all Warrants shall be deemed to have been exercised automatically at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is zero or negative, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder in Hong Kong dollars the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Valuation Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Board Lot**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are scheduled to open in Hong Kong for carrying on foreign exchange transactions and for business;

"Cash Settlement Amount" means, in relation to each Board Lot, the amount calculated by the Issuer in accordance with the formula below and converted into Hong Kong dollars at the Exchange Rate:

(i) in respect of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Price} - \text{Strike Price}) \times \text{Currency Amount} \times \text{Board Lot}}{\text{Number of Warrants per Entitlement}}$$

(ii) in respect of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Price} - \text{Closing Price}) \times \text{Currency Amount} \times \text{Board Lot}}{\text{Number of Warrants per Entitlement}}$$

"**Closing Price**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Commodity**" means the commodity specified as such in the relevant Supplemental Listing Document;

"**Currency Amount**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Entitlement**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Expiry Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Number of Warrants per Entitlement**" means the number specified as such in the relevant Supplemental Listing Document;

"**Price Source**" means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Commodity are traded, as determined by the Issuer;

"**Second Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document; and

"**Valuation Date**" means the date specified as such in the relevant Supplemental Listing Document.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of applicable law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 9(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable or appropriate, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 9(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

10. Postponement of the Valuation Date, Alternative Closing Price, Cancellation of Warrants and Other Adjustments

(a) *Postponement of Valuation Date*. If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Valuation Date will be postponed until the next following Business Day on which there is no Disruption Event provided, however, that if a Disruption Event has occurred or is continuing to occur on the thirtieth Business Day after the original date that, but for the Disruption Event, would have been the Valuation Date, the Issuer may (but is not obliged to) cancel the Warrants and shall pay to Warrantholders a payment in accordance with, and made in the manner referred to in, Condition 10(d).

(b) *Disruption Event*. For the purposes of these Conditions, a "**Disruption Event**" means:

(1) any circumstances in which the Closing Price or the Exchange Rate cannot be determined on the Valuation Date by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

(2) the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any of:

(i) the suspension of or, limitation imposed on, the trading in the Commodity or any options or futures contracts relating to the Commodity (a) on a Related Exchange; or (b) generally; or

(ii) a closure of any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; and

(3) the hoisting of a tropical cyclone warning signal or the issue of a rainstorm signal which either results in the Stock Exchange being closed for trading for the entire day or results in the Stock Exchange being closed for trading prior to its regular time for close of trading on such date provided that there shall be no Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on such date as a result of a tropical cyclone warning signal or a rainstorm signal having being hoisted or issued.

For the purposes of this definition, (i) the limitation on the number of hours or days of trading will not constitute a Disruption Event if it results from an announced change in the regular business hours of any exchange, and (ii) a limitation imposed on trading, including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Disruption Event.

(c) *Alternative Closing Price.* In the event that a Disruption Event (which does not relate to the determination of the Exchange Rate) occurs on the scheduled Valuation Date and shall, thereafter, continue for five Business Days or more after the original date that, but for the Disruption Event, would have been the Valuation Date, the Issuer shall have the option to value the Closing Price of the Commodity by using its good faith estimate taking into account the latest available quotation for the Commodity and such other information as the Issuer may deem relevant.

(d) *Cancellation of Warrants*. Subject to Condition 10(c), if the Issuer determines that a Disruption Event has occurred on the scheduled Valuation Date and is continuing on the thirtieth Business Days after the original date that, but for the Disruption Event, would have been the Valuation Date and is continuing, then:

(i) the Issuer may, at its option, cancel the Warrants and notify HKSCC of such cancellation (the "**Cancellation Date**");

(ii) all rights under the Warrants shall thereupon cease; and

(iii) the Issuer shall, upon notice from the Issuer to the Warrantholders in accordance with Condition 9 to such effect, pay in accordance with Condition 4 an amount, if positive, in respect of each Warrant being the fair market value of such Warrant (less the Exercise Expenses (if any)) as determined by the Issuer as at the Cancellation Date.

(e) *Other Adjustments*. Except as provided in Condition 8 and this Condition 10, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is (i) considered by the Issuer not to be materially prejudicial to the Warrantholder generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such adjustment or amendment is approved by the Stock Exchange.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by the central banking authority or other governmental or regulatory body of Hong Kong which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase the Settlement Currency; (ii) otherwise restrict the Issuer's ability to obtain the Settlement Currency; or (iii) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the

Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the Settlement Currency foreign exchange market, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 4(b) shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in the Second Currency or such other currency as determined appropriate by the Issuer.

13. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

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PART H - TERMS AND CONDITIONS OF THE EUROPEAN STYLE COMMODITY FUTURES WARRANTS (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll , as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**") executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer*. The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title*. Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses*. Warrantholders should note that they shall be responsible for all costs and expenses in connection with settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Every Exercise Amount of the Warrants entitles each Warrantholder, upon compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if positive) converted into Hong Kong dollars at the Hong Kong Dollar Price. Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 4.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or if the Maturity Date is not a Business Day the immediately following Business Day (the "**Expiry Date**").

In these Conditions, "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

4. Exercise of Warrants

(a) *Exercise*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount is positive. If the Cash Settlement Amount is positive, all Warrants shall be deemed to have been exercised automatically at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is zero or negative, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder in Hong Kong dollars the Cash Settlement Amount (if any), converted into Hong Kong dollars at the Hong Kong Dollar Price.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Valuation Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open in Hong Kong for carrying on foreign exchange transactions and for business;

"**Commodity Business Day**" means a day that is (or, but for the occurrence of a Disruption Event, would have been) a trading day on the Futures Contract Exchange; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of applicable law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 9(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable or appropriate, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 9(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

10. Postponement of Valuation Date, Cancellation of Warrants

(a) *Postponement of Valuation Date*. If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Valuation Date will be postponed until the next following Commodity Business Day on which there is no Disruption Event provided, however, that if a Disruption Event has occurred or is continuing to occur on the thirtieth Commodity Business Day after the original date that, but for the Disruption Event, would have been the Valuation Date, the Issuer may (but is not obliged to) cancel the Warrants and shall pay to Warrantholders a payment in accordance with, and made in the manner referred to in, Condition 10(d).

(b) *Disruption Event*. For the purposes of these Conditions, a "Disruption Event" means (1) any circumstances in which the Final Settlement Price or the Hong Kong Dollar Price cannot be determined by the Issuer on the Valuation Date in the manner set out in these Conditions or (2) the occurrence since the Issue Date of a material change in the formula for or the method of calculating the price of the Commodity and/or the Futures Contract or (3) the occurrence since the Issue Date of a material change in the content, composition or constitution of the Commodity or the Futures Contract or (4) the replacement of the Futures Contract by a new commodity futures contract as announced by the Futures Contract Exchange or any or competent market authority or (5) the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any of:

(i) the suspension or limitation of the trading of the Futures Contract; or

(ii) the suspension or limitation of the trading of options or futures relating to the Futures Contract on any options or futures exchanges or generally; or

(iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition, (i) the limitation on the number of hours or days of trading will not constitute a Disruption Event if it results from an announced change in the regular business hours of any exchange, and (ii) a limitation on trading imposed including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Disruption Event.

(c) *Alternative Final Settlement Price*. In the event that a Disruption Event (which does not relate to the determination of the Hong Kong Dollar Price) occurs and shall, thereafter, continue for 5 Commodity Business Days or more, the Issuer shall have the option to value the Final Settlement Price of the Futures Contract by using its good faith estimate taking into account the latest available quotation for the Futures Contract and such other information as the Issuer may deem relevant.

(d) *Cancellation of Warrants*. If the Issuer determines that a Disruption Event has occurred and is continuing on the thirtieth Commodity Business Day after the original date that, but for the Disruption Event, would have been the Valuation Date and is continuing, then:

(i) the Issuer may, at its option, cancel the Warrants and notify HKSCC of such cancellation (the "**Cancellation Date**");

(ii) all rights under the Warrants shall thereupon cease; and

(iii) the Issuer shall, upon notice from the Issuer to the Warrantholders in accordance with Condition 9 to such effect, pay in accordance with Condition 4 an amount, if positive, in respect of each Warrant being the fair market value of such Warrant (less the Exercise Expenses (if any)) as determined by the Issuer as at the Cancellation Date.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by the central banking authority or other governmental or regulatory body of Hong Kong which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase Hong Kong dollars, (ii) otherwise restrict the Issuer's ability to obtain Hong Kong dollars or (iii) otherwise adversely regulates the purchase or holding of Hong Kong dollars such that additional costs are imposed in obtaining Hong Kong dollars which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining Hong Kong dollars at the Hong Kong Dollar Price is determined by the Issuer to be excessive because of a disruption in the Hong Kong dollar foreign exchange market, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 4(b) shall receive, at the option of the Issuer, in lieu of Hong Kong dollars, an amount equal to the Cash Settlement Amount in the Second Currency.

13. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

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PART I – TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED WARRANTS OVER SINGLE UNIT TRUST (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

References in these Conditions to "**Units**" shall be a reference to the units of the Trust.

(b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise. The Warrants do not entitle the Warrantholders to delivery of any Units, are not secured by Units and do not entitle Warrantholders to any interest in any Units.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Warrantholder under the terms of the Warrants, such Warrantholder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the Global Certificate in respect of those Warrants represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression "**Warrantholder**" shall be construed accordingly.

(e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for additional costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights.* Each Entitlement initially entitles each Warrantholder, upon due exercise, and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of every Exercise Amount, shall be an amount (if positive) payable in Hong Kong dollars equal to:

(a) in the case of a series of Call Warrants, the Entitlement (subject to adjustment as provided in Condition 6) multiplied by the result of (i) the arithmetic mean of the closing prices of one Unit (as derived from the Daily Quotation Sheet of The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong (as defined below) for the time being on which the Units are listed (the "**Stock Exchange**") subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below) less (ii) the Exercise Price (subject to adjustment as provided in Condition 6).

(b) in the case of a series of Put Warrants, the Entitlement (subject to adjustment as provided in Condition 6) multiplied by the result of (i) the Exercise Price (subject to adjustment as provided in Condition 6), less (ii) the arithmetic mean of the closing prices of one Unit (as derived from the Daily Quotation Sheet of The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong (as defined below) for the time being on which the Units are listed (the "**Stock Exchange**") subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below).

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event and (ii) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Units for such postponed Valuation Date will be the closing price of the Units on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in making up the five closing prices for calculating the arithmetic mean of the closing price of one Unit for the determination of the Cash Settlement Amount.

"**Market Disruption Event**" means (1) the occurrence or existence on the Valuation Date during the one-half hour period that ends at the close of trading of (i) any suspension of trading on the Stock Exchange in the Units if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Units if that suspension or limitation is, in the determination of the Issuer, material, (2) the hoisting of a Typhoon Signal or the issue of a Rainstorm Warning which either results in the Stock Exchange being closed for trading for the entire day or results in the Stock Exchange being closed for trading prior to its regular time for close of trading on such date provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on such date as a result of a Typhoon Signal having been hoisted or a Rainstorm Warning having being issued, or (3) the closing of the Stock Exchange or a disruption to trading on the Stock Exchange if that disruption occurs and/or exists during the one-half hour period that ends at the regular time for the close of trading, and is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism;

"**Valuation Date**" means, with respect to the exercise of Warrants, and subject as provided above in relation to a Market Disruption Event, each of the five Business Days immediately preceding the Expiry Date.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges which are incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 10:00 a.m. (Hong Kong time) on the Maturity Date or, if the Maturity Date is not a Business Day, the immediately following Business Day (the "**Expiry Date**").

4. Exercise of Warrants

(a) *Exercise Amounts*. Warrants may only be exercised on the Expiry Date in accordance with Condition 4(b) in a Board Lot or integral multiples thereof.

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount on the Expiry Date is positive, all Warrants shall be deemed to have been exercised at 10:00 a.m. (Hong Kong time) on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are exercised automatically in accordance with Condition 4(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event (as defined below), pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the "**Designated Bank Account**") on the third Business Day following the Expiry Date (the "**Settlement Date**").

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

(d) For the purposes of these Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China; and

"**Settlement Disruption Event**" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders.

Other capitalised terms, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

5. Registrar

No registrar will be appointed and no register of Warrantholders will be maintained in respect of the Warrants.

6. Adjustments

(a) *Rights Issues*. If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where :

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R: Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Right

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues.* If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day on which the trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

Adjusted Entitlement = (1 + N) x E

Where :

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Subdivision or Consolidations.* If and whenever the Trust shall subdivide its Units or any class of its outstanding units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding unit into a smaller number of units (a "**Consolidation**"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation.* If it is announced that the Trust:

(i) is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation); or

(ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Trust is the surviving trust in a merger), the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of Units of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Unit(s) (as the case may be) to which a holder of the number of Units comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

(b) *Newspaper publication*. Subject to Condition 10(a), all notices to Warrantholders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Warrantholders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Warrantholders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Warrantholders.

11. Termination or Liquidation

(a) In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid for any purpose on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

(b) For the purpose of this Product Condition 6, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

(a) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

(b) Without prejudice to the generality of Condition 13(a), where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

15. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen’s Road East
Hong Kong

APPENDIX 2
TERMS AND CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS

The following pages set out the Conditions in respect of different types of CBBCs.

Page

PART A - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The CBBCs (as defined below and which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 12) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of, a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee*. The CBBCs constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The CBBCs provide for cash settlement on exercise or, if applicable, upon termination as provided in Condition 4(b). The CBBCs do not entitle the Holders to delivery of any Shares, are not secured by Shares and do not entitle Holders to any interest in any Shares.

The Guarantor unconditionally and irrevocably guarantees to each Holder the due and punctual performance of any and all obligations of the Issuer under the CBBCs and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Holder under the terms of the CBBCs, such Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF-Market Transactions & Financing.

(c) *Transfer.* The CBBCs have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the CBBCs will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. CBBCs will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of CBBCs may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of CBBCs by way of an interest (to the extent of such number) in the Global Certificate in respect of those CBBCs represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of CBBCs. The expression "**Holder**" shall be construed accordingly.

(e) *Costs and Expenses*. Holders should note that they shall be responsible for additional costs and expenses in connection with any settlement of the CBBCs including the Exercise Expenses (as defined below) which amount shall, subject to Condition 4(c) and to the extent necessary, be payable to the Issuer and collected from Holders and settled through CCASS in accordance with the CCASS Rules.

2. Definitions

In these Conditions, unless the context requires otherwise or unless otherwise defined:

"Board Lot" has the meaning given to it in the relevant Supplemental Listing Document;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"Call Price" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount (if positive) payable in Hong Kong dollars equal to either:

(a) following the occurrence of the Mandatory Call Event:

(i) in respect of a Series of Category R CBBCs, the Residual Value, provided that the Issuer may, at its absolute discretion, pay a higher cash amount than the Residual Value; or

(ii) in respect of a Series of Category N CBBCs, zero; or

(b) otherwise:

(i) in respect of a Series of callable bull contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price - Strike Price) x one Board Lot}}{\text{Exercise Amount}}$$

(ii) in respect of a Series of callable bear contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Price - Closing Price) x one Board Lot}}{\text{Exercise Amount}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a Series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a Series of CBBCs where the Call Price is not equal to the Strike Price;

"**CBBCs**" means the callable bull/bear contracts specified as such in the relevant Supplemental Listing Document;

"**Closing Price**" means the official closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments (as determined by the Issuer in accordance with these Conditions) to such closing prices as may be necessary to reflect any rights issue, bonus issue, subdivision, consolidation, restructuring event or the like) on the Valuation Date;

"**Company**" means the company specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Entitlement**" means the number specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Exercise Amount**" means the number specified as such in the relevant Supplemental Listing Document;

"**Expiry Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Mandatory Call Event**" means the event where the Spot Price of the Shares is, at any time on any Trading Day during the Observation Period:

(a) in respect of a Series of callable bull contracts, at or below the Call Price; or

(b) in respect of a Series of callable bear contracts, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day or the Valuation Date during the one-half hour period that ends at the close of trading of (i) any suspension of trading on the Stock Exchange in the Shares requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in the Shares if that suspension or limitation is, in the determination of the Issuer, material,

(b) the hoisting of a Typhoon Signal or the issue of a Rainstorm Warning which either results in the Stock Exchange being closed for trading for the entire day or results in the Stock Exchange being closed for trading prior to its regular time for close of trading on such date provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on such date as a result of a Typhoon Signal having been hoisted or a Rainstorm Warning having being issued,

(c) the closing of the Stock Exchange or a disruption to trading on the Stock Exchange if that disruption occurs and/or exists during the one-half hour period that ends at the regular time for the close of trading, and is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism, or

(d) a general moratorium is declared in respect of banking activities in Hong Kong.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Stock Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Stock Exchange may, if so determined by the Issuer, constitute a Market Disruption Event;

"**Maximum Trade Price**" means, in respect of a Series of callable bear contracts, the highest Spot Price of the Shares during the MCE Valuation Period;

"**MCE Termination Date**" means the first Trading Day during the Observation Period on which the Mandatory Call Event occurs;

"**MCE Valuation Date**" means the last Trading Day of the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the time of the occurrence of the Mandatory Call Event within a trading session on the Stock Exchange during which the Mandatory Call Event occurs ("**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, a continuous period of at least 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed does not exist within the entire 2nd Session for any reason (including without limitation a Market Disruption Event occurring and subsisting during the 2nd Session), in which case the MCE Valuation Period shall be extended to the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed exists and occurs for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event within such postponed trading session, unless the Issuer determines in its good faith that a continuous period of at least 1 hour during trading in the Shares is permitted on the Stock Exchange with no limitation imposed does not exist within each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs. In that case:

(a) the end of the last trading session on the Stock Exchange on the fourth Trading Day following the date on which the Mandatory Call Event occurs shall be deemed to be the end of the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Stock Exchange and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices of the Shares available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be).

For the purposes of this definition, the pre-opening session and the morning session on the Stock Exchange on a Trading Day are considered as one trading session on the Stock Exchange for that Trading Day;

"**Minimum Trade Price**" means, in respect of a Series of callable bull contracts, the lowest Spot Price of the Shares during the MCE Valuation Period;

"**Observation Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Trading Day immediately preceding the Expiry Date. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding that the Valuation Date shall not fall on the Trading Day immediately preceding the Expiry Date;

"**Post MCE Trades**" means, in respect of a CBBC and the Mandatory Call Event:

(a) in the case where the Mandatory Call Event occurs during a pre-opening session on the Stock Exchange, the auction trades; or

(b) in the case where the Mandatory Call Event occurs during a continuous trading session on the Stock Exchange, all trades concluded after the time at which the Mandatory Call Event occurs,

subject to such modification and amendment prescribed by the Stock Exchange from time to time,

"Residual Value" only applies to a Series of Category R CBBCs and means:

(a) in respect of a Series of callable bull contracts:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price - Strike Price) x one Board Lot}}{\text{Exercise Amount}}$$

(b) in respect of a Series of callable bear contracts:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Price - Maximum Trade Price) x one Board Lot}}{\text{Exercise Amount}}$$

For the avoidance of doubt, if the Residual Value is a negative figure, it shall be deemed to be zero;

"Series" means each series of CBBCs;

"Settlement Currency" means Hong Kong dollars, the lawful currency of Hong Kong;

"Settlement Date" means the third Business Day following the Valuation Date or the MCE Valuation Date, as the case may be;

"Settlement Disruption Event" means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Holders;

"**Share**" means the share specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6, and "**Shares**" shall be construed accordingly;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session of the Stock Exchange, the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules);

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong for the time being on which the Shares are listed;

"**Strike Price**" means the price specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Supplemental Listing Document**" means the supplemental listing document setting out the relevant information relating to each Series of CBBCs, which will be supplemental to the Base Listing Document (as defined in the relevant Supplemental Listing Document);

"Trading Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the Stock Exchange;

"**Trading Rules**" means the Rules and Regulations of the Exchange and the Options Trading Rules prescribed by the Stock Exchange from time to time; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms shall, unless otherwise defined herein, have the meanings given to them in the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate (as defined in Condition 1(a)).

3 Hedging Disruption and Illegality

(a) *Hedging Disruption*

(i) *Notification.* The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with Condition 10:

(1) if it determines that a Hedging Disruption Event has occurred; and

(2) of the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Condition 3(a)(iii).

(ii) *Hedging Disruption Event*. A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially to establish, reestablish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(1) any material illiquidity in the market for the Shares;

(2) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(3) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(4) the general unavailability of:

(A) market participants who will agree to enter into a Relevant Hedging Transaction; or

(B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

(iii) *Consequences.* The Issuer, in the event of a Hedging Disruption Event, may determine to:

(1) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law (as defined in Condition 3(b)), pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with Condition 10; or

(2) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

(b) *Illegality.* The Issuer shall have the right to terminate the CBBCs if it shall have determined in its absolute discretion that for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (the "**Applicable Law**"). In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with Condition 10.

4 Rights, Exercise Expenses and Procedures

(a) *CBBC Rights*. Each Board Lot initially entitles each Holder, on compliance with this Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Conditions 4(d) to (i).

(b) *Mandatory Call Event.*

(i) Subject to Condition 4(b)(ii) below, following the occurrence of the Mandatory Call Event, the CBBCs will terminate automatically on the MCE Termination Date, and the Issuer will give notice to the Holders in accordance with Condition 10. Trading in the CBBCs will be ceased immediately upon the occurrence of the Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange.

(ii) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(x) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited ("**HKEx**"); or

(y) manifest errors caused by the relevant third party price source where applicable;

and

(A) in the case of a system malfunction or other technical errors prescribed in paragraph (x) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and

(B) in the case of an error by the relevant price source prescribed in paragraph (y) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day immediately following the day on which such Mandatory Call Event occurs.

(c) *Exercise Expenses*. In respect of (i) Category R CBBCs, upon the occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), Holders will be required to pay all charges which are incurred in respect of the settlement (if applicable) or the exercise (if applicable) (as the case may be) of the CBBCs (collectively, the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

(d) *Exercise Amounts.* Provided no Mandatory Call Event has occurred during the Observation Period, CBBCs may only be exercised on the Expiry Date in accordance with Condition 4(e) in a Board Lot or integral multiples thereof.

(e) *Automatic Exercise.* Holders shall not be required to deliver an exercise notice. Provided no Mandatory Call Event has occurred during the Observation Period, if the Cash Settlement Amount on the Expiry Date is positive, all CBBCs shall be deemed to have been exercised at 10:00 a.m. (Hong Kong time) on the Expiry Date and, in the event the Cash Settlement Amount is zero, all CBBCs shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Holders shall not be entitled to receive any payment from the Issuer in respect of the CBBCs.

(f) *Settlement*. In respect of (i) Category R CBBCs, upon occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Holder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Holder (the "**Designated Bank Account**") on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Holders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Holders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Holder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

(g) *Payment day*. If the date for payment of any amount in respect of the CBBCs is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other payment in respect of such delay.

(h) *General*. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Issuer or the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.

(i) *Exercise and Settlement Risk.* Exercise (if applicable) and/or settlement (if applicable) of the CBBCs is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. Neither the Issuer nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

(j) Trading in CBBCs on the Stock Exchange shall cease (i) immediately upon the occurrence of the Mandatory Call Event; and (ii) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

5. Registrar

No registrar will be appointed and no register of Holders will be maintained in respect of the CBBCs.

6. Adjustments

(a) *Rights Issues*. If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Trading Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where :

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Trading Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Trading Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where :

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*. If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*. If it is announced that the Company:

(i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or

(ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Trading Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of shares of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Share(s) (as the case may be) to which a holder of the number of Shares comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(e) *Dividend adjustment*. No capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative). For any other forms of cash distribution (each a "**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Call Price and the Strike Price shall be adjusted to take effect on the Trading Day on which trading in the Shares becomes ex-entitlement (each a "**Dividend Adjustment Date**") in accordance with the following formula:

Adjusted Strike Price = ESP - CD

Adjusted Call Price = ECP - CD

Where:

ESP: The existing Strike Price immediately prior to the Cash Distribution.

ECP: The existing Call Price immediately prior to the Cash Distribution

CD: The Cash Distribution.

(f) *Other Adjustments*. Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the CBBCs and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(g) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the CBBCs.

9. Meetings of Holders; Modification

(a) *Meetings of Holders*. The Master Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the CBBCs or of the Master Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Holders, effect (i) any modification of the provisions of the CBBCs or the Master Instrument which is not materially prejudicial to the interests of the Holders or (ii) any modification of the provisions of the CBBCs or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Holders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Holders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Holders in any other manner.

(b) *Newspaper publication*. Subject to Condition 10(a), all notices to Holders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Holders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Holders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Holders.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further callable bull/bear contracts so as to form a single series with the CBBCs.

13. Delisting

(a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

(c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 10 as soon as practicable after they are determined.

14. Governing Law

The CBBCs, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

15. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the CBBCs will become void unless made within ten years of the MCE Termination Date or the Expiry Date (as the case may be) and, thereafter, any sums payable in respect of such CBBCs shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

PART B - TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER AN INDEX (GLOBAL FORM OF CERTIFICATE)

These Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

(a) *Form.* The CBBCs (as defined below and which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 11) are issued by SGA Société Générale Acceptance N.V. (the "**Issuer**") on the Issue Date in permanent global form represented by a permanent global certificate (the "**Global Certificate**") and subject to, and with the benefit of, a master instrument by way of deed poll, as modified and supplemented by a supplement to the master instrument by way of deed poll (the "**Master Instrument**"), both executed by the Issuer and Société Générale (the "**Guarantor**").

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

(b) *Status and Guarantee.* The CBBCs constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The CBBCs provide for cash settlement on exercise or, if applicable, upon termination as provided in Condition 4(b).

The Guarantor unconditionally and irrevocably guarantees to each Holder the due and punctual performance of any and all obligations of the Issuer under the CBBCs and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

In the event of the failure of the Issuer to promptly perform its obligations to any Holder under the terms of the CBBCs, such Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) *Transfer.* The CBBCs have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("**HKSCC**") for deposit, clearance and settlement in the Central Clearing and Settlement System ("**CCASS**") operated and maintained by HKSCC. The Global Certificate in respect of the CBBCs will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. CBBCs will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the "**CCASS Rules**"). Transfers of CBBCs may be effected only in a Board Lot or integral multiples thereof.

(d) *Title.* Each person who is for the time being shown in the records of CCASS as entitled to a particular number of CBBCs by way of an interest (to the extent of such number) in the Global Certificate in respect of those CBBCs represented thereby shall be treated by the Issuer and the Guarantor as the holder of such number of CBBCs. The expression "**Holder**" and "**Holders**" shall be construed accordingly.

(e) *Costs and Expenses.* Holders should note that they shall be responsible for all costs and expenses in connection with any settlement of the CBBCs including the Exercise Expenses (as defined below) which amount shall, subject to Condition 4(c) and to the extent necessary, be payable to the Issuer and collected from Holders and settled through CCASS in accordance with the CCASS Rules.

2. Definitions

In these Conditions, unless the context requires otherwise or unless otherwise defined:

"**Board Lot**" has the meaning given to it in the relevant Supplemental Listing Document;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Level**" means the level specified as such in the relevant Supplemental Listing Document;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) (if applicable) converted into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) (if applicable) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

(a) following the occurrence of the Mandatory Call Event:

(i) in respect of a Series of Category R CBBCs, the Residual Value determined by the Issuer, provided that the Issuer may at its absolute discretion pay a higher cash amount than the Residual Value; or

(ii) in respect of a Series of Category N CBBCs, zero; or

(b) otherwise:

(i) in respect of a Series of callable bull contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level - Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Entitlement Ratio}}$$

(ii) in respect of a Series of callable bear contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level - Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Entitlement Ratio}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a Series of CBBCs where the Call Level is equal to the Strike Level;

"**Category R CBBCs**" means a series of CBBCs where the Call Level is not equal to the Strike Level;

"**CBBC"** means the callable bull/bear contracts specified as such in the relevant Supplemental Listing Document;

"**Closing Level**" has the meaning given to it in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Day of Notification**" means the Trading Day of the Stock Exchange immediately following the day on which a Mandatory Call Event occurs;

"**Entitlement Ratio**" means the number specified as such in the relevant Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Expiry Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**First Exchange Rate**" means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

"**Index**" means the index specified as such in the relevant Supplemental Listing Document;

"**Index Business Day**" means a day on which the Index or, as the case may be, the successor index, is scheduled to be published by the Index Sponsor/Publisher/Compiler or, as the case may be, the Successor Index Sponsor/Publisher/Compiler;

"**Index Currency Amount**" means the index currency amount specified as such in the relevant Supplemental Listing Document;

"**Index Exchange**" means the index exchange specified as such in the relevant Supplemental Listing Document;

"**Index Futures Contracts**" means the relevant index futures contracts for the purpose of determining the Closing Level as more particularly provided in the relevant Supplemental Listing Document;

"**Index Sponsor/Publisher/Compiler**" means the index sponsor/publisher/compiler specified as such in the relevant Supplemental Listing Document;

"**Interim Currency**" means the currency specified as such in the relevant Supplemental Listing Document;

"**Listing Date**" means the date specified as such in the relevant Supplemental Listing Document;

"**Mandatory Call Event**" means the event where the Spot Level of the Index is, at any time on any Index Business Day during the Observation Period:

(a) in respect of a Series of callable bull contracts, at or below the Call Level; or

(b) in respect of a Series of callable bear contracts, at or above the Call Level;

"**Market Disruption Event**" means the occurrence or existence, on any Trading Day or Index Business Day during the one-half hour period that ends at the close of trading, of any of:

(a) the suspension or limitation of the trading of a material number of constituent securities, contracts, commodities, currencies or other assets that comprise the Index; or

(b) the suspension or limitation of the trading of constituent securities, contracts, commodities, currencies or other assets (A) on the Index Exchange or (B) generally; or

(c) the suspension or limitation of the trading of (A) options or futures contracts relating to the Index on any options or futures exchanges or (B) options or futures generally on any options and/or futures exchanges on which options relating to the Index are traded; or

(d) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition, (A) the limitation on the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (B) a limitation on trading imposed including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or hoisting by the Hong Kong Observatory of the tropical cyclone warning signal 8 or above or issuing by the Hong Kong Observatory of the "black" rainstorm signal or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Market Disruption Event;

"**Maximum Index Level**" means, in respect of a Series of callable bear contracts, the highest Spot Level of the Index during the MCE Valuation Period;

"**MCE Termination Date**" means the first Trading Day during the Observation Period on which a Mandatory Call Event occurs;

"**MCE Valuation Date**" means the last Trading Day of the MCE Valuation Period;

"**MCE Valuation Period**" means, unless otherwise specified in the relevant Supplemental Listing Document, the period commencing from the time of the occurrence of the Mandatory Call Event within a trading session on the Index Exchange during which the Mandatory Call Event occurs ("**1st Session**") and up to the end of the trading session on the Index Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, a continuous period of at least 1 hour during which Spot Level(s) is/are available does not exist within the entire 2nd Session for any reason (including without limitation a Market Disruption Event occurring and subsisting during the 2nd Session), in which case the MCE Valuation Period shall be extended to the subsequent trading session following the 2nd Session during which Spot Level(s) is/are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event within such postponed trading session, unless the Issuer determines in its good faith that a continuous period of at least 1 hour during which Spot Level(s) is/are available does not exist within each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs. In that case:

(a) the end of the last trading session on the Index Exchange on the fourth Index Business Day following the date on which the Mandatory Call Event occurs shall be deemed to be the end of the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be);;

"**Minimum Index Level**" means, in respect of a Series of callable bull contracts, the lowest Spot Level of the Index during the MCE Valuation Period;

"**Observation Commencement Date**" means the date specified as such in the relevant Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of the trading on the Stock Exchange on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” means, in respect of a CBBC and the Mandatory Call Event, all trades concluded after the time at which the Mandatory Call Event occurs, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Price Source**”, if applicable, has the meaning given to it in the relevant Supplemental Listing Document;

“**Residual Value**” only applies to a Series of Category R CBBCs and means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) (if applicable) converted into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) (if applicable) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

(a) in respect of a Series of callable bull contracts:

$$\text{Residual Value per Board Lot} = \frac{\text{(Minimum Index Level - Strike Level) x one Board Lot x Index Currency Amount}}{\text{Entitlement Ratio}}$$

(b) in respect of a Series of callable bear contracts:

$$\text{Residual Value per Board Lot} = \frac{\text{(Strike Level - Maximum Index Level) x one Board Lot x Index Currency Amount}}{\text{Entitlement Ratio}}$$

For the avoidance of doubt, if the Residual Value is a negative figure, it shall be deemed to be zero and provided that the Issuer may, at its absolute discretion, pay a higher amount than the amount calculated in accordance with the above applicable formula;

“**Second Exchange Rate**” means the rate specified as such in the relevant Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Series**” means each series of CBBCs;

“**Settlement Currency**” the currency specified as such in the relevant Supplemental Listing Document;

“**Settlement Date**” means the third Business Day following (i) the Valuation Date or (ii) the MCE Valuation Date, as the case may be;

“**Settlement Disruption Event**” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Holders;

“**Spot Level**” means, subject to Condition 6(a), the spot level of the Index as compiled and published by the Index Sponsor/Publisher/Compiler;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Strike Level**” means the level specified as such in the relevant Supplemental Listing Document;

"**Supplemental Listing Document**" means the supplemental listing document setting out the relevant information relating to each Series of CBBCs, which will be supplemental to the Base Listing Document (as defined in the relevant Supplemental Listing Document);

"**Trading Day**" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the Stock Exchange; and

"**Valuation Date**" means the date specified as such in the relevant Supplemental Listing Document.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level of the Index on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, but will not be obliged to, determine such Closing Level by having regard to the manner in which the Index Sponsor/Publisher/Compiler, or the relevant body or entity, as the case may be, calculates the Closing Level.

Other capitalised terms shall, unless otherwise defined herein, have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Supplemental Listing Document or the Global Certificate.

3. Hedging Disruption and Illegality

(a) *Hedging Disruption*

(i) *Notification.* The Issuer shall as soon as reasonably practicable give notice to the Holders in accordance with Condition 10:

(1) if it determines that a Hedging Disruption Event has occurred; and

(2) of the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to Condition 3(a)(iii).

(ii) *Hedging Disruption Event*. A "**Hedging Disruption Event**" occurs if the Issuer determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially to establish, reestablish, substitute or maintain a relevant hedging transaction (a "**Relevant Hedging Transaction**") it deems necessary or desirable to hedge the Issuer's obligations in respect of the CBBCs. The reasons for such determination by the Issuer may include, but are not limited to, the following:

(1) any material illiquidity in the market for the constituent securities, commodities, contracts, currencies or other assets comprising the Index;

(2) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority);

(3) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or

(4) the general unavailability of:

(A) market participants who will agree to enter into a Relevant Hedging Transaction; or

(B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

(iii) *Consequences.* The Issuer, in the event of a Hedging Disruption Event, may determine to:

(1) terminate the CBBCs. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law (as defined in Condition 3(b)), pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with Condition 10; or

(2) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the CBBCs after adjusting for the relevant Hedging Disruption Event.

(b) *Illegality.* The Issuer shall have the right to terminate the CBBCs if it shall have determined in its absolute discretion that for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (the "**Applicable Law**"). In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each CBBC held by such Holder an amount calculated by it as the fair market value of the CBBC immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with Condition 10.

4. Rights, Exercise Expenses and Procedures

(a) *CBBC Rights*. Each Board Lot initially entitles each Holder, on compliance with this Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Conditions 4(d) to (i).

(b) *Mandatory Call Event.*

(i) Subject to Condition 4(b)(ii) below, following the occurrence of the Mandatory Call Event, the CBBCs will terminate automatically on the MCE Termination Date, and the Issuer will give notice to the Holders in accordance with Condition 10. Trading in the CBBCs will be ceased immediately upon the occurrence of the Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange.

(ii) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(x) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited ("**HKEx**") (such as the setting up of the wrong Call Level and other parameters); or

(y) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the Index level by the relevant index sponsor / publisher / compiler);

and

(A) in the case of a system malfunction or other technical errors prescribed in paragraph (x) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; and

(B) in the case of an error by the relevant price source prescribed in paragraph (y) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, in each case:

(aa) in respect of an Index Exchange located in Hong Kong, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification; or

(bb) in respect of an Index Exchange located outside Hong Kong:

(1) the revocation of the Mandatory Call Event is communicated to the other party by 9:00 a.m. (Hong Kong time) on the Day of Notification; and

(2) the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked on the Day of Notification.

In both cases:

(cc) the Mandatory Call Event so triggered will be reversed; and

(dd) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume on the trading day of the Stock Exchange immediately following the Day of Notification.

(c) *Exercise Expenses*. In respect of (i) Category R CBBCs, upon the occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), Holders will be required to pay all charges which are incurred in respect of the settlement (if applicable) or the exercise (if applicable) (as the case may be) of the CBBCs (collectively, the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

(d) *Exercise Amounts.* Provided no Mandatory Call Event has occurred during the Observation Period, CBBCs may only be exercised on the Expiry Date in accordance with Condition 4(e) in a Board Lot or integral multiples thereof.

(e) *Automatic Exercise.* Holders shall not be required to deliver an exercise notice. Provided no Mandatory Call Event has occurred during the Observation Period, if the Cash Settlement Amount on the Expiry Date is positive, all CBBCs shall be deemed to have been exercised at 10:00 a.m. (Hong Kong time) on the Expiry Date and, in the event the Cash Settlement Amount is zero, all CBBCs shall be deemed to have expired at 10:00 a.m. (Hong Kong time) on the Expiry Date and Holders shall not be entitled to receive any payment from the Issuer in respect of the CBBCs.

(f) *Settlement*. In respect of (i) Category R CBBCs, upon occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Holder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Holder (the "**Designated Bank Account**") on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Holders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Holders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Holder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

(g) *Payment day*. If the date for payment of any amount in respect of the CBBCs is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other payment in respect of such delay.

(h) *General*. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Issuer or the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities, currencies or other assets comprising the Index.

(i) *Exercise and Settlement Risk.* Exercise (if applicable) and/or settlement (if applicable) of the CBBCs is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. Neither the Issuer nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

(j) Trading in CBBCs on the Stock Exchange shall cease (i) immediately upon the occurrence of the Mandatory Call Event; and (ii) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

5. Registrar

No registrar will be appointed and no register of Holders will be maintained in respect of the CBBCs.

6. Adjustments to the Index

(a) *Successor Index Sponsor Calculates and Reports Index*. If the Index is (i) not calculated and announced by the Index Sponsor / Publisher / Compiler, but is calculated and published by a successor to the Index Sponsor / Publisher / Compiler (the "**Successor Index Sponsor / Publisher / Complier**") acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Sponsor / Publisher / Compiler or that successor index, as the case may be.

(b) *Modification and Cessation of Calculation of Index*. If:

(i) on any Index Business Day the Index Sponsor / Publisher / Compiler or (if applicable) the Successor Index Sponsor / Publisher / Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or

(ii) on any Index Business Day the Index Sponsor / Publisher / Compiler or (if applicable) the Successor Index Sponsor / Publisher / Compiler fails to calculate and publish the Index;

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Index Business Day as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the Index Exchange) or, as the case may be, the final settlement price for settling the relevant Index Futures Contracts on the Index Exchange on the Expiry Date as determined pursuant to the rules, specifications, regulations and/or procedures of the Index Exchange.

(c) *Other Adjustments*. Except as provided in this Condition 6 and Condition 9, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the CBBCs and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Holder generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction).

(d) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the CBBCs.

9. Meetings of Holders; Modification

(a) *Meetings of Holder*s. The Master Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the CBBCs or of the Master Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification.* The Issuer may, without the consent of the Holders, effect (i) any modification of the provisions of the CBBCs or the Master Instrument which is not materially prejudicial to the interests of the Holders or (ii) any modification of the provisions of the CBBCs or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Hong Kong law. Any such modification shall be binding on the Holders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

(a) *Web-site publication*. To the extent permitted by the Stock Exchange, all notices to Holders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the web-site of the Stock Exchange and such notice shall be deemed to have been given on the date of publication on such web-site. In such circumstances, the Issuer shall not be required to give notice to the Holders in any other manner.

(b) *Newspaper publication*. Subject to Condition 10(a), all notices to Holders will be validly given if published in English in one leading English, and in Chinese in one leading Chinese, language newspaper circulating in Hong Kong. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine.

(c) *Request for copies*. If so requested by the relevant Holders (such request to be communicated to the Issuer), the Issuer will deliver or procure the delivery of copies of the notices published pursuant to Condition 10(a) by post addressed to such Holders at the address stated in the records of CCASS (and provided to the Issuer by CCASS) and airmail post shall be used if that address is not in Hong Kong. Copies of notices delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of such Holders.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further callable bull/bear contracts so as to form a single series with the CBBCs.

12. Governing Law

The CBBCs, the Master Instrument and these Conditions will be governed by and construed in accordance with Hong Kong law. The Issuer and the Guarantor and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs, the Master Instrument and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong. The Guarantee shall be governed by and construed in accordance with the laws of the Republic of France.

13. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

14. Prescription

Claims against the Issuer for payment of any amount in respect of the CBBCs will become void unless made within ten years of the MCE Termination Date or the Expiry Date (as the case may be) and, thereafter, any sums payable in respect of such CBBCs shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

APPENDIX 3 - OUR FINANCIAL INFORMATION

Our annual financial statements for the year ended 31 December 2006 and our Independent Auditors' report

ERNST & YOUNG

Ernst & Young et Autres
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

41, rue Ybry
92576 Neuilly-sur-Seine cedex
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Société Générale Acceptance N.V. (SGA)

Year ended December 31, 2006

Report of Independent Auditors
on the Annual Financial Statements
(Free translation of the French original)

To the Shareholders of Société Générale Acceptance N.V. (SGA)

In compliance with the assignment entrusted to us by your shareholders' general meeting, we present below our report on the audit of the accompanying annual accounts of Société Générale Acceptance N.V. (SGA), stated in USD, with respect to the year ended December 31, 2006.

These annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with French professional standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual account presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and the results of its operations for the period then ended, in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the change in the accounting method discussed in the notes to the financial statements concerning the recording of warrants on trade date, in compliance with the instruction n° 2005-01 of the French Accounting Regulation Committee dated November 3, 2005 regarding the accounting policies for operations on securities.

Neuilly-sur-Seine, February 16, 2007

The Independent Auditors
ERNST & YOUNG et Autres

French original signed by
Isabelle Santenac

SG ACCEPTANCE NV

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

A- BALANCE SHEET AND OFF BALANCE SHEET AS AT DECEMBER 31, 2006

SGA Societe Generale Acceptance NV
BALANCE SHEET

(In 000's USD)

ASSETS		31/12/2006	31/12/2005	PRO FORMA 31/12/2005
INTERBANK AND MONEY MARKET ASSETS	*Note 1*	91 393 407	71 458 641	71 458 641
Due from banks		446	1 586	1 586
Loans to banks		91 040 083	71 120 018	71 120 018
Accrued interest on loans to banks		352 878	337 037	337 037
DEBT SECURITIES		-	-	-
Euro Medium Term Notes		-	-	-
Accrued interest on debt securities		-	-	-
ACCRUALS AND OTHER ACCOUNTS RECEIVABLE		49 806 620	15 301 036	15 404 238
RECEIVABLES ON DEBT SECURITIES		377 244	334 141	334 141
Redemption premium		377 244	334 141	334 141
FINANCIAL INSTRUMENTS BOUGHT		47 692 205	13 207 703	13 207 703
Premiums on interest rate options		-		
Premiums on foreign exchange options		227 931	250 159	250 159
Premiums on stock index and equity options		46 419 702	12 486 302	12 486 302
Premiums on commodity options		1 044 572	471 242	471 242
OTHER ACCRUALS AND ACCOUNTS RECEIVABLE		1 737 171	1 759 192	1 862 394
Prepaid expenses		-	-	-
Accrued Income		1 420	641	641
Other receivables	*Note 2*	1 735 751	1 758 551	1 861 753
FIXED ASSETS		-	-	-
Intangible assets		10	10	10
Amortization of intangible assets		- 10	- 10	- 10
TOTAL ASSETS		**141 200 027**	**86 759 676**	**86 862 879**

SGA Societe Generale Acceptance NV
BALANCE SHEET

(in 000's USD)

LIABILITIES		31/12/2006	31/12/2005	PRO FORMA 31/12/2005
INTERBANK AND MONEY MARKET LIABILITIES		**66**	**357**	**357**
Due to banks		66	357	357
Term borrowing		-	-	-
DEBT SECURITIES IN ISSUE	*Note 2*	**91 427 536**	**71 520 214**	**71 520 214**
Euro Medium Term Notes		64 406 621	52 466 839	52 466 839
Bonds		26 668 036	18 716 337	18 716 337
Accrued interest on debt securities in issue		352 879	337 037	337 037
ACCRUALS AND OTHER ACCOUNTS PAYABLE		**49 770 990**	**15 237 670**	**15 340 872**
PAYABLES ON DEBT SECURITIES		342 670	270 982	270 982
Premiums on debt securities		342 670	270 982	270 982
FINANCIAL INSTRUMENTS SOLD		47 692 240	13 140 615	13 243 817
Premiums on foreign exchange warrants		227 931	250 159	250 159
Premiums on stock index and equity warrants		46 419 737	12 419 214	12 522 416
Premiums on commodity warrants		1 044 572	471 242	471 242
OTHER ACCRUALS AND ACCOUNTS PAYABLE		1 736 081	1 826 073	1 826 073
Accrued expenses		330	425	425
Other payables	*Note 1*	1 735 751	1 625 648	1 825 648
SHAREHOLDERS' EQUITY		**1 435**	**1 435**	**1 435**
Share capital		560	560	560
Retained earnings		875	875	875
Current year profit		-	-	-
TOTAL LIABILITIES		**141 200 027**	**86 759 676**	**86 862 879**

SGA Societe Generale Acceptance NV
OFF BALANCE SHEET

(in 000's USD)

COMMITMENTS RECEIVED		31/12/2006	31/12/2005	PRO FORMA 31/12/2005
COMMITMENTS ON FINANCIAL INSTRUMENTS				
Securities to be received		827 005	1 364 195	1 364 195
Interest rate swaps		-	-	-
Floor contracts bought		-	-	-
Call options bought	Note 3	226 106 572	90 181 705	90 181 705
Foreign exchange call options bought		12 455 038	9 151 885	9 151 885
Stock index and equity call options bought		203 219 785	79 570 421	79 570 421
Commodity call options bought		10 431 750	1 459 400	1 459 400
Put warrants sold	Note 3	119 616 505	57 278 877	57 278 877
Foreign exchange put warrants sold		12 640 419	9 225 387	9 225 387
Stock index and equity put warrants sold		103 357 586	46 849 791	46 849 791
Commodity options put warrants sold		3 618 500	1 203 700	1 203 700
TOTAL ASSETS		**346 550 082**	**148 824 778**	**148 824 778**

SGA Societe Generale Acceptance NV
OFF BALANCE SHEET

(in 000's USD)

COMMITMENTS		31/12/2006	31/12/2005	PRO FORMA 31/12/2005
GUARANTEES ON DEBT SECURITIES IN ISSUE		-	-	-
COMMITMENTS ON FINANCIAL INSTRUMENTS				
Securities to be delivered		827 005	1 467 397	1 364 195
Put options bought	Note 3	119 616 505	57 278 877	57 278 877
Foreign exchange put options bought		12 640 419	9 225 387	9 225 387
Stock index and equity put options bought		103 357 586	46 849 791	46 849 791
Commodity put options bought		3 618 500	1 203 700	1 203 700
Call warrants sold	Note 3	226 106 572	90 181 705	90 181 705
Foreign exchange call warrants sold		12 455 038	9 151 885	9 151 885
Stock index and equity call warrants sold		203 219 785	79 570 421	79 570 421
Commodity options call warrants sold		10 431 750	1 459 400	1 459 400
TOTAL LIABILITIES		**346 550 082**	**148 927 980**	**148 824 778**

B - PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31, 2006

SGA Societe Generale Acceptance NV
PROFIT AND LOSS ACCOUNT

(In 000's USD)

EXPENSE	31/12/2006	31/12/2005
EXPENSE	**100 845 470**	**21 808 151**
EXPENSE ON INTERBANK TRANSACTIONS	9 199 637	2 101 382
Interest paid on current accounts	219	41
Interest paid on bank borrowings	9 199 419	2 101 341
EXPENSE ON DEBT SECURITIES	8 872 129	4 000 271
Interest paid on debt securities	8 872 129	4 000 271
Amortization of discounts on debt securities	-	-
Losses on proceeds of debt securities	-	-
Fees paid on debt securities	-	-
EXPENSE ON FINANCIAL INSTRUMENTS	82 773 703	15 706 498
Expense on foreign exchange options & warrants	629 235	549 233
Expense on interest rate options & warrants	-	-
Expense on stock index and equity options & warrants	79 926 969	14 443 830
Expense on commodity options & warrants	2 217 499	713 435
OTHER EXPENSE	**593**	**581**
Operating expense	310	377
Insurance premiums	3	3
Audit fees	30	15
Local taxes	-	-
Other operating costs	249	185
NET INCOME	**0**	**-**
TOTAL EXPENSE	**100 846 063**	**21 808 732**

SGA Societe Generale Acceptance NV
PROFIT AND LOSS ACCOUNT

(in 000's USD)

INCOME	31/12/2006	31/12/2005
INCOME	**100 845 283**	**21 808 091**
INCOME ON INTERBANK TRANSACTIONS	7 035 372	4 095 747
Interest received on current accounts	45	29
Interest received on loans to banks	2 203 256	1 593 716
Gains and amortization of discounts on term borrowing	4 832 072	2 502 002
INCOME ON DEBT SECURITIES	11 036 208	2 005 846
Interest received on debt securities	-	-
Amortization of premium on debt securities	-	-
Gains on proceeds of debt securities	11 036 208	2 005 846
INCOME ON FINANCIAL INSTRUMENTS	82 773 703	15 706 498
Income on foreign exchange warrants & options	629 235	549 233
Income on interest rate warrants & options	-	-
Income on stock index and equity warrants & options	79 926 968	14 443 830
Income on commodity warrants sold	2 217 499	713 435
OTHER INCOME	**779**	**641**
Operating income	779	641
TOTAL INCOME	**100 846 063**	**21 808 732**

C - APPENDIX TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

SOCIETE GENERALE ACCEPTANCE N.V.

Notes to the financial statements

1- General

SGA Société Générale Acceptance N.V. was incorporated on October 7^{th}, 1986 as a limited liability company under the laws of the Netherlands Antilles.
SGA Société Générale Acceptance N.V. is a subsidiary owned as to 100 per cent by the parent company, Société Générale, and is a fully consolidated company.
The financial statements are disclosed in USD.

As at December 31, 2006 SGA Société Générale Acceptance's fully paid up capital stock amounted to USD 560,000 and was made up of 560,000 ordinary shares with a nominal value of USD 1 each.
The purpose and the object of the company are to issue warrants as well as structured products such as EMTN, indebtedness certificates. The funds are reinvested in securities and bonds or other interest-bearing securities.

The parent company Société Générale bears the risk linked to the issuance of structured products by subscribing the entire issuance.

2- Accounting policies

The financial statements are prepared under the historical cost convention in accordance with French accounting policies applicable to credit institutions.

Changing accounting methods

In compliance with the instruction n° 2005-01 of the French Accounting Regulation Committee dated November 3rd, 2005 regarding the accounting policies for operations on securities, SGA has applied since the 1st of January 2006 the accounting option for warrants on trade date. The recording of the sale on trade date leads to the derecognition in the balance sheet of the securities to be delivered from that date. In return, a receivable is recorded in the assets at the securities' selling price. The impact of the new method amounts to
103 202 KUSD and concerns the balance sheet and the off-balance sheet. There is no impact on the income statement. This change of method aims at converging the treatment of the warrants in individual accounts towards their treatment under the IAS.

Loans (previously recorded on stocks)

Loans are stated at cost. Premiums and discounts on debt securities are amortized over the life of the securities.

Debt securities in issue

These liabilities comprise Euro Medium Term Notes and bonds issued by the company. They are stated at cost. Premiums and discounts on debt securities are amortized over the life of the securities issued.

Agreements between Société Générale and SGA

Relations between SG Acceptance and Société Générale are regulated by the two following agreements:

1. Management agreement, according to which SGA pays Société Générale for the services granted, such as administrative, accounting, legal and tax services;
2. Financial Services agreement: according to which Société Générale pays SGA for the financial services granted. Hence, Société Générale reimburses all operating costs (statutory auditing, insurance, payroll, etc) to SGA. Moreover, SGA's management fees related to its issuing activity are totally covered by this agreement.

Commitments

Derivative financial instruments

Derivative financial instruments include warrants, options, interest rate swaps and floors. They are stated at mark to market. The commitments related to such transactions are recorded as off-balance sheet items on the basis of nominal contract values, in accordance with regulations 88-02 and 92-04 of the Comité de la réglementation bancaire and to instruction 88-01 of the Commission Bancaire. Nominal amounts on term derivatives represent the positions to be delivered or to be received on underlying contracts. Those amounts represent the volume of current transactions.

Conversion of foreign currencies transactions

Foreign currency transactions are converted into USD at the closing exchange rate
Gains and losses resulting from such transactions are recognized in the profit and loss account.

Income tax

From the French fiscal viewpoint, profits realized by SGA Société Générale Acceptance N.V. are taxable in the country of the parent company, Société Générale.
In France, the normal corporate income tax rate is 33.3 %.

As at December 31, 2006 the result of SGA Société Générale Acceptance is nil. Therefore no related tax charge is recorded into the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

INTERBANK AND MONEY MARKET ASSETS
BREAKDOWN OF ASSET BY TERM TO MATURITY

(in 000's USD)	december 2006					2005
	0 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total	Total
Due from banks						
Current accounts	446	-	-	-	446	1 586
Overnight transactions	-	-	-	-	-	-
Related receivables	-	-	-	-	-	-
Sub -total	**446**	**-**	**-**	**-**	**446**	**1 586**
Term deposits						
Term deposits and borrowings	1 676 838	14 418 360	45 417 048	29 527 837	91 040 083	71 120 018
Related receivables	-	352 878	-	-	352 878	337 037
Sub -total	**1 676 838**	**14 771 238**	**45 417 048**	**29 527 837**	**91 392 961**	**71 457 055**
Total	**1 677 284**	**14 771 238**	**45 417 048**	**29 527 837**	**91 393 407**	**71 458 641**

Term deposits and borrowings have the same features as the Notes issued. Those assets are symmetrically booked at their redemption value.
Unrealized instalments related to partly paid notes are booked as "Other payables".
As at december 31, 2006, they amount to USD 1,091.2 millions.

NOTE 2

DEBT SECURITIES IN ISSUE
BREAKDOWN BY TERM TO MATURITY

(in 000's USD)	0 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	2006	2005
Euro Medium Term Notes	1 290 633	6 295 935	30 599 264	26 220 789	**64 406 621**	**52 466 839**
Bonds	399 519	8 107 629	14 711 148	3 449 740	**26 668 036**	**18 716 338**
Related payables	-	352 879	-	-	**352 879**	**337 037**
Total Debt Securities in Issue	**1 690 152**	**14 756 443**	**45 310 412**	**29 670 529**	**91 427 536**	**71 520 214**

Debt securities issued are booked at their redemption value. Unrealized instalments related to partly paid Notes are booked as "Other receivables".
As at december 31, 2006 they amount up to USD 1,250.3 millions.

Note 3

Forward Financial instrument commitments

(in millions of USD)	Trading Transactions	Hedging Transactions	total december 30,2006	Fair value at december 30, 2006	total dec. 31,2005	Fair value at dec. 31, 2005
Warrants						
- Stock exchange indices and equities	306 577 371	-	306 577 371	46 419 737	126 420 212	12 419 214
- Currency warrants	25 095 456	-	25 095 456	227 931	18 377 271	250 159
- Commodities	14 050 250	-	14 050 250	1 044 572	2 663 100	471 242
Total	**345 723 077**	-	**345 723 077**	**47 692 240**	**147 460 583**	**13 140 615**
Options						
- Stock exchange indices and equities	306 577 371	-	306 577 371	46 419 702	126 420 212	12 486 302
- Currency options	25 095 456	-	25 095 456	227 931	18 377 271	250 159
- Commodities	14 050 250	-	14 050 250	1 044 572	2 663 100	471 242
Total	**345 723 077**		**345 723 077**	**47 692 205**	**147 460 583**	**13 207 703**

CAPITALIZATION TABLE
(in thousands USD)

	31 December 2006	31 December 2005
Short Term Debt <= 2 years		
- Denominated in USD	5 209 441	4 028 006
- Denominated in other currencies	26 514 918	17 480 980
	31 724 359	**21 508 986**
Medium Term Debt > 2 years <= 7 years		
- Denominated in USD	11 294 832	8 941 448
- Denominated in other currencies	29 585 448	24 387 857
	40 880 280	**33 329 305**
Long Term Debt > 7 years		
- Denominated in USD	4 612 919	5 611 805
- Denominated in other currencies	14 209 978	11 070 118
	18 822 897	**16 681 923**
TOTAL	**91 427 536**	**71 520 214**
Shareholders' equity		
- Capital stock	560	560
- Retained earnings	875	875
- Net income	0	0
Total Shareholders' Equity	**1 435**	**1 435**
TOTAL	**91 428 971**	**71 521 649**

CASH FLOW STATEMENT

(in millions of USD)

		31/12/06	31/12/05
Net cash flow from operating activities		-	-
Non monetary items :			
- Depreciation and amortization		-	-
Bond Debt			
Issuing : EMTN		- 22 769	- 22 273
Issuing : Bonds		- 13 666	- 13 462
Redemptions : EMTN		14 434	12 385
Redemptions : Bonds		7 855	3 204
Forward financial instruments commitments sold :			
Warrants premium sold		- 56 461	- 9 013
Interbank activities and Cash			
Subscriptions of term loans (PLP)		36 435	35 735
Redemption of term loans (PLP)		- 22 289	- 15 589
Forward financial instruments commitments bought :			
Option premiums bought		56 461	9 013
Other cash inflow/(outflow) from banking activities			
Accrued Interest paid on debt securities		- 2 196	- 1 594
Accrued Interest received on loan to banks		2 196	1 594
Dividends received from subsidiaries			
Income tax		-	-
Other		-	-
Change in working capital	**I + II**	-	-
Net cash inflow/(outflow) from investing activities	**I**		
Purchase of fixed assets		-	-
Proceeds from sale of fixed assets		-	-
Purchase/proceeds from sale of affiliates and other long term investments		-	-
Net cash inflow/(outflow) from other investing activities		-	-
Capital transactions	**II**	-	-
Capital increase		-	-
Subordinated Debt increase/decrease		-	-
Dividends paid			
Net Cash Flow	**(b+c-a)**	-	-
Cash : Opening balances	**(a)**	1	1
Cash : Closing balances	**(b)**	1	1
Impact of the variations in exchange rate	**(c)**	-	-

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APPENDIX 4 - FINANCIAL INFORMATION OF THE GUARANTOR

Reproduction of Extracts of the "2007 REGISTRATION DOCUMENT" of the Guarantor for the year ended 31 December 2006 and the Statutory Auditors' Report on the Consolidated Financial Statements

TABLE OF CONTENTS

This Appendix has been extracted from the "2007 Registration Document" of the Guarantor. References to page numbers referred to above are to page numbers appearing in the said Registration Document which is a translation of the original French text.

SOCIÉTÉ GÉNÉRALE GROUP MAIN ACTIVITIES

SIMPLIFIED ORGANIZATIONAL CHART AT DECEMBER 31, 2006

Société Générale Group

Retail Banking and Financial Services

	Retail Banking	Financial Services	Asset Management
France	**Société Générale*** **Crédit du Nord Group** 80% **Compagnie Générale d'Affacturage** 100% **Sogéfinancement** 100% **Sogéfimur** 100% **Sogelease France** 100% **Sogébail** 47.96% **Groupama Banque** 20% **SG Capital Développement** 100% **Banque de Polynésie** 72% **Société Générale Calédonienne de Banque** 90% **Banque Française Commerciale " Océan Indien "** 50% **SG de Banque aux Antilles** 100% **Microcred** 35%	**Franfinance Group** 100% **CGI Group** 100% **ECS Group** 100% **Sogécap** 100% **Sogessur** 65% **Temsys** 100%	**SG Asset Management Group (SGAM)** 100% **BAREP Group** 100%
Europe	**SKB Banka** *Slovenia* 99.58% **BRD - SG Group** *Romania* 58% **SG Express Bank** *Bulgaria* 98% **Komerçni Banka A.S. (KB)** *Czech Republic* 60% **General Bank of Greece** *Greece* 52% **Banque SG Vostok** *Russia* 100% **SG Cyprus Ltd** 51% **SG Yugoslav Bank** *Serbia* 100% **Podgoricka Banka** *Montenegro* 87% **Delta Credit** *Russia* 100% **Rosbank** *Russia* 20% **Splitska Banka** *Croatia* 99.75% **Bank Republic** *Georgia* 60%	**ALD International Group** 100% **GEFA Group** *Germany* 100% **Fiditalia Spa** *Italy* 100% **SG Equipment Finance Group** 100% **Eurobank** *Poland* 99% **Rusfinance** *Russia* 100% **Hanseatic Bank** *Germany* 75% **SG Consumer Finance Group** 100%	**SGAM Group Ltd** *United Kingdom* 100% **SG Russell Asset Management** *Ireland* 50%
Americas			**TCW Group Inc.** *United States* 95.2% **SGAM Inc.** *United States* 100%
Middle East & Africa	**SG Marocaine de Banques** 53% **SG de Banques en Côte-d'Ivoire** 68% **Union Internationale de Banque** *Tunisia* 52% **SG de Banques au Cameroun** 58% **SG de Banque au Liban** 19% **National Société Générale Bank** *Egypt* 77.17% **SG de Banques en Guinée** 53% **Sogelease Egypt** 80% **SG – SSB Limited** *Ghana* 51% **Sogelease Maroc** 100% **BFV SG** *Madagascar* 70% **SG de Banques au Sénégal** 58% **SG Algérie** 100% **SG de Banques au Burkina** 43% **SG de Banques en Guinée Equatoriale** 57.2% **SG Tchadienne de Banque** 66%	**Eqdom** *Morocco* 54% **La Marocaine Vie** 87%	
Asia, Australia			**SGAM Japan** 100% **SGAM Singapore** 100% **IBK-SGAM** *Korea* 50%

** Parent company.*
(1) Subsidiary of SGBT Luxembourg.
(2) As well as its private banking activities, Société Générale Bank Trust Luxembourg also provides retail and corporate and investment banking services for its business customers.

Global Investment Management and Services

Private Banking	Securities Services and Online Savings	Corporate and Investment Banking	
Société Générale*	**Société Générale*** **FIMAT Banque** 100% **Parel** 100% **Boursorama Group** 57% **Euro VL** 98%	**Société Générale*** **CALIF** 100% **SG Securities (Paris) SAS** 100% **Lyxor Asset Management** 100% **Gaselys** 49% **Orbeo** 50%	**Généfimmo** 100% **Généfim** 100% **Sogéprom** 100% **SG Option Europe** 100% **Clickoptions** 100%
Société Générale Bank & Trust Luxembourg [(2)] 100% **SG Private Banking Suisse SA** 77.62% [(1)] **SG Private Banking (Belgique)** 98.83% **SG Hambros Bank & Trust Ltd** *United Kingdom* 100% **SG Bank & Trust Monaco** 100% [(1)]	**FIMAT Frankfurt branch** 100% **FIMAT Banque UK** 100% **FIMAT Madrid branch** 100% **2S Banca Spa** *Italy* 100%	**Société Générale*** **Branches in:** **Milan** *Italy* **Frankfurt** *Germany* **Madrid** *Spain* **London** *United Kingdom*	
	FIMAT USA 100% **FIMAT Canada Inc.** 100%	**SG Americas, Inc.** *United States* 100% **SG Americas Securities, LLC** *United States* 100% **SG Canada** 100%	**Banco SG Brasil SA** 100% **Société Générale*** **Branches in:** **New York** *United States* **Montréal** *Canada*
SG Private Banking (Japan) Ltd 100%	**FIMAT Singapore Pte Ltd** 100% **FIMAT Hong Kong** 100% **FIMAT Sydney branch** 100%	**SG Securities Asia International Holdings Ltd (Hong Kong)** 100% **SG Securities North Pacific, Tokyo Branch** *Japan* 100% **SG Asia (Hong Kong) Ltd** 100% **SG Australia Holding Ltd** 100%	**Société Générale*** **Branches in:** **Singapore** **Tokyo** *Japan* **Hong Kong** **Sydney** *Australia*

Notes :
- The percentages given indicate the share of capital held by the Société Générale Group,
- Groups are listed under the geographical region where they carry out their principal activities.

GROUP ACTIVITY AND RESULTS

The figures and financial indicators for 2006 and 2005 comparative data have been prepared in accordance with IFRS (International Financial Reporting Standards) adopted by the European Union and applicable at these dates.

These principles and accounting methods have been applied constantly across 2005 and 2006, with the exception of the change in the accounting method for the acquisition of minority interests of controlled subsidiaries and of puts granted to minority shareholders of controlled subsidiaries, and the reclassification of undated subordinated notes as Group shareholders' equity. The figures and financial indicators for 2005 and 2006 have been restated accordingly (cf. the notes on methodology).

In 2006, the strong global economic and financial environment underpinned all of Société Générale Group's businesses. In Europe, the economic recovery was more robust than expected and in the United States, despite a slowdown at the end of the year, growth remained strong. The main stock market indices ended the year at five-year highs, notwithstanding tensions due to higher oil prices. Against a backdrop of divergence between European and US short-term interest rates, the dollar maintained its moderate downward trend against the euro. The investment banking business benefited from a combination of exceptional positive factors with rising equity markets, active derivative markets, record issuance volumes, a surge in liquidity and good performance by hedge funds. The banking sector remained underpinned by a favorable credit cycle. Finally, the yield curve flattened in Europe and inverted in the USA.

Against this backdrop, the Group delivered an excellent performance. Gross operating income stood at EUR 8,714 million for the year, up by 22.2%* on 2005, while net income rose by 18.6% to EUR 5,221 million.

The Group's ROE after tax came out at 25.8% in 2006 compared with 26.1% in 2005.

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

SUMMARY CONSOLIDATED INCOME STATEMENT

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	16,390	19,166	22,417	+17.0%	+15.7%*
Operating expenses	(11,062)	(12,156)	(13,703)	+12.7%	+11.8%*
Gross operating income	**5,328**	**7,010**	**8,714**	**+24.3%**	**+22.2%***
Net allocation to provisions	(568)	(448)	(679)	+51.6%	+42.6%*
Operating income	**4,760**	**6,562**	**8,035**	**+22.4%**	**+20.9%***
Net income from companies accounted for by the equity method	40	19	18	-5.3%	
Net income from other assets	195	148	43	-70.9%	
Impairment losses on goodwill	4	(23)	(18)	-21.7%	
Income tax	(1,376)	(1,790)	(2,293)	+28.1%	
Net income before minority interests	3,623	4,916	5,785	+17.7%	
Minority interests	342	514	564	+9.7%	
Net income	**3,281**	**4,402**	**5,221**	**+18.6%**	**+17.3%***
C/I ratio	67.5%	63.4%	61.1%		
Average allocated capital	16,324	16,756	20,107	+20.0%	
ROE after tax	**20.1%**	**26.1%**	**25.8%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

Net banking income

2006 net banking income rose sharply by 15.7%* on 2005 (+17.0% in absolute terms) to EUR 22,417 million, fuelled by sustained growth across the board. The Group's growth drivers (Retail Banking outside France, Financial Services and Global Investment Management and Services) all recorded a significant rise in revenues. The Corporate and Investment Banking division posted exceptional results in a favorable environment and the French Networks also put in a very strong performance.

Operating expenses

Operating expenses grew at a much slower pace than revenues, rising by +11.8%* on 2005. This reflects a combination of investment in organic growth, tight cost control and a rise in performance-based pay due to strong business performances.

The Group made further gains in operating efficiency in 2006, reducing its cost/income ratio to a low level of 61.1%, compared to 63.4% in 2005.

Operating income

Annual gross operating income rose by a substantial 22.2%* on 2005, reaching a total of EUR 8,714 million.

The Group's cost of risk for the year stood at 25 bp of risk-weighted assets, due both to a continued favorable credit environment and factors specific to the Group: a policy of diversification of the portfolio of businesses, improved risk management techniques and hedging of high-risk exposure.

The Group's operating income for the year increased by a sharp 20.9%* on 2005 (+22.4% in absolute terms) to a total of EUR 8,035 million.

Net income

Net income after tax and minority interests for 2006 (the Group's effective tax rate was 28.4% vs. 26.7% in 2005) grew by a substantial 18.6% on 2005, amounting to EUR 5,221 million. Group ROE after tax remained at a high 25.8%, compared to 26.1% last year. For 2006, net earnings per share stood at EUR 12.33, up 15.2%[1] on 2005.

(1) In accordance with IAS 33, historical data per share have been adjusted by a factor of 0.99336 (supplied by Euronext) following the detachment of the preferential subscription right to Société Générale shares for the capital increase in the fourth quarter of 2006.

ACTIVITY AND RESULTS OF THE CORE BUSINESSES

The financial statements of each core business are drawn up in accordance with those of the Group in order to:

- determine the results of each core business as if it were a stand-alone entity;
- present a true and fair view of each business's results and profitability over the period.

The core businesses correspond to the three key businesses of the Group's development strategy:

- Retail Banking and Financial Services;
- Global Investment Management & Services;
- Corporate and Investment Banking.

The core businesses break down as follows:

- **Retail Banking and Financial Services,** including the Société Générale and Crédit du Nord networks in France, the retail banking networks outside France, the Group's business finance subsidiaries (vendor and equipment finance, IT asset leasing and management, operational vehicle leasing and fleet management), consumer credit and life and non-life insurance activities;
- **Global Investment Management & Services,** including Asset Management, Private Banking and Securities Service and Online Savings. The Securities Services division, created in February 2004, includes the activities of Fimat, the Group's brokerage arm specializing in derivatives markets, together with the securities and employee savings business;
- **Corporate and Investment Banking,** which covers two types of activity:
  - Corporate Banking and Fixed Income, including:
    - the Debt Finance platform, which includes structured finance (export finance, project finance, acquisition finance, property finance, financial engineering), debt, currency and treasury activities,
    - Commodity finance and trading,
    - Commercial banking (notably plain vanilla corporate loans);
  - Equity and Advisory activities comprising:
    - Equity activities (primary market, brokerage, derivatives, trading),
    - Advisory (mergers and acquisitions),
    - Private Equity.

In addition, the Corporate Center acts as the central funding department of the Group's three core businesses. As such, it recognizes the cost of carry of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's asset and liability management (ALM) and impairment loss on goodwill. Furthermore, income from the Group's industrial equity and real estate investment portfolios, as well as from its equity investment in banks, is allocated to the Corporate Center, as are income and expenses that do not relate directly to the activity of the core businesses.

The principles used to determine the income and profitability of each core business are outlined below.

Allocation of capital

The general principle used in the allocation of capital is compliance with the average of regulatory requirements over the period, to which a prudential margin is added. This margin is set by the Group on the basis of an assessment of the risk relating to its business mix (i.e. capital representing 6% of risk-weighted commitments).

Capital is allocated as follows:

- in Retail Banking, capital is allocated on the basis of weighted risks. In the case of life insurance, the specific regulations governing this business are also taken into account;
- in Global Investment Management & Services, the amount of capital allocated corresponds to the larger of either the capital requirement calculated on the basis of weighted risks or the amount representing operating expenses for a three-month period, the latter being the regulatory standard in this business;
- in Corporate and Investment Banking, capital is allocated on the basis of weighted risks and the value at risk in capital market activities. For the majority of transactions, market risk is calculated using an in-house model validated by the French Banking Commission;
- capital allocated to the Corporate Center corresponds to the sum of the regulatory requirement with respect to its assets (essentially the equity and real estate portfolios), and the surplus (or lack) of capital available at the Group level (the difference between the combined capital requirements of the core businesses, as defined above, and average

Group shareholders' equity under IFRS[1] after payment of the dividend).

Net banking income

Net banking income (NBI) for each core business includes:

- revenues generated by its activity;
- the yield on normative capital allocated to the core businesses, which is defined on an annual basis by reference to an estimated rate of return on Group capital during the financial year. On the other hand, the yield on the core businesses' book capital is reassigned to the Corporate Center.

Moreover, in accordance with IAS 32 & 39, capital losses and gains generated by the core businesses on the disposal of shares in non-consolidated entities, and income from the management of the Group's industrial and bank equity portfolios are now booked under NBI, as these securities portfolios are available-for-sale.

Operating expenses

Each core business's operating expenses include its direct expenses, its management overheads and a share of the head-office expenses, which are virtually all redistributed between the core businesses. The Corporate Center only books costs relating to its activity, along with certain technical adjustments.

Provisions

The provisions are charged to each core business so as to reflect the cost of risk inherent in their activity during each financial year.

Provisions concerning the whole Group are booked by the Corporate Center.

Net income on other assets

In accordance with IAS 32 & 39, as of January 1, 2005, net income on other assets essentially comprises capital losses and gains on the disposal of shares in consolidated entities and of operating fixed assets.

Impairment losses on goodwill

Further to the introduction of the IFRS accounting framework, impairment losses on goodwill are booked by the core business to which the corresponding activity is attached.

Income tax

The Group's tax position is managed centrally, with a view to optimizing the consolidated expense.

Income tax is charged to each core business on the basis of a normative tax rate which takes into account the local tax rate of the countries in which it conducts its activities and the nature of its revenues.

(1) Excluding:
(i) unrealized or deferred capital losses excluding translation differences booked directly under shareholders' equity,
(ii) deeply subordinated notes,
(iii) perpetual subordinated notes restated under shareholders' equity and after deduction of
(iv) interest to be paid to holders of said deeply subordinated and perpetual subordinated notes.

SUMMARY OF RESULTS AND PROFITABILITY BY CORE BUSINESS

Income statement by core business

2006 saw sustained growth in all the core businesses: a significant rise in revenues in the Group's growth drivers (Retail Banking outside France, Specialized Financial Services and Global Investment Management and Services), exceptional results in Corporate and Investment Banking and a very strong performance in the French Networks.

(in millions of euros)	Retail Banking and Financial Services			Global Investment Management and Services			Corporate and Investment Banking			Corporate Center			Group		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**	**2004**	**2005**	**2006**
Net banking income	9,668	10,661	12,023	2,265	2,584	3,195	4,727	5,697	6,998	(270)	224	201	16,390	19,166	22,417
Operating expenses	(6,374)	(6,833)	(7,384)	(1,638)	(1,852)	(2,298)	(2,924)	(3,320)	(3,890)	(126)	(151)	(131)	(11,062)	(12,156)	(13,703)
Gross operating income	**3,294**	**3,828**	**4,639**	**627**	**732**	**897**	**1,803**	**2,377**	**3,108**	**(396)**	**73**	**70**	**5,328**	**7,010**	**8,714**
Net allocation to provisions	(589)	(614)	(763)	(7)	(6)	(8)	61	145	93	(33)	27	(1)	(568)	(448)	(679)
Operating income	**2,705**	**3,214**	**3,876**	**620**	**726**	**889**	**1,864**	**2,522**	**3,201**	**(429)**	**100**	**69**	**4,760**	**6,562**	**8,035**
Net income from companies accounted for by the equity method	5	(3)	(1)	0	0	0	26	22	24	9	0	(5)	40	19	18
Net income from other assets	19	7	11	2	0	(1)	16	(11)	30	158	152	3	195	148	43
Impairment losses on goodwill	0	0	0	0	0	0	0	(13)	0	4	(10)	(18)	4	(23)	(18)
Income tax	(935)	(1,070)	(1,252)	(191)	(223)	(273)	(447)	(668)	(902)	197	171	134	(1,376)	(1,790)	(2,293)
Net income before minority interests	1,794	2,148	2,634	431	503	615	1,459	1,852	2,353	(61)	413	183	3,623	4,916	5,785
Minority interests	218	250	298	46	43	38	6	11	13	72	210	215	342	514	564
Net income	**1,576**	**1,898**	**2,336**	**385**	**460**	**577**	**1,453**	**1,841**	**2,340**	**(133)**	**203**	**(32)**	**3,281**	**4,402**	**5,221**
C/I ratio	65.9%	64.1%	61.4%	72.3%	71.7%	71.9%	61.9%	58.3%	55.6%	NM	NM	NM	67.5%	63.4%	61.1%
Average allocated capital	8,022	8,849	10,299	721	894	1,086	3,523	4,148	4,914	4,059**	2,865**	3,808**	16,324	16,756	20,107
ROE after tax	**19.6%**	**21.4%**	**22.7%**	**53.4%**	**51.5%**	**53.1%**	**41.2%**	**44.4%**	**47.6%**	**NM**	**NM**	**NM**	**20.1%**	**26.1%**	**25.8%**

** *Calculated as the difference between total Group capital and capital allocated to the core businesses.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

Retail Banking and Financial Services

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	9,668	10,661	12,023	+12.8%	+9.9%*
Operating expenses	(6,374)	(6,833)	(7,384)	+8.1%	+5.8%*
Gross operating income	**3,294**	**3,828**	**4,639**	**+21.2%**	**+17.3%***
Net allocation to provisions	(589)	(614)	(763)	+24.3%	+16.5%*
Operating income	**2,705**	**3,214**	**3,876**	**+20.6%**	**+17.5%***
Net income from companies accounted for by the equity method	5	(3)	(1)	-66.7%	
Net income from other assets	19	7	11	+57.1%	
Income tax	(935)	(1,070)	(1,252)	+17.0%	
Net income before minority interests	1,794	2,148	2,634	+22.6%	
Minority interests	218	250	298	+19.2%	
Net income	**1,576**	**1,898**	**2,336**	**+23.1%**	**+19.9%***
C/I ratio	65.9%	64.1%	61.4%		
Average allocated capital	8,021	8,849	10,299	+16.4%	
ROE after tax	**19.6%**	**21.4%**	**22.7%**		

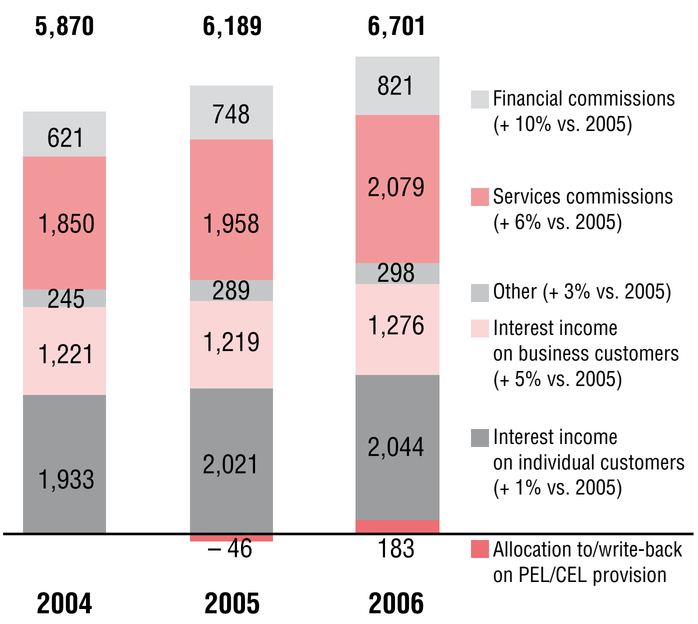
** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

French Networks

(in millions of euros)	2004	2005	2006	Change 2006/2005
Net banking income	5,870	6,189	6,701	+8.3%[a]
Operating expenses	(4,069)	(4,212)	(4,354)	+3.4%
Gross operating income	**1,801**	**1,977**	**2,347**	**+18.7%**
Net allocation to provisions	(292)	(282)	(274)	-2.8%
Operating income	**1,509**	**1,695**	**2,073**	**+22.3%**
Net income from companies accounted for by the equity method	2	1	2	x 2.0
Net income from other assets	5	2	5	x 2.5
Income tax	(529)	(594)	(707)	+19.0%
Net income before minority interests	987	1,104	1,373	+24.4%
Minority interests	45	45	52	+15.6%
Net income	**942**	**1,059**	**1,321**	**+24.7%**
C/I ratio	69.3%	68.1%	65.0%	
Average allocated capital	4,756	5,084	5,645	+11.0%
ROE after tax	**19.8%**	**20.8%**	**23.4%**	

(a) +4.5% excluding impact of changes in PEL/CEL provisions.
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

BREAKDOWN OF NET BANKING INCOME FOR FRENCH NETWORKS (IN MILLIONS OF EUROS)



2004: IFRS (excluding IAS 32&39 and IFRS4).
2004 and 2006: IFRS (including IAS 32&39 and IFRS4).

The Société Générale and Crédit du Nord networks posted strong results in 2006 with NBI up 4.5% (excluding the impact of provisions for PEL/CEL housing savings accounts) against the backdrop in France of a continued rise in equity markets, higher short-term interest rates and stronger demand for business loans. Demand in the housing market remained strong except at the end of the year. Competition became stiffer, particularly for loans to individual customers.

The Group pursued its selective growth strategy via 97 full-time net branch openings during the year and an overhaul of its distribution platforms (4D project for the Société Générale network and Optimum for the Crédit du Nord network), thereby enabling a further increase in the product penetration rate among its individual customers (7.9 products per personal current account at end 2006). Restructuring of the back-offices also continued in 2006, in order to optimize productivity while emphasizing the overall quality of service for customers.

Regarding individual customers, sales performance remained satisfactory throughout the year. The indicator used to assess the individual customer base, expressed as the number of personal current accounts, rose sharply by 2.9% over the year (+171,000) to stand at over 6.0 million accounts. In May 2006, the Société Générale network rose above the five million threshold in terms of the number of personal current accounts. The Group pursued its policy of focusing on customer segments displaying the strongest potential (in particular young people with a +29,000 increase in the number of personal current accounts, up +3.6% on 2005). Growth in sight deposits remained strong at +7.8%. New housing loans reached a very high level of EUR 17.4 billion, while the rate of growth gradually declined during the year due to stiff competition and the continued rise in property prices. As in previous years, the Group continued to focus its sale drive in this market on the most attractive long-term customer segments.

As a result of a change in the tax treatment of housing savings accounts, savers switched into life insurance products and guaranteed funds (PEL savings account outstandings down 10.8% in 2006 versus a 20.7% increase in inflows into life insurance products). After Sogecristal, which was closed to subscriptions in early 2006, the Murano, Simbad and Darwin funds, offering either a guarantee on the initial investment amount, access to the Group's range of funds or to other fund managers[1], were a great success, recording inflows of EUR 1.95 billion in 2006.

In 2006, the business customer segment recorded sustained growth underpinned by a favorable economic environment (moderate inflation and continued low interest rates), notwithstanding higher commodity prices. At the same time, corporates continue to post a low level of indebtedness ratio. These trends and the Group's strong sales performances produced a 15.6% increase in investment loans while operating loans rose by 5.0%. Furthermore, sight deposits increased by 10.7%. These strong sales results were achieved through the innovative capacity of the Group's networks. For example, in the Société Générale network, "Jazz Pro", the new offering in day-to-day banking aimed at professional and small business customers, has been highly successful since it was launched in June 2006.

From a financial perspective, the Société Générale and Crédit du Nord networks posted a sharp increase in consolidated net banking income[2], over the year (+8.3% on 2005) which rose to EUR 6,701 million.

However, to truly assess the performance of the division, these figures need to be adjusted for the effect of the provision on PEL/CEL accounts: for the year as a whole, the Group booked an EUR 183 million write-back on this provision (versus an allocation of EUR 46 million in 2005). Neutralizing the effect of the provision for PEL/CEL accounts, NBI growth comes out at 4.5% for the year. Net interest income was up +2.5% on 2005 excluding the impact of the provision for PEL/CEL accounts. Higher volumes in

(1) Darwin is the first multi-manager fund distributed by the Société Générale Network.
(2) The revenue of the Société Générale Network does not include that of the Private Banking business in France, which is booked under the Global Investment Management & Services division.

2006 offset the continued decline in net interest margin due to a shift in the balance sheet structure (faster increase in loans than in deposits and, within loans, predominant share of mortgages with lower margins).

Commission income rose 7.2% on 2005. Financial commissions increased by +9.8% in 2006, notwithstanding a high base in 2005 (due to privatization deals). These strong results were mainly achieved through stock market orders and the success of the sales drive in life insurance products. Service commissions were up 6.2%, driven by transaction volume in means of payment, electronic payments and products specifically aimed at business customers.

This increase mainly reflects the positive impact of the sales drive, with a modest, sub-inflation price effect, as both networks kept a close eye on their price competitiveness.

The increase in operating expenses remained moderate (+3.4% on 2005) and the C/I ratio came out at 65.0%: excluding the provision for PEL/CEL accounts, it was almost 1 point lower than last year at 66.8% (versus 67.6% in 2005).

The net cost of risk remained low in 2006, standing at 27 bp of risk-weighted assets, i.e. unchanged compared to 2005: this reflects the quality of the base of individual, professional and business customers.

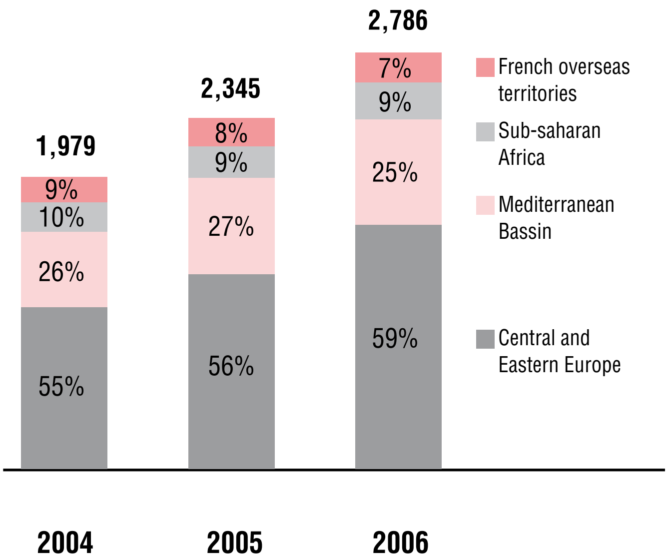
Net income for the French Networks amounted to EUR 1,321 million for the year (i.e. around one quarter of net income for the Group as a whole), up by 24.7% on 2005. ROE after tax was 23.4% for the year (21.3% excluding the provision for PEL/CEL savings accounts).

Retail Banking outside France

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	1,979	2,345	2,786	+18.8%	+13.6%*
Operating expenses	(1,223)	(1,419)	(1,644)	+15.9%	+11.6%*
Gross operating income	**756**	**926**	**1,142**	**+23.3%**	**+16.6%***
Net allocation to provisions	(161)	(131)	(215)	+64.1%	+67.2%*
Operating income	**595**	**795**	**927**	**+16.6%**	**+8.3%***
Net income from companies accounted for by the equity method	3	4	11	x 2.8	
Net income from other assets	15	5	7	+40.0%	
Income tax	(190)	(224)	(242)	+8.0%	
Net income before minority interests	423	580	703	+21.2%	
Minority interests	165	194	232	+19.6%	
Net income	**258**	**386**	**471**	**+22.0%**	**+10.9%***
C/I ratio	61.8%	60.5%	59.0%		
Average allocated capital	803	959	1,316	+37.2%	
ROE after tax	**32.1%**	**40.3%**	**35.8%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

BREAKDOWN OF NET BANKING INCOME BY GEOGRAPHICAL ZONE (IN MILLIONS OF EUROS)



2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

Retail Banking outside France is one of the Group's main growth drivers, combining acquisitions in targeted geographical regions (Central and Eastern Europe, Mediterranean Basin) and stepped-up organic growth in areas where the Group has a presence.

2006 saw continued strong growth and high profitability: sales performance and financial results were again high and are noteworthy as they were achieved in a tougher environment regarding credit control policy in some Central and Eastern European countries.

The Group extended its global platform via small or medium-sized acquisitions and increased investment in order to exploit expected medium and long-term growth opportunities in the banking sector in Central and Eastern Europe. The Group thus acquired Bank Republic in Georgia and announced the acquisition of Mobiasbanca in Moldavia in January 2007 (this entity will be managed in synergy with the BRD network in neighboring Romania). On a larger scale, the acquisition of Splitska Banka, the 4th largest retail banking network in Croatia, increases the coverage of the Balkan region and offers local and international customers a unique network in the region. In the Czech Republic, the Group acquired full control of Modra Pyramida, a network specializing in housing loans in which it had a 40% stake.

Finally, in 2006 the Group acquired a 20% stake in Rosbank, the second largest Russian retail banking network, with an option to acquire a controlling stake by the end of 2008.

Conversely, in the first quarter of 2006, the Group reduced its stake in its Lebanese subsidiary Société Générale de Banque au Liban from 50% to 19%.

The Group also continued to open a large number of branches in order to exploit the growth potential of the banking sector in markets in which it already has a presence: 399 branches were opened in 2006 (on a like-for-like basis). A large number of these branch openings were made in Romania (274 new branches in 2006), while 18 branches were also opened in the Czech Republic, 16 in Russia, 16 in Morocco, 13 in Egypt and 9 in Algeria. The global network outside France now includes 2,300[(3)] branches. Similarly, the overall headcount continued to rise (recruitment of over 2,800 employees in one year at constant structure), mainly in order to increase the sales force. Retail Banking outside France employs around 35,000 persons. On a like-for-like basis, the Group added a further 766,000 individual customers between the end of 2005 and end 2006 (representing an annual growth rate of 13.2%): Europe accounted for +503,900 new customers (+361,000 in Romania and +46,000 in the Czech Republic), together with Egypt (+123,000), Algeria (+44,300), Russia (+43,000) and Morocco (+37,000). From 2001 to 2006, the total number of individual customers in Retail Banking outside France grew by a factor of 2.2 to stand at 7.8 million[(3)] at the end of 2006.

Growth in outstanding deposits and loans accelerated further on 2005. The annualized rate of growth in individual customer loans stood at 43.5%*, reflecting strong growth in housing and consumer loans in the Eastern and Central European subsidiaries. Deposits recorded a 13.9%* increase. In the business customer segment, growth rates for outstanding loans and deposits were 20.6%* and 16.6%* respectively. The division's contribution to Group results is rising steadily: annual revenues were up by 13.6%* on 2005.

Operating expenses increased by 11.6%*, reflecting continued investments: excluding development costs, this increase would have been only 5.9%*.

Gross operating income rose sharply (+16.6%*) and the C/I ratio improved significantly (59.0% in 2006, versus 60.5% for the previous year).

The division allocated EUR 215 million to its risk provisions over the year, up on 2005, but at a reasonable level compared to risk-weighted assets (55 basis points vs. 47 bp in 2005) and slightly below mid-cycle expectations.

Annual operating income was up by 8.3%* on 2005.

The division's net income for the year was up by 22.0% on 2006.

ROE after tax came out at a high level of 35.8% in 2006, versus 40.3% a year earlier.

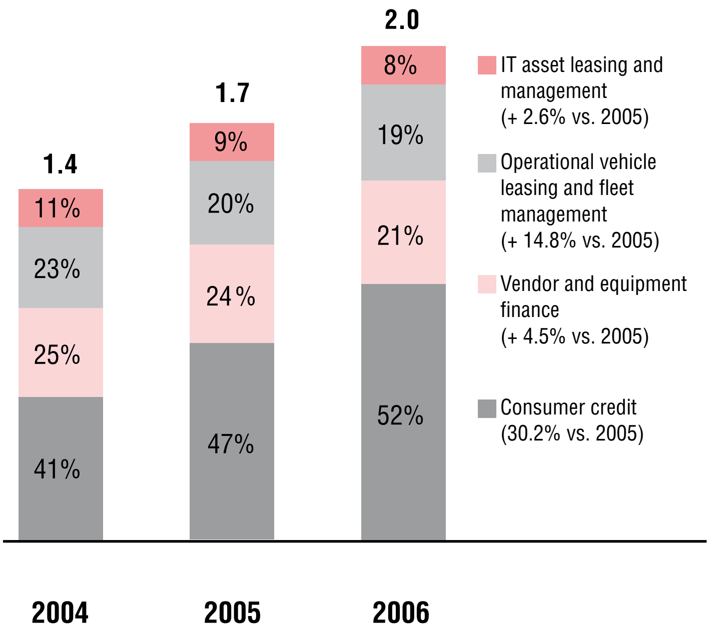
(3) Excluding Rosbank (Russia).

Financial Services

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	1,819	2,127	2,536	+19.2%	+10.7%*
Operating expenses	(1,082)	(1,202)	(1,386)	+15.3%	+7.5%*
Gross operating income	**737**	**925**	**1,150**	**+24.3%**	**+14.9%***
Net allocation to provisions	(136)	(201)	(274)	+36.3%	+10.3%*
Operating income	**601**	**724**	**876**	**+21.0%**	**+15.9%***
Net income from companies accounted for by the equity method	0	(8)	(14)	+75.0%	
Net income from other assets	(1)	0	(1)	NM	
Income tax	(216)	(252)	(303)	+20.2%	
Net income before minority interests	384	464	558	+20.3%	
Minority interests	8	11	14	+27.3%	
Net income	**376**	**453**	**544**	**+20.1%**	**+15.9%***
C/I ratio	59.5%	56.5%	54.7%		
Average allocated capital	2,462	2,806	3,338	+19.0%	
ROE after tax	**15.3%**	**16.1%**	**16.3%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

SPECIALIZED FINANCING BREAKDOWN OF NET BANKING INCOME FOR (IN BILLIONS OF EUROS)



2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

The Financial Services division essentially comprises the Group's Specialized Financing and life insurance activities.

Along with Retail Banking outside France, Specialized Financing is one of the Group's main growth areas. It is comprised of four business lines: consumer credit for the individual customer segment and, in the business customer segment, vendor and equipment finance, operational vehicle leasing and fleet management and IT asset leasing and management.

Specialized Financing

The consumer credit business put in a very strong performance last year, with new loans up 10.8%*. France, Italy, Russia, Poland and Morocco delivered the best results.

Margins remained high but varied depending on geographical areas: in Western Europe, they declined moderately as a result of stiff competition in these regions whereas in Central and Eastern Europe, they remained at higher levels. For this reason the Group pursued its development in these regions while maintaining total exposure at a reasonable level (74% of NBI of the consumer credit business is still generated in France, Italy and Germany). The consumer credit business has enabled the Group to establish itself in countries where development or acquisition of a retail banking network does not seem feasible in the short term due to the competitive environment.

The consumer credit platform expanded significantly in 2006:

- in Central and Eastern Europe, the Group acquired Oster Lizing in Hungary (renamed HitEx), SKT Bank in Russia (this entity merged with Rusfinance in 2006), and Inserviss Group in Latvia. The existing networks also grew: in Poland, Eurobank (an entity acquired in 2005) saw its branch network grow from 160 branches at the end of 2005 to 200 at the end of 2006. Finally, new entities were established (CrediAgora in Portugal, CrediBul in Bulgaria, Essox SK in Slovakia and Prostokredit in Kazakhstan);
- outside Europe, the Group made acquisitions in Brazil (Banco Pecùnia) and India (Apeejay Finance).

Outstanding consumer loans stood at EUR 15 billion at the end of 2006, up 12.9%* on end 2005.

Regarding loans and services to business customers, new lending by SG Equipment Finance, the European leader in vendor and equipment finance, rose sharply (+12.4%*), both in its leasing and factoring businesses. Transport and manufacturing equipment were the best-performing segments. However margins declined slightly due to stiffer competition and the lag between changes in market rates and adjustment in rates charged to customers. In 2006, SG Equipment Finance continued to expand through the establishment of an entity in Ukraine and the acquisition of SKT Leasing in Russia.

In operational vehicle leasing and fleet management, ALD Automotive continued to expand its fleet under management which rose to 680,000 vehicles in 2006 (+10.0% on 2005 like-for-like) in 35 countries. ALD Automotive's fleet ranks second in Europe. The Group continued to develop its partnerships with major car manufacturers and focused on synergies with the French Networks and Retail Banking outside France.

Overall revenues in Specialized Financing rose by 7.8%* in 2006 (+18.7% in absolute terms), notwithstanding the decline in margins in major European countries.

Life insurance

In Life Insurance, premiums rose by 19.5%* on 2005 and were underpinned in particular by new inflows in the Société Générale network, with over 30% of investments in unit-linked policies. Outstandings, expressed as mathematical reserves, rose by 15.4%* on the previous year.

Overall revenues in **Financial Services** rose by 10.7%* on 2005 (+19.2% in absolute terms). Operating expenses were up 7.5%* (+15.3% in absolute terms). Gross operating income was therefore up sharply for the year at +14.9%* (+24.3% in absolute terms).

The net cost of risk for the year increased by 10.3%* (36.3% in absolute terms), mainly due to a shift in the product mix towards consumer credit in Eastern and Central Europe.

Operating income for the year was up 15.9%* (+21.0% in absolute terms) and net income rose by 20.1%. ROE after tax came out at 16.3%, up on 2005 (16.1%).

Global Investment Management & Services

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	2,265	2,584	3,195	+23.6%	+19.6%*
Operating expenses	(1,638)	(1,852)	(2,298)	+24.1%	+19.0%*
Gross operating income	**627**	**732**	**897**	**+22.5%**	**+21.1%***
Net allocation to provisions	(7)	(6)	(8)	+33.3%	+14.3%*
Operating income	**620**	**726**	**889**	**+22.5%**	**+21.2%***
Net income from other assets	2	0	(1)	NM	
Income tax	(191)	(223)	(273)	+22.4%	
Net income before minority interests	431	503	615	+22.3%	
Minority interests	46	43	38	-11.6%	
Net income	**385**	**460**	**577**	**+25.4%**	**+24.4%***
C/I ratio	72.3%	71.7%	71.9%		
Average allocated capital	721	894	1,086	+21.5%	

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

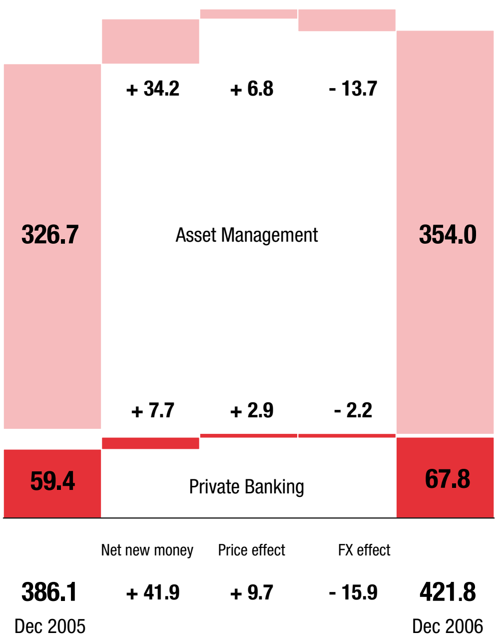
Global Investment Management and Services is comprised of Asset Management (Société Générale Asset Management - SGAM), Private Banking (SG Private Banking), Société Générale Securities Services (SGSS) and online savings (Boursorama).

Along with Retail Banking outside France and Specialized Financing, Global Investment Management and Services is one of the Group's growth drivers. In 2006, activity was particularly strong: net inflows stood at EUR 41.9 billion, up sharply on 2005 (EUR 33.7 billion). Assets under management stood at EUR 421.8 billion[(4)] at the end of the year. Assets under custody increased 17.7% over the year (at constant structure) to stand at EUR 2,262 billion at the end of 2006.

The Group's organic growth was completed by two significant acquisitions: firstly 2S Banca which propelled SGSS to third place among European custodian[(5)], and secondly CaixaBank France whose integration enabled Boursorama to strengthen its sales platform.

The division recorded a strong increase in operating income, which rose by +21.2%* (+22.5% in absolute terms) in 2006 to stand at EUR 889 million. Net income amounted to EUR 577 million, up by 25.4% on 2005.

ASSETS UNDER MANAGEMENT (IN BILLIONS OF EUROS)



(4) This figure does not include assets held by customers of the French Networks (approximately EUR 110 billion with investable assets exceeding EUR 150,000) or assets managed by Lyxor Asset Management, whose results are consolidated in the Equity & Advisory business line (EUR 61.0 billion at December 31, 2006).
(5) Source: Globalcustody.net, January 2007.

Asset Management

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	1,047	1,152	1,281	+11.2%	+11.8%*
Operating expenses	(642)	(715)	(805)	+12.6%	+13.2%*
Gross operating income	**405**	**437**	**476**	**+8.9%**	**+9.4%***
Net allocation to provisions	0	(2)	1	NM	NM
Operating income	**405**	**435**	**477**	**+9.7%**	**+10.2%***
Net income from other assets	(2)	0	(1)	NM	
Income tax	(137)	(147)	(162)	+10.2%	
Net income before minority interests	266	288	314	+9.0%	
Minority interests	35	31	16	NM	
Net income	**231**	**257**	**298**	**+16.0%**	**+16.4%***
C/I ratio	61.3%	62.1%	62.8%		
Average allocated capital	281	298	280	-6.0%	

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

Société Générale Asset Management (SGAM) has a complete, high quality offering and its innovative capability is recognized by the market. In 2006, SGAM confirmed its positioning:

- as an innovative player by launching the first leveraged ETFs offering partial capital protection and reverse exposure to the index, as well as the first collateralized fund obligations (CFOs) on funds of hedge funds; and
- as the leading player in the CDO market with TCW (the number one player in cash CDOs[6]) and SGAM AI (number 2 worldwide in synthetic CDOs[7]).

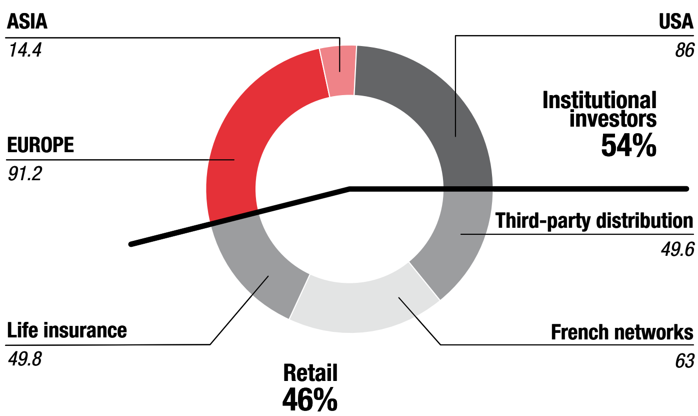
This offering and positioning enabled SGAM to book record sales performance in 2006, with net inflows at EUR 34.2 billion (10% of assets under management on an annual basis). As in 2005, this performance was mainly due to a strong sales focus on structured products such as CDOs (EUR 14.9 billion), representing 44% of net inflows for the year. At the end of December 2006, SGAM managed a total of EUR 354.0 billion of assets, versus EUR 326.7 billion one year earlier. This reasserts the Group's position as the fourth largest bank-owned asset manager in the euro zone.

The shift in the product mix towards interest rate products, which are less profitable than equity products, and the larger share of institutional clients produced a small decline in the gross margin on assets under management which stood at 38 bp in 2006 versus 39 bp in 2005.

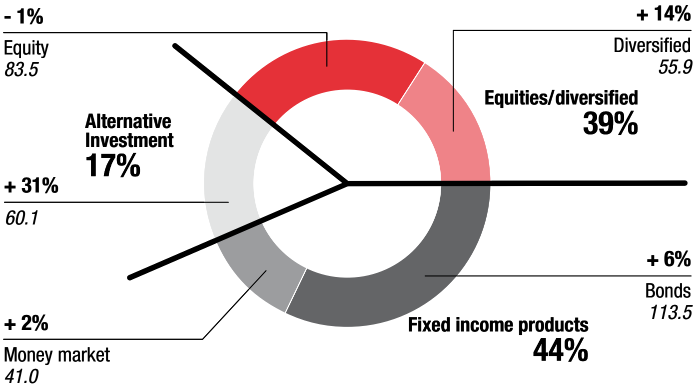
(6) Source: Standard & Poor's, June 2006.
(7) Source: Creditflux, January 2007

Net banking income for the year rose by 11.8%* on 2005 to stand at EUR 1,281 million, while operating expenses, due to the increase in variable remuneration, rose by 13.2%* to EUR 805 million. Operating income for the year thus rose by 10.2%* on 2005 to stand at EUR 477 million.

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY CUSTOMER SEGMENT AND GEOGRAPHICAL REGION (IN BILLIONS OF EUROS)



BREAKDOWN OF ASSETS UNDER MANAGEMENT BY PRODUCT IN BILLIONS OF EUROS (% CHANGE VS. 2005)



Private Banking

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	463	540	658	+21.9%	+22.3%*
Operating expenses	(334)	(376)	(434)	+15.4%	+15.7%*
Gross operating income	**129**	**164**	**224**	**+36.6%**	**+37.4%***
Net allocation to provisions	(7)	(1)	(4)	NM	NM
Operating income	**122**	**163**	**220**	**+35.0%**	**+35.8%***
Net income from other assets	(1)	0	0	NM	
Income tax	(23)	(33)	(49)	+48.5%	
Net income before minority interests	98	130	171	+31.5%	
Minority interests	8	8	12	+50.0%	
Net income	**90**	**122**	**159**	**+30.3%**	**+31.4%***
C/I ratio	72.1%	69.6%	66.0%		
Average allocated capital	243	317	378	+19.2%	

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

SG Private Banking is now a recognized player across the world. It was designated by Euromoney as the best private bank in France and Luxembourg and best global private bank in structured products, and was named best private bank in Europe by Private Banker International. Finally, SG Private Banking is also a recognized player in Asia, with the CEO of SG Private Banking Asia Pacific named Best Private Banker for the Asia-Pacific region (Private Banker International 2006).

This dynamic business performance produced record net inflows of EUR 7.7 billion (13% of assets under management on an annual basis), up 22.2% on 2005. Total assets under management amounted to EUR 67.8 billion at the end of December 2006, compared to EUR 59.4 billion a year earlier.

The business line recorded a 22.3%* rise in net banking income on 2005, as gross margins reached a high level (103 basis points).

Operating expenses (+15.7%* on 2005) rose less than net banking income. This increase includes the impact of continued investment in sales and infrastructure, as well as the rise in performance-linked pay resulting from increased business volumes.

Annual operating income was therefore up sharply (+35.8%*) on 2005 at EUR 220 million.

Société Générale Securities Services and Online Savings

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	755	892	1,256	+40.8%	+27.6%*
Operating expenses	(662)	(761)	(1,059)	+39.2%	+25.7%*
Gross operating income	**93**	**131**	**197**	**+50.4%**	**+38.3%***
Net allocation to provisions	0	(3)	(5)	+66.7%	+25.0%*
Operating income	**93**	**128**	**192**	**+50.0%**	**+38.7%***
Net income from other assets	5	0	0	NM	
Income tax	(31)	(43)	(62)	+44.2%	
Net income before minority interests	67	85	130	+52.9%	
Minority interests	3	4	10	x 2.5	
Net income	**64**	**81**	**120**	**+48.1%**	**+37.9%***
C/I ratio	87.7%	85.3%	84.3%		
Average allocated capital	197	279	428	+53.4%	

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

The market environment was extremely favorable for capital and commodities markets, underpinning robust sales volumes at SGSS. The business line either completed or announced it was holding exclusive discussions involving significant transactions in line with its strategic focus and the current trend towards concentration in the sector.

FIMAT confirmed its excellent positioning, strengthening its share of the global market[8] (6.7% for the clearing and execution of listed derivatives in 2006, versus 5.3% last year). Cube Financial, the UK derivative product broker acquired in 2006, contributed to this strong growth. Moreover Fimat announced that it was holding exclusive discussions with Calyon Financial aimed at establishing a leading player in the sector. If this transaction is completed, it will enable the new group to extend its coverage of global securities markets, broaden its offering and enhance the return on the IT investments required to handle the growth of the business.

The Global Custodian subdivision saw a 17.7% increase at a constant structure in assets under custody on 2005 and an 8% rise in the number of funds under administration. In 2006, SGSS finalized its acquisition of Unicredit's securities services business: this transaction enabled SGSS to increase its size (3rd largest European player with EUR 2,262 billion under custody at end 2006).

Boursorama confirmed its number one ranking in online brokerage in France and number 2 in the UK[9], recording strong growth in its business in 2006 (number of orders executed +33.4% at a constant structure). Moreover, the Group acquired CaixaBank France and launched a new online bank offering.

Annual net banking income at SGSS and Boursorama stood at EUR 1,256 million, up 27.6%* on 2005.

Operating expenses were up 25.7%* on 2005, accompanying the business' organic growth and recent acquisitions, while enabling a decline in the cost/income ratio (from 85.3% in 2005 to 84.3% in 2006).

Operating income for the year recorded a 38.7%* increase on 2005.

(8) On major derivatives exchanges of which FIMAT is a member.
(9) Source: Compeer.

Corporate and Investment Banking

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	4,727	5,697	6,998	+22.8%	+25.5%*
Operating expenses	(2,924)	(3,320)	(3,890)	+17.2%	+21.1%*
Gross operating income	**1,803**	**2,377**	**3,108**	**+30.8%**	**+31.2%***
Net allocation to provisions	61	145	93	-35.9%	-35.4%*
Operating income	**1,864**	**2,522**	**3,201**	**+26.9%**	**+27.4%***
Net income from companies accounted for by the equity method	26	22	24	+9.1%	
Net income from other assets	16	(11)	30	NM	
Impairment losses on goodwill	0	(13)	0	NM	
Income tax	(447)	(668)	(902)	+35.0%	
Net income before minority interests	1,459	1,852	2,353	+27.1%	
Minority interests	6	11	13	+18.2%	
Net income	**1,453**	**1,841**	**2,340**	**+27.1%**	**+27.6%***
C/I ratio	61.9%	58.3%	55.6%		
Average allocated capital	3,523	4,148	4,914	+18.5%	
ROE after tax	**41.2%**	**44.4%**	**47.6%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

The Corporate and Investment Banking division posted strong revenue growth across all its businesses in 2006, up 25.5%* on 2005, as equity and financing markets proved generally positive. The business was underpinned both by client-driven activity and trading activity which were bolstered by extremely favorable market conditions, particularly in the first half. In 2006, client-driven revenues accounted for 66% of total revenues excluding Cowen. The two business lines (Corporate Banking and Fixed Income and Equity and Advisory) made an evenly balanced contribution to the division's revenues (respective contributions of 53% and 47% of NBI excluding Cowen). This growth momentum was mainly due to the implementation of a targeted recruitment policy (+490 net front office staff recruited in 2006, up +10.9%) and through a strategy based on selective growth of the division's risk-weighted assets (+10.5%*). Similarly to previous years, Société Générale Corporate & Investment Banking (SGCIB) posted strong operating profitability in 2006 and one of the highest levels of profitability among its European competitors (ROE after tax of 47.6% in 2006).

In July 2006, SG CIB launched the IPO of Cowen & Co.

In early 2007, SG CIB improved its organizational structure through the Step Up 2010 project, in order to strengthen the client/solution approach. This development is aimed at responding to market developments, such as continued disintermediation and growth in European capital markets. SG CIB is now organized under 4 divisions: a coverage division which includes mergers and acquisitions and offers the full range of products to the Group's clients, while three divisions are in charge of tailoring solutions for each client category:

- "Capital raising and Financing" includes product expertise in the equity-debt product range for issuers;
- "Fixed Income, Currencies and Commodities", dedicated to investors, includes integrated financial engineering and a sales force covering both flow and structured products;
- "Global Equity and Derivatives Solutions" offers investors the full range of Cash Equity and Equity Derivative products and services.

Strong recognition by clients of the quality of products and solutions offered by SG CIB was reflected in 2006 by the many awards from specialist magazines and through higher rankings in the league tables:

- in **derivative products,** The Banker (for the 4th year in a row), and IFR (for the 3rd year in a row) named Société Générale as Global Equity Derivatives House of the Year. The Group ranked number1 worldwide in warrants with a market share of 18.4%. Its asset management subsidiary Lyxor recorded a 17.9% increase in assets under management (EUR 61.0 billion at end 2006) partly through the launch of 40 new ETFs;
- in the **euro capital markets,** the Group confirmed its number 5 ranking in euro debt markets (for the third year in a row). It ranked number 2 in France and has been among the top three in Spain since 2004, and continued to rise from 4th to 2nd rank in the corporate euro debt market, ranking number one in France and Italy (Thomson Financial). Moreover SG CIB was named "Best Debt House in France" by Euromoney and also emerged as a major player in securitization activities (ranked number 3 in euro securitization by Thomson Financial);
- in **structured finance,** SG CIB confirmed its strong position by winning many awards in 2006. The Group was designated "Best Export Finance Arranger" for the 5th year in a row by Trade Finance Magazine. In commodities, the bank was designated "Best Commodity Bank" in 2006 and "Best structured Commodity Bank" for the 4th year in a row (Trade Finance magazine).

Corporate Banking and Fixed Income

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	2,698	3,143	3,649	+16.1%	+16.3%*
Operating expenses	(1,569)	(1,786)	(2,128)	+19.1%	+19.3%*
Gross operating income	**1,129**	**1,357**	**1,521**	**+12.1%**	**+12.4%***
Net allocation to provisions	106	132	102	-22.7%	-22.1%*
Operating income	**1,235**	**1,489**	**1,623**	**+9.0%**	**+9.4%***
Net income from companies accounted for by the equity method	27	22	20	-9.1%	
Net income from other assets	18	(10)	30	NM	
Impairment losses on goodwill	0	0	0	NM	
Income tax	(297)	(377)	(462)	+22.5%	
Net income before minority interests	983	1,124	1,211	+7.7%	
Minority interests	6	11	8	-27.3%	
Net income	**977**	**1,113**	**1,203**	**+8.1%**	**+8.5%***
C/I ratio	58.2%	56.8%	58.3%		
Average allocated capital	3,168	3,751	4,296	+14.5%	
ROE after tax	**30.8%**	**29.7%**	**28.0%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

Corporate Banking and Fixed Income saw a hefty 16.3%* increase in revenues on last year, mainly due to market activities, in particular fixed income, credit and commodities. The business line also posted a sharp annual increase in client-driven revenues (up 19%).

Equity and Advisory

(in millions of euros)	2004	2005	2006	Change 2006/2005	
Net banking income	2,029	2,554	3,349	+31.1%	+37.8%*
Operating expenses	(1,355)	(1,534)	(1,762)	+14.9%	+23.6%*
Gross operating income	**674**	**1,020**	**1,587**	**+55.6%**	**+56.2%***
Net allocation to provisions	(45)	13	(9)	NM	NM
Operating income	**629**	**1,033**	**1,578**	**+52.8%**	**+53.4%***
Net income from companies accounted for by the equity method	(1)	0	4	NM	
Net income from other assets	(2)	(1)	0	NM	
Impairment losses on goodwill	0	(13)	0	NM	
Income tax	(150)	(291)	(440)	+51.2%	
Net income before minority interests	476	728	1,142	+56.9%	
Minority interests	0	0	5	NM	
Net income	**476**	**728**	**1,137**	**+56.2%**	**+57.0%***
C/I ratio	66.8%	60.1%	52.6%		
Average allocated capital	355	398	618	+55.3%	
ROE after tax	**134.1%**	**182.9%**	**184.0%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

The **Equity and Advisory** business line delivered excellent performance in 2006 (revenues up by a sharp 37.8%* on 2005), driven by sustained client activity and strong results in trading activities which benefited from the favorable trading environment in the first half. The Cash Equity and Advisory businesses also exploited the rise in secondary market activity in Europe.

Operating expenses in the **Corporate and Investment Banking** division were up 21.1%* on 2005, well below the rate of revenue growth. The division continued its strategy of targeted investments reflecting its profitable growth strategy.

The cost to income ratio thus came out at a low of 55.6% for the year, while gross operating income rose sharply by 31.2%* on 2005.

The credit risk environment remained favorable, enabling the division to book a net write-back of EUR 93 million from its provisions over the year (write-back of EUR 145 million in 2005). Few new loans required provisioning and provision write-backs were limited.

Strong revenue growth was achieved against a backdrop of tight market risk control. Average VaR for the year stood at EUR 24.7 million versus EUR 19.5 million in 2005 (+26.7%).

The Corporate and Investment Banking division made a very high contribution of EUR 2,340 million, representing a 27.1% increase on 2005.

For the last four years, the division has posted after tax profitability in excess of 30%: ROE after tax came out at 47.6% for 2006, versus 44.4% in 2005.

Corporate Center

(in millions of euros)	**2004**	**2005**	**2006**
Net banking income	(270)	224	201
Operating expenses	(126)	(151)	(131)
Gross operating income	**(396)**	**73**	**70**
Net allocation to provisions	(33)	27	(1)
Operating income	**(429)**	**100**	**69**
Net income from companies accounte for by the equity method	9	0	(5)
Net income from other assets	158	152	3
Impairment losses on goodwill	4	(10)	(18)
Income tax	197	171	134
Net income before minority interests	(61)	413	183
Minority interests	72	210	215
Net income	**(133)**	**203**	**(32)**

** When adjusted for changes in Group structure and at constant exchange rates.*
2004: IFRS (excluding IAS 32 & 39 and IFRS 4).
2005 and 2006: IFRS (including IAS 32 & 39 and IFRS 4).

The Corporate Center recorded negative net income of EUR 32 million for the year (EUR +203 million in 2005).

Net capital gains from the equity portfolio, now booked under NBI, amounted to EUR +296 million for the year, versus EUR 253 million in 2005. At December 31 2006, the IFRS net book value of the industrial portfolio, excluding unrealized capital gains, stood at EUR 1.1 billion, representing market value of EUR 1.8 billion.

While gross operating income remained virtually stable between 2005 and 2006, the decline in the annual result of the Corporate Center on 2005 was mainly due to high net gains from asset disposals booked in 2005 (sale of the Group's retail banking business in Argentina and disposal of its 19% stake in United Arab Bank) and an increase in the effective tax rate (28.4% in 2006 vs. 26.7% in 2005).

Methodology

1. The Group has retrospectively modified the accounting method for the acquisition of minority interests of controlled subsidiaries and put options granted to minority shareholders in controlled subsidiaries and in 2006 reclassified undated subordinated notes as Group shareholders' equity.

- From a 'goodwill to a 'shareholders' equity' approach:
  - where an additional stake is taken in one of our controlled subsidiaries (e.g. purchase of minority interests), all goodwill is now recognized as Group shareholders' equity, rather than assets => impact on balance sheet;
  - where the partial sale of a subsidiary occurs without resulting in the loss of control, the gains or losses from the sale are directly entered into shareholders' equity => impact on P&L: restatement of net income on other assets.
- Change in accounting method for put options granted to minority shareholders:
  - goodwill arising from the valuation of these puts in the Group's balance sheet is now recognized as Group shareholders' equity, rather than assets, in accordance with the abovementioned approach => Impact on shareholders' equity;
  - net income (loss) for the full year relative to these puts is now incorporated into minority income instead of being accounted for under Group net income => impact on P&L: restatement of minority interests.
- The Group has restated undated subordinated notes as Group shareholders' equity instead of debt(10)=> impact on shareholders' equity and P&L (restatement of NBI).

The impact of this restatement since January 1, 2005 on Group shareholders' equity is as follows:

(in millions of euros)	**01/01/2005**	**06/30/2005**	**12/31/2005**	**06/30/2006**
Group shareholders' equity before restatement	**18,530**	**20,904**	**23,550**	**24,666***
Change in accounting methodology for minority interests and minority puts	(585)	(750)	(984)	(937)
Reclassification of undated subordinated notes	450	484	477	451
Group shareholders' equity after restatement	**18,395**	**20,638**	**23,043**	**24,180**

** This amount differs from the amount published on June 30, 2006 which already included the restatement of two undated subordinated notes.*

(10) Due to the existence of discretionary clauses relating to the interest payments on these notes. Reclassification of two undated subordinated notes on June 30 2006, and of two others on December 31, 2006.

The impact of the restatement on Group net income since January 1, 2005 is as follows:

(in millions of euros)	Q1 05	Q2 05	Q3 05	Q4 05	2005	Q1 06	Q2 06	Q3 06	Q4 06	2006
Net Banking Income	**1**	**3**	**(5)**	**(3)**	**(4)**	**(4)**	**0**	**4**	**0**	**0**
o.w. Corporate Centre	1	3	(5)	(3)	(4)	(4)		4		0
Net gains or losses on other assets	**0**	**0**	**0**	**(10)**	**(10)**	**0**	**0**	**0**	**0**	**0**
o.w. Corporate Centre				(10)	(10)					0
Minority interests	**8**	**7**	**7**	**13**	**35**	**10**	**6**	**5**	**6**	**27**
o.w. Global Investment Management & Services	10	8	9	9	36	9	6	3	6	24
o.w. Financial Services	(1)	(1)	(1)	1	(2)					0
o.w. Corporate Centre	(1)		(1)	3	1	1		2	0	3
Net income	**(7)**	**(5)**	**(10)**	**(22)**	**(44)**	**(12)**	**(6)**	**(3)**	**(6)**	**(27)**
o.w. Global Investment Management & Services	(10)	(8)	(9)	(9)	(36)	(9)	(6)	(3)	(6)	(24)
o.w. Financial Services	1	1	1	(1)	2					0
o.w. Corporate Centre	2	2	(2)	(12)	(10)	(3)		0	0	(3)

2. Group ROE is calculated on the basis of average Group shareholders' equity under IFRS excluding (i) unrealized or deferred capital gains or losses booked directly under shareholders' equity except translation reserves (ii) deeply subordinated notes, (iii) undated subordinated notes recognized as shareholders' equity, and deducting (iv) interest to be paid to holders of deeply subordinated notes and of the restated, undated subordinated notes. The net income used to calculate ROE excludes interest, net of tax impact, to be paid to holders of deeply subordinated notes for the period and, as of 2006, to the holders of restated, undated subordinated notes (i.e. EUR 41 million for the year vs. EUR 25 million in 2005).

3. Earnings per share (EPS) is the ratio of (i) net income for the period (under IFRS excl. IAS 32 & 39 and IFRS 4 for 2004 and IFRS incl. IAS 32 & 39 and IFRS 4 for 2005 and 2006) after deduction (as of 2005) of the interest, net of tax, to be paid to holders of deeply subordinated notes (EUR 25 million for 2005, EUR 28 million for 2006) and, as of 2006, the interest, net of tax, to be paid to holders of undated subordinated notes which were reclassified from debt to shareholders' equity (EUR 13 million for 2006), (ii) the average number of shares outstanding excluding treasury shares, but taking into account (a) trading shares held by the Group, and (b) shares held under the liquidity contract. In accordance with IAS 33, historical data per share have been adjusted by a factor of 0.99336 (supplied by Euronext) following the detachment of the preferential subscription right to Société Générale shares for the capital increase in the fourth quarter of 2006.

4. Net assets are comprised of Group shareholders' equity, excluding (i) deeply subordinated notes (EUR 1 billion), undated subordinated notes previously recognized as debt (EUR 0.4 billion), and (ii) interest to be paid to holders of deeply subordinated notes and undated subordinated notes, but reinstating the book value of trading shares held by the Group and shares held under the liquidity contract. The number of shares used to calculate book value per share is the number outstanding at December 31 2006, excluding treasury shares, but taking into account (a) trading shares held by the Group, and (b) shares held under the liquidity contract. In accordance with IAS 33, historical data per share have been adjusted by a factor of 0.99336 (supplied by Euronext) following the detachment of the preferential subscription right to Société Générale shares for the capital increase in the fourth quarter of 2006.

FINANCIAL POLICY

The objective of the Group's capital management policy is to optimize the use of capital in order to maximize the short-and-long-term return for the shareholder, while maintaining a capital adequacy ratio (Tier-one ratio) in keeping with its objectives and with its target rating.

Following the capital increase in October 2006, the Tier-one ratio at the end of 2006 was 7.8%, due to respective changes in available capital and its use over the year. The Group aims to maintain a Tier-one ratio at the top end of a 7% to 7.5% range between now and 2008.

Capital base

At December 31, 2006, Group shareholders' equity amounted to EUR 29.1 billion(1) and book value per share to EUR 63.7, including EUR 4.9 per share of unrealized capital gains. Risk-weighted assets were pushed up by 11.8%* year-on-year (+12.1% in absolute terms) reflecting strong organic growth in all the Group's businesses. However, this was lower than the pace of revenue growth.

In October 2006, the Group implemented a EUR 2.4 billion capital increase which enabled it to finance acquisitions underway while pursuing its profitable growth strategy and strengthening its capital base. The Tier one ratio stood at 7.8% at December 31 2006, up from the level of 7.6% at December 31, 2005.

The Group follows a share buyback policy designed to neutralize the dilutive impact of the annual capital increase reserved for employees and the attribution of stock options and restricted shares. Under this policy, the Group bought back 6.2 million shares in 2006. As of December 31, 2006, Société Générale held 22.9 million treasury shares (i.e. 5.0% of its capital), excluding those held for trading purposes.

Emphasising the Group's capacity to consistently deliver profitable growth, its risk control and financial strength, Standard & Poor's and Fitch raised their long-term rating for Société Générale from AA- to AA in 2006 (Moody's rating: Aa2).

Generation and use of capital in 2006

The main changes in shareholders' equity over 2006 were as follows:

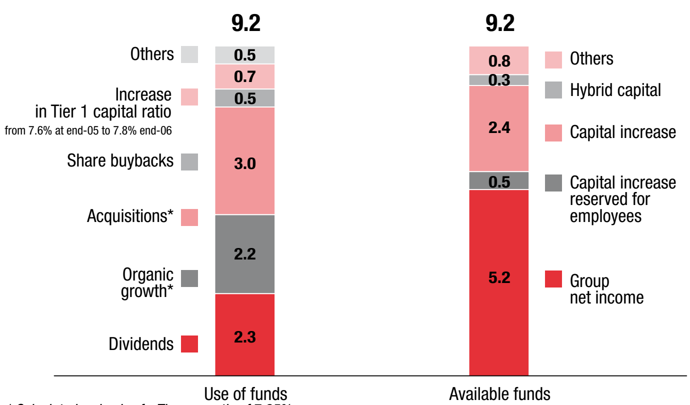
Available funds:

- attributable net income of EUR 5.2 billion;
- additional paid-in capital from capital increases reserved for employees in the amount of EUR 0.5 billion;
- additional paid-in capital from the issuance of equity instruments (deeply subordinated notes), in the amount of EUR 0.3 billion;
- additional paid-in capital from the capital increase in the amount of EUR 2.4 billion;
- various items, including changes in reserves, in the amount of EUR 0.8 billion.

Use of funds:

- financing of organic growth: EUR 2.2 billion in 2006 at constant exchange rates, reflecting growth in all the Group's businesses;
- financing of acquisitions: EUR 3.0 billion in 2006;
- the dividend for 2006 which is subject to the approval of the General Meeting, up 16% on 2005 (pay-out ratio of 42% in 2006);
- share buybacks intended to dilute the impact of capital increases reserved for employees, corresponding to the purchase of 6.2 million shares in 2006 (EUR 0.5 billion).

In billions of euros



** Calculated on basis of a Tier-one ratio of 7.25%*

Financing of the main investments currently underway

The main investments currently underway will be financed using the Group's usual sources of funds.

(1) This figure includes (i) EUR 1 billion from the issue of deeply subordinated notes in January 2005, EUR 0.4 billion in undated subordinated notes and (ii) EUR 2.2 billion of unrealized capital gains.

SIGNIFICANT NEW PRODUCTS OR SERVICES

In line with its strategy of innovation, the Société Générale Group launched a number of new products and services in 2006, the most significant of which are listed below:

Business Division	New product or service	
French Networks	Transfers by mobile phone	Free service offered by Société Générale allowing customers to transfer money between their own accounts or to third-party accounts using their mobile phone.
	Jazz Pro	A tailor-made Société Générale service for everyday banking designed for professionals.
	Cycléa@Cautions	A Société Générale service allowing business customers to request, issue and manage market guarantees.
	Etoile Court Terme Absolue	Crédit du Nord extended its range of dynamic money-market funds for institutional investors and businesses with the launch of this fund, which targets absolute performance at the short end of the yield curve.
	Etoile Top 2006	Crédit du Nord launched a guaranteed fund giving access to equity markets via a basket of 4 investment funds with attractive taxation, and offering a capital guarantee at maturity.
Retail Banking outside France	New Komercni Banka credit card for students	Komercni Banka launched a new credit card for students and raised its overdraft limit.
Financial Services	“Shopping & More” card	New revolving credit offer from Hanseatic Bank (specialized in consumer credit in Germany) linked to a Visa credit card and distributed by its partner, the mail order group, Otto.
Asset Management	ETF range	The ETF range was extended, in particular by the first ETFs offering partial capital protection or with a leverage effect.
	SGAM Fund range	The SGAM Fund launched an equity subfund focused on Asia, combining two investment strategies, called Equities Asia Pac Dual Strategies (growth potential and attractive dividends).
Securities Services	Carré VIP	SGSS launched a new top-end service for options management and securities services. This new solution is designed for issuers who want their major shareholder/option-holder managers to benefit from a personalized and differentiated management service.
Corporate and Investment Banking	Certificates range	The range of products was enriched with the 100% certificates which can be used to invest in water, solar power, bioenergy, the Privex (listed private equity) index, emerging markets (India) as well as in a wide range of raw materials (precious metals, base metals, energy, agricultural materials, etc.).
	Long and short Turbos range	The launch of the first range of long and short Turbos products, which are perpetual with a security threshold to limit risk to the investment. Turbos offer much higher leverage for limited investments.
	Lyxor ETF range extended into Asia	Lyxor launched its first ETF in Asia: Lyxor ETF MSCI Asia Pacific ex Japan and Lyxor ETF China Enterprise on the Singapore stock exchange.
	Acquisition financing	Launch of acquisition financing and leverage financing business in the Asia Pacific region, offering debt restructuring, underwriting and bookrunning services.
	Orbeo	Creation of a joint venture combining the expertise of Société Générale and Rhodia which plays a major role in the Credit emissions market (CER) by increasing liquidity with 100 millions CERs generated by Rhodia in the framework of the Clean Development Mechanism.
	Egret Capital LLP	Creation of an independent CLO (Collateralized Loan Obligation) management company dedicated to taking advantage of leveraged loans as an asset class.

NB: for a full list of all new products and services, go to www.socgen.com

MAJOR INVESTMENTS

As part of its strategy to increase it customer base and secure its long-term growth, the Group made further targeted acquisitions in 2006, notably in its designated growth drivers: Retail Banking outside France, Financial Services, Global Investment Management & Services.

Business Division	Description of the investment
2006	
Retail Banking outside France	Acquisition of a 99.75% stake in HVB Splitska Banka d.d., Croatia's 4th banking network.
	Acquisition of a 20% stake less one share in Rosbank (Russia's No.2 Retail Banking network). Interros has granted Société Générale a call option on 30% plus 2 shares of Rosbank to gain control before the end of 2008.
	Full control by Komercni Banka (Czech Republic) of Modra Pyramida (increase in stake from 40% to 100%).
	Acquisition of a 60% stake in Bank Republic, one of the leading Georgian banks.
Financial Services	Acquisition by Rusfinance, a wholly-owned Société Générale subsidiary, of SKT Bank (Russia), a specialist in financing via car dealers.
	Acquisition of Chrofin, a Greek company specialized in car financing and leasing.
	Acquisition of 100% of Oster Lizing, a Hungarian consumer credit company specialized in car financing.
	Acquisition by ALD International of Ultea, a fleet-management specialist based in the US.
	Acquisition of a first tranche of 45% stake in Apeejay Finance (India), specialized in financing a large range of products including cars, utility and commercial vehicles, two-wheeled vehicles and consumer goods.
	Acquisition of Inserviss Group, a Latvian company with a wide range of consumer credit products.
Asset Management	Acquisition of a 20.65% stake in TCW.
Securities Services and Online Savings	Acquisition by Boursorama of CaixaBank France, the French subsidiary of CaixaHolding.
	Acquisition by Fimat of Cube Financial, a London and Chicago-based broker specialized in the execution of derivatives.
	Acquisition of Unicredit's securities services business (2S Banca S.p.a.), the second largest custodian in Italy.
2005	
Retail Banking outside France	Acquisition of 91% of MIBank (Egypt) by NSGB.
	Acquisition of 100% of DeltaCredit Bank, Russia's leading player in housing loans.
	Acquisition of 64.44% of Podgoricka Banka, the third largest bank in Montenegro (13.3% market share).
Financial Services	Acquisition of a 75% stake in Hanseatic Bank, a subsidiary of the Otto Group. Hanseatic Bank ranks as Germany's No.4 consumer credit specialist.
	Acquisition by Fiditalia of Finagen's financing business in Italy.
	Acquisition by ALD International of a 51% stake in Alfa Oto Filo Kiralama, a Turkish group specializing in operational vehicle leasing.
	Acquisition of Eurobank, a Polish company specializing in consumer credit.
	Acquisition of 100% of Promek Bank subsidiary of the Sok Group (Russia) and one of the leading regional banks specializing in consumer credit, and notably in car loans.
Corporate and Investment Banking	Acquisition of Bank of America's hedge fund-linked structured investment business.
Securities Services and Online Savings	Acquisition by Fimat of PreferredTrade (US) in order to extend its service offering in all cash equities and equity derivative products.
	Acquisition by Boursorama of Squaregain (ex Comdirekt UK), a major online brokerage player in the UK.
2004	
Retail Banking outside France	Purchase of a majority stake (50.01%) in General Bank of Greece.
Financial Services	Acquisition of the business finance activities of Elcon, Norway's leading player in this field.
Asset Management	Acquisition of Resona Asset Management.

RECENT DEVELOPMENTS AND FUTURE PROSPECTS

In 2007, the Group will continue to roll out its profitable growth strategy, which it has successfully developed since 1999.

The strategic priorities will remain unchanged:

- to maintain a portfolio which is evenly balanced between the businesses and risk;
- to improve operating efficiency;
- to develop both the Group's positions in geographic regions and the businesses with the best long-term growth prospects.

The French Networks will consolidate their existing franchises by increasing customer acquisition and loyalty in both the individual and SME segments. This will be achieved through the skills and talents of the network staff, and through ongoing improvements in the operating platforms designed to further improve our response to customers' requirements and enhance productivity.

The Corporate and Investment Banking division, capitalizing on its leadership positions in derivatives, structured finance and euro capital markets, launched its 'Step Up 2010' project at the beginning of 2007. The purpose of this plan is to accelerate the momentum in its businesses by developing both client relations and the product offering in order to provide its clients with the best service and the most innovative solutions.

The Group's growth drivers, Specialized Financial Services, Retail Banking outside France, Global Investment Management and Services, will continue to make a substantial contribution to the increase in the Group's results by further developing their dynamic organic growth policy.

The organic growth strategy, which is being rolled out at international level, will be underpinned by a sustained pace of recruitment, both in and outside France and across all businesses.

In parallel to this organic growth, the Group will continue to look for acquisitions and partnerships that meet its criteria in terms of risk, creation of value and integration.

The Group will continue its strict risk management policy, in particular as regards exposure to emerging markets.

Efficient capital management will be used to maintain the Tier-one ratio at the top end of a 7% to 7.5% bracket until 2008.

Lastly, the pooling of resources and the strengthening of synergies the businesses and foreign subsidiaries will be stepped up by the newly created Corporate Resources division.

Given the growth recorded within the Retail Banking outside France and Specialized Financing divisions, Société Générale is reviewing their respective structures in order to facilitate their future development. The Group's Retail Banking activities which up until now have been regrouped within the same division, are to be separated into three different entities: Retail Banking in France, Retail Banking outside France and Specialized Financial Services. This pooling of resources and heightened synergies between business lines and geographic locations will be stepped up under the supervision of the Group's newly-established Resources Department. This restructuring, announced on September 27, 2006, is to be implemented over the first half of 2007 after consultation with the different staff representative bodies.

Finally, conscious of the impact of the Financial Instruments Market (FIM) directive on its different activities, the Group has for several months now been actively working on the changes that need to be made internally following its implementation. This work to ensure the Group's compliance with the provisions of the directive, brings together operational staff from Société Générale's retail and investment banking, asset management and securities divisions and staff from the Group's Corporate Center functions, particularly its Legal and Compliance departments.

POST-CLOSING EVENTS

The main post-closing events are as follows:

Acquisition of over 70% of Mobiasbanca

On January 4, 2007, Société Générale acquired 70.57% of Mobiasbanca for EUR 18.4 million during a public offering.

Founded in 1990, Mobiasbanca is the leading network in the capital, Chisinau, and the third banking network in Moldavia, with 63 branches and 505 staff. The leader in consumer loans with 20% market share, Mobiasbanca offers products and services to over 47,000 individual customers and 6,000 business customers of which 5,700 are small- and medium-sized companies. Thanks to its dynamism and solid customer base, Mobiasbanca posted a significant increase in activity in 2005.

This acquisition strengthens Société Générale's position as a major player in Central and Eastern Europe, where the Group has a strong presence with over 1,450 branches and 4.7 million individual customers.

Announcement of planned merger between Fimat and Calyon Financial

On January 8, 2007, Société Générale and Calyon entered into exclusive negotiations regarding a possible merger of their brokerage activities, currently carried out by Fimat and Calyon Financial respectively.

The newly formed entity would be a world leader in execution and clearing of listed financial futures and options (potentially number 3 in the US in particular)[(1)]. This combined group would provide access to more than 70 derivatives exchanges to an international base of institutional clients. It would also be a major player in interdealer brokerage of OTC derivatives and securities, as well as offering prime brokerage services.

The combination of both parties' customer base, as well as their respective products and services, would ensure the new group's competitiveness in the coming years and create a strong potential for cross-selling.

The proposed new group would be controlled equally by Société Générale and Calyon, with headquarters located in Paris.

The prospects for the newly-created group will be presented upon the signing of the agreement, and the project submitted for the prior approval ot the various staff representative bodies.

Announcement of the acquisition of 51% of Banque Internationale d'Investissement in Mauritania

On January 17, 2007, Société Générale announced the acquisition of 51% of the capital of Banque Internationale d'Investissement (BII). This operation has been approved by the Central Bank of Mauritania.

Société Générale, alongside European investors with significant experience in the Mauritanian market – the French group Ballouhey SA (36.75%) and the European Investment Bank (12.25%) – has confirmed its commitment to turning BII into a benchmark for the Mauritanian banking sector. Recently founded in Nouakchott, BII provides an offer dedicated to corporate clients with services in international trade, e-banking and savings. Backed by the financial solidity of a large international group with expertise in universal banking, BII aims to play an active role in the development of a country with favorable growth prospects due to natural mining and oil resources.

The move will strengthen Société Générale's positions in North and West Africa, where the Group is a leading player.

Fimat signs an agreement with Himawari with a view to acquiring Himawari CX's commodities business

Fimat, one of the world's leading global brokerage organizations, and Himawari CX, Inc. a Japanese commodity futures commission merchant and a subsidiary of Himawari Holdings Inc., announced on February 16, 2007, that they had agreed to enter into exclusive negotiations to finalize an asset purchase agreement for the acquisition by Fimat of the key assets of the Himawari CX, Inc. wholesale execution and clearing business. The acquisition will be subject to approval from the relevant regulatory authorities.

(1) Rating established on the basis of the customer segregated funds on US markets and customer accounts required on foreign markets as at December 31, 2006. (Source: Commodity Futures Trading Commission).

Announcement of the acquisition of Banco Cacique in Brazil

Société Générale has announced the acquisition of Banco Cacique, a major player in consumer credit in Brazil. Upon completion of this transaction, which was signed on February 25 and which is subject to approval by the Brazilian Central Bank, Société Générale Group will own 100% of Banco Cacique.

Banco Cacique, whose head offices are in São Paulo, employs 1,800 people and serves 600,000 customers with 200,000 active cards. The bank currently boasts a network of 150 directly-owned branches and 1,800 prescriptors and its extensive network is set to increase twofold in the next four years, thereby covering the main Brazilian states and adding to Banco Cacique's presence in the states of São Paulo, Rio de Janeiro, Minas Gerais, Parana, Rio Grande do Sul and Santa Catarina.

This transaction enhances Société Générale Consumer Finance's existing operation and is in keeping with the Société Générale Group's intention of strengthening its presence in specialized financial services in Brazil where the fleet of ALD Automotive (long-term vehicle leasing) already exceeds the 1,000-vehicle mark, just one year after the business was launched.

Significant changes in the Group's financial or trading position

There have been no significant changes in the Group's financial or trading position since the end of 2006.

IMPLEMENTATION OF THE BASEL II REFORM

Entry into effect of the Basel II Agreement

The Basel agreement signed in June 2004 provides for new regulations which change the manner in which minimum capital requirements are calculated in order to better adjust them to different banking risks (Pillar I). In particular, the agreement provides for specific capital requirements in order to cover operational risks. Basel II also aims to reinforce prudential and supervisory review procedures (Pillar II) as well as disclosure requirements (Pillar II).

The European Capital Requirement Directive, which was adopted in June 2006 and which transposes the texts of the Basel Committee, entered into effect in 2007. Its transposition into French law is in the process of completion.

The aim of Société Générale Group is to obtain the authorization of the French Banking Commission to apply the agreement's advanced measurement approaches (IRBA, AMA) as of January 2008.

Organization of the adaptation of Société Générale Group to the principles of Basel II

Within Société Générale, a group wide program was implemented as of February 2003 which is headed up by a director who reports to the Group's General Management. A management committee meets once a quarter to discuss the program whose operational aspects are overseen by the Chief Financial Officer and Chief Risk Officer.

In concrete terms, this program deals with the analysis of the Basel texts and their transposition at a national and European level, as well as their interpretation and practical application. In particular, it verifies the compliance of ratings models and systems with the new requirements of the agreement and their effective deployment.

It also covers the coordination in operational terms of the adaptation of Group systems and processes, and monitors the quality of the tests in place in the production of ratios and reporting.

The program also incorporates Credit Risk and Operational Risk projects, each of which deals with a series of areas, is managed by a specific unit and is allocated specific resources. Basel II project committees have been set up within each of the Group's business lines as well as within the relevant functional departments, notably the Risk and Finance Departments.

Lastly, the measures in place to ensure the successful adaptation of the Group's banking practices to the requirements of the Basel agreement also include a number of training and communication initiatives.

Progress made in transposing the reform within the Group

As soon as the first Basel texts were published, Société Générale began a series of analyses and studies into their impact for the Group in order to enable it to set up the relevant projects and begin the necessary adaptation, particularly as regards counterparty and transaction ratings models, banking practices and information systems.

The general training programs that took place in 2005 and 2006 were completed by more specific training geared towards the Group's different business lines and the use of new tools.

Specifications have been defined at both a Group and division level. The adaptation of the central data system and creation of a central calculator have allowed Société Générale to carry out the first real scale tests (production of the ratio and reporting) and to prepare for the official production of the Basel II ratio as of 2008 alongside the data required under existing legislation.

This system is currently under review by the French Banking Commission.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(in billions of euros)	01.01.2005*	12.31.2005*	12.31.2006	Change 12.31.2006/ 12.31.2005
Cash, due from central banks	5.2	6.2	**9.4**	51%
Financial assets at fair value through profit or loss	278.4	400.4	**453.2**	13%
Hedging derivatives	2.8	3.7	**3.7**	-2%
Available-for-sale financial assets	67.2	73.0	**78.7**	8%
Due from banks	53.4	53.5	**68.2**	28%
Customer loans	198.9	227.2	**263.5**	16%
Lease financing and similar agreements	20.6	22.4	**25.0**	12%
Revaluation differences on portfolios hedged against interest rate risk	0.3	0.2	**0.0**	NM
Held-to-maturity financial assets	2.2	1.9	**1.5**	-25%
Tax assets and other assets	32.2	32.7	**36.0**	10%
Tangible, intangible assets and other	11.5	13.9	**17.6**	27%
Total	**672.7**	**835.1**	**956.8**	**15%**

LIABILITIES

(in billions of euros)	01.01.2005*	12.31.2005*	12.31.2006	Change 12.31.2006/ 12.31.2005
Due to central banks	1.5	2.8	**4.2**	51%
Financial liabilities at fair value through profit or loss	208.2	275.0	**298.7**	9%
Hedging derivatives	3.4	2.2	**2.8**	31%
Due to banks	79.8	113.2	**129.8**	15%
Customer deposits	192.9	222.5	**267.4**	20%
Securitized debt repayables	68.8	84.3	**100.4**	19%
Revaluation differences on portfolios hedged against interest rate risk	0.7	0.8	**0.1**	-82%
Tax liabilities and other liabilities	31.3	34.7	**41.2**	19%
Underwriting reserves of insurance companies	48.8	57.3	**64.6**	13%
Other provisions	2.9	3.0	**2.6**	-15%
Subordinated debt	12.1	12.1	**11.5**	-5%
Group shareholders' equity	18.4	23.0	**29.1**	26%
Minority interests	3.9	4.2	**4.4**	5%
Total	**672.7**	**835.1**	**956.8**	**15%**

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

At December 31, 2006, the consolidated balance sheet stood at EUR 956.8 billion, representing an increase of EUR 121.7 billion (+14.6%) versus December 31, 2005 (EUR 835.1 billion). The change in the dollar, yen and pound sterling exchange rates affected the balance sheet in the amount of EUR -23.9 billion, EUR -3.5 billion and EUR +0.6 billion respectively.

The main changes in the Group's structure over the course of 2006 were the acquisition of a 99.75% stake in the capital of HVB Splitska Banka, of 100% of CaixaBank France, of the securities service business of Unicredit (2S Banca), along with an increased stake in Modra Pyramida (from 40% to 100%) and the consolidation of SGB Guinée Équatoriale. These changes in scope added EUR +10.9 billion to the Group's consolidated balance sheet.

Main changes in the consolidated balance sheet

The fair value of financial assets booked through profit and loss (EUR 453.2 billion at December 31, 2006) increased by EUR 52.8 billion in relation to December 31, 2005, including an impact of EUR -14.6 billion from the dollar. EUR 48.5 billion of this rise is attributable to an increase in the value of the trading portfolio (EUR +26 billion for the equity portfolio, EUR +8.2 billion for the bond portfolio, EUR +16.3 billion for securities purchased under resale agreements and EUR -2.5 billion for public notes). It is also attributable to a EUR 6 billion rise in the value of the portfolio of financial assets measured using fair value option. However, there was a EUR -1.7 billion decrease in the value of trading derivatives (EUR +4 billion for premiums on equity and index derivatives, EUR +2 billion for the value of commodity futures and options, EUR +4 billion for credit derivatives, EUR -2.3 billion for currency instruments and EUR -8.3 billion on interest rate futures and options).

Similarly, the fair value of financial liabilities booked through profit and loss (EUR 298.7 billion at December 31, 2006) increased by EUR 23.7 billion in relation to 2005, including an impact of EUR -7 billion from the dollar. The rise is attributable to a EUR 18.7 billion increase in the value of trading liabilities, including EUR +5.4 billion on securitized debt payables, EUR +1.6 billion on securities sold on repurchase agreements and EUR +12.7 billion on borrowed securities and debt and equity instruments sold short. It is also attributable to a EUR 5.7 billion rise in the portfolio of financial liabilities measured using fair value option. However, there was a EUR 0.7 billion decline in the value of trading derivatives (EUR +4 billion on equity and index derivatives and options, EUR +1 billion on commodity futures and options, EUR +4 billion on credit derivatives, EUR -2.6 billion on currency instruments and EUR -7.3 billion on interest rate futures and options).

Debts from banks increased by EUR 14.7 billion, including an impact of EUR -2.4 billion from the currency effect. Most of this rise is attributable to securities purchased under resale agreements (EUR +7.6 billion), overnight loans (EUR +2.2 billion) and sight accounts (EUR +3.8 billion).

Debts to banks increased by EUR 16.6 billion, including an impact of EUR -5.2 billion from the currency effect. Most of this rise is attributable to borrowings secured by notes – overnight (EUR +4.6 billion), time deposits and borrowings (EUR +6.3 billion) and securities sold under repurchase agreements (EUR +2.7 billion).

Customer loans stood at EUR 263.5 billion at December 31, 2006, including securities purchased under resale agreements, representing a rise of EUR 36.4 billion or 16% versus December 31, 2005, and including an impact of EUR -4.1 billion from the dollar and EUR +5.6 billion from changes in the consolidation scope (CaixaBank France: EUR 2.2 billion and Splitska Banka: EUR 2.1 billion).

This increase mainly reflects the following:

- increased housing loan issuance (EUR +12 billion), linked to the buoyant property market;
- growth in short-term credit facilities (EUR +9.6 billion) primarily for business customers (EUR +6.2 billion) and individual customers (EUR +2.4 billion);
- a rise in equipment loans (EUR +5.2 billion);
- the increase in borrowings secured by notes and securities sold under repurchase agreements (EUR +5.5 billion).

Outstanding customer deposits, including securities sold under repurchase agreements, stood at EUR 267.4 billion at December 31, 2006, up by EUR 44.9 billion (+20.2%) versus December 31, 2005. This rise incorporates a EUR -5.3 billion impact from changes in the dollar exchange rate, and a EUR +6.5 billion impact from changes in the consolidation scope (Modra Pyramida (EUR 2 billion), 2S Banca (EUR 1.8 billion), Splitska Banka (EUR 1.5 billion), and CaixaBank France (EUR 1.2 billion).

This increase primarily reflects the increase in demand regulated savings accounts (EUR +2 billion), current accounts (EUR +14 billion), overnight loans for financial customers (EUR +10.2 billion), securities sold under purchase agreements (EUR +11.1 billion) and other time deposits (EUR +6.6 billion).

Group shareholders' equity stood at EUR 29.1 billion at December 31, 2006 versus EUR 23.0 billion at December 31, 2005, mainly reflecting the following:

- 2006 net income: EUR +5.2 billion;
- the capital increase carried out in October 2006: EUR +2.4 billion;
- variation in treasury stock: EUR -0.2 billion;

- 2005 dividend payment: EUR -2 billion;
- variation in unrealized capital gains and losses: EUR +0.4 billion.

After taking into account minority interests (EUR 4.4 billion), total shareholders' equity amounted to EUR 33.4 billion at December 31, 2006.

This represented a B.I.S. ratio of 11.11% at December 31, 2006. The Tier-one ratio stood at 7.82% of risk-weighted assets (EUR 286 billion), reflecting the financial strength of the Group.

Group debt policy

The Société Générale Group's debt policy reflects its refinancing requirements and is based on two major objectives. On the one hand, the Group actively seeks to diversify its sources of financing in order to guarantee its stability: at December 31, 2006, customer deposits and insurance deposits accounted for EUR 308 billion (*i.e.* 32% of the Group's liabilities), while debt instruments, interbank deposits and funds generated through the refinancing of securities portfolios amounted to EUR 448 billion (i.e. 46.3% of the Group's liabilities).
The balance of refinancing requirements was met through a combination of shareholders' equity, derivatives, bonds and other financial accounts and provisions. On the other hand, the Group manages the maturity and currency composition of its debt with a view to minimizing its exposure to currency and mismatch risk.

PROPERTY AND EQUIPMENT

The gross book value of the Société Générale Group's tangible fixed assets amounted to EUR 16.7 billion at December 31, 2006. This figure essentially comprises land and buildings (EUR 3.2 billion), assets rented out by specialized financing companies (EUR 9.1 billion), and other tangible assets (EUR 4.3 billion).

The gross book value of the Group's investment property amounted to EUR 582 million at December 31, 2006.

The net book value of tangible fixed assets and investment property amounted to EUR 10.9 billion at December 31, 2006, representing just 1.10% of the consolidated balance sheet. Due to the nature of the Group's activities, the weighting of property and equipment in overall assets is low.

The Group is in the process of constructing a new high-rise building, located next to its administrative headquarters at La Défense. These premises will house a number of departments currently based at other sites across Paris.

REPORT OF THE CHAIRMAN ON INTERNAL CONTROL PROCEDURES

This report has been prepared in compliance with article L. 225-37 of the French Commercial Code, pursuant to article 117 of the law on financial security dated August 1, 2003. It provides a summary of the internal controls carried out by the consolidated Société Générale Group and is in no way intended to give a detailed description of the internal control procedures implemented by each of the Group's activities and subsidiaries. Moreover, the chairman of each French company with limited liability issuing financial securities to the public, and that is a subsidiary of the Group, is required to draft a specific report.

Given the extent and diversity of the risks inherent in banking activities, internal control within banks is a vital instrument in risk management and thus plays an important role in ensuring the sustainability of their business. It forms part of a strict regulatory framework defined at a national level, and is also the focus of various projects at an international level (Basel Committee). Internal control concerns all areas of the Group. Indeed, while the primary responsibility therein lies with the operational staff, a number of support departments are also involved, notably the Risk Division, the Internal Audit Department and the General Inspection Department, together with all of the Group's finance departments.

These entities all contributed to the production of this report. Once drafted, the report was approved by the chairman, discussed by the Board of Directors' Audit Committee and submitted to the Board for information.

THE ROLE OF THE BOARD OF DIRECTORS' AUDIT COMMITTEE

In addition to its responsibilities in relation to the work of the Statutory Auditors (selecting the auditors, ensuring they are independent and examining their work schedule), the Audit Committee also plays an essential role in the Board of Directors' assessment of the Group's internal control.

As such, the Committee is responsible for:

- examining the consistency of the internal mechanisms implemented to control procedures, risks and observance of laws and regulations and of banking and finance compliance rules;
- examining the Group's internal audit schedule and the annual report on internal control drawn up in accordance with banking regulations, and formulating an opinion on the organization and functioning of the internal audit departments;
- examining the follow-up letters sent by the French Banking Commission and commenting on the draft responses;
- examining the policy for risk management and monitoring off-balance sheet commitments, notably in accordance with the procedures drafted by the Finance Department, Risk Division and Statutory Auditors.

As part of its functions, the Audit Committee is entitled to question, as it sees fit, the chief executive officers of the Company, the Statutory Auditors and the managers in charge of the accounts, internal control, risk management and ethical compliance (see "Corporate Governance", page 57).

Internal control is part of a strict regulatory framework applicable to all banking establishments and Group staff

A strict regulatory framework

The conditions for conducting internal controls in banking establishments are defined in amended regulation No. 97-02 of the French Banking and Financial Regulation Committee. This text, which applies to all credit institutions and investment companies, defines the concept of internal control, together with a number of specific requirements relating to the measurement and limitation of the various risks inherent in the activities of the companies in question, and the procedures under which the deliberating body must assess and evaluate the quality of the internal controls carried out.

In June 2004, the Basel Committee defined the four principles - independence, universality, impartiality, and sufficient resources - which must form the basis of the internal audits carried out by credit institutions.

At Société Générale, these principles have been applied primarily through seven directives, one of which constitutes the Group Audit Charter, while the others relate to the work of the Risk division, the management of credit risks, market risks, interest rate, exchange rate and structural liquidity risks and the management of compliance risks and, a global directive covering all elements pertaining to the Group's internal control.

These texts define internal control as those resources that enable the Group's General Management to ascertain whether the transactions carried out and the organization and procedures in place within the Company are compliant with the legal and regulatory provisions in force, professional and ethical practices, internal regulations and the policies defined by the Company's executive body. Internal control is designed to:

- detect and measure the risks borne by the Company, and ensure they are adequately controlled;
- guarantee the reliability, integrity and availability of financial and management information;
- verify the quality of the information and communication systems.

A STRICTLY CONTROLLED ACQUISITION PROCESS

In light of the risks inherent in the acquisition of new entities, the Group has implemented a clear body of rules that is updated on a regular basis.

Acquisition projects are analyzed thoroughly to assess their potential for value creation. Group internal rules specify that the following aspects must be examined in depth:

- the various risks inherent in the project;
- the reliability of accounting and management data;
- internal control procedures;
- the soundness of the company's financial position;
- how realistic development plans are, both in terms of cost synergies and earnings growth;
- the conditions for integration and the follow-up of this integration.

This pre-acquisition evaluation is conducted by the business lines with the help of specialists where required (representatives of the business lines, the Risk Division, the General Inspection Department, the Accounting Department, the Compliance department, the Legal Department, etc.).

The project is then submitted to the Group Finance Department for approval and, in the case of larger acquisitions, to the Executive Committee. Major acquisitions must also be approved in advance by the Board of Directors.

Once acquired, the entity is integrated into the relevant division of the Group according to specific procedures, which are evaluated every six months by the appropriate management level, according to the importance of the acquisition (Chief Financial Officer, Group General Management, Executive Committee). A diagnosis is carried out of the acquired entity's internal control system, in particular its risk management, the production of accounting and financial data and, depending on the activities of the entity in question, its compliance procedures. Measures are then taken to bring the entity in line with Group standards as quickly as possible.

Moreover, the Company has implemented a specific procedure whereby strategic acquisitions are monitored by the Group Audit Committee and the Board of Directors. A development plan is thus drawn up upon the acquisition of a new entity and then reviewed some two years later. To this end, Compagnie Bancaire de Genève was reviewed in 2006.

The departments involved in internal control

In accordance with the provisions of amended regulation 97-02 of the French Banking and Financial Regulation Committee (CBRF), the internal control system includes both permanent and periodic supervision.

The first level of responsibility for permanent supervision lies with the operational staff. At the same time, the Group's transactions are also controlled by a number of support departments, which are independent from the operational departments. The role of each of these departments is covered in other sections of this report:

- **the Risk Division**, which is responsible for identifying and monitoring all risks borne by the Group;
- **the Group Finance Department**, which, in addition to its strategic and financial management responsibilities, also carries out extensive accounting and finance controls;
- **the Division Finance Departments**, which are hierarchically attached to the division managers and functionally attached to a Group Finance Department. They make sure that accounts are prepared correctly at a local level and control the quality of the information in the consolidated financial reports submitted to the Group;
- **the Group Compliance Department**, which ensures that all compliance rules and principles applicable to the Group's banking and investment activities are respected by staff;
- **the Group Legal Department**, which monitors the legality of the Group's activities in collaboration with the legal departments of its subsidiaries;
- **the Group Tax Department**, which monitors compliance with all applicable tax laws.

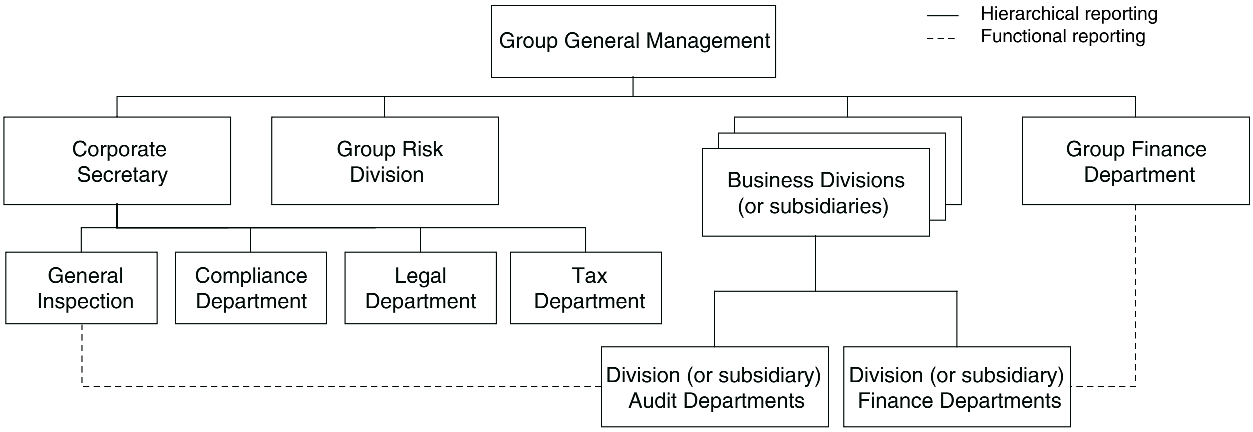
With the exception of the Division Finance Departments, all of these functional departments report directly to the Group's General Management or Corporate Secretary. They are also responsible for submitting any information required by the Executive Committee for the strategic management of the Company under the authority of the Chairman and Chief Executive Officer.

The periodic control structure consists of:

- the Internal Audit Departments, which are hierarchically attached to the division managers and functionally attached to the General Inspection Department;
- the General Inspection Department.

Philippe Citerne, Société Générale's Chief Executive Officer is responsible for ensuring the overall consistency and efficiency of the internal control system. He chairs the Internal Control Coordination Committee (CCCI) which meets on a quarterly basis and is attended by the Corporate Secretary, the Head of Risk Management, the Chief Financial Officer, the Chief Information Officer and the Head of Group Internal Audit.

ORGANIZATIONAL CHART OF THE DEPARTMENTS INVOLVED IN INTERNAL CONTROL



Risks: evaluation, management and ongoing control

Banking activities are exposed to a variety of risks

Given the diversity and ongoing evolution of its activities, the Group is exposed to a wide range of risks, which are generally grouped into four categories:

- **credit risk** (including country risk): risk of loss arising from the inability of the bank's customers, sovereign issuers or other counterparties to meet their commitments;
- **market risk**: risk of loss resulting from changes in market prices and interest rates and in the correlation between these elements and their volatility;
- **structural interest rate and exchange rate risks** (risk of loss or of residual depreciation in the bank's balance sheet arising from variations in interest or exchange rates), and *liquidity risk* (risk of the Group not being able to meet its commitments at their maturities);
- **operational risks** (including legal, compliance, accounting, environmental and reputation risks): risk of loss or fraud or of producing incorrect financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events.

Risk management procedures are defined at the highest management level

The Group organizes a monthly Risk Committee meeting, chaired by the General Management, at which the Executive Committee defines the framework required to manage risk, reviews changes in the characteristics and risks of Group portfolios, and decides on any necessary strategic changes. The Group also has a Major Risks Committee, which focuses on reviewing areas of substantial risk exposure (on individual counterparties or segments of a portfolio).

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

Lastly, the procedures for managing, preventing and evaluating risks are regularly analyzed in-depth by the Board of Directors and, in particular, its Audit Committee.

Almost 2,000 staff dedicated to reviewing and controlling risk exposure on a permanent basis

Société Générale Group's risk function comprises some 2,000 staff dedicated to risk management activities.

The Risk Division at Société Générale Parent Company employs nearly 600 staff, while a further 1,400 are employed throughout the Group to monitor risk exposure within the French network branches and subsidiaries.

An independent Risk Division, responsible for implementing an effective system of risk management and for ensuring risks are monitored in a coherent fashion across the Group

The Risk Division is completely separate from the business entities and reports directly to the General Management. Its role is to contribute to the development and profitability of the Group by guaranteeing a robust and efficient framework of risk management and overseeing all transactions carried out within its businesses.

Accordingly, the Group Risk Division is responsible for identifying all risks borne by the Group, defining and validating the methods and procedures for analyzing, measuring, approving and monitoring risks, ensuring risk information systems are adequate, managing risk portfolios, monitoring cross-disciplinary risks and anticipating levels of risk provisioning for the Group. Furthermore, it also assists in the appraisal of risks incurred on transactions proposed by the Group's sales managers.

Procedures and organization

Based on the monitoring framework defined by the Risk Committee, a set of specific procedures has been compiled for each type of risk.

Procedures for **counterparty risks**:

- the Risk Division submits recommendations to the Risk Committee on the specific concentration limits it feels are appropriate at a given time for different countries, geographical areas, sectors, products, client types, etc.;
- all requests for authorization received from the business lines regarding a particular client or client group are directed to a specific sales department that has in-depth knowledge of the client;
- the business lines and Risk Division submit all commitment files for analysis and approval to the team best suited to deal with the type of risk incurred.

Procedures for **market risk:**

- based on the Risk Division's recommendations, the Group Risk Committee defines limits for each type of activity which are then submitted for approval to the Board of Directors;
- teams of risk controllers who are completely independent from the front-office staff, carry out daily reviews of all positions and risks taken in the course of the Group's market activities;
- daily summaries of risk exposure are produced, highlighting any cases where limits have been exceeded;
- the market parameters used to calculate risks and results are verified each day;
- precise methods have been defined for evaluating risks, and the Risk Division must validate the valuation models used to calculate risks, results and provisioning levels.

These procedures and structures are progressively adapted to accommodate changes in regulations and the rapid growth of increasingly sophisticated businesses. Some controls are further reinforced through targeted action plans.

Structural risk is monitored by the Division Finance Departments, which analyze exposure and prepare the necessary reports. The Group Finance Department's asset/liability management unit reviews structural risk at a consolidated level and provides support to the various entities by validating their models and methods.

Liquidity risk management covers all areas of Société Générale's business, from market transactions to structural transactions (commercial proprietary transaction). The Group manages this exposure using specific system designed to manage liquidity risk both under normal day-to-day conditions and the event of a potential liquidity crisis.

Lastly, the Finance Committee, which is part of the Group's General Management, approves all risk analysis and evaluation methods and sets the exposure limits for each Group entity.

Given the importance of **operational risks** within the banking sector, and in accordance with the recommendations of the regulators, the Group's General Management has adopted a rigorous and coherent approach to reinforcing the management of this type of risk throughout the businesses. This approach comprises two main elements.

The reinforcement of the operational risk function. This function now comprises the Operational Risk unit (attached to the Risk Division) and teams in charge of operational risk management and control within the operating and functional divisions.

The function's mission is to:

- define and implement a strategy for operational risk control;
- analyze the environment in terms of operational risks and related controls in order to evaluate its development and the consequences on the Group's risk profile;
- promote a groupwide culture of operational risk control;
- set common goals and promote teamwork to achieve them;
- develop technical expertise and encourage best practices.

As part of its functional supervision of the whole of this function, the Operational Risk unit ensures the cross-business monitoring and management of the Group's operational risk and is responsible for all reporting to the Group's General Management and Board of Directors and the French Banking Commission. It also monitors the coherence, integrity and conformity of procedures with current and future regulatory provisions.

The Business Continuity Plan (BCP) function is attached to this department. It is committed to constantly improving the Group's business continuity plans and crisis management. These plans are tested on a regular basis.

Furthermore, **a unified set of procedures, tools and methodologies has been implemented**. This enables the Group to better identify, evaluate (both quantitatively and qualitatively) and manage its operational risk. It is principally based on:

- Risk and Control Self-Assessment, the aim of which according to specific regulations, is to identify and evaluate the Group's exposure to different operational risks in order to map them (inherent risks and residual risks, i.e. having taken into account the quality of risk prevention and control systems);
- Key Risk Indicators or KRIs, which provide alerts as to the risks of operational losses;
- scenario analyses, which consist in estimating infrequent but severe potential losses to which the Group could be exposed;
- data collection and analysis of internal losses and losses incurred in the banking industry.

On this basis, the Group's diverse entities are able to define and implement the necessary actions to ensure that operational risk is maintained at or reduced to an acceptable level.

Methodology and information systems

Société Générale dedicates significant resources to adapting its risk management and monitoring methods and bringing them up to date. Its information systems, in particular, are regularly upgraded to accommodate changes in the products processed and the associated risk management techniques.

In the case of counterparty risk on capital market products, the methods used up to the end of 2004 to measure average risk exposure have been supplemented with stress tests (the VaR is a 99% fractile calculated using statistical models and stress tests defined on the basis of hypothetical macro-economic scenarios) to reinforce the transaction selection process.

With respect to market risk, the measurement model used internally has been approved by the French Banking Commission for nearly all transaction types.

In credit risk, existing approval and monitoring procedures have been reinforced and adapted to take into account the new regulations linked to the implementation of the Basel II reforms.

For this, Basel II models on evaluating counterparty and trading risk were developed for the whole of the Group's credit business, taking into account the specific characteristics of each client and the nature of the commitments made. Used in conjunction with the economic risk indicators such as risk-adjusted return on capital (RAROC) or economic value-added (EVA), these models constitute a decision-making tool for the issue and pricing of loans and will serve as a basis for calculating the amount of equity required to offset credit risk as defined in the Basel II regulations. This project mobilizes significant resources used for business modeling and adapting information systems. All models used by the Group have either already been validated or are currently being validated by the Risk Division teams.

More generally, a program is currently underway to improve the quality of the monitoring tools incorporated into the risk information system. This has been reinforced with the introduction of a number of new Basel II mechanisms (tools and procedures) both at a local level (at the banking entities) and within the central Risk Division.

Conscious of the increasing exposure of its information systems to external threats as a result of the growing number of sales channels such as the Internet, Société Générale has implemented a series of organizational, monitoring and communication initiatives. A security network is coordinated by a Group Information Systems Security Manager who has relays within the Group's different operating divisions and who operates a central unit that monitors security levels and manages alerts at a Group level. Campaigns are regularly conducted to raise staff awareness of the different measures and steps to take, depending on the employee's role, in order to be prepared for the risks linked to information systems. The security system and related standards and instructions are regularly enhanced and updated in order to factor in technological developments and any new related risks.

Compliance controls

The Group's Corporate Secretary is responsible for the coherence and efficiency of the Group's compliance control system. He is assisted in this role by the individual heads of compliance appointed within each business line or division, who carry out similar functions to the Group Head but at a local level. Clear roles and responsibilities have also been defined for the Group's subsidiaries or major entities.

The compliance of the Group's operations is monitored on a regular basis by:

- **the Compliance Department**, which verifies that all compliance rules and principles applicable to the Group's banking and investment services activities are observed, and that all staff respect codes of good conduct and individual compliance;
- **the Legal and Tax Departments**, which monitor all fiscal and legal aspects of the Group's activities.

These central departments report to the Group's Corporate Secretary. They are represented by local staff within each operational entity and, in certain subsidiaries, by departments exercising the same type of function. The central teams are responsible for compliance monitoring and training as well as for the dissemination of relevant information throughout the Group.

Under the new amended regulations, the Group's existing procedures have been extended to meet the stricter compliance requirements for new products and services, and for the reporting and resolution of anomalies.

Moreover, over and above its usual regular initiatives, Société Générale continues to make targeted efforts to raise awareness among staff and provide training in the prevention of compliance risks.

The permanent supervision of activities at a local level by operational staff forms the cornerstone of ongoing control within Société Générale Group

This comprises all procedures implemented on a permanent basis to guarantee that transactions carried out at an operational level are correctly handled, secure and valid. The first level of responsibility for ongoing control lies with the operational staff.

Permanent supervision comprises two elements:

- **day-to-day security**: all operational staff are required to permanently comply with the applicable rules and procedures governing all transactions carried out;
- **formal supervision**: management is required to make regular checks using written procedures to verify that staff are complying with the rules and procedures for processing transactions and for ensuring effective day-to-day security.

In order to ensure this system functions correctly, operating methods need to be formally defined and communicated to all Group staff. In addition, permanent supervision procedures are adapted for each Group entity according to their specific activities.

In order to reinforce the coherence of this system at Group level, since October 2006, the Operational Risk unit of the Risk Division has been responsible for coordinating permanent supervision procedures and consolidating the summary reports drafted by the different Group entities.

The Internal Audit Departments cover all entities within the Group

The Internal Audit is a permanent system designed to periodically evaluate the efficiency of the internal controls employed by the entity to which it is attached. All Group activities and entities have an Internal Audit Department, which is authorized to inspect all aspects of their operations. Given the risks at stake, each department is provided with the requisite resources, from both a qualitative and quantitative point of view, to carry out its functions effectively.

KEY FIGURES

The Internal Audit Departments of Société Générale comprise some 1,090 members of staff.

The Group employs almost 920 auditors, 73% of whom are employed in Retail Banking, 12% in Corporate and Investment Banking, 9% in Global Investment Management and Services, with the remainder responsible for specialized audit assignments (accounting, legal, information technology, etc.).

The General Inspection Department, for its part, employs 172 members of staff including 140 inspectors and controllers.

Société Générale's control system is split into two levels: the Internal Audit Departments and the General Inspection Department

Each Group division has its own Internal Audit Department and Head of Audit, who reports directly to the division manager. The Head of Audit for the division has hierarchical and functional authority over all the auditors in the division. The system also includes an Audit Department for the Corporate Departments, which reports to the Group's Corporate Secretary.

Each Internal Audit Department regularly identifies the areas of risk to which its division is exposed. It then defines an annual schedule of audits to make sure that the exposure is covered in full. Entities within the Group's Retail Banking Network, for example, are audited every 17 months, whilst in the Corporate and Investment Banking Division, highest-risk entities are audited around once a year.

In the course of their assignments, the auditors carry out controls to check the security, compliance and efficiency of the division's activities, and evaluate the quality of the permanent supervision system in place. They then put forward recommendations based on their findings, and follow these up to check they are implemented correctly. Any problems noted or recommendations put forward are entered into the recommendation monitoring system managed by the Audit Departments and General Inspection.

This system is reinforced with specialized audits in areas requiring specific expertise: these include accounting audits, legal audits and audits of counterparty risks. The head of the Corporate Department in question takes responsibility for these specialized audits, and is thus able to directly monitor their compliance with Group principles and procedures by ensuring that they effectively cover all operational activities and that the auditors in question have access to all relevant information. The specialized audits can also complement the divisional audits in specific areas.

The General Inspection Department carries out around 100 assignments each year and verifies the overall quality of the internal control system

The General Inspection Department audits the business activities and operations of all entities within the Group. It reports its findings, conclusions and recommendations to the General Management, and covers all Group entities without exception. In the course of its assignments, it makes a certain number of recommendations, the implementation of which is monitored on a quarterly basis by the Group Executive Committee. The department's activity is defined by an annual audit plan validated by the Group's General Management.

Furthermore, **the General Inspection Department is responsible for ensuring that the internal control system implemented across Société Générale and its subsidiaries is both coherent and effective.**

To do this, the General Inspection Department:

- audits the various Corporate Departments involved in internal control and, through these checks, evaluates the efficiency of the permanent control system;
- assesses the quality of the work carried out by the Audit Departments. To this end, it is furnished with copies of all reports submitted by the auditors and appraises their quality. It also conducts specific inspections of the Group Audit Departments themselves (2 assignments in 2006) and assesses the quality of the work carried out by said departments in the entities concerned;
- validates the audit plans submitted by the Audit Departments;
- the Head of Group Internal Audit exercises functional control over the Head of Audit for each division and the specialized audit managers. He manages all audit-related activities (coherence of recommendations and methods, implementation of shared tools and resources, etc.). To this end, he notably organizes Audit Committees within each Group division.

AUDIT COMMITTEES

Audit Committees are attended by representatives of the Division Audit Departments and their respective hierarchical and functional managers, and play a vital role in the internal control system. They assess the operation and activities of the system on an annual basis and, depending on the agenda set by the Head of Group Internal Audit, address issues such as permanent supervision, the assignments carried out over the course of the year and the forthcoming audit plan, the implementation of the General Inspection Department's recommendations and, where applicable, those of the supervisory authorities and external auditors.

As part of his role, the Head of Group Internal Audit is required to meet regularly with the Audit Committee of the Board of Directors. During these meetings, he presents the periodic control section of the annual report on the internal control system, as specified in article 42 of amended regulation 97/02. The Audit Committee examines the Group internal audit plan and comments on the organization and functioning of the periodic controls.

The Head of Group Internal Audit also maintains close ties with the Statutory Auditors and representatives of the supervisory authorities. Lastly, the General Inspection Department works in conjunction with the Internal Audit Departments to ensure that the recommendations made by the supervisory authorities are implemented.

Control of the production and publication of financial and management information

The departments involved

The departments involved in the production of financial data are as follows:

- the middle office in the Corporate and Investment Banking division validates the valuations of financial instruments. It also reconciles the economic results produced by the front office with the accounting results produced by the back office;
- the back office is responsible for all support functions relating to transactions carried out by the front offices. It checks that financial transactions are economically justified, records transactions in the accounts and manages means of payment;

- the subsidiary and branches' finance divisions carry out second-level controls on the accounting data and entries booked by the back offices and the management data submitted by the front offices. They compile the financial statements and regulatory information required at a local level and submit reports (accounting data, management control, regulatory reports, etc.) to the Group Finance Department;
- the Group Finance Department gathers all accounting and management data compiled by the subsidiaries and divisions in a series of standardized reports. It consolidates and controls this information so that it can be used in the overall management of the Group and disclosed to third parties (supervisory bodies, investors, etc.).

Above and beyond its role of consolidating the Group's accounting and financial information, the Group Finance Department is also entrusted with large-scale audit assignments: it monitors the financial aspects of the Group's capital transactions and its financial structure, manages its assets and liabilities, and consequently defines, manages and controls the Group's financial position and structural risks. Furthermore, it ensures that the regulatory financial ratios are respected, defines accounting standards, frameworks, principles and procedures for the Group, ensures they are observed and verifies that all financial and accounting data published by the Group is reliable.

Accounting standards

Local accounts are drawn up in accordance with local accounting standards, and the consolidated Group accounts are compiled in accordance with the standards defined by the Group Finance Department, based on the IFRS adopted by the European Union. The Group Finance Department has its own standards unit, which monitors the applicable regulations and drafts new internal standards to comply with any changes in the regulatory framework.

Procedures for producing financial and accounting data

Each entity within the Group compiles its own accounting and management statements on a monthly basis. The information is then consolidated each month at Group level and published for the markets on a quarterly basis. The Division Finance Departments also submit analytical reviews and notes validating their accounting data to the Group Finance Department to allow it to compile the consolidated financial reports (accounting, management reporting, regulatory, etc.) that it then transmits to the General Management and any interested third parties.

In practice, procedures have been tailored to the growing complexity of products and regulations. Moreover, specific action plans can be implemented where necessary. Indeed, in order to handle the strong growth in the volume of equity derivative transactions and the increasingly complex nature of the products on offer, the Société Générale Group has heavily invested in the major overhaul of its transaction processing system, which will be rolled out between now and 2010.

Internal control procedures governing the production of accounting and financial data

ACCOUNTING DATA ARE COMPILED INDEPENDENTLY FROM THE FRONT OFFICES

Accounting data are compiled by the back and middle offices and independently from the sales teams, thereby guaranteeing that information is both reliable and objective. These teams carry out a series of controls defined by Group procedures on the financial and accounting data:

- daily verification of the economic reality of the reported information;
- reconciliation, within the specified deadlines, of accounting and management data using specific procedures;
- production of a quarterly analytical report on the supervision carried out, which is submitted to the management of the entity or division, and to the Group Finance Department.

Given the increasing complexity of the Group's financial activities and organizations, staff training and IT tools are reviewed on a permanent basis to check that the production and verification of financial and management accounting data are effective and reliable.

SCOPE OF CONTROL

In practice, the internal control procedures implemented by the various businesses are designed to guarantee the quality of the financial and accounting information, and notably to:

- ensure the transactions entered in the Group's accounts are exhaustive and accurate;
- validate the valuation methods used for certain transactions;
- ensure that transactions are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to compile the Group accounts are compliant with the regulations in force;
- ensure the inclusion of all entities that must be consolidated in accordance with Group regulations;
- check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are made accurately, that the reconciliation of accounting and management data is satisfactory, and that the flows of cash

payments and other items generated by transactions are exhaustive and adequate.

SECOND-LEVEL CONTROL BY THE DIVISION FINANCE DEPARTMENTS

The Division Finance Departments employ over 500 staff across the Group to manage the transmission of accounting and financial data and carry out second-level controls. Financial data are transmitted via computerized accounting systems, which trace all events that generate an accounting entry (notion of audit trail).

The Local Finance Departments, which are in charge of local accounts and reporting, harmonize this data with Group standards. They monitor whether the information is reliable and consistent with the various accounting frameworks defined for the Group.

The Division Finance Departments control the consistency of the data produced by the entities and, in conjunction with the Group Finance Department, resolve any issues in the interpretation of accounting, regulatory or management data.

SUPERVISION BY THE GROUP FINANCE DEPARTMENT

Once the accounts produced by the various entities have been restated according to Group standards, they are entered into a central database and processed to produce the consolidated accounts.

The department in charge of consolidation checks that the consolidation scope is compliant with the applicable accounting standards and controls a number of aspects of the data received for consolidation: validation of the aggregates produced with the collected data, verification of recurrent and non-recurrent consolidation entries, exhaustive treatment of critical points in the consolidation process, and processing of any residual differences in intercompany accounts. Lastly, the department checks the overall consolidation process by carrying out analytical reviews of the summary data and checking the consistency of the main aggregates in the financial statements. Changes in shareholders' equity, provisions and any deferred taxes consolidated in the fiscal year in question are also analyzed.

A three-level accounting audit system, in line with the Group Audit Charter

CONTROL BY ALL OPERATIONAL STAFF INVOLVED IN THE PRODUCTION OF ACCOUNTING, FINANCIAL AND MANAGEMENT DATA

The operational staff monitor their activities via a permanent supervision process, under the direct responsibility of their management teams, verifying the quality of the controls carried out on accounting data and the associated accounting treatment.

SECOND-LEVEL CONTROL CARRIED OUT BY THE DIVISION AUDIT DEPARTMENTS AND THE ACCOUNTING AUDIT TEAM IN THE GROUP FINANCE DEPARTMENT THAT IS RESPONSIBLE FOR CONTROLLING ACCOUNTING DATA (ATTACHED TO THE GROUP ACCOUNTING DEPARTMENT)

In the course of their assignments, the Division Audit Departments verify the quality of the financial and management accounting data produced by the audited entities. They check certain accounts, assess the reconciliations between financial and management accounting data, and the quality of the permanent supervision procedures for the production and control of accounting data. They also identify any areas where manual processing may be required to make up for gaps in the IT tools and which therefore need to be closely checked. The departments then issue recommendations to the people involved in the production and control of accounting, financial and management data in order to improve this process through more specific initiatives aimed at particular entities or activities.

The accounting audit team is comprised of experienced audit professionals and is charged with the following functions:

- audits of any areas where financial information is deemed to be most sensitive, to verify that accounting standards are correctly applied;
- provision of technical and methodological expertise to the generalist Division Audit Departments or to the General Inspection Department;
- preventive intervention at entities that are to be integrated into the Group in the near future, in order to evaluate the impact of the application of Group accounting standards;
- maintenance of links with the Group Statutory Auditors and monitoring of recommendations issued by external bodies.

Through its work, this specific control team helps to tighten the security of the internal control procedures used in the production of consolidated accounting information.

THIRD-LEVEL CONTROL CARRIED OUT BY THE GENERAL INSPECTION DEPARTMENT

At the third level of control, the General Inspection Department generally carries out accounting audits as part of its general inspections, but also conducts specific audits to check the quality of the controls carried out by the staff responsible for producing accounting, financial and management data. By way of example, in 2006, the General Inspection Department conducted audits on the Group's central accounting department which is responsible for preparing the parent company and consolidated financial statements, the Group's regulatory reports and the management control system for Corporate and Investment Banking.

Developments underway

Under the Basel II project, Société Générale Group is making ongoing efforts to reinforce its risk management structures, tighten up its risk modeling, streamline its risk information systems and increase their interoperability.

The Group has completed the alignment of its internal control structures to comply with the new specifications of regulation 97-02 which were enforced on January 1, 2006. The separation of permanent and periodic control activities is now effective and the structuring and deployment of compliance procedures within the branches and subsidiaries are complete.

Specific procedures have been implemented to examine outsourcing projects and control all outsourced activities.

In order to reinforce the coherence of the permanent control system at Group level, since October 2006, the Operational Risk unit of the Risk Division has been responsible for coordinating the permanent supervision procedures and consolidating the summary results statements published by the different Group entities. This approach will give the Group's General Management greater insight, through the Internal Control Coordination Committee, into the work carried out as part of the control procedures, the main lessons learnt and the corrective measures taken.

The main risks incurred on banking activities are the following:

- **credit risk** (including country risk): risk of loss arising from the inability of the bank's customers, sovereign issuers or other counterparties to meet their financial commitments;
- **market risk**: risk of loss resulting from changes in market prices and interest rates, in correlation between these elements and their volatility;
- **structural risk**: risk of loss or of residual depreciation in the bank's balance sheet arising from variations in interest or exchange rates;
- **liquidity risk**: risk of the Group not being able to meet its commitments at their maturities;
- **operational risks** (including legal, compliance, accounting, environmental and reputation risks): risk of loss or fraud or of producing inaccurate financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events.

Société Générale devotes significant resources to the ongoing adaptation of its risk management framework, in order to keep pace with the increasing diversification of its activities. All modifications were implemented in compliance with the two fundamental principles of banking risk management, as stipulated in regulations 1997-02, 2001-01 and 2004-02 of the French Banking and Financial Regulation Committee (*Comité de la Réglementation Bancaire et Financière*):

- the risk assessment departments are completely independent of their operating divisions;
- a consistent approach to risk assessment and monitoring is applied throughout the Group.

The Group's risk function comprises more than 2,000 staff dedicated to risk management activities.

The Risk Division at Société Générale Parent Company employs nearly 600 staff members, while a further 1,400 are employed throughout the Group, charged with monitoring risk exposure within the French Network branches and subsidiaries.

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

This Division:

- defines and validates the methods used to analyze, assess, approve and monitor credit risks, country risks, market risks and operational risks;
- conducts a critical review of sales strategies for high-risk areas and permanently seeks to improve the forecasting and management of all such risks;
- contributes to the independent assessment by validating credit risk transactions and by taking position on obligors proposed by sales managers;
- identifies all Group risks and monitors the adequacy and consistency of risk management information systems.

A systematic review of the bank's key risk management issues is carried out during the monthly Risk Committee meetings, gathering members of the Executive Committee, the heads of the business lines and the Risk Division managers.

This Committee meets to review all core strategic issues: risk-taking policies, measuring methods, material and human resources, analyses of portfolios and the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.) and crisis management.

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

CREDIT RISKS

Risk approval

Approval of a credit risk exposure must be based on sound knowledge of the customer, the Group's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment. It assumes that the return on the transaction will sufficiently reflect the risk of loss in the event of default.

The risk approval process is based on five core principles:

- all transactions giving rise to a counterparty risk (debtor risk, non-settlement or non-delivery risk, issuer risk) must be authorized in advance;
- all requests for authorizations relating to a specific client or client group must be handled centrally by a single operating division. The centralizing division is designated on a case-by-case basis in order to ensure a consistent approach to risk management and permanent control of the Group's potential exposure to major clients;
- the systematic checking of internal counterparty ratings upstream of the approval of all credit. These ratings are put forward by the operating divisions and validated by the risk function. They are listed in each loan application and are factored in when approving all new loans;
- responsibility for analyzing and approving risk is delegated to the most appropriate section of the business lines or credit risk units;
- risk assessment departments are fully independent at each decision-making level.

The Risk Division has a specialized department for financial institutions, which aims to heighten the Group's expertise on this client segment by centralizing, in Paris and New York, the teams in charge of analyzing the quality of the Group's counterparties and approving the exposure limits allocated to all entities and business lines.

The Risk Committee regularly carries out a cross-business line assessment of existing or potential concentrations within the Group's portfolio. The management of the Group's concentration risks is based on procedures that include a system for analyzing exposure by risk category, correlation studies and stress-test models that estimate the potential losses on different segments of the portfolio in the event of a crisis.

The Risk Division submits recommendations to the Risk Committee on the concentration limits it deems appropriate, at any given moment, for particular countries, geographical regions, sectors, products or customer types, in order to reduce cross-business line risks with strong correlations.

The definition of country risk limits is intended to assign an appropriate exposure limit to each emerging market, on the basis of the risk incurred and the expected return on transactions in each country. The allocation of limits is subject to final approval by Group's General Management and is based on a process that takes due account of those business lines exposed to risk and the Risk Division.

The Group also has specific procedures to manage any credit crises that could arise with respect to a counterparty, industry, country or region.

Risk management and audit

All Group operating units, including the trading rooms, are equipped with information systems enabling them to check, on a daily basis, that the exposure limits set for each counterparty have not been exceeded.

In addition to this day-to-day management of risks, a second level of control is performed by the head office operating divisions, using the Group-wide risk information system developed in recent years. This system centralizes nearly all commitments borne by the operating entities in a single database, consolidates exposure by counterparty and reconciles this exposure with the corresponding authorizations. It also provides source data for the portfolio analyses (by country, industry, type of counterparty, etc.), which are fundamental to an active risk management strategy.

Changes in the quality of outstanding commitments are reviewed at regular intervals and at least once a quarter, as part of the "watch list" and provisioning procedures. These reviews are based on contradictory analyses performed by the operating divisions and the risk function. The Risk Division also carries out file reviews or risk audits in the Group's operating divisions and, finally, the Group's General Inspection Department performs regular risk audits and reports its findings to the Group General Management.

The Audit Committee attached to the Group's Board of Directors is periodically informed of major changes in risk management methods and procedures, as well as in provisioning requirements. It examines the risk audit, drawn up under amended article 43 of regulation 1997-02 of the French Banking and Financial Regulation Committee, before it is submitted to the Board of Directors.

Risk measurement and internal ratings

In order to provide the credit function with the necessary tools for deciding on, structuring and pricing transactions, Société Générale Group undertook to create internal models for quantitative risk measurement and risk-adjusted return on capital in the middle of the 1990s.

These models, some of which were rolled out as of 1998, have since been adapted to comply with new regulatory documents. Today, they cover almost all of the Group's credit portfolio (retail and corporate banking).

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

- the internal ratings models used by both the sales function, which proposes the ratings, and the risk function which validates them. These models are used to quantify the following risks:
  - counterparty risk (expressed as a probability of default by the borrower within one year);
  - transaction risk (expressed as the amount that will be lost should a borrower default);
- a body of procedures which regroups banking principles and rules for using the models (scope, frequency of rating revision, procedure for approving ratings, etc.);
- the judgment of those involved in the ratings process who apply the models in compliance with the relevant banking principles and whose expertise is necessary in drawing up the final ratings.

Since 2000, the Group has progressively developed its credit risk management policy, with ratings now forming an integral part of its day-to-day operational processes.

Loan issuance

Société Générale Group systematically performs a quantitative analysis of the counterparty and transaction risks in all loan applications and these two parameters, along with all of the other elements of a loan application, are factored in by those approving the loan.

The instructions governing loan applications have therefore been revised, with counterparty ratings now taken into consideration when determining the loan approval limits that apply to employees of the operational divisions and the risk function.

Portfolio analysis

The portfolio analyses and studies carried out by the risk function have, for several years now, been based on common rating scales that apply throughout the Group (with respect to transaction, counterparty, country, sector, business line or to the portfolio as a whole).

Quantifying this risk allows for regular stress tests to establish the bank's policy priorities in the event of a downturn in the economic and financial climate (proactive management of the portfolio, assessment of provisioning needs, etc.).

The results of these analyses are submitted to the Risk Committee on a regular basis, enabling it to substantially improve on the management (follow-up, control), of the risks to which the bank is exposed.

Group rating system governance

Given the important role it will play in determining regulatory capital requirements following the implementation of Basel II, Société Générale Group has defined a governing structure for its internal ratings system that is based on four key players:

- the Management bodies (Board of Directors and Executive Committee) which ensure that the bank's credit risk management is sufficiently adapted to its risk profile;
- the Divisions which are responsible for submitting the rating and for the development of certain ratings models and tools;
- a credit risk control unit which is part of the Risk Division and which designs and monitors the performance of the rating system and reports to the Management bodies;
- the audit departments which carry out a second level of control.

The governing structures for all operational aspects therein take the form of regular committees attended by both the business lines and the Risk Division.

Replacement risk

Société Générale has devoted substantial resources to the development and implementation of effective tools for measuring and monitoring counterparty risk on market transactions. This risk, known as replacement risk, corresponds to the mark-to-market value of transactions with counterparties that have a positive value, and represents the loss for the Group should the counterparty default.

In order to quantify its replacement risk exposure, the bank models the future mark-to-market value of transactions with counterparties, taking into account any netting and correlation effects.

This is achieved using Monte Carlo simulations which calculate the future behavior of several thousand risk factors affecting the mark-to-market valuations of different market products.

The simulations are obtained from statistical models constructed by the Risk Division on the basis of an historical analysis of market risk factors. The price of each transaction is then recalculated for each scenario obtained using the simulation method.

Société Générale uses two indicators to characterize the subsequent given distribution:

- one indicator that reflects the average risk incurred, the current average risk. This indicator is particularly suited to an analysis of the risk exposure on a portfolio of clients or on a particular sector;
- a 99% probability indicator representing the largest loss that would be incurred in 99% of cases. This indicator, referred to as the Credit VaR (or CVaR), is used to define replacement risk limits for individual counterparties.

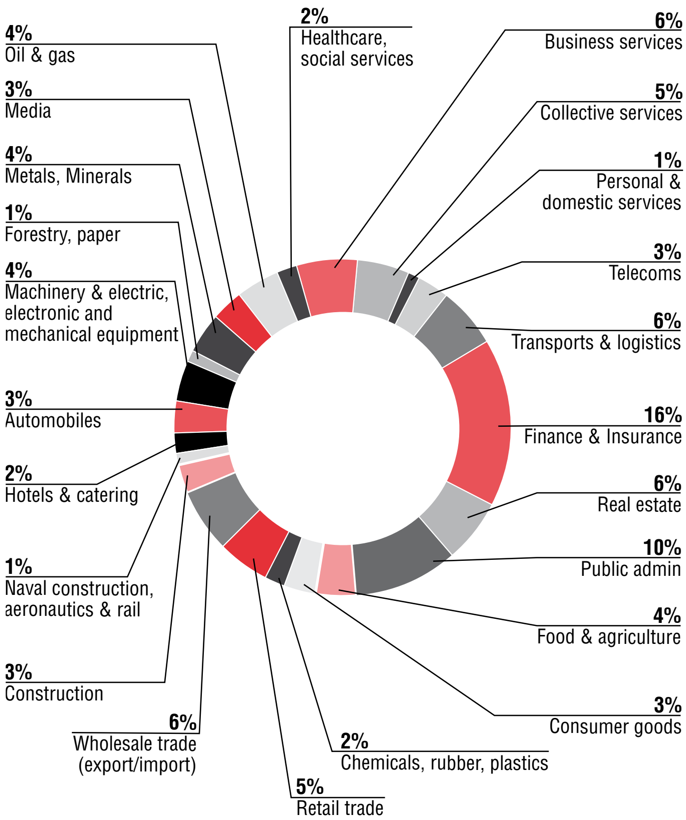
Credit portfolio analysis

Outstanding on individual and business customers

At December 31, 2006, on- and off-balance sheet loans (gross of provisions and excluding securities purchased under resale agreements) granted by the Société Générale Group to its non-banking clients totaled EUR 411 billion (including EUR 279 billion in outstanding balance sheet loans).

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

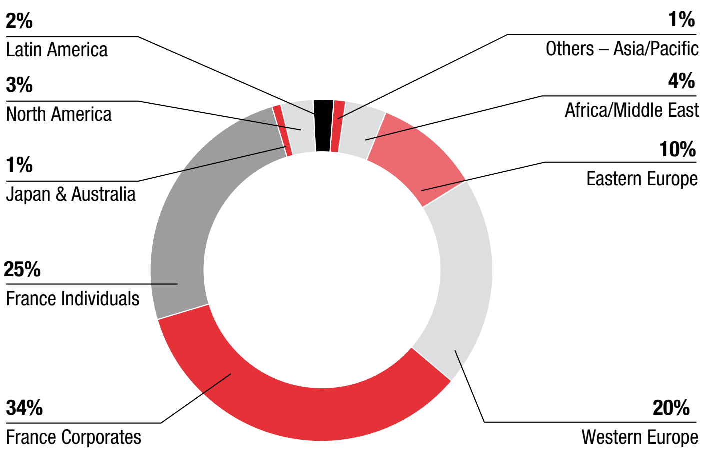
BREAKDOWN OF SOCIÉTÉ GÉNÉRALE COMMERCIAL OUTSTANDING BY INDUSTRY AT DECEMBER 31, 2006 (EXCLUDING INDIVIDUALS)



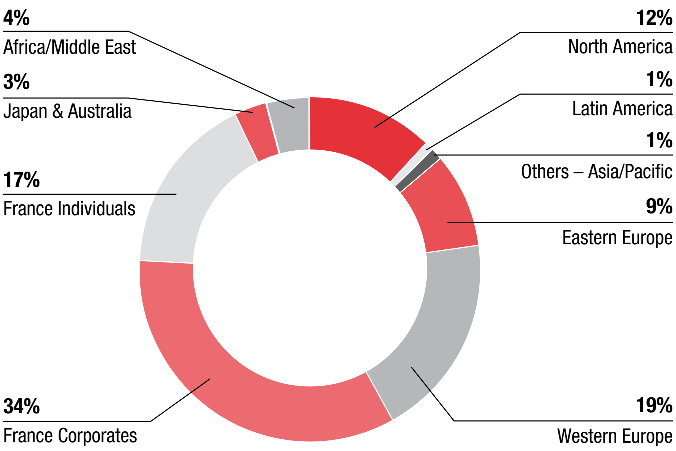
The Group's loan portfolio is highly diversified in terms of sectors, and generally matches the structure of world GDP. Only one sector accounts for more than 10% of total Group outstanding (finance excluding banks), and is characterized by a moderate cost of risk.

BREAKDOWN OF SOCIÉTÉ GÉNÉRALE GROUP LOANS TO NON-BANKING CUSTOMERS BY GEOGRAPHICAL REGION AT DECEMBER 31, 2006 (INCLUDING INDIVIDUALS)

BALANCE SHEET COMMITMENTS (EUR 279 BILLION):

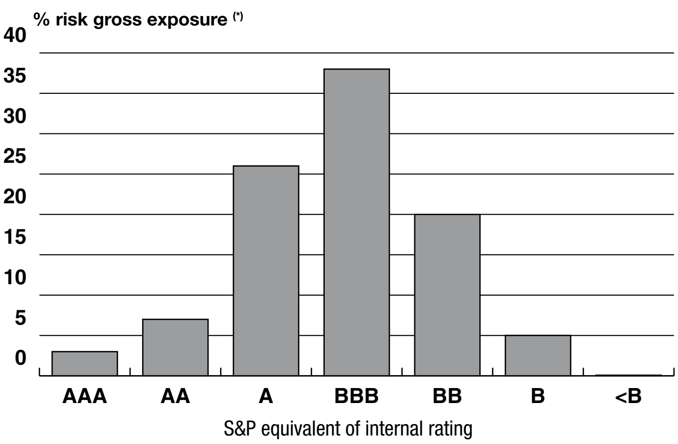


ON- AND OFF-BALANCE SHEET COMMITMENTS (EUR 411 BILLION):



At December 31, 2006, 85% of the Société Générale Group's on- and off-balance sheet outstanding was concentrated in the major industrialized countries. Half of the global amount of loans were to French customers (34% to corporates and 17% to individual customers).

BREAKDOWN OF RISK BY RATING FOR SGCIB CORPORATE CLIENTS AT DECEMBER 31, 2006



** Borrower, issuer and replacement risk, excluding equity, doubtful loans and commitments under syndication at Dec. 31, 2006.*

The above chart shows SG CIB's performing commitments to corporate clients, broken down by their internal risk ratings which, for ease of reference, are presented as their S&P equivalents.

The scope includes all SG CIB performing clients except for central banks, financial institutions and sovereigns.

The gross amount of commitments gives the total counterparty risk (borrower, issuer, replacement) incurred on these client groups. At year-end 2006, it stood at EUR 145 billion excluding equity investments (EUR 0.9 billion) and commitments under syndication at December 31, 2006 (EUR 4.7 billion).

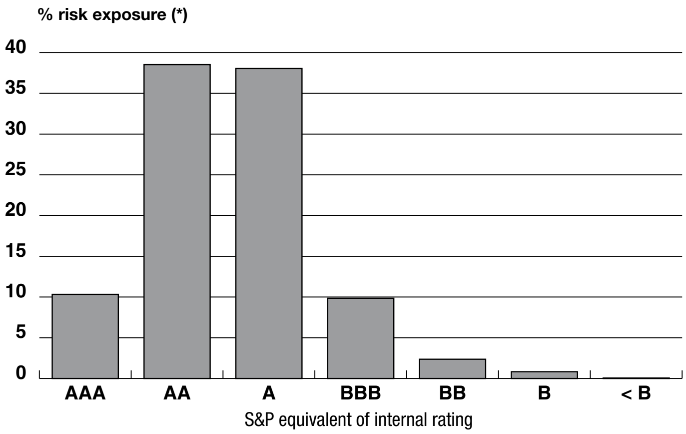
At December 31, 2006, the majority of the portfolio (74%) was investment grade.

Transactions with counterparties qualified as speculative grade are usually secured by guarantees and collateral in order to reduce the level of risk.

Commitments on banking counterparties

At December 31, 2006, on- and off-balance sheet banking commitments (excluding securities purchased under resale agreements) amounted to EUR 26 billion (excluding issuer, delivery and replacement risk).

BREAKDOWN OF RISK(*) BY RATING FOR GROUP BANKING CUSTOMERS AT DECEMBER 31, 2006



** Borrower, issuer and replacement risk, net of collateral and excluding doubtful loans.*

Central banks no longer fall within the scope of banking counterparties, triggering a slight improvement in the quality of bank portfolios. The majority of these outstanding commitments (97%) relate to banks rated investment grade by rating agencies.

Outstanding on emerging markets

The Group's outstanding on corporate and individual customers in emerging markets is subject to limits validated on an annual basis by the General Management. These commitments account for less than 9% of Société Générale's overall loan book, 2% of which is linked to countries that joined the EU on January 1, 2007, namely Romania and Bulgaria.

At December 31, 2006, nearly 65% of the Group's unprovisioned outstanding loans were to customers of the Retail Banking division (which has good risk diversification), with the remainder relating to its Corporate and Investment Banking arm.

RETAIL BANKING

In Retail Banking, the Group net outstanding totaled EUR 18.7 billion on December 31, 2006, up from EUR 10.9 billion on December 31, 2005 (including EUR 6.6 billion for those countries that joined the EU on January 1, 2007). This amount includes off-balance sheet commitments and takes into account the integration of Splitska Banka in Croatia as well as the partial removal from the Group's consolidation scope of Société Générale de Banque au Liban (combined impact of the 2 transactions: EUR +1.7 billion).

Furthermore, commitments in the amount of EUR 1.6 billion are covered by specific provisions. This portfolio covers 16 countries in 3 geographical regions (Eastern Europe, the Mediterranean Basin and French-speaking Africa). The majority of the corresponding commitments are denominated in their local currency and refinanced locally.

CHANGE IN NON-BANKING EXPOSURE ON EMERGING MARKETS (1) (IN BILLIONS OF EUROS AND INCLUDING NEW ACQUISITIONS) RETAIL BANKING

	Dec. 31, 06	Dec. 31, 05
Individual customers	7.4	3.2
Business customers	11.3	7.7
Total	**18.7**	**10.9**

CORPORATE AND INVESTMENT BANKING

In Corporate and Investment Banking, the residual part of the Group's outstanding, not covered by specific provisions or guarantees (ECA, cash collateral), stood at EUR 10.4 billion at December 31, 2006 (70% of which were loans to counterparties in investment grade countries) versus a figure of EUR 9.2 billion in 2005.

CHANGE IN NON-BANKING EXPOSURE ON EMERGING MARKETS (2) (IN BILLIONS OF EUROS) CORPORATE AND INVESTMENT BANKING

	Dec. 31, 06	Dec. 31, 05
Reduced country risk(3)	2.5	2.5
Standard country risk(4)	2.2	1.9
Strong country risk	5.7	4.8
Total	**10.4**	**9.2**

Outstanding loans covered by specific provisions on December 31, 2006, amounted to EUR 0.1 billion.

Provisions, provisioning policy and hedging of credit risk

Management of the credit portfolio

ORGANIZATION

Seven years ago, the Group's Corporate and Investment Banking Division set up a specific department to manage its credit portfolio, known as GCPM, or Global Credit Portfolio Management). Working in close collaboration with the Risk Division and business lines, this unit aims to reduce excessive portfolio concentrations and react quickly to any deterioration in the credit quality of a particular counterparty.

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

Exceeded concentration limits are managed by reducing exposure, hedging positions using credit derivatives and/or selling assets.

CREDIT DERIVATIVES

The Group uses credit derivatives in the management of its corporate loan portfolios. They not only serve to reduce individual, sector and geographic exposure but also allow for dynamic risk and capital management.

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

In 2006, the total nominal value of credit derivatives increased by EUR 17.9 billion to stand at EUR 26.4 billion at year-end and includes EUR 15.6 billion in Credit Default Swaps (CDS) and EUR 10.8 billion in Collateralized Debt Obligations (CDO).

The increase in size of the portfolio is due in equal proportions to individual name CDS's and structured transactions covering pools of exposures.

All new transactions concerned protection purchase, none being sold in 2006. All transactions were carried out with banking counterparties with ratings of A+ or above, the average being between AA and AA-.

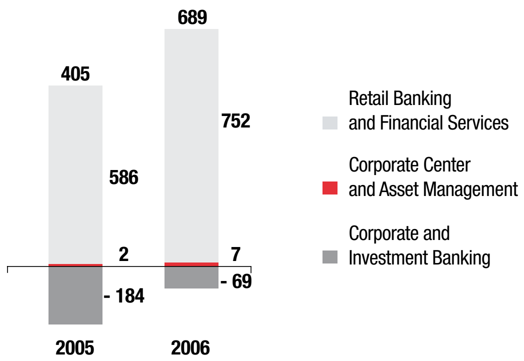
(1) On- and off-balance sheet net of specific provisions.
(2) On- and off-balance sheet net of specific provisions and guarantees (ECA, Cash collateral).
(3) Transactions where the structure reduces the country risk, without eliminating it (export prefinancing with offshore payment, political risk insurance, participation in financing extended by international financial institutions).
(4) Short-term transactions or transactions partially covered (contribution to financing by international financial institutions, covered by non G10 ECA).

Provisions for credit risks at December 31, 2006

The Group's total provisions for cost of risk (excluding provisions for legal disputes) amounted to EUR 689 million in 2006, compared with EUR 405 million at December 31, 2005.

The cost of risk stays at a low level thanks to the structural improvement of risk and profile and a favourable credit environment: allocation of capital between businesses, hange in the loan book at the retail networks, hedging of the loan book through credit derivatives and sale of loans in the secondary market.

CHANGE IN THE GROUP'S PROVISIONING IN 2006 (EXCLUDING PROVISIONS FOR LEGAL DISPUTES)



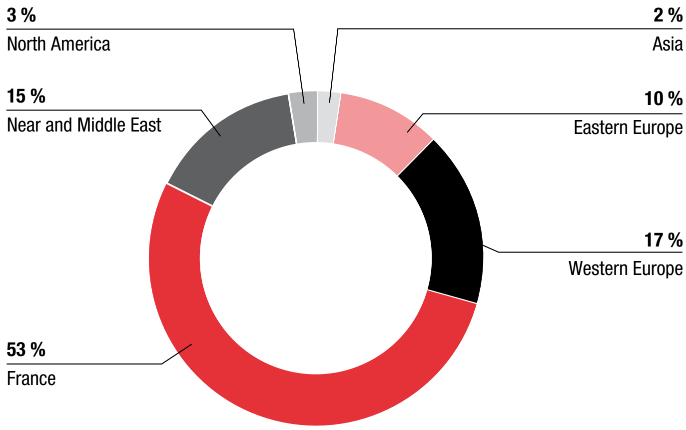
Year on year, the main changes in cost of risk were as follows:

- French Retail networks: stable;
- Financial Services: increase reflecting the change of scope and the development of the consumer credit activity;
- Retail Banking outside France: progressive return to normal cost of risk;
- Corporate and Investment banking: limited level of gross provisionning and slowdown in write-backs.

Specific provisions for credit risks

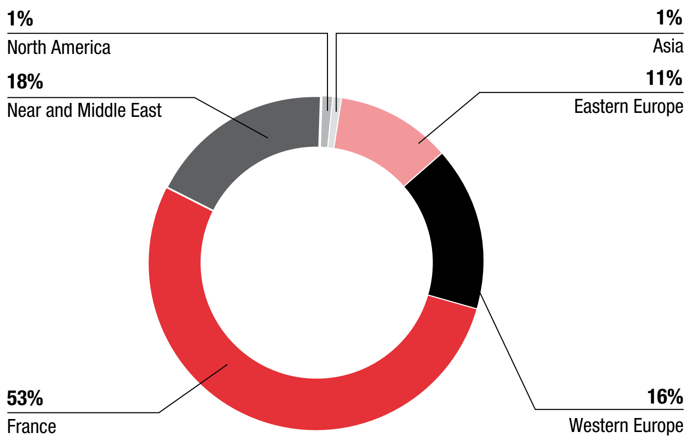
Provisions for credit risk are primarily booked for doubtful and disputed loans. At December 31, 2006, these amounted to EUR 10.6 billion.

BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHICAL REGION AT DECEMBER 31, 2006



Total doubtful and disputed loans EUR 10.6 billion
Doubtful and disputed loans for Latin America are minimal (0.3%).

BREAKDOWN OF THE STOCK OF PROVISIONS BY GEOGRAPHICAL REGION AT DECEMBER 31, 2006



Total provisions excluding portfolio-based provisions: EUR 6.7 billion

These loans were provisioned in the amount of EUR 6.7 billion at December 31, 2006, giving a coverage ratio of 63%.

Portfolio-based provisions

At December 31, 2006, the Group's total portfolio-based provisions amounted to EUR 1,033 million against EUR 948 million at December 31, 2005.

The strengthening of the prudential hedging concerns mainly the Corporate and Investment Banking portfolio.

Portfolio-based provisions are collective provisions booked:

- for groups of receivables with homogenous sensitivity to risk factors (lists of counterparties in financial difficulty and identified as sensitive);

- for portfolio segments which have suffered an impairment in value following a deterioration in risk (country or sector risk).

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

Portfolio-based provisions are reviewed quarterly by the Risk Division.

HEDGE FUNDS

Growth in assets managed by hedge funds resumed in 2006, with Société Générale continuing to develop its relations with them and without the difficulties encountered by some funds (the Amaranth fund being one of the ones that suffered most) resulting in credit problems for the Group's activities. Hedge funds are still major players in the financial markets and therefore an important client segment for our business lines. The Group also sells hedge funds to its clients as investment vehicles.

Hedge funds generate specific risks due to the lack of regulations governing their activities and the strong correlation between credit and market risk. As a result, Société Générale has adopted a specific risk management system based on the following four components:

- stress tests to measure market risk and the risk associated with financing transactions guaranteed with shares in hedge funds;
- due diligence procedures and monitoring of hedge fund performances conducted using procedures and methods validated by the Risk Division;
- a ratings model constructed using data collected during due diligence procedures and reviewed each year;
- the centralization of all risk exposure on hedge funds with the Risk Division which monitors counterparty and market risk on a daily basis.

Throughout the Group, all activities with hedge funds are governed by two global limits set by the Chairman:

- a credit VaR limit which controls the maximum replacement risk;
- a stress test limit governing market risk and risks related to financing transactions guaranteed by shares in hedge funds.

MARKET RISKS

Organization

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

Although the front-office managers naturally assume primary responsibility when it comes to risk exposure, its global management lies with an independent structure, the Market Risk unit of the Risk Division. This unit carries out the following functions:

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

At the proposal of this department, the Group's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Group risk management. Within each entity that incurs market risk, risk managers are designated to implement the first level of risk control. The main tasks of these managers, who are independent of the front offices, include:

- the ongoing analysis of exposure and results, in collaboration with the front offices;

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

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

Methods of measuring market risk and defining exposure limits

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

The 99% Value at Risk (VaR) method

This method was introduced at the end of 1996 and it is constantly improved with the addition of new risk factors and the extension of the scope covered by the VaR. Today, the market risks on almost all investment banking activities are monitored using the VaR method, in particular those relating to more complex activities and products, as well as on certain overseas retail and private banking activities.

The method used is the «historical simulation» method, which implicitly takes into account the correlation between different markets. It is based on the following principles:

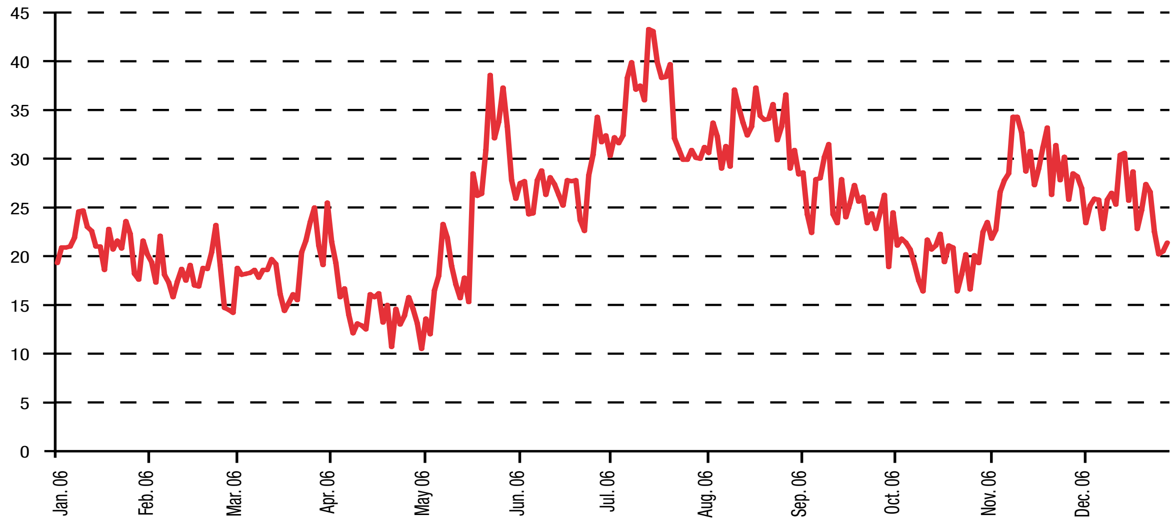
- the creation of a database containing risk factors which are representative of Société Générale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.). The VaR is calculated using a database of several thousand risk factors;
- the definition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

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

The VaR is first and foremost designed to monitor market activity in the bank's trading portfolios. In 2006, the VaR limit for all trading activities was set at EUR 60 million.

The Value at Risk in the Group's trading activities, across the full scope of activities monitored, evolved as follows in 2006:

TRADING VAR (TRADING PORTFOLIOS)
CHANGES IN THE TRADING VAR DURING 2006 (1 DAY, 99%) IN MILLIONS OF EUROS



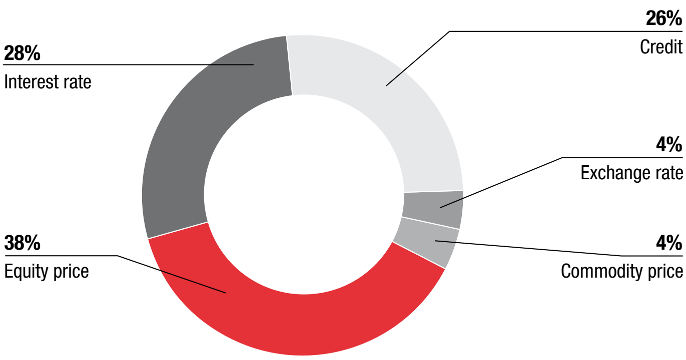
BREAKDOWN OF TRADING VAR BY TYPE OF RISK - CHANGE BETWEEN 2005 AND 2006 IN MILLIONS OF EUROS

	Year-end		Average		Minimum		Maximum	
1-day, 99%	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Equity price risk	(25)	(10)	(21)	(11)	(7)	(4)	(38)	(21)
Interest rate risk	(9)	(16)	(15)	(17)	(9)	(11)	(20)	(25)
Credit risk	(18)	(13)	(14)	(12)	(9)	(8)	(24)	(16)
Exchange rate risk	(3)	(1)	(2)	(1)	(1)	(1)	(5)	(4)
Commodity price risk	(2)	(2)	(2)	(2)	(1)	(1)	(5)	(5)
Compensation effect	35	23	29	24	NM (*)	NM (*)	NM (*)	NM (*)
Total	**(22)**	**(19)**	**(25)**	**(19)**	**(11)**	**(12)**	**(44)**	**(32)**

** Compensation is not material since the potential minimum and maximum losses do not occur on the same date.*

Between 2005 and 2006, the average VaR went from EUR 19 million to EUR 25 million, namely back to its 2004 levels. The EUR 10 million increase in equities results from the integration of more volatile scenarios throughout 2006. The impact was tamed by better compensations between the various risk elements of the bank.

BREAKDOWN OF TRADING VAR BY TYPE OF RISK - 2006

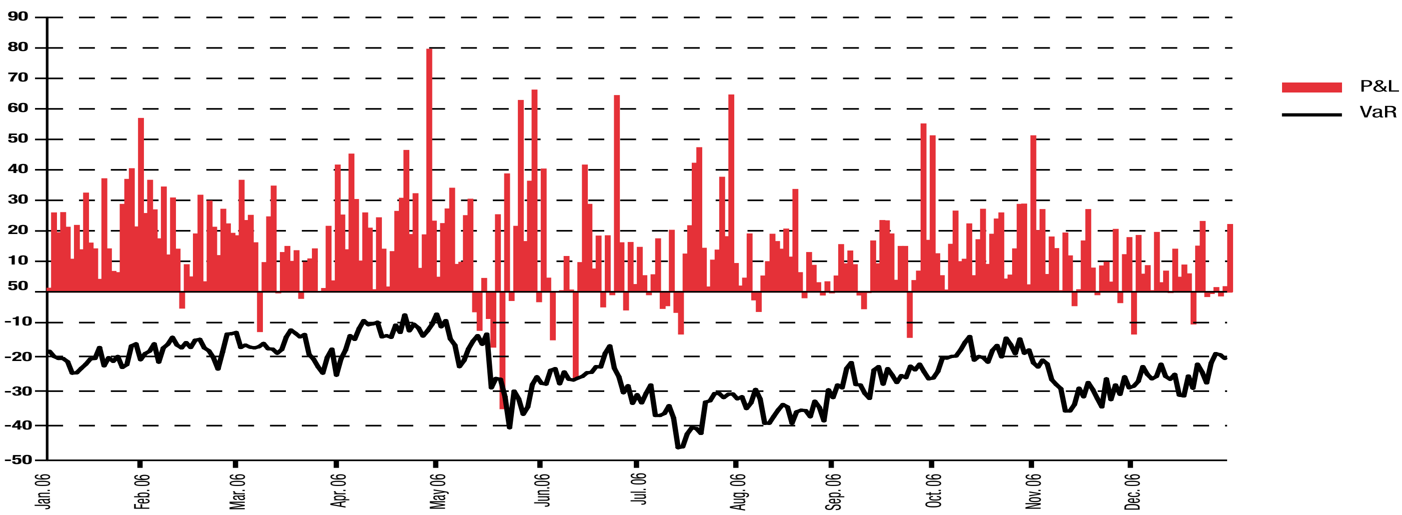


Limitations of the VaR assessment

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

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

VAR BACK-TESTING USING THE REGULATORY SCOPE DURING 2006 – VAR (1-DAY, 99%) IN MILLIONS OF EUROS



The Group counters these limitations by:

- systematically assessing the relevance of the model by back-testing to verify that the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval, which has been the case since the VaR system was introduced. The chart above shows the back-testing of the VaR for the regulatory scope. In 2006, the total daily loss exceeded the VaR on two occasions which, statistically, is compatible with the 99% confidence interval used (2 to 3 occasions per year);
- supplementing the VaR system with stress-test measurements.

The Stress Test model

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

The stress test risk assessment methodology is based on 18 historical scenarios and 8 hypothetical scenarios, including the "Société Générale Hypothetical Scenario" which has been used since the start of the 1990's. Alongside the VaR model, the stress test is one of the main pillars of our risk management system and is based on the following principles:

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

The list of scenarios used was reviewed in 2006. No scenarios were withdrawn or added as a result of this review.

HISTORICAL STRESS TESTS

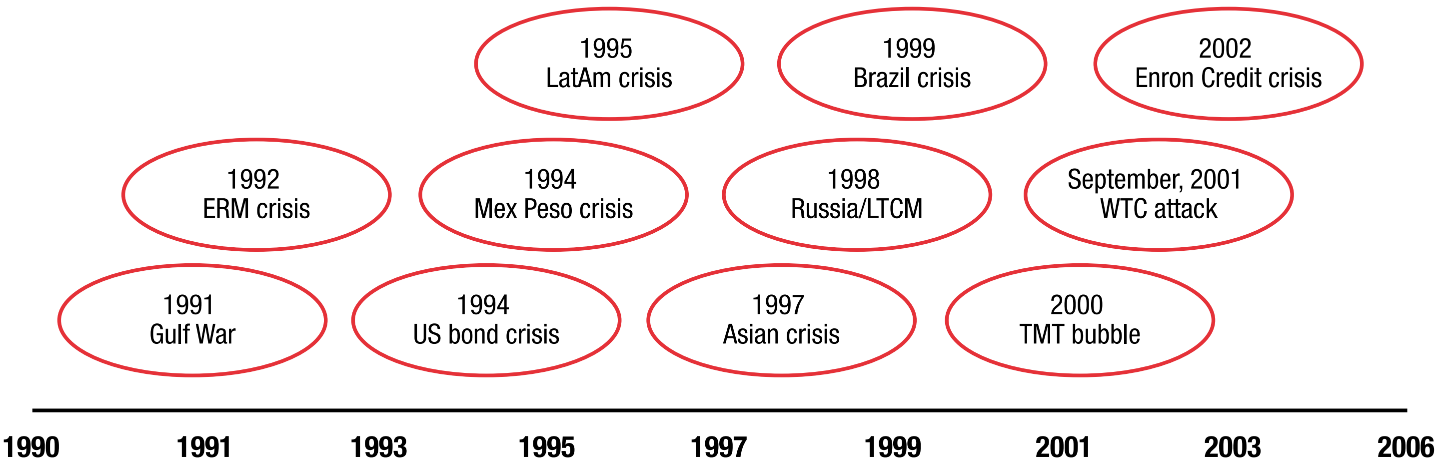
This method consists in an analysis of the major economic crises that have affected the financial markets since 1990: changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises are analyzed in order to define scenarios for potential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

HYPOTHETICAL STRESS TESTS

The hypothetical scenarios are defined by the bank's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The bank aims to select extreme, but nonetheless plausible events which would have major repercussions on all international markets. Société Générale has adopted 7 hypothetical scenarios, in addition to the Société Générale Hypothetical Scenario.

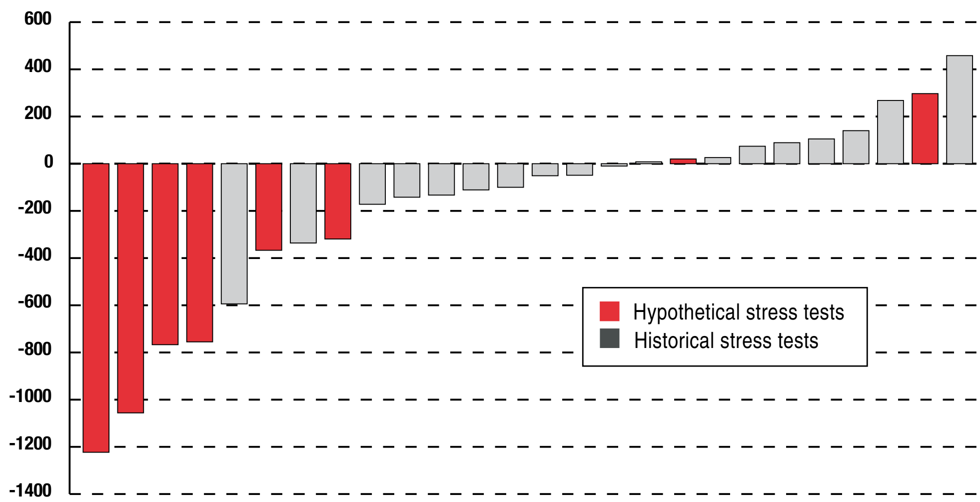
Results at December 31, 2006

Société Générale applied each of these scenarios to its trading positions at December 31, 2006 and obtained the results indicated in the chart below:



The highest potential loss (around EUR 1,000 million) corresponds to very severe or extreme shocks to the prices of all asset classes held by the bank (*e.g.* fall of between 15% and 30% in the global stock market indexes, etc.). Moreover, the probability of such stress scenarios, which involve simultaneous shocks to the prices of all financial assets over a period of a few days, is several times lower than that of a decennial shock.

STRESS TESTS AS AT DECEMBER 31, 2006



STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The application of regulations 1997-02, 2001-01 and 2004-02 of the French Banking and Financial Regulation Committee on internal control provided the Société Générale Group with the opportunity to formally define the principles for monitoring the Group's exposure to interest rate and exchange rate risks which had been in force for several years.

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

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

Wherever possible, commercial transactions are hedged against interest rate and exchange rate risk, either through micro-hedging (individual hedging of each commercial transaction) or through macro-hedging techniques (hedging of portfolios of similar commercial transactions within a treasury department).

Interest rate and exchange rate risks on proprietary transactions must also be hedged as far as possible.

Consequently, structural interest rate and exchange rate risks are only borne on the residual positions remaining after this hedging.

Organization of the management of structural interest rate and exchange rate risks

The principles and standards for managing these risks are defined at the Group level. The operating entities assume primary responsibility for the management of their risk exposure, while the Group's Asset and Liability Management Department (ALM Department) carries out a second level of control on the management of these risks performed by the entities.

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

- validates the basic principles for the organization and management of the Group's structural risks;
- sets the limits for each operating entity;
- examines the reports on these risks provided by the ALM Department;
- validates the transformation policy of the French Networks;
- validates the hedging programs implemented by Société Générale Métropole.

The ALM Department, which is part of the Group Finance Department:

- defines the standards for the management of structural risks (organization, monitoring methods);
- validates the models used by the entities;
- informs the entities of their respective limits;
- centralizes, consolidates and reports on structural risk exposure, and carries out second level controls (independently of the operating divisions supervising the entities).

The operating entities are responsible for controlling structural risks

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

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

Retail Banking entities both in France and abroad generally have an ad-hoc ALM Committee which validates the maturities of non-contractual commitments (sight deposits, etc.) and therefore determines the corresponding transformation strategy, reviews structural interest and exchange rate positions and validates the associated hedging programs in accordance with Group standards.

Structural interest rate risks

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

Objective of the Group

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

For this, 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. Said sensitivity defines the variation in the net present value of future (maturities of over 20 years) residual fixed-rate positions (surplus or deficits on assets and liabilities) for a 1% parallel shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Group is EUR 500 million (which equates to less than 1.7% of shareholders' equity).

Measurement and monitoring of structural interest rate risks

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

Assets and liabilities are generally analyzed independently, without any a piori matching. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, models based on historical client behavior patterns (special savings accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity and sight deposits). Options exposure is analyzed through its delta equivalent.

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

Analyses are also performed on scenarios of potential variations in net interest income, which factor in assumptions as to how assets and liabilities are likely to evolve in the future.

Throughout 2006, the Group's global sensitivity to interest rate risk remained below 1% of Group shareholders' equity and well within the EUR 500 million limit.

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

- within the domestic Retail Banking division, outstanding customer deposits, generally considered to be fixed-rate funds, exceed fixed-rate loans for maturities over 2 years. Indeed, thanks to macro-hedging essentially using interest rate swaps or caps, the French Networks' sensitivity to interest rate risk, on the basis of the adopted assumptions, has been kept to a minimum.

At end-December 2006, the sensitivity of the French networks (Société Générale and Crédit du Nord) based on their assets and liabilities denominated in euros stood at less than EUR 100 million;

- transactions with large corporates are match-funded (on an individual basis), and therefore present no interest rate risk;
- transactions with clients of the Specialized Financial Services subsidiaries are generally macro-hedged and therefore present only a small residual risk;
- client transactions at subsidiaries and branches located in countries with weak currencies can generate limited structural interest rate risk. Indeed, due to the lack of long-term fixed-rate loans, investment possibilities and hedging instruments

such as swaps in these countries, the entities in question may have difficulty investing their excess deposits over a sufficiently long horizon;

- proprietary transactions are generally well hedged. Residual positions are limited and arise primarily from shareholders' equity that has not yet been fully reinvested with the desired maturities.

Structural exchange rate risks

Structural exchange rate risks essentially arise from:

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

Objective of the Group

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

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

Measurement and monitoring of structural exchange rate risks

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

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

The Group's Asset and Liability Management Department monitors structural exchange rate positions and the currency sensitivity of the solvency ratio.

In 2006, the Group successfully neutralized the sensitivity of its solvency ratio to fluctuations in strong currencies using structural positions in these currencies. Moreover, its positions in other currencies remained limited.

LIQUIDITY RISK

General description

Liquidity risk management covers all areas of Société Générale's business, from market transactions to structural transactions (commercial or proprietary transactions).

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

Organization of the management of liquidity risk

The principles and standards applicable to the management of liquidity risks are defined at a Group level. The operating entities are responsible for managing their own liquidity and for respecting the applicable regulatory constraints. The ALM Department, for its part, manages liquidity for the overall Group, in conjunction with the treasury department of the Corporate Banking Division.

- The Group's Finance Committee, chaired by the General Management and attended by members of the Executive Committee and Finance Department:
  - validates the basic principles for the organization and management of the Group's liquidity risk;
  - examines the reports on liquidity risk provided by the ALM Department;
  - reviews the liquidity crisis scenarios;
  - validates the Group's financing programs.

- The ALM Department, which is part of the Group Finance Department:
  - defines the standards for the management of liquidity risks;
  - validates the models used by the entities;
  - centralizes, consolidates and reports on liquidity risk exposure, and carries out second level controls (independently of the operating divisions supervising the entities);
  - constructs the liquidity crisis scenarios;
  - defines the Group's financing programs.
- The treasury department of the Corporate Banking Division is responsible for managing short-term liquidity (less than one year).
- The operating entities are responsible for managing their own liquidity risk.

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

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

Objective of the Group

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

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

- as far as possible, central management of liquidity (mainly in Paris, New York, London, etc.);
- diversification of sources of funding, in terms of both geographical regions and sectors of activity;
- limitation of the number of issuers within the Group (Société Générale, SG Acceptance NV, SG North America, etc.);
- management of short-term liquidity in accordance with the regulatory framework.

Measurement and monitoring of Liquidity risk

The Group's liquidity management system comprises two main processes:

- the assessment of the Group's financing requirements on the basis of budget forecasts in order to plan appropriate funding solutions;
- the analysis of liquidity risk exposure using liquidity crisis scenarios.

The risk analysis is conducted using reports submitted by the different entities, listing their respective on- and off-balance sheet items according to currency of denomination and residual maturity. The principle here is to list asset and liability due dates by maturity. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, models of historical client behavior patterns (special savings accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity and sight deposits).

In 2006, the Group continued to maintain a surplus of long-term liquidity. Indeed, through its retail banking activities, Société Générale has a large and diversified deposits base which serves as a permanent resource in financing its domestic activities and credit transactions with its Financial Services Clients abroad.

To cover its medium-term financing needs as well as drive its prudential capital ratio, Société Générale has issued senior debt and subordinated notes as well as perpetual subordinated bond (TSDI).

The regulatory 1-month liquidity coefficient is calculated on a monthly basis, and applies to the entire Société Générale Group (activities in France and all overseas subsidiaries). In 2006, Société Générale systematically maintained a coefficient above the required regulatory minimum.

OPERATIONAL RISKS

General description

Operational risk is defined as the risk of loss resulting from the unsuitability or failure of internal procedures, persons or systems, or caused by external events (disasters, fire, physical attacks, changes in regulations, etc.). It includes risks linked to the security of information systems, legal and regulatory risks and environmental risks, along with reputation risk.

Operational risk is inherent in each of the Group's businesses and activities. It is managed through a system of prevention, control and cover that comprises detailed procedures, permanent supervision and insurance policies, alongside work carried out by the Internal Audit Departments and the General Inspection Department.

Approach adopted by the Group

Over the last few years, the Group has developed a thorough and consistent approach designed to reinforce the control and active management of its operational risks.

The target system is based on a consistent body of procedures combined with a series of measurement, management and reporting tools. It complies with the Basel Committee's 2003 publication "Sound Practices for the Management and Supervision of Operational Risk" and meets the new regulatory requirements concerning the solvency ratio to be implemented on January 1, 2008. The Group has opted for the Advanced Measurement Approach (AMA) for the calculation of its regulatory capital.

The design of these tools and overall implementation of the system is the responsibility of the Risk Division. Its practical application is the responsibility of the operating divisions and corporate departments, while the audit and General Inspection teams verify the integrity and solidity of the system and may use elements of it in the execution of their assignments.

Governance

In 2005, the Group set up an Operational Risk function whose main tasks are to define and implement the strategy for controlling operational risks, establish methods of measurement and analysis and encourage the application of best practices in this regard.

All operating divisions and corporate departments now have an operational risk manager, who liaises with risk correspondents in each of the business lines and entities. These teams report functionally to the Head of the Operational Risk unit.

Management of operational risks

Since 2003, the Group has maintained a database of all internal operating losses incurred by the entities, both in France and abroad. This common database is used to analyze losses (by type of event, cause, activity, etc.) and monitor their evolution as well as the proposed corrective action plans. In 2005, the Group implemented an IT tool to collect data on losses from the various entities. Each quarter, a report of internal losses is submitted to the General Management.

A specific methodology for evaluating the control environment has also been formally defined. This process is designed to alert the operating divisions as soon as possible if they are vulnerable to risks so that they can react and reduce potential losses. Accordingly, the risks inherent in each activity are defined in a risk map, and the quality and efficiency of the corresponding prevention and control procedures are verified on a regular basis so as to be able to map any residual risk. This methodology was deployed across the Group between September 2005 and June 2006 and the results were presented to the Audit Committee in September 2006.

Measurement of operational risks

The Group is developing an internal model to calculate the regulatory capital that must be allocated to operational risks. This model is based on an LDA (Loss Distribution Approach) and integrates internal losses, analyses of potential loss scenarios, the effects of the diversification of the Group's businesses and insurance covering.

New simulations were carried out in 2006 which integrated loss data, insurance covering and high-severity scenarios in order to provide more stable and reliable results.

LEGAL RISKS

Dependency

Société Générale is not dependent on any patent or licence, nor on any industrial, commercial or financial provisioning contract.

Risks and Litigation

- Risks arising out of material litigation matters initiated, or likely to be initiated, against the Group are subject to a quarterly review. To this end, the managers of the branches and of the consolidated companies, in France and abroad, draw up a report every quarter setting forth these litigations and assessing the potential loss if any. These reports are forwarded to the Parisian Headquarters where they are reviewed by a committee headed by the Corporate Secretary and composed of members of the Financial, Legal and Risk Departments. This committee gives grounded advice on the basis of which the General management decides the reserves' amount or its reversal.
- Like many financial institutions, Société Générale is subject to numerous litigation, including securities class actions lawsuits in the U.S., and to regulatory investigations. The consequences, as assessed on December 31, 2006, of those that are liable to have or have recently had a material impact on the financial condition of the Group, its results or its business have been provisioned in the Group's financial statements. Details are set below concerning the major cases. Other litigation matters have no material effect on the Group's financial condition or it is still too early to determine at this stage whether they may have such an impact or not.
- In January 2002, Société Générale learned that Frank Gruttadauria ("Gruttadauria"), a former employee of SG Cowen's retail brokerage business that was sold in October 2000, had defrauded numerous customers and misappropriated their assets at various firms that had employed him, including SG Cowen. Gruttadauria has been convicted and sentenced in federal district court in Ohio to a seven-year term of imprisonment for various federal offenses, and he subsequently also pled guilty to Ohio state law crimes. Following the discovery of Gruttadauria's fraud, numerous former customers commenced or threatened to commence lawsuits and arbitrations against SG Cowen (and in some instances against Société Générale as well) arising out of Gruttadauria's actions. In addition, government and regulatory authorities initiated investigations, and SG Cowen cooperated fully with all of them, resolving in 2003 all known regulatory matters arising out of Gruttadauria's conduct. SG Cowen has also reached settlements with most former customers, and has arbitrated several other customers' claims. There are currently a small number of pending customer claims against SG Cowen. Separately, the securities brokerage firm that purchased SG Cowen's former retail brokerage business in October 2000 has threatened to bring a lawsuit against SG Cowen in connection with the liabilities, costs and expenses that it has incurred as a result of Gruttadauria's misconduct but this matter has been settled.

  Société Générale has established a provision for all the reasonably anticipated financial consequences of this matter, provision which has been partly used to pay the settlements and arbitral awards mentioned above.
- SG Cowen is one of several defendants named in lawsuits arising out of the accounting fraud that caused the collapse of Lernout & Hauspie Speech Products, N.V. ("L&H"), a former client of SG Cowen.

  In one lawsuit pending in federal court in Boston, the Trustee of the Dictaphone Litigation Trust has alleged that SG Cowen had made material misrepresentations to Dictaphone while SG Cowen was a financial advisor to L&H on its acquisition of Dictaphone, and published materially misleading research on L&H, in violation of various federal and state laws. The district court has granted SG Cowen's motion to dismiss the complaint and this decision has been confirmed by the Court of appeals.

  In another lawsuit relating to L&H, which is pending in federal court in New Jersey, short-sellers of L&H stock allege that SG Cowen participated in a scheme to artificially inflate L&H's stock price through allegedly false and misleading research reports published by SG Cowen, in violation of federal securities laws and state laws. The Court did not grant SG Cowen's motion to dismiss the complaint. SG Cowen subsequently filed an answer denying liability and discovery is ongoing. A provision has been made.
- After conducting investigations on tax frauds allegedly committed by buyers of certain types of companies in Belgium since 1997, the Belgian State and the liquidator of some of these companies have brought actions against the various participants in these transactions in an attempt to recuperate the eluded tax or to seek damages. Société Générale and one of its affiliate were implicated because of the role played as counsel in several transactions by an ex-employee of the bank, now deceased, who concealed from Société Générale that he continued to play this role in spite of the prohibition notified to him by his supervisor several years ago, after the risks of

such transactions had been identified. Société Générale fully cooperated with the Belgian State's investigations. These investigations having given rise to the opening of criminal proceedings, Société Générale and its affiliate have also filed a complaint to shed light on the circumstances of this case. A provision has been made.

- In July 2004, the European Commission conveyed a "Communication des griefs" (statement of objections) to nine French banks including Société Générale, and to the "Groupement des cartes bancaires CB". The objections related to an alleged secret and anticompetitive agreement on bank payment cards by which the banks, colluding with the "Groupement des cartes bancaires", were alleged to have agreed to erect entrance barriers to the French market of the issuance of payment cards in order to preclude competition from new entrants and to reduce competition between themselves. In the Commission's view, the alleged agreement would have severely limited the scope for lower card prices and technical innovation. Société Générale had answered to these allegations which it considered unjustified. In July 2006, the Commission withdrew its claims against the banks.
- In October 2005, the official receivers in charge of the restructuring plans of Moulinex and Brandt, companies that have been put into bankruptcy in 2001, have initiated a lawsuit against banks members of syndicated loans granted to Moulinex in 1997 and to Brandt in 1998. They are seeking compensatory damages to indemnify the creditors for the banks' alleged improper financial support to the aforementioned companies. Société Générale and Crédit du Nord only held a share of the syndicated loans. They intend to vigorously oppose the claims since after trying to support Moulinex and Brandt on the ground of serious and credible recovery plans, the banks have been the first victims of Moulinex and Brandt collapses. All reasonably anticipated expenses relating to the management of these proceedings have been taken into account.
- By her order of July 20, 2006, a French investigating Magistrate indicted Société Générale (corporate entity), its chairman and three other employees and sent them before the Paris criminal court for trial for "aggravated money laundering" in the so-called "Sentier" case. Charges against four other employees of the Bank under investigation have been withdrawn. This decision goes against the State prosecutor's formal written demand for dismissal of the suit; he had asked for Société Générale and all its executives or employees to be cleared on the grounds that there were insufficient charges against them following an investigation that had lasted over six years. Three other banks and more than 130 individuals, including executives and top management of these banks, have also been referred to the court to be judged. The hearings might take place in 2008.

  Société Générale's behaviour cannot be assimilated to a "deliberate" omission constitutive of money-laundering according to the judge: it has always been similar to other French banks' practices with respect to the control of cheques and Société Générale did not have sufficiently precise knowledge of the nature and identity of these networks nor of the origin of the funds to identify money-laundering networks or the indicted launderers and to take more effective measures than it did.

  The question of the duties of banks with respect to verifying cheques concerns all banking institutions in France, as well as the regulatory authorities. At the request of the French Banking Federation, a new regulation issued by the *Comité de la Règlementation Bancaire et Financière (Banking and Financial Regulatory Committee)* came into force on April 26, 2002 that imposed vigilance obligations in terms of cheques in order to fight against money-laundering.

  No civil action for damages has been brought against Société Générale or its employees.
- On November 23, 2006, Manulife Securities International Ltd brought an action against Société Générale Canada, Société Générale, Lyxor Asset Management and Société Générale Securities Inc. for payment of damages (CAD 1,630 billion) and Notes in front of the Superior Court of Justice of Ontario (Canada). The responsibility of the various entities of the Group is questioned on the occasion of Notes issued by Société Générale Canada, guaranteed by Société Générale and subscribed by trusts, managed by Portus, by means of private investments. Finally, these trusts would not have been legally created and the funds would have been partly misappropriated by Portus, since then declared in winding up. The plaintiff seeks, within the framework of a "class action", to have the entities of the group Société Générale declared responsible for these misappropriations. These entities which, moreover, fulfill their commitments related to the Notes, intend to vigorously oppose the action.
- Société Générale and numerous other banks, insurance carriers and brokers are subject to investigations by the Internal Revenue Service, the Securities and Exchange Commission and the Antitrust Division of the Department of Justice for alleged practices not complying with various regulations regarding Notes issued by various governmental issuers and Guaranteed Investment Contracts (GIC). Société Générale fully cooperates with the investigating authorities.

ENVIRONMENTAL RISKS

See pages 113 to 120.

INSURANCE FOR OPERATIONAL RISKS

Description of insurance policies

General policy

Société Générale's strategy is to insure its domestic and international activities globally, using policies that offer the broadest and most comprehensive coverage for the type of risks to which the Group is exposed. Additional insurance policies may be taken out locally, to provide either first-level guarantees that may be below the global guarantee thresholds, or particular guarantees applicable to specific activities.

As for all large companies, the overall market insurance offering is restricted to the main insurance programs.

In the case of traditional guarantees, the Group was able to renew the majority of the policies bought on the market.

While the market remains limited with regard to other risks, notably those linked to financial activities, the Group was able to take advantage of an improvement in the insurance market to increase its level of cover and extend the guarantees offered under its existing policies.

The Group also reinsures a number of its policies with its own in-house reinsurance company in order to reduce the deductible it is required to pay in the event of a claim, which in some cases is particularly high. This approach contributes to the improvement of the Group's knowledge and management of its risks.

As a result, despite the contraction in the market for the insurance of these risks, the Group was able to set up insurance policies that considerably exceed the level of losses incurred.

Lastly, each time that insurance services are outsourced, the Group is very attentive to the technical quality and rating of its insurers.

Description of cover

General risks

1. Buildings and their contents, including IT equipment, are insured at their replacement value. In 2006, a guarantee was implemented covering acts of terrorism abroad. In France, the budget amounted to EUR 2.38 million;
2. Liability other than professional liability (*i.e.* relating to operations, chief executive officers, vehicles, etc.) is covered by insurance policies around the world. The amounts insured vary from country to country, but correspond to operating requirements. In France, the budget amounted to EUR 1.49 million.

Risks arising from activity

Insurance is only one of the financing methods that can be used to offset the consequences of the risks inherent in the Group's activity, and as such it complements the Group's risk management policy.

1. HOUSING LOANS

Housing loans granted by the bank are accompanied by life insurance policies covering the borrower.

2. THEFT/FRAUD

These risks are included in a "global banking policy" that insures all the Bank's activities around the world.

3. PROFESSIONAL LIABILITY

The consequences of any lawsuits are insured under a global policy.

4. OPERATING LOSSES

The consequences of an accidental interruption in activity are insured under a global policy. This policy complements the business continuity plans. The amounts insured are designed to cover losses incurred between the time of the event and the implementation of an emergency solution.

OTHER RISKS

The Group is aware of no other risk to be mentioned in this respect.

REGULATORY RATIOS

International solvency ratio

(B.I.S.ratio)

The international solvency ratio requires financial institutions handling a significant volume of international business to maintain a minimum level of equity in reserve on a permanent basis, in order to cover their credit exposure and capital market risks.

Until December 31, 1997, the B.I.S. ratio was essentially limited to counterparty risks. Since January 1998, it has been extended to cover market risks (interest rate, exchange rate, equity price and commodity price risks).

The regulatory framework for monitoring market risk exposure allows banks to calculate their regulatory capital requirements using internal models, provided that these models meet certain criteria and reflect an adequate risk management strategy, and that the model itself has been approved by the banks' supervisory authorities. Société Générale's internal VaR model has been approved by the French Banking Commission (see section on "Market Risk Valuation Method", p. 134).

Since December 31, 1998, the market risks for the majority of transactions have been calculated using this internal model, while the standard method is used for all other operations.

The Group's B.I.S. ratio stood at 11.11% at December 31, 2006, excluding Tier-3 capital, compared with 11.30% at end-December 2005.

RISK-BASED CAPITAL, RISK-WEIGHTED ASSETS AND SOLVENCY RATIOS

(in millions of euros)	Dec. 31, 2006	Dec. 31, 2005(*)
Risk based capital		
Group shareholders' equity	29,054	23,043
Dividends	(2,323)	(1,874)
Iminority interests after appropriation of net income	2,040	1,812
Preferred shares	2,080	2,188
Prudential deductions (1)	(8,524)	(5,890)
Total Tier-1 capital	22,327	19,279
Total Tier-2 capital	11,987	11,420
Other deductions (2)	(2,602)	(1,910)
Total risk-based capital	31,712	28,789
Risk-weighted assets	285,525	254,753
International solvency ratio (B.I.S. ratio) (%)	11.11	11.30
Tier-1 ratio (in%)	7.82	7.57

(1) Essentially goodwill and intangible assets and IFRS prudential deductions.
(2) Holdings in non-consolidated financial companies or those accounted for the equity method.
** Amounts restated in relation to financial statements published.*

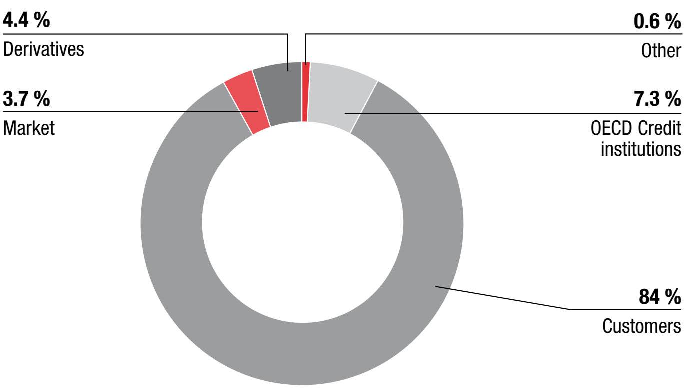
Group shareholders' equity at end-December 2006 totaled EUR 29.1 billion (compared with EUR 23 billion in 2005). After taking into account minority interests of preferred shares, the general reserve for banking risks and prudential deductions, total Tier-1 capital stood at EUR 22.3 billion, giving a Tier-1 ratio of 7.82% at December 31, 2006 (compared with 7.57% at December 31, 2005).

Risk-weighted assets by type of activity break down as follows:

- the increase in risk-weighted assets over 2006 (EUR 285.5 billion) resulted from the rise in counterparty risks. These accounted for 96.3% of risk-weighted assets, amounting to EUR 275 billion at December 31, 2006 (97.6% at December 31, 2005);
- risk-weighted assets relating to market risk accounted for 3.7% of the total, up on 2005 (2.4%).

The credit risk on derivatives essentially relates to instruments with maturities under five years (a detailed analysis of these instruments is included in the notes to the consolidated financial statements on page 214, note 28).

BREAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK AT DECEMBER 31, 2006



Total counterparty risk exposure: EUR 275 billion (96.3%) of which:

- plain vanilla on- and off-balance sheet items: EUR 262.4 billion (91.9%);
- derivatives: EUR 12.6 billion (4.4%).

Total capital market risk exposure: EUR 10.5 billion (3.7%).

Capital adequacy ratio

(CAD ratio)

This ratio replaced the European solvency ratio in 1998, and sets out the minimum capital required to cover counterparty and market risks.

At December 31, 2006, these risks were 141.9% covered by Group equity, excluding any Tier-3 capital (compared with 143.2% at December 31, 2005).

As with the international solvency ratio, the Group's equity requirements principally arise from "plain vanilla" banking activities.

Moreover, as the Société Générale Group has been classified as a financial conglomerate by the French Banking Commission, its equity must be greater than or equal to the sum of the capital requirements applicable to its banking activities and to its insurance activities. At December 31, 2006, the Group met these requirements.

Ratio of large exposures

The ratio of large exposures is calculated on a quarterly basis but is complied with on an ongoing basis by the Société Générale Group:

- the total risk incurred by Société Générale in respect of any debtor taken individually does not exceed 25% of consolidated net equity;
- the total risk incurred by Société Générale in respect of all debtors which, taken individually, represent risks of over 10% of consolidated net equity, does not exceed eight times consolidated net equity.

Liquidity ratio

Société Générale's one-month liquidity ratio, which is used to monitor short-term liquidity, averaged 112% over 2006. At the end of each month in 2006, it was above the minimum regulatory requirement of 100%.

Prudential ratio

(funding ratio)

The prudential ratio, which is used to determine long-term liquidity, measures receivables due in more than five years against funds with a remaining maturity of more than five years. At December 31, 2006, this ratio stood at 70.1%, above the minimum regulatory standard of 60%.

Reform of the international solvency ratio Basel II reforms

As part of the implementation of the new solvency ratio, the Société Générale Group has decided to adopt the Internal Rating Based – Advanced approach (IRBA) in order to manage and monitor its credit risk exposure on most of its portfolios. At the start of 2008, when the new ratio is scheduled to become applicable, the Group will continue to use the standardized or “foundation” approach (IRBF) for some of its commitments (certain transactions, foreign subsidiaries, etc.). However, its long term objective is to eventually roll out the IRBA approach to all transaction types.

In 2003, Société Générale launched a major Basel II initiative covering all Group activities, the Risk Division and the Finance Department. Monitored by the Group’s General Management, the project has the following aims:

- to adapt the existing internal rating system comply with the Basel II text, notably by developing counterparty rating models based on an estimation of the probability of default at one year and transaction rating models based on an estimation of loss given default;
- to ensure the systematic use of these internal ratings for the majority of portfolios and by the majority of Group entities, particularly upon this issue of loans and when monitoring exposure;
- to ensure the complete and systematic collection of information on defaults and incurred losses in order to control the validity and accuracy of the internal rating models on a regular basis (back testing);
- to define and adapt the systems and procedures to the new regulatory requirements, notably when it comes to counterparty and transaction ratings, factoring in guarantees and collateral and collecting data on defaults and losses;
- to develop an information system to automatically calculate capital requirements and solvency ratios in accordance with the texts published by the Basel Committee;
- to justify the quality of the data used to calculate the ratio by proving its consistency with accounting figures.

The majority of the work outlined above is complete. The Group will now focus on preparing the parallel run period which will extend over in 2007 prior to the definitive application of the new international solvency ratio at the start of 2008.

The change management projects within those functions charged with compiling and validating loan applications will be maintained over this period. The same shall apply to the technical platforms used to collect and process data and which are due to be upgraded once again in 2007.

Lastly, all of the work carried out by the Group will be controlled by the French supervisor and some of its overseas counterparts over the course of the year.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS

(in millions of euros)		IFRS (1) December 31, 2006	IFRS (1) December 31, 2005*	IFRS (1) January 1, 2005*	IFRS excl. IAS 32-39 & IFRS 4 (1)	December 31, 2004*
Cash, due from central banks	Note 5	9,358	6,186	5,204	Cash, due from central banks	5,206
Financial assets measured at fair value through profit and loss	Note 6	453,207	400,438	278,361	Securities portfolio	217,285
Hedging derivatives	Note 7	3,668	3,742	2,817		
Available-for-sale financial assets	Note 8	78,754	73,028	67,202		
Non current assets held for sale		34	38	-		
Due from banks	Note 9	68,157	53,451	53,337	Due from banks	66,117
Customers loans	Note 10	263,547	227,195	198,891	Customer loans	208,184
Lease financing and similar agreements	Note 11	25,027	22,363	20,633	Lease financing and similar agreements	20,589
Revaluation differences on portfolios hedged against interest rate risk		(20)	187	318		
Held-to-maturity financial assets	Note 12	1,459	1,940	2,230		
Tax assets	Note 13	1,503	1,601	1,396	Tax assets	1,374
Other assets	Note 14	34,514	31,054	30,804	Other assets	70,809
Investments in subsidiaries and affiliates accounted for by the equity method		646	191	278	Investments in subsidiaries and affiliates accounted for by the equity method	348
Tangible and intangible fixed assets	Note 15	12,072	10,459	8,970	Tangible and intangible fixed assets	9,110
Goodwill	Note 16	4,915	3,261	2,286	Goodwill	2,286
Total		**956,841**	**835,134**	**672,727**	**Total**	**601,308**

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

(1) The Group decided to take advantage of the option available under IFRS 1 not to adjust the opening balance sheet at January 1, 2004 in accordance with IAS 32, IAS 39 and IFRS 4 as adopted by the European Union and to apply these three standards for the first time at January 1, 2005. As a result, for comparative 2004 data, financial instruments and transactions covered by IAS 32, IAS 39 and IFRS 4 are recognized and presented under the French accounting principles applied by the Group, in accordance with CRC Regulations 1999-07 and 2000-04.

LIABILITIES

(in millions of euros)		IFRS (1) December 31, 2006	IFRS (1) December 31, 2005*	IFRS (1) January 1, 2005*	IFRS excl. IAS 32-39 & IFRS 4 (1)	December 31, 2004
Due to central banks		4,183	2,777	1,504	Due to central banks	1,505
Financial liabilities measured at fair value through profit and loss	Note 6	298,693	275,027	208,242		
Hedging derivatives	Note 7	2,826	2,153	3,416		
Due to banks	Note 17	129,835	113,207	79,759	Due to banks	92,380
Customer deposits	Note 18	267,397	222,544	192,863	Customer deposits	213,433
Securitized debt payables	Note 19	100,372	84,325	68,830	Securitized debt payables	97,730
Revaluation differences on portfolios hedged against interest rate risk		143	797	713		
Tax liabilities	Note 13	1,959	1,677	1,086	Tax liabilities	2,331
Other liabilities	Note 20	39,326	33,028	30,184	Other liabilities	109,563
Underwriting reserves of insurance companies	Note 30	64,583	57,279	48,805	Underwriting reserves of insurance companies	47,065
Provisions	Note 22	2,579	3,037	2,941	Provisions	2,854
Subordinated debt	Note 24	11,513	12,083	12,136	Subordinated debt	11,930
					Preferred shares	2,049
Total liabilities		**923,409**	**807,934**	**650,479**	**Total liabilities**	**580,840**
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**	
Shareholders' equity, Group share					**Shareholders' equity, Group share**	
Common stock		577	543	556	Common stock	556
Equity instruments and associated reserves		6,294	3,809	2,928	Equity instruments and associated reserves	2,713
Retained earnings		14,773	12,142	10,476	Retained earnings	11,934
Net income		5,221	4,402	3,281	Net income	3,281
Sub-total		**26,865**	**20,896**	**17,241**	**Sub-total**	**18,484**
Unrealized or deferred capital gains or losses		2,189	2,147	1,154	Unrealized or deferred capital gains or losses	(107)
Sub-total equity, Group share		**29,054**	**23,043**	**18,395**	**Sub-total equity, Group share**	**18,377**
Minority interests		**4,378**	**4,157**	**3,853**	**Minority interests**	**2,091**
Total equity		**33,432**	**27,200**	**22,248**	**Total equity**	**20,468**
Total		**956,841**	**835,134**	**672,727**	**Total**	**601,308**

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

(1) The Group decided to take advantage of the option available under IFRS 1 not to adjust the opening balance sheet at January 1, 2004 in accordance with IAS 32, IAS 39 and IFRS 4 as adopted by the European Union and to apply these three standards for the first time at January 1, 2005. As a result, for comparative 2004 data, financial instruments and transactions covered by IAS 32, IAS 39 and IFRS 4 are recognized and presented under the French accounting principles applied by the Group, in accordance with CRC Regulations 1999-07 and 2000-04.

CONSOLIDATED INCOME STATEMENT

		IFRS		IFRS excl. IAS 32-39 & IFRS 4
(in millions of euros)		December 31, 2006	December 31, 2005*	December 31, 2004*
Interest and similar income	Note 31	30,056	21,101	21,835
Interest and similar expenses	Note 31	(26,944)	(16,656)	(15,704)
Dividend income		293	256	396
Dividends paid on preferred shares		-	-	(144)
Commissions (income)	Note 32	9,242	8,004	7,106
Commissions (expenses)	Note 32	(2,389)	(1,922)	(1,831)
Net gains or losses on financial transactions		10,984	7,498	4,222
o/w net gains or losses on financial instruments at fair value through profit and loss	*Note 33*	*10,360*	*7,026*	-
o/w net gains or losses on avalaible-for-sale financial assets	*Note 34*	*624*	*472*	-
Income from other activities	Note 35	16,763	14,788	14,499
Expenses from other activities	Note 35	(15,588)	(13,903)	(13,989)
Net banking income		**22,417**	**19,166**	**16,390**
Personnel expenses	Note 36	(8,350)	(7,469)	(6,743)
Other operating expenses		(4,635)	(3,990)	(3,651)
Amortization, depreciation and impairment of tangible and intangible fixed assets		(718)	(697)	(668)
Gross operating income		**8,714**	**7,010**	**5,328**
Cost of risk	Note 38	(679)	(448)	(568)
Operating income		**8,035**	**6,562**	**4,760**
Net income from companies accounted for by the equity method		18	19	40
Net income/expense from other assets		43	148	195
Impairment losses on goodwill		(18)	(23)	4
Earnings before tax		**8,078**	**6,706**	**4,999**
Income tax	Note 39	(2,293)	(1,790)	(1,376)
Consolidated net income		**5,785**	**4,916**	**3,623**
Minority interests		564	514	342
Net income, Group share		**5,221**	**4,402**	**3,281**
Earnings per share	**Note 40**	**12.33**	**10.70**	**7.98**
Diluted earnings per share	**Note 40**	**12.16**	**10.61**	**7.91**

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

CHANGES IN SHAREHOLDERS' EQUITY

	Capital and associated reserves			Consolidated reserves		Unrealized or deferred capital gains or losses							
(in millions of euros)	Common stock	Equity instruments and associated reserves	Elimination of treasury stock	Retained earnings	Translation reserves	Change in fair value of assets available-for-sale	Change in fair value of hedging derivatives	Tax impact	Shareholders' equity, Group share	Minority interests[5]	Unrealized or deferred capital gains or losses, minority interests	Shareholders' equity, minority interests	Total consolidated shareholders' equity
Shareholders'equity at December 31, 2004 (excluding IAS 32, 39 and IFRS 4)	**556**	**4,591**	**(1,878)**	**15,215**	**(107)**				**18,377**	**2,076**	**15**	**2,091**	**20,468**
Impact of adopted IAS 32&39 and IFRS 4 standards		450	(235)	(1,458)		1,374	112	(225)	18	1,737	25	1,762	1,780
Shareholders' equity at January 1st 2005 (including IAS 32, 39 and IFRS 4)	**556**	**5,041**	**(2,113)**	**13,757**	**(107)**	**1,374**	**112**	**(225)**	**18,395**	**3,813**	**40**	**3,853**	**22,248**
Increase in common stock	(13)	(886)							(889)				(899)
Elimination of treasury stock			678	2					680				680
Issuance of preferred shares[3]		1,000		14					1,014				1014
Equity component of share-based payment plans		89							89				89
2005 Dividends paid				(1,359)					(1,359)	(284)		(248)	(1,643)
Effect of acquisitions and disposals on minority interests[6]				(266)					(266)	(133)		(133)	(399)
Sub-total of changes linked to relations with shareholders	**(13)**	**203**	**678**	**(1,609)**		**-**	**-**	**-**	**(741)**	**(417)**	**-**	**(417)**	**(1,158)**
Change in value of fixed assets having an impact on equity						700	(45)	(47)	608		17	17	625
Change in value of fixed assets recognized in income statement						(158)	0	7	(151)		(9)	(9)	(160)
2005 Net income[7]				4,402					4,402	514		514	4,916
Sub-total	**-**	**-**	**-**	**4,402**		**542**	**(45)**	**(40)**	**4,859**	**514**	**8**	**522**	**5,381**
Translation differences and other changes[9]				(6)	536				530	1	198	199	729
Sub-total	**-**	**-**	**-**	**(6)**	**536**	**-**	**-**	**-**	**530**	**1**	**198**	**199**	**729**
Shareholders' equity at December 31st 2005 (including IAS 32, 39 and IFRS 4)	**543**	**5,244**	**(1,435)**	**16,544**	**429**	**1,916**	**67**	**(265)**	**23,043**	**3,911**	**246**	**4,157**	**27,200**
Increase in common stock[1]	34	2,791							2,825				2,825
Elimination of treasury stock[2]			(425)	217					(208)				(208)
Issuance of equity instruments[3]				22					22				22
Equity component of share-based payment plans[4]		119							119				119
2006 Dividends paid				(1,966)					(1,966)	(415)		(415)	(2,381)
Effect of acquisitions and disposals on minority interests[6][8]				(44)					(44)	106		106	62
Sub-total of changes linked to relations with shareholders	**34**	**2,910**	**(425)**	**(1,771)**		**-**	**-**	**-**	**748**	**(309)**	**-**	**(309)**	**439**
Change in value of financial instruments and fixed assets having an impact on equity						830	(39)	(14)	777		53	53	830
Change in value of financial instruments and fixed assets recognized in income						(392)	-	37	(355)		(7)	(7)	(362)
2006 Net income for the period[7]				5,221					5,221	564		564	5,785
Sub-total	**-**	**-**	**-**	**5,221**		**438**	**(39)**	**23**	**5,643**	**564**	**46**	**610**	**6,253**
Change in equity of associates and joint ventures accounted for by the equity method						1			1				1
Translation differences and other changes[9]					(381)				(381)		(80)	(80)	(461)
Sub-total	**-**	**-**	**-**	**0**	**(381)**	**1**	**-**	**-**	**(380)**	**-**	**(80)**	**(80)**	**(460)**
Shareholders' equity at December 31, 2005 (including IAS 32, 39 and IFRS 4)	**577**	**8,154**	**(1,860)**	**19,994**	**48**	**2,355**	**28**	**(242)**	**29,054**	**4,166**	**212**	**4,378**	**33,432**

(3) (4) (5) (6) (7) (8) and (9) See next page.

(1) At December 31, 2006, Société Générale's fully paid-up capital amounted to EUR 576,780,702.50 and was made up of 461,424,562 shares with a nominal value of EUR 1.25.
In 2006, Société Générale operated several capital increases for 34 MEUR with EUR 2,791 million of issuing premiums:
- *EUR 5 million subscribed by employees under the Employee Share Ownership Plan, with EUR 391 million of issuing premiums;*
- *EUR 2 million resulting from the exercise by employees of stock options granted by the Board of Directors, with EUR 73 million issuing premiums;*
- *EUR 27 million for the capital increase using preferred subscription rights, with EUR 2,344 million issuing premiums. The EUR 17 million expenses linked to the capital increase were deducted from the amount of the issuing premium.*

(2) At December 31, 2006, the Group held 26,661,684 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 5.78% of the capital of Société Générale.
The amount deducted by the Group from its net book value for equity instruments (shares and derivatives) came to EUR 1,860 million, including EUR 349 million for shares held for trading purposes.

The change in treasury stock over 2006 breaks down as follows:

(In millions of euros at December 2005)	Transaction-related activities	Buybacks and active management of Shareholders' equity	Total
Purchases net of disposals	(141)	(285)	**(425)**
	(141)	**(285)**	**(425)**
Capital gains net of tax on treasury shares and treasury share derivatives, booked under shareholders' equity	32	164	**196**
Related dividends, removed from consolidated results	(19)	40	**21**
	13	**204**	**217**

(3) Movements relative to the indefinite subordinated loans and the four undated subordinated notes which were adjusted retroactively under shareholders' equity in 2006 (see § 6) are detailed below:

(in millions of euros)	Super Subordinated Notes	Undated Subordinated Notes	Total
Tax savings on the remuneration to be paid to shareholders and booked under reserves,	15	7	**22**
Remuneration paid booked under dividends (2006 Dividends paid line)	42	17	**59**

(4) Share-based payments settled in equity instruments in 2006 amounted to EUR 119 million, including EUR 32 million for the stock option plans, EUR 21 million for the free shares attribution plan and EUR 66 million for Global Employee Share Ownership Plan.

(5) As of January 1, 2005, due to the adoption of IAS 32&39 and in view of the discretionary nature of their remuneration, preferred shares were reclassified as Minority Interests, in the amount of EUR 2,049 million.
In 1997, Société Générale issued USD 800 million of preferred shares in the United States via its subsidiary SocGen Real Estate Company llc.
In 2000, Société Générale issued a further EUR 500 million via its subsidiary SG Capital Trust, and USD 425 million via SG Americas in 2001.
In 2003, Société Générale issued a further EUR 650 million of preferred shares in the United States via SG Capital Trust III.
At December 31, 2006, preferred shares amounted to EUR 2,080 million.

(3)(6) The impacts at December 31, 2004, January 1, 2005 and December 31, 2005 of the reclassification of certain undated subordinated notes from debt to shareholders' equity and the change in accounting methods governing the buyback of minority interests outlined in note 1 are summarized below.

(in millions of euros)	Capital, reserve, income (o/w minority interest)
Shareholders' equity under IFRS (excluding IAS 32&39 and IFRS 4) as at December 31, 2004 as published at December 31, 2005	**20,515**
Adjustment of minority interest buybacks	(47)
Shareholders' equity under IFRS (excluding IAS 32&39 and IFRS 4) adjusted at December 31, 2004	**20,468**

(in millions of euros)	Capital, reserve, income (o/w minority interest)
Shareholders' equity under IFRS (including IAS 32&39 and IFRS 4) as at January 1, 2005 as published at December 31, 2005.	**22,383**
Adjustment of four undated subordinated notes	450
Adjustment of minority interest buybacks	(585)
Shareholders' equity under IFRS (including IAS 32&39 and IFRS 4) adjusted at January 1, 2005	**22,248**

(in millions of euros)	Capital, reserve, income (o/w minority interest)
Shareholders' equity under IFRS (excluding IAS 32&39 and IFRS 4) as at December 31, 2005 as published at December 31, 2005	**27,720**
Adjustment of four undated subordinated notes	450
Exchange rate effect on undated subordinated notes denominated in USD and JPY	28
Adjustment of minority interest buybacks	(908) [(a)]
Exchange rate effect on minority interest buybacks	(90)
Shareholders' equity under IFRS (including IAS 32&39 and IFRS 4) adjusted at December 31, 2005	**27,200**

The Group reclassified four undated subordinated notes as equity instruments, their interest payments being subject to discretionary clauses.
This reclassification was applied retroactively to consolidated shareholders' equity at January 1, 2005.
In compliance with the accounting principles indicated in note 1, transactions relative to minority interests were treated for accounting purposes as equity transactions. Accordingly:
- capital gains and losses on the disposal of fully-consolidated subsidiaries which do not lead to a loss of exclusive control are booked under shareholders' equity;
- additional goodwill linked to buyback commitments afforded to minority shareholders in fully-consolidated subsidiaries and minority interest buybacks following the acquisition of exclusive control is booked under shareholders' equity.

(a) Adjustments details

Adjustment at January 1, 2005	(585)
Gains on sales cancellation	(7)
Minority interests buybacks not subject to any put options	(60)
Transactions on put options granted to minority shareholders	(256)
Adjustment at December 31, 2005	(908)

(7) In application of the principles described above, 2005 net income was restated as follows:

	Group Shares	Minority interests	Total
Income statement at December 31, 2005 as published in the 2006 registration document	4,446	479	**4,925**
Adjustments	(44)	35[b]	**(9)**
Adjusted 2005 Income Statement	4,402	514	**4,916**

(b) In the balance sheet, net income attributable to the minority interests of shareholders holding a put option on their Group shares was allocated to consolidated reserves.
At December 31, 2006, net income for the period attributable to the minority interests of shareholders holding a put option on their Group shares was allocated to consolidated reserves in the amount of EUR 30 million.

(8) Movements booked in the amount of EUR 106 million under minority interest reserves correspond to:
- *EUR 98 million in capital increases by Boursorama, NSGB, LFL Asset Finance and SG Cyprus;*
- *EUR 38 million in changes in scope over the period (mainly TCW Funds in the amount of EUR 51 million, the acquisition of the stake in SG Capital Europe Fund III in the amount of EUR 22 million; and the consolidation using the equity method of SG de Banque de Liban following the disposal of 31% of its stake for EUR -29 million);*
- *EUR -30 million in the reclassification of net income attributable to the minority interests of shareholders with a put option on their Group shares from consolidated reserves to minority interest reserves.*

(9) Translation adjustments previously disclosed in consolidated reserves are now booked in unrealized or deffered capital gains or losses.
The variation in Group translation differences for 2006 amounted to EUR -381 million.
This variation was mainly due to the depreciation against the euro of the US dollar (EUR -281 million), the Japanese Yen (EUR -49 million), the Canadian dollar (EUR -30 million), the Egyptian pound (EUR -23 million).
The variation in translation differences attributable to Minority Interests amounted to EUR -80 million. This was mainly due to the revaluation of the US dollar against Euro linked to the issue of USD-denominated preferred shares (EUR 108 million).

CASH FLOW STATEMENT

(in millions of euros)	IFRS December 31, 2006	IFRS December 31, 2005*	IFRS ex. IAS 32-39 & IFRS 4 December 31, 2004*
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES			
Net income (I)	**5,785**	**4,916**	**3,623**
Amortization expense on tangible fixed assets and intangible assets	2,138	1,806	1,760
Depreciation and net allocation to provisions (mainly underwriting reserves of insurance companies)	7,885	7,263	4,662
Net income/loss from companies accounted for by the equity method	(18)	(19)	(40)
Deferred taxes	194	227	34
Net income from the sale of long term available-for-sale assets and subsidiaries	(494)	(524)	282
Change in deferred income	274	(230)	(130)
Change in prepaid expenses	(361)	(103)	(22)
Change in accrued income	(668)	(285)	(135)
Change in accrued expenses	509	795	211
Other changes	2,986	1,179	(182)
Non-monetary items included in net income and others adjustments (not including income on financial instruments measured at fair value through P&L) (II)	**12,445**	**10,109**	**6,440**
Income on financial instruments measured at fair value through P&L[1] (III)	**(10,360)**	**(7,026)**	**(3,687)**
Interbank transactions	1,844	34,784	2,528
Customers transactions	8,555	1,041	479
Transactions related to other financial assets and liabilities	(10,267)	(42,042)	(10,359)
Transactions related to other non financial assets and liabilities	(165)	1,047	1,837
Net increase/decrease in cash related to operating assets and liabilities (IV)	**(33)**	**(5,170)**	**(5,515)**
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III) + (IV)	**7,837**	**2,829**	**861**
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES			
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	(1,284)	2,023	2,017
Tangible and intangible fixed assets	(3,511)	(3,161)	(1,245)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)	**(4,795)**	**(1,138)**	**772**
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES			
Cash flow from/to shareholders	236	(865)	(1,574)
Other net cash flows arising from financing activities	(170)	(7)	881
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)	**66**	**(872)**	**(693)**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	**3,108**	**819**	**940**
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at start of the year			
Net balance of cash accounts and accounts with central banks	3,409	3,700	3,928
Net balance of accounts, demand deposits and loans with banks	2,347	1,237	70
Cash and cash equivalents at end of the year[2]			
Net balance of cash accounts and accounts with central banks	5,175	3,409	3,701
Net balance of accounts, demand deposits and loans with banks	3,689	2,347	1,237
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS	**3,108**	**819**	**940**

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

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

(2) o/w EUR 194 million cash related to entities acquired in 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 13, 2007.

Note 1

Significant accounting principles

In accordance with European Regulation 1606/2002 of July 19, 2002 on the application of International Accounting Standards, Société Générale Group ("the Group") prepared its consolidated financial statements for the year ending December 31, 2006 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date.

The standards comprise IFRS 1 to 6 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, 2006.

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").

IFRS AND IFRIC INTERPRETATIONS APPLIED BY THE GROUP AS OF JANUARY 1, 2006

Three amendments to existing standards, adopted by the European Union, became applicable as of January 1, 2006 and were applied retrospectively by the Group as of that date.

- **Financial guarantee contracts issued**

IAS 39 "Financial Instruments: recognition and measurement", and IFRS 4 "Insurance Contracts" were amended to specify the accounting treatment of financial guarantee contracts issued by companies. Under the new amendments, these contracts must be recognized as financial instruments in accordance with the provisions of IAS 39, except where they qualify as insurance contracts and the Group has declared it intends to recognize them as such. In this case, the contracts must be recognized in accordance with IFRS 4. These amendments, adopted by the European Union on January 11, 2006, had no impact on the Group's financial statements.

- **Limited revision of IAS 19 "Employee Benefits"**

On November 8, 2005, the European Union adopted a limited revision to IAS 19 "Employee Benefits" regarding actuarial gains and losses, group plans and the information to be disclosed. The revision notably introduced a new option allowing companies to book all actuarial gains and losses on defined benefit post-employment plans to shareholders' equity. As the Group has chosen not to apply this option, the application of the amendment had no impact on its financial statements.

- **Net investment in a foreign operation**

On May 8, 2006, the European Union adopted an amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates" concerning net investments in a foreign operation. The application of this amendment had no impact on the Group's financial statements.

In addition, as of January 1, 2006, the Group applied retrospectively four interpretations issued by the IFRIC and adopted by the European Union.

- **IFRIC 4 "Determining Whether an Arrangement Contains a Lease"**

The application of this interpretation, adopted by the European Union on November 8, 2005 and relating to the conditions which an arrangement must meet to qualify as a lease and therefore to be recognized in accordance with IAS 17 "Leases", had no impact on the Group's financial statements.

- **IFRIC 7 "Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies"**

The early application of this interpretation, adopted by the European Union on May 8, 2006, had no impact on the Group's financial statements.

- **IFRIC 8 "Scope of IFRS 2"**

The early application of this interpretation, adopted by the European Union on September 8, 2006, had no impact on the Group's financial statements.

- **IFRIC 9 "Reassessment of Embedded Derivatives"**

The early application of this interpretation adopted by the European Union on September 8, 2006, had no impact on the Group's financial statements given the accounting treatment already adopted by the Group as of January 1, 2005 in accordance with IAS 39 "Financial instruments: recognition and measurement".

The consolidated financial statements are presented in euros.

The Société Générale Group's consolidated financial statements for the period until December 31, 2004, were prepared in accordance with the French accounting principles contained in regulations 1999-07 and 2000-04 of the French Accounting Regulation Committee, which differ in some respects from the IFRS framework as adopted by the European Union. Comparative information for 2004, originally prepared under French accounting principles, has been restated to make it compliant with IFRS except for transactions which fall under the scope of IAS 32, IAS 39 and IFRS 4. Any such transactions in the 2004 comparative periods have been recognized and presented here under French accounting principles, as permitted under IFRS 1 "First-time adoption of IFRS" which allows application of IAS 32, IAS 39 and IFRS 4 to be delayed until January 1, 2005. The effects of this change in accounting standards on the consolidated balance sheet and Group consolidated equity, as well as on the consolidated income statement, have already been presented in the Group's annual report for 2005.

The main valuation and presentation rules used in drawing up the consolidated financial statements are shown below. These accounting methods and principles were applied consistently in 2005 and 2006, except for the change in accounting policies governing the treatment of the acquisition of minority interests in subsidiaries over which the Group exercises sole control, the changes in presentation linked to the offsetting of fair value for certain derivative financial instruments as well as the restatement under equity of some perpetual subordinated debts (TSDI).

USE OF ESTIMATES

Some of the figures booked in these consolidated financial statements are based on estimates and assumptions made by the Management. This applies in particular to the fair value assessment of financial instruments and the valuation of goodwill, intangible assets, impairments of assets and provisions. The main estimates are indicated in the notes to the financial statements. Actual future results may differ from these estimates.

1. Consolidation principles

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

CONSOLIDATION METHODS

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

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

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

The following consolidation methods are used:

- **Full consolidation**

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

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

- **Proportionate consolidation**

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

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

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

- **Equity method**

Companies over which the Group exercises significant influence are accounted for under the equity method. Significant influence is the power to influence the financial and operating policies of a subsidiary without exercising control over the said subsidiary. In particular, significant influence can result from Société Générale 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 Société Générale. The Group is assumed to exercise significant influence over the financial and operating policies of a subsidiary when it holds directly or indirectly at least 20% of the voting rights in this subsidiary.

SPECIFIC TREATMENT FOR SPECIAL PURPOSE VEHICLES

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

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

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

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

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

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

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

TREATMENT OF ACQUISITIONS AND GOODWILL

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

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

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

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

As of financial year 2006, the Group retrospectively changed its accounting treatment of increases in Group stakes in entities over which it already exercises sole control: the difference between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired is henceforth booked under the Group's *consolidated reserves.* Similarly, any reduction in the Group's stake in an entity over which it keeps sole control is treated as an equity transaction in the accounts. The impact of this retrospective change in accounting treatment with respect to previous comparable financial years is indicated in the note on changes in shareholders' equity.

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

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

COMMITMENTS TO BUY OUT MINORITY SHAREHOLDERS IN FULLY CONSOLIDATED SUBSIDIARIES

The Group has awarded minority shareholders in some fully consolidated Group subsidiaries commitments to buy out their stakes. For the Group, these buyouts commitments are put options sales. The exercise price for these options is based on a formula agreed at the time of the acquisition of the shares of the company that takes into account the future performance of the subsidiaries.

At its meeting of November 2006, the IFRIC confirmed that put options granted to the minority shareholders of a fully consolidated subsidiary enabling them to sell their shares to the parent company or forwards to acquire securities held by the shareholders of a fully consolidated subsidiary should lead to the recognition of a financial liability. However, during the meeting, the IFRIC did not rule on the counterpart of this financial liability: whilst acknowledging that it is likely that practices differ, it decided not to add the item to its working agenda on the basis that it would not be able to establish the way in which the counterpart for financial liabilities should be presented on a timely basis.

Accordingly, and given the absence of IASB standards or IFRIC interpretations on the subject, and in order to provide financial data that is in accordance with the prevailing accounting standards within its sector of activity, the Group decided, as of 2006, to retrospectively modify its accounting treatment of commitments to buy out minority shareholders in fully consolidated subsidiaries. The impact of this retrospective change in accounting treatment with respect to previous comparable financial years is indicated in the note on changes in shareholders' equity.

The commitments are booked in the accounts as follows:

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

The accounting principles outlined above are likely to be revised over the coming years in line with the work carried out by the IASB and IFRIC.

SEGMENT REPORTING

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

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

The Group is organized into three core business lines:

- Retail Banking and Financial Services which includes the French Networks (the domestic networks of Société Générale and Crédit du Nord), Retail Banking outside France and the Group business finance subsidiaries (vendor finance, leasing, consumer credit and life and non-life insurance);
- Global Investment Management and Services including Asset Management, Private Banking and Boursorama, and Securities Services and Online Savings, including Fimat and other securities and employee savings services;
- Corporate and Investment Banking (SGCIB) which covers, on the one hand, Corporate Banking and Fixed Income (structured finance, debt, forex and treasury activities, commodity finance and trading, commercial banking) and, on the other hand, Equity and Advisory activities.

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

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

FROM JANUARY 1, 2005

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

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

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

2. Accounting policies and valuation methods

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCIES

FROM JANUARY 1 TO DECEMBER 31, 2004

Gains and losses arising from ordinary activities in foreign currencies are booked to the income statement. In accordance with CRB regulation 89-01, outright forward foreign exchange transactions and those used to hedge other forward foreign exchange transactions are valued on the basis of the forward foreign exchange rate of the relevant currency for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealized gains and losses are recognized in the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions, as defined by article 9 of the above-mentioned regulation, are amortized to income on a straight-line basis over the remaining term to maturity of these transactions.

FROM JANUARY 1, 2005

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

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

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

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

FROM JANUARY 1 TO DECEMBER 31, 2004

- **Securities portfolio**

Shares and other variable income securities and bonds and other fixed-income securities held in trading and short-term investment portfolios are valued by comparing their cost to their realizable value. For listed securities, realizable value is defined as the most recent market price.

Securities classified as shares intended for portfolio activity are valued at their value in use determined on the basis of the issuing company's general development prospects and the remainder of the investment horizon (for listed companies, the average share price over the last three months is considered as representative of the value in use).

Investments in non-consolidated subsidiaries and affiliates are valued at their value in use, representing the price the company would accept to pay to obtain the said securities if it had to acquire them in view of its investment objective. This value is estimated on the basis of various criteria, such as shareholders' equity, profitability, and the average share price over the last three months. For industrial equity, the main criterion used is the average share price over the last three months.

- **Financial derivatives**

Trading financial derivatives and some debt instruments with embedded derivatives are accounted at their market value at year-end. In the absence of a liquid market, this value is generally determined on the basis of in-house models. Where necessary, these valuations are adjusted for reasons of prudence by applying a discount (Reserve Policy). This discount is determined on the basis of the instruments concerned and the associated risks, and takes into account:

- a prudential valuation of all the instruments, regardless of the liquidity of the corresponding market;
- a reserve calculated according to the size of the position and intended to cover the risk that Group will be unable to liquidate the investment in one go due to the size of the holding;
- an adjustment for the reduced liquidity of instruments and modeling risks in the case of complex products as well as transactions on less liquid markets (that have been developed recently or are more specialized).

Furthermore, for over-the-counter transactions in interest rate derivatives instruments, the market value takes into account counterparty risks and the discounted value of future management costs.

FROM JANUARY 1, 2005

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

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

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

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 active, its fair value is established using a valuation technique (in-house valuation models). Depending on the instrument under consideration, these may use data derived from recent transactions, from the fair value of substantially similar instruments, from discounted cash flow or option pricing models, or from valuation parameters. Where necessary, these valuations are adjusted to take certain factors into account, depending on the instruments in question and the associated risks, namely the bid or asking price of the net position and the modeling risk in the case of complex products.

These in-house models are regularly tested by independent specialists from the Risk Division, who check the validity of the data and parameters used.

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

FINANCIAL ASSETS AND LIABILITIES

FROM JANUARY 1 TO DECEMBER 31, 2004

- **Loans and receivables**

Amounts due from banks and customer loans are recognized at cost. They are classified according to initial duration and type: demand deposits (current accounts and overnight transactions) and term deposits in the case of banks; and commercial loans, current accounts and other loans in the case of customers. They also include securities purchased from banks and customers under resale agreements, and loans secured by notes and securities.

Interest accrued on these receivables is recorded with these assets as Related receivables.

Guarantees and endorsements booked off-balance sheet represent transactions which have not yet given rise to cash movements, such as irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

- **Securities portfolio**

Securities are classified according to:

- their type: public notes (Treasury notes and similar securities), bonds and other debt securities (negotiable debt instruments, interbank securities), shares and other equity securities;
- the purpose for which they were acquired: trading, short-and long-term investment, shares intended for portfolio activity, investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments.

Trading securities

Trading securities are securities for which a liquid market exists and that are acquired with a view to rapid resale (within a maximum period of six months). They also include liquid securities that are held for a period of over six months in the context of market-making activities or in relation to a hedging or arbitrage transaction. They are marked to market at the end of the financial period. Net unrealized gains or losses, together with net gains or losses on disposals, are recognized in the income statement under *Net income from financial transactions.*

Short-term investment securities

Short-term investment securities are all those intended to be held for more than six months, except for those classified as long-term investment securities.

Shares and other equity securities

Equity securities are carried on the balance sheet at cost excluding acquisition expenses, or at contribution value. At year-end, cost is compared to realizable value. For listed securities, realizable value is defined as the most recent market price. Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, without the said provision being offset against any unrealized capital gains. Income from these securities is recorded under *Dividend income.*

Bonds and other debt securities

These securities are carried at cost excluding acquisition expenses and, in the case of bonds, excluding interest accrued and not yet due at the date of purchase. The positive or negative difference between cost and redemption value is amortized to income over the life of the relevant securities. Accrued interest receivable on bonds and other short-term investment securities is recorded in a receivables account against the account *Interest income from available-for-sale financial* assets in the income statement.

At period-end, cost is compared to realizable value or, in the case of listed securities, to their most recent market price. Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, after consideration of any gains made on any related hedging transactions.

Allocations to and reversals of provisions for losses on short-term investment fixed-income securities together with gains and losses on sales of these securities are recorded under *Net Income from financial transactions* in the consolidated income statement.

Long-term investment securities

Long-term investment securities are debt securities held by the Group, which intends to hold them on a long-term basis and for which it has the necessary means to:

- either permanently hedge its position against a possible depreciation of the securities' value due to interest rate fluctuations, using interest rate futures;
- or hold the securities on a long-term basis by obtaining funds, including available shareholders' equity, which are matched and used to finance these securities.

When the interest rate or liquidity matching no longer complies with the regulations set by the French Banking Commission, the securities are reclassified as short-term investment securities.

Long-term investments are booked according to the same principles as short-term investment securities. However, at year-end, no provision is made for unrealized losses, unless there is a strong probability that the securities will be sold in the short term, or unless there is a risk that the issuer will be unable to redeem them.

Allocations to and reversals of provisions for losses on long-term investment securities, together with gains and losses on sales of these securities, are recorded in the income statement under *Net income on other assets*.

Shares intended for portfolio activity

This category of securities covers investments made on a regular basis with the sole aim of realizing a capital gain in the medium term and without the intention of making a long-term investment in the development of the issuing company's business, nor of participating actively in its operational management. The profitability of these investments results mainly from the capital gains realized on disposal. This activity is carried out on a significant and ongoing basis through ad hoc subsidiaries or structures. This category notably includes shares held in the context of venture capital activities.

These securities are recognized in the balance sheet at their purchase price, less acquisition costs. At the end of the period, they are valued at their value in use based on the issuing company's general development prospects and the remaining investment horizon (for listed companies, the average share price over the last three months is considered representative of the value in use). Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, without the said provision being offset against any unrealized capital gains. Allocations to and reversals of provisions for depreciation as well as any capital gains or losses realized on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are booked under *Net income from financial transactions.*

Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments

This category of securities covers shares held in non-consolidated subsidiaries and affiliates, when it is deemed useful to the business of the company to hold the said shares in the long term. This notably covers investments that meet the following criteria:

- shares in companies that share directors or senior managers with the holding company, in instances where influence can be exercised over the company in which the shares are held;
- shares in companies that belong to the same group controlled by individuals or legal entities, where the said persons or entities exercise control over the group and ensure that decisions are taken in unison;
- shares representing more than 10% of the voting rights in the capital issued by a bank or a company whose business is directly linked to that of the Group.

This category also includes *Other long-term equity investments.* These are equity investments made by the Group with the aim of developing special professional relations with a company over the long term but without exercising any influence on its management due to the low proportion of attached voting rights.

Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments are recorded at their purchase price exclusive of acquisition costs. Dividend income earned on these securities is booked in the income statement under *Dividend income.*

At year-end, investments in non-consolidated subsidiaries and affiliates are valued at their value in use, representing the price the company would accept to pay to obtain the said securities if it had to acquire them in view of its investment objective. This value is estimated on the basis of various criteria, such as shareholders' equity, profitability, and the average quoted price over the last three months. For industrial equity, the main criterion used is the average quoted price over the last three months. Unrealized capital gains are not recognized in the accounts but a provision for depreciation on portfolio securities is booked to cover unrealized capital losses. Allocations to and reversals of provisions for depreciation as well as any capital gains or losses realized on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are booked under *Net income from financial transactions.*

FROM JANUARY 1, 2005

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

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

- **Loans and receivables**

Loans and receivables neither held for trading purposes nor intended for sale from the time they are originated or contributed are recognized in the balance sheet under *Due from banks* or *Customer loans* depending on the type of counterpart. Thereafter, they are valued at amortized cost using the effective interest method and an impairment loss may be recorded if appropriate.

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

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

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

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

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

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

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

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

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

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

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

DEBT

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

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

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

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

Securitized debt payables

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

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

SUBORDINATED DEBT

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

FROM JANUARY 1 TO DECEMBER 31, 2004

- **Hedging transactions**

Income and expenses on financial derivatives used as a hedge, and assigned from the beginning to an identifiable item or group of similar items, are recognized in the income statement in the same manner as revenues and expenses on the hedged item. Income and expenses on interest rate instruments are booked as net interest income in the same interest income or expense account as the items hedged. Income and expenses on other instruments such as equity instruments, stock market indexes or currencies are booked as *Net income from financial transactions.*

Income and expenses on financial derivatives used to hedge or manage an overall interest rate risk are recognized in the income statement over the life of the instrument, under *Net income from financial transactions.*

- **Trading transactions**

Trading transactions include instruments traded on organized or similar markets and other instruments, such as credit derivatives and composite option products, which are included in the trading portfolio although they are traded over-the-counter on less liquid markets, together with debt securities with a forward financial instrument component for which this classification in the accounts most appropriately reflects the results and associated risks. These transactions are measured at their market value at the balance sheet date.

The corresponding gains or losses are directly booked as income for the period, regardless of whether they are realized or unrealized, under *Net income from financial transactions.*

Gains or losses corresponding to contracts concluded within the scope of cash management activities managed by the trading room, in order to benefit from any interest rate fluctuations, are recorded when liquidated or over the life of the contract, depending on the type of instrument. Unrealized losses are provisioned at year-end and the corresponding amount is booked under *Net income from financial transactions.*

FROM JANUARY 1, 2005

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

Derivatives are divided into two categories:

- **Trading financial derivatives**

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

- **Derivative hedging instruments**

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

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

Fair value hedge

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

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

Cash flow hedge

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

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

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

Hedging of a net investment in a foreign operation

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

Macro-fair value hedge

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

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

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

Embedded derivatives

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

IMPAIRMENT OF FINANCIAL ASSETS

FROM JANUARY 1 TO DECEMBER 31, 2004

According to CRC regulation 2002-03 on accounting for credit risk in companies governed by the CRBF, as soon as a commitment carries an identified credit risk which makes it probable that the Group will fail to recover all or part of the amounts owed by the counterparty under the original terms of the agreement, notwithstanding any guarantees, the outstanding loan is classified as doubtful if one or more payments are more than three months overdue (six months in the case of real estate loans and nine months for loans to local authorities), or, regardless of whether any payments have been missed, if an identified risk can be assumed to exist, or if legal proceedings have been started.

If a loan to a given borrower is classified as doubtful, all outstanding loans or commitments to that borrower are reclassified as doubtful, regardless of whether or not they are backed by a guarantee.

Provisions for doubtful loans are booked for doubtful loans or for risks in the amount of the probable losses, without discounting to present value. Furthermore, interest on doubtful loans is fully provisioned. Provisions, write-backs of provisions, losses on bad debts and recovery of depreciated debts are booked under *Cost of risk,* except for net provisions for interest on doubtful loans which are deducted from *Net Banking Income.*

If a loan has been restructured under off-market conditions, the difference between the new conditions and the lesser of market conditions and original ones must be booked under *Cost of risk* when the loan is restructured then reincorporated into net interest income for the remaining term of the loan.

The same criteria and depreciation methods for credit risk are applied to long-term and short-term fixed-income investment securities.

FROM JANUARY 1, 2005

- **Financial assets valued at amortized cost**

The criteria used to decide whether there is an incurred credit risk on individual financial assets are similar to those used under French accounting principles to identify doubtful receivables.

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

In a homogenous portfolio, as soon as a credit risk is incurred on a group of financial instruments, a depreciation is recognized without waiting for the risk to individually affect one or more receivables. The amount of depreciation is notably determined on the basis of historical loss for assets with credit risk characteristics similar to those in the portfolio, or using hypothetical extreme loss scenarios or, if necessary, *ad-hoc* studies. These factors are then adjusted to reflect any relevant current economic conditions.

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

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

Where there is objective evidence of long-term impairment to a financial asset that is available-for-sale, an impairment loss is recognized through profit or loss.

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

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

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

LEASE FINANCING AND SIMILAR AGREEMENTS

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

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

Interest included in the lease payments is booked under *Interest and similar income* in the income statement such that the lease generates a constant periodic rate of return on the lessor's net investment. If there has been a reduction in the estimated unguaranteed residual value used to calculate the lessor's gross investment in the finance lease, an expense is recorded to adjust the financial income already recorded.

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

TANGIBLE AND INTANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

PROVISIONS

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

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

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

FROM JANUARY 1, 2005

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

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

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

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

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

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

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

This accounting treatment is in accordance with the provisions of the draft Recommendation published by the Conseil National de la Comptabilité (the French National Accounting Standards Board - CNC) on December 20, 2005 on the accounting treatment for "*comptes et plans d'épargne-logement"*. The Recommendation No. 2006-02 published by the CNC on March 31, 2006, governing the accounting treatment for "*comptes et plans d'épargne-logement*" has confirmed the December 20, 2005 draft Recommendation.

Under French accounting principles, no provision was recognized in respect of 2004.

LOAN COMMITMENTS

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

FINANCIAL GUARANTEES ISSUED

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

LIABILITIES/SHAREHOLDERS' EQUITY DISTINCTION – TREASURY SHARES

FROM JANUARY 1 TO DECEMBER 31, 2004

- **Preferred shares**

In the second half of 1997, Société Générale issued USD 800 million in preferred shares through a wholly-owned US subsidiary. These non-voting securities entitle the holder to a fixed non-cumulative dividend equal to 7.64% of their nominal value, payable semi-annually by decision of the subsidiary's Board of Directors.

In the first half of 2000, Société Générale issued EUR 500 million in preferred shares through a wholly-owned US subsidiary. These securities entitle the holder to a fixed non-cumulative dividend equal to 7.875% of nominal value payable annually, with a step-up clause that comes into effect after 10 years.

In the fourth quarter of 2001, Société Générale issued USD 425 million in preferred shares through a wholly-owned US subsidiary, with a step-up clause that comes into effect after 10 years. These shares entitle holders to a non-cumulative dividend, payable quarterly, at a fixed rate of 6.302% of nominal value on USD 335 million of the issue, and at a variable rate of Libor +0.92% on the other USD 90 million.

In the fourth quarter of 2003, Société Générale issued EUR 650 million of preferred shares through a wholly-owned US subsidiary (paying a non-cumulative dividend of 5.419% annually) with a step-up clause that comes into effect after 10 years.

Preferred shares issued by the Group are recognized in the balance sheet under *Preferred shares* and their remuneration is booked as an expense under *Dividends paid on preferred* shares.

- **Treasury shares**

In accordance with Recommendation No. 2000-05 of the French National Accounting Standards Board relating to the recognition in the accounts of treasury shares held by companies governed by the French Banking and Financial Regulation Committee, Société Générale shares acquired by the Group for allocation to employees are booked as *Short-term investment securities - Treasury shares* on the assets side of the balance sheet. Société Générale shares held with a view to underpinning the share price or as part of arbitrage transactions on the CAC 40 index are booked under *Trading securities.*

Other Société Générale shares, and in particular those held by certain Group companies for purposes of control or cancellation, are deducted from the capital and reserves when determining shareholders' equity.

FROM JANUARY 1, 2005

- **Liabilitiess/shareholders' equity distinction**

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

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

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

In January 2005, the Group issued EUR 1 billion of deeply subordinated notes, paying 4.196% annually for 10 years and, after 2015, 3-month Euribor +1.53% annually. Given the discretionary nature of the decision to pay dividends to shareholders, they have been classified as equity and recognized under *Equity instruments and associated reserves.*

- **Treasury shares**

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

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

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

INTEREST INCOME AND EXPENSES

FROM JANUARY 1 TO DECEMBER 31, 2004

Interest income and expenses are recorded in the income statement over the life of the transaction, using either the straight-line or actuarial method depending on the type of financial instrument concerned, for all financial instruments valued at cost while respecting the concept of separate time periods.

FROM JANUARY 1, 2005

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

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

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

NET FEES FOR SERVICES

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

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

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

PERSONNEL EXPENSES

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

EMPLOYEE BENEFITS

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

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

Some retired Group workers enjoy other post-employment benefits such as medical insurance.

- **Post-employment benefits**

Pension plans may be defined contribution or defined benefit.

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

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

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

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

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

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

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

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

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

- **Long-term benefits**

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

PAYMENTS BASED ON SOCIÉTÉ GÉNÉRALE SHARES OR SHARES ISSUED BY A CONSOLIDATED ENTITY

Share-based payments include:

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

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

- **Stock option plans**

The Group awards some of its employees stock purchase or subscription options.

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

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

For equity-settled share-based payments, the fair value of these options, measured at the assignment date, is spread over the vesting period and booked to *Additional paid-in capital* under shareholders' equity. At each accounting date, the number of options expected to be exercised is revised and the overall cost of the plan as originally determined is adjusted. Expenses booked to *Employee compensation* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments, the fair value of the options is booked as an expense over the vesting period of the options against a corresponding liabilities entry booked in the balance sheet under *Other liabilities - Accrued social charges.* This payables item is then remeasured at fair value against income until settled.

- **Global Employee Share Ownership Plan**

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

This accounting treatment is in accordance with the provisions of the CNC statement dated December 21, 2004 on the share ownership plan.

COST OF RISK

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

INCOME TAX

- **Current taxes**

In France, the normal corporate income tax rate is 33.33%. However, until December 31, 2006, long-term capital gains on equity investments were taxed at 8%. Additionally, a *Contribution sociale de solidarité* (national contribution payment based on pre-tax earnings) was introduced in 2000 equal to 3.3% (after a deduction from basic taxable income of EUR 0.76 million). Dividends from companies in which Société Générale's interest is at least 5% are tax exempt.

The Amended Finance Law for 2004, enacted on December 30, 2004, will progressively reduce the tax rate for gains on the disposal of equity investments to 15% or 1.66% depending on the tax qualification of the securities. In parallel to this reduction, the Law has introduced an exceptional tax on the special reserve for long-term gains recorded by French companies in their individual accounts during previous years for the share of annual net income corresponding to long-term gains on disposal of equity investments. At December 31, 2004, French tax-paying entities recorded the expenses relating to this exceptional tax under *Income tax,* for a consolidated amount of EUR 18 million.

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

- **Deferred tax**

Deferred taxes are recognized whenever the Group identifies a timing difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. The impact of changes to tax rates is booked in the income statement under *Deferred taxes* or as shareholders' equity according to the principle of symmetry used. Net deferred tax assets are not recorded unless it is probable that the subsidiary that owns the assets is likely to be able to apply them within a set time.

From 2006 onwards, the normal tax rate applicable to French companies to determine their deferred tax is 34.43%. The reduced rate is 1.72% taking into account the nature of the taxed transactions.

Deferred taxes are determined separately for each taxable entity and are not discounted to present value.

INSURANCE ACTIVITIES

FROM JANUARY 1 TO DECEMBER 31, 2004

The Group applies CRC Regulation 2000-05 on the consolidation rules applicable to companies governed by the Insurance Code. The specific accounting rules previously applied to the insurance business are therefore maintained.

The accounts of the Group's fully and proportionately consolidated insurance companies are presented in the corresponding consolidated balance sheet, off-balance sheet and income statement accounts, while still being valued according to the specific rules for insurance companies (see below), except for *Underwriting reserves for insurance companies* which is a separate account in the consolidated financial statements.

- **Investments by insurance companies**

The investments of insurance companies include investments held to guarantee unit-linked policies, as well as other investments made to back life insurance policies and other insurance policies. Investments in the form of securities issued by companies consolidated in the Parent Company accounts are eliminated.

Investments held to guarantee unit-linked policies are marked to market; the total value of these securities corresponds to the total insurance liabilities.

Real estate investments are recorded at their purchase price, less acquisition costs and taxes, and inclusive of the cost of any building or renovation work; buildings are depreciated using the straight-line method over their estimated economic life allowing for the separate accounting treatment of their different components. A provision for depreciation of value is booked in the event of a lasting and significant fall in the value of the buildings.

Bonds and other debt securities are stated at cost, exclusive of accrued interest and acquisition costs. If the redemption value of the security differs from the purchase price, the difference for each line of securities is amortized to income using an actuarial method over the term to maturity of these securities. A provision for depreciation is booked if there is a risk that the debtors will be unable to repay the principal or honor the interest payments.

Shares and other variable income securities are booked at their purchase price, exclusive of costs. A provision for impairment is booked in the event of a sustained fall in the value of the securities as determined on the basis of the estimated recoverable value.

- **Underwriting reserves of insurance companies**

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

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

FROM JANUARY 1, 2005

- **Financial assets and liabilities**

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

- **Underwriting reserves of insurance companies**

In accordance with IFRS 4 on insurance contracts, life and non-life underwriting reserves continue to be measured under the same local regulations as used in 2004. Embedded derivatives that are not included in underwriting reserves are booked separately.

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

Under IFRS 4 a liability adequacy test is carried out semi-annually.

3. Presentation of financial statements

CNC RECOMMENDED FORMAT FOR BANKS' SUMMARY FINANCIAL STATEMENTS

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

RULE ON OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

As of 2006, the Group also recognizes in its balance sheet for their net amount the fair value of options on indexes traded on organized markets and whose underlyings are securities within a single legal entity, provided these options meet the following criteria:

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

CASH AND CASH EQUIVALENTS

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

EARNINGS PER SHARE

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

COMPARATIVE FIGURES

Certain comparative figures have been restated to comply with the accounting presentation adopted for the 2006 financial year.

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

ACCOUNTING STANDARDS OR AMENDMENTS ADOPTED BY THE EUROPEAN UNION

- **IFRS 7 "Financial Instruments: Disclosures"**

The European Union adopted IFRS 7 on January 11, 2006. Applicable as of January 1, 2007, this standard relates exclusively to the disclosure of financial information and in no way affects the valuation and recognition of financial instruments. It incorporates, and therefore supersedes, IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32 "Financial Instruments: Presentation" on the information to be provided on financial instruments, and requires the disclosure of additional quantitative and qualitative data, notably on credit risk. The application of this standard by the Group as of January 1, 2007 will consequently have no effect on its net income or shareholders' equity.

- **Information on capital**

In addition to IFRS 7, on January 11, 2006 the European Union also adopted an amendment to IAS 1 "Presentation of Financial Statements", applicable as of January 1, 2007, which requires the Group to disclose additional quantitative and qualitative information on its capital. As this amendment only relates to information disclosure, it will have no impact on net income or shareholders' equity when applied by the Group as of January 1, 2007.

INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION ON DECEMBER 31, 2006

- **IFRIC 10 "Interim financial reporting and impairment"**

This application of this interpretation published by the IASB on July 20, 2006, shall only be mandatory for financial years beginning after November 1, 2006. It had not been adopted by the European Union on December 31, 2006, and was not therefore applied by the Group in 2006.

This interpretation specifies that the provisions of standards IAS 36 "Impairment of assets" and IAS 39 "Financial instruments: recognition and measurement" take precedence over the provisions of standard IAS 34 "Interim financial reporting" as regards the impairment of goodwill and the impairment of equity instruments classified as available-for-sale financial assets. As the Group has not reversed any impairment on goodwill or available-for-sale equity instruments in its interim reporting in past financial years, the prospective application of this interpretation should not have any impact on its net income or shareholders' equity.

- **IFRIC 11 "IFRS 2 – Group and treasury share transactions"**

This interpretation of IFRS 2 "Share-based payment" published by the IASB on November 2, 2006, shall only be mandatory for financial years beginning after March 1, 2007. It had not been adopted by the European Union on December 31, 2006, and was not therefore applied by the Group in 2006.

This interpretation outlines the accounting treatment of share-based payments that involve two or more entities within a same group (parent company or other entity of a same group) in the individual or separate financial statements of each entity within a group that benefits from the goods or services in question. As the application of this interpretation governing the individual or separate financial statements of group entities in no way modifies the accounting treatment at a Group level, its application by the Group will have no impact on its net income or shareholders' equity.

Note 2

Changes in consolidation scope and business combinations

1. Consolidation scope

As at December 31, 2006, the Group's consolidation scope includes 813 companies:

- 699 fully consolidated companies;
- 82 proportionately consolidated companies;
- 32 companies accounted for by the equity method.

The consolidation scope only includes entities that have a significant impact on the Group's consolidated financial statements. This means companies whose balance sheet assets amount more than 0.02% of the Group's, for full or proportionate consolidation, or companies in which the Group's share of equity exceeds 0.10% if the consolidated Group's total equity.

The main changes to the consolidation scope at December 31, 2006 compared with the scope applicable for the accounts at December 31, 2005 were as follows:

- In the first half of 2006:
  - Société Générale took a 99.75% stake in the capital of HVB Splitska Banka, which was fully consolidated. This business combination is presented in paragraph 2 of this note,
  - the Group acquired 100% of CaixaBank France, which was fully consolidated. The agreement governing the acquisition of CaixaBank France by Boursorama includes a put option whereby Société Générale undertakes to repurchase all new Boursorama shares issued for the transaction. In accordance with IAS 32, the Group booked this options commitment as a liability,
  - Raeburn Overseas Partners Ltd. funds, wholly-owned by the Group, was fully consolidated,
  - the stake in TCW was increased to 95.06%, i.e. a 20.77% increase compared to December 31, 2005. As a reminder, the remaining shares held by employees include deferred call and put options exercisable in 2007 and 2008. The exercise prices are dependent on future performance,
  - the Group sold 50% of its stake in Groupama Banque, leaving it with an overall stake of 20% at end-June 2006. Groupama Banque is now consolidated using the equity method,
  - NF Fleet Finland OY, which is 80%-owned by the Group, was fully consolidated,
  - the Group's stake in SG de Banque de Liban was reduced from 50% to 19% at the end of March 2006. Since then, SG de Banque de Liban has been consolidated using the equity method,
  - SGB Guinée équatoriale, which 52.44%-owned by Société Générale, was fully consolidated,
  - Telci, which is 99.97%-owned by the Group, was incorporated into the consolidation scope;
- During the second half of 2006:
  - the Group acquired 100% of 2S Banca S.p.A. which includes UniCredito Group's securities business since September 28, 2006. This business combination is presented in paragraph 2 of this note,
  - the Group acquired a 20% stake, less one share, in Rosbank, which is now consolidated using the equity method. The total acquisition price of this 20% stake was EUR 501 million. Rosbank is a powerful player in the Russian banking sector (number 2 in Retail Banking). With 705 branches, its retail network covers more than 80% of Russia, with a high focus on fast-growing regions, such as the Urals, Siberia, the Far East and Moscow. Rosbank's contribution to income from companies accounted for by the equity method at December 31, 2006 stood at EUR 6 million (for 3 months of business). Société Générale also has a call option on 30% of Rosbank plus two shares in order to take control of the bank by the end of 2008. The exercise of this option is subject to approval by the Russian supervisory authorities,
  - the Group acquired a further 60% of Modra Pyramida, bringing its stake to 100% at December 31, 2006. Modra Pyramida was fully consolidated,
  - Cube Financial, which is wholly-owned by Société Générale, was incorporated into the consolidation scope,
  - SAS Orbéo, which is 50%-owned by Société Générale, was consolidated using the proportionate method,
  - STK Bank, which is wholly owned by Société Générale, was incorporated into the consolidation scope,
  - NF Fleet Sweden AB, which is 80%-owned by the Group, was fully consolidated,
  - Technoservice Solutions AG was incorporated into the consolidation scope. Technoservice Solutions AG, which is wholly-owned by the Group, was fully consolidated,
  - First Lease Ltd., which is wholly-owned by the Group, was incorporated into the consolidation scope,
  - ALD Automotive Turizm Ticaret A.S., 50.98%-owned by the Group, was incorporated into the consolidation scope,
  - both subsidiaries NSGB and MIBank merged at the end of November 2006. Following this operation, the stake of SG Group in the new combination decreased by 1.22% from 78.39% to 77.17%.

2. Business combinations

The following section describes the main business combinations created by the Group over the course of 2006. The goodwill values have been determined on a temporary basis and could be adjusted during the 12 months following the purchase date.

ACQUISITION OF HVB SPLITSKA BANKA

On June 30, 2006, the Société Générale Group purchased 99.75% of HVB Splitska Banka's capital from Bank Austria Creditanstalt AG. During the last quarter 2006, the Group took part in HVB Splitska Banka capital increase, increasing his stake to 99.76%.

HVB Splitska Banka is a universal bank which holds a 9% share of the Croatian market. It operates the fourth largest banking network in the country, with 112 branches and around 1,100 staff, and serves a total of 460,000 individual customers and 2,000 business customers.

At the date of the acquisition, HVB Splitska Banka's identifiable assets and liabilities essentially comprised customer loans (EUR 2,043 million) and deposits (EUR 1,434 million).

The table below shows the provisional amount of goodwill booked in the Group's consolidated financial statements at the date of the acquisition, under the Retail Banking outside France – EU and Pre-EU:

(in millions of euros)

Acquisition price	1,007
Acquisition costs	5
Sub-total	1,012
Fair value of net assets acquired by the Group	254
Goodwill	**758**

This goodwill provision of EUR 758 million reflects HVB Splitska Banka's strong positioning in Croatia, which is part of a fast-growing region.

The acquisition will also allow Société Générale Group to develop synergies with its other core businesses, bolstering its leadership in the region where it now has close to one million customers and 238 branches across Slovenia, Serbia and Montenegro.

HVB Splitska Banka was consolidated at June 30, 2006 and consequently had an impact of EUR 21 million on consolidated net income for the period (Net Banking Income: EUR 65 million and Gross Operating Income: EUR 27 million).

The Purchase price net of the acquired cash amounts to EUR 902 million at June 30, 2006.

ACQUISITION OF 2S BANCA

On September 28, 2006, Société Générale Group acquired 100% of the capital of 2S Banca via its SG Milan branch, thereby also acquiring the securities services of Unicredit in Italy and Pioneer in Luxembourg, Hamburg and Dublin.

This transaction enabled Société Générale Securities Services (SGSS) to reinforce its European network in Italy, Luxembourg, Germany and Ireland where it provides custody, clearing, settlement and delivery, depository banking, transfer agency and fund administration services. This acquisition adds a further EUR 593 billion in assets under custody in Italy and means that SGSS now ranks as the second largest custodian in Europe, with over EUR 2,000 billion in assets under administration.

At the date of acquisition, the assets and liabilities of 2S Banca were essentially made up of current account overdrafts and deposits in the amounts of EUR 1,415 million and EUR 1,412 million respectively.

The Group booked the following amount of goodwill in its consolidated accounts at the date of the acquisition, under the "SGSS and Online Savings":

(in millions of euros)

Acquisition price	579
Acquisition costs	9
Sub-total	588
Fair value of net assets acquired by the Group	193
Goodwill	**395**

At the date of acquisition, an intangible asset in the amount of EUR 106 million linked to a contract with Unicredit was identified. This intangible asset, which has a fixed life, is amortized using the straight-line method over the duration of the contract (10 years).

Goodwill is based on a very favorable growth outlook for business, which is partly secured by a long-term contract with Unicredit and by strong potential synergies and cost-cutting, notably following the Europe-wide roll-out of the Siti and Alfas IT platforms.

2S Banca was consolidated by the Group as of September 30, 2006 and contributed a total of EUR 7 million to the Group's full-year 2006 net income (Net Banking Income: EUR 32 million and Gross Operating Income: EUR 10 million).

The Purchase price net of the acquired cash amounts to EUR 536 million.

Note 3

Fair value of financial instruments

This section specifies the valuation methods the Group has been using since January 1, 2005 to establish the fair value of the financial instruments presented in the following notes: note 6 “Financial assets and liabilities at fair value through profit and loss”, note 7 “Hedging derivatives”, note 8 “Available-for-sale financial assets”, note 9 “Due from banks”, note 10 “Customer loans”, note 11 “Lease financing and similar agreements”, note 12 “Held-to-maturity financial assets”, note 17 “Due to banks”, note 18 “Customer deposits” and note 19 “Securitized debt payables”.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. For financial instruments recognized at fair value through profit and loss, fair value is determined primarily on the basis of the prices quoted on an actively-traded market which are adjusted if no quoted prices are available on the balance sheet date. However, for many of the financial instruments held or issued by the Group no actively-traded market exists. In these cases, fair value is determined through valuation techniques (in-house valuation models) using valuation parameters that reflect market conditions on the balance sheet date and which are heavily influenced by assumptions regarding the amount and timing of estimated future cash flows, discount rates, volatility or credit risk. Before being used, the in-house valuation models and implicit valuation parameters (volatility, correlations, etc.) used to calculate fair value are validated independently by the specialists from the market risk department of the Group’s Risk Division who also carry out subsequent consistency checks (back-testing). The Group’s in-house valuation models are based on current valuation techniques used by market participants to value financial instruments, such as discounted future cash flows for swaps or the Black & Scholes valuation model for some options.

These in-house valuation models are mainly used to value financial derivatives traded over-the-counter or unlisted non-derivative financial instruments held for trading or carried at fair value through profit and loss under the IFRS fair value option.

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.

The methods below have been used by the Group to establish fair value both for financial instruments recognized at fair value through profit and loss and for instruments recognized at amortized cost in the balance sheet whose fair value is given in the notes for information purposes only.

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

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

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 future cash flows to present value based on the market rates 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, mainly 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 future cash flows to present value at the market rates in force on the balance sheet date for each type of loan and each maturity.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than one year, fair value is taken to be the same as book value.

Financial guarantees issued

Given the nature of the financial guarantees issued by Société Générale Group, fair value is taken to be the same as book value.

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 category of financial instrument and according to one of the following methods:

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

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are checked against a discounted future cash flow valuation based on business plans or the 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, where possible. For unlisted financial instruments, fair value is determined using valuation techniques (in-house valuation models) as described in note 1 "Significant accounting principles".

Customer deposits

The fair value of retail customer deposits, mainly comprised of individuals and small- or medium-sized companies, 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 date.

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

Other debt and subordinated debt

For listed financial instruments, fair value is taken as their 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.

Note 4

Managing the risks linked to financial instruments

Risk management is an integral part of Société Générale's corporate culture. Its main purpose is to contribute to the Group's development by optimizing its overall risk-adjusted return.

This note describes the main risks linked to financial instruments and the way in which they are managed by the Group.

The main risks incurred on banking activities are the following:

- credit risks: risk of loss arising from a counterparty's inability to meet its financial commitments;
- market risks: risk of loss resulting from changes in market prices and interest rates, in the correlation between these elements and in their volatility;
- structural risks: risk of loss or of residual depreciation in the bank's balance sheet arising from variations in interest or exchange rates;
- liquidity risk: risk of the Group not being able to meet its commitments at their maturities.

Organization, procedures and methods

Risks are inherent to all banking activities and must therefore be taken into account from the inception of a transaction through to its completion. As such, responsibility for risk management lies first with the operating divisions.

In accordance with current regulations, Société Générale's Risk Division is an independent division. It reports directly to the Group's General Management and its role is to contribute to the development and profitability of the Group by ensuring that the risk management framework in place is both sound and effective.

The Risk Division ensures a consistent approach to risk assessment and management applied on a group wide basis.

The division employs risk modeling teams, information system project managers, industry experts and economic research teams, and is responsible for:

- defining and validating the methods used to analyze, assess, approve and monitor risks;
- the critical review of sales strategies for high-risk areas;
- contributing to the independent assessment of credit risks by commenting on transactions proposed by sales managers and monitoring them from start to finish;
- identifying all Group risks and monitoring the adequacy and consistency of risk management information systems.

A systematic review of the bank's key risk management issues is carried out during the monthly Risk Committee meetings, which bring together the members of the Executive Committee and Risk Division managers.

This Committee meets to review all core strategic issues: risk-taking policies, measuring methods, material and human resources, analyses of portfolios and the cost of risk, market and credit concentration limits and crisis management.

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

Credit risks

RISK-TAKING – GENERAL PRINCIPLES

Approval of a credit risk must be based on sound knowledge of the customer, the Group's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment. It assumes that the return on the transaction will sufficiently reflect the risk of loss in the event of default.

The risk approval process is based on five core principles:

- all transactions giving rise to a counterparty risk (debtor risk, non-settlement or non-delivery risk, issuer risk) must be authorized in advance;
- all requests for authorizations relating to a specific client or client group must be handled centrally by a single operating division. The centralizing division is designated on a case-by-case basis in order to ensure a consistent approach to risk management and the permanent control of the Group's potential exposure to major clients;
- systematic recourse to internal risk ratings upstream of all credit decisions. These ratings are provided by the Operating divisions and validated by the risk function: they are included in all loan applications and are to be factored in for all decisions regarding the issue of a loan;
- responsibility for analyzing and approving risk is delegated to the most appropriate section of the business lines or credit risk units;
- risk assessment departments are fully independent at each decision-making level.

The Risk Division has a specialized department for financial institutions, which aims to increase the Group's expertise in this client segment by centralizing the analysis of the quality of the Group's counterparties and the approval of exposure limits allocated to all locations and business lines within two teams in Paris and New York.

The definition of country risk limits is intended to assign an appropriate exposure limit to each emerging market, on the basis of the risk incurred and the expected return on transactions in each country. The allocation of limits is subject to final approval by the Group's General Management and is based on a process that takes due account of those business lines exposed to risk and the Risk Division.

The Group also has specific procedures to manage any credit crises that may arise with respect to a counterparty, industry, country or region.

RISK MEASUREMENT AND INTERNAL RATINGS

In order to provide the credit function the necessary tools for deciding on, structuring and pricing transactions, Société Générale Group undertook to create internal models for quantitative risk measurement and risk-adjusted return on capital in the middle of the 1990s.

These models, some of which were rolled out as of 1998, have since been adapted in order to comply with new regulatory documents. Today, they cover almost all of the Group's credit portfolio (retail and corporate banking).

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

- the internal rating models used by both the sales function, which proposes the ratings, and the risk function which validates them. These models are used to quantify the following risks:
  - counterparty risk (expressed as a probability of default by the borrower within one year),
  - transaction risk (expressed as the amount that will be lost should a borrower default);
- a body of procedures which regroups banking principles and the rules for using the models (scope, frequency of rating revision, procedure for approving ratings, etc.);
- the human judgment of those involved in the ratings process who apply the models in compliance with the relevant banking principles and whose expertise is invaluable in drawing up the final ratings.

Since 2000, the Group has progressively developed its credit risk management policy, with ratings now forming an integral part of its day-to-day operational processes.

CREDIT RISK EXPOSURE

The table below outlines the credit risk exposure of the Group's financial assets before any bilateral netting agreements and collateral (notably any cash, financial or non-financial assets received as collateral and any guarantees received from corporates).

(in millions of euros)	January 1, 2005*	December 31, 2005*	December 31, 2006
Financial assets at fair value through profit and loss (excluding variable income securities)	221,204	313,973	337,193
Derivative hedging instruments	2,817	3,742	3,668
Available-for-sale financial assets (excluding variable income securities)	57,897	63,962	67,042
Due from banks	53,337	53,451	68,157
Customer loans	198,891	227,195	263,547
Lease financing and similar agreements	20,633	22,363	25,027
Held-to-maturity financial assets	2,230	1,940	1,459
Exposure to balance sheet commitments, net of depreciation	**557,009**	**686,626**	**766,093**
Loan commitments granted	107,231	149,350	167,299
Guarantee commitments granted	46,629	59,880	98,808
Provisions for commitments granted and endorsements	(242)	(183)	(128)
Exposure to off-balance sheet commitments, net of depreciation	**153,618**	**209,047**	**265,979**
Total net exposure	**710,627**	**895,673**	**1,032,072**

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

HEDGING CREDIT RISK

Minimizing risk is an integral part of the sales process, with hedges made as and when loans are issued and then in accordance with the life of a loan from the moment it is approved up until its final end payment.

- **Guarantees and collateral**

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

- **Credit derivatives**

The Group uses credit derivatives in the management of its corporate loan portfolios (for which positions are almost exclusively buy positions). They not only serve to reduce individual, sector or geographic exposure but also allow for dynamic risk and capital management.

At December 31, 2006, the nominal value of credit derivatives stood at EUR 26.4 billion: EUR 15.6 billion in Credit Default Swaps (CDS) and EUR 10.8 billion in Collateralized Debt Obligations (CDO) with an average residual maturity of 4.5 years versus a nominal value of EUR 8.5 billion with an average residual maturity of 3.9 years on December 31, 2005.

Credit derivatives are also used in trading activities (both buy and sell positions). The nominal positions within these portfolios cannot be used to assess the level of risk, which is why they are subject to VaR measurement.

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

- **Master netting agreements**

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

- **Depreciation**

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

In collaboration with the other division heads, the Risk Division draws up standard portfolio-based provisions which are reviewed each quarter. The aim of these provisions is to factor in any credit risks incurred on other similar portfolio segments before any depreciation at an individual level.

Market risks linked to trading activities

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

Although the front-office managers naturally assume primary responsibility for managing risks exposure, its global management lies with an independent structure: the Market Risk unit of the Risk Division. This unit carries out the following functions:

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

At the proposal of this department, the Group's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Group risk management. Within each entity that incurs market risk, risk managers are designated to implement the first level of risk control. The main tasks of these managers, who are independent of the front offices, include:

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

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

METHODS OF MEASURING MARKET RISK AND DEFINING EXPOSURE LIMITS

Société Générale 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: compliant with the regulatory model, this composite indicator is used for the day-to-day monitoring of the market risks incurred by the bank, in particular as regards the regulatory scope of its trading activities. The method used is the "historical simulation" method, which implicitly takes into account the correlation between different markets;
- a stress-test measurement, based on a decennial shock-type indicator. Stress-test measurements limit the Group's exposure to systemic risk and exceptional market shocks;
- complementary limits (sensitivity, nominal, concentration or holding period, etc.), which ensure coherency between the total risk limits and the operational limits used by the front office. These limits also enable the control of risks that are only partially detected by VaR or stress-test measurements.

BREAKDOWN OF TRADING VaR BY TYPE OF RISK – CHANGE BETWEEN 2005 AND 2006

(in millions of euros)	Year-end		Average		Minimum		Maximum	
1-day, 99%	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Equity price risk	(25)	(10)	(21)	(11)	(7)	(4)	(38)	(21)
Interest rate risk	(9)	(16)	(15)	(17)	(9)	(11)	(20)	(25)
Credit risk	(18)	(13)	(14)	(12)	(9)	(8)	(24)	(16)
Exchange rate risk	(3)	(1)	(2)	(1)	(1)	(1)	(5)	(4)
Commodity price risk	(2)	(2)	(2)	(2)	(1)	(1)	(5)	(5)
Compensation effect	35	23	29	24	NM*	NM*	NM*	NM*
Total	**(22)**	**(19)**	**(25)**	**(19)**	**(11)**	**(12)**	**(44)**	**(32)**

** Compensation is not material since the potential minimum and maximum losses do not occur on the same date.*

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

- **Method used to calculate VaR**

This method was introduced at the end of 1996 and it is constantly improved with the addition of new risk factors and the extension of the scope covered by the VaR. Today, the market risks on almost all investment banking activities are monitored using the VaR method, in particular those relating to more complex activities and products, as well as certain overseas retail banking and private banking activities.

The method used is the “historical simulation” method, which is based on the following principles:

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

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

- **Limitations of the VaR assessment**

The VaR assessment is based on a certain number of assumptions and approximations:

- the standard VaR assumptions such as the use of “1 day” shocks, the 99% confidence interval or the fact that intra-day fluctuations are not taken into account;
- certain approximations such as the use of benchmark indexes instead of certain risk factors and the non-integration of all of the risk factors linked to a given activity which can be due to daily data not always being available.

The Group controls the limitations therein by:

- systematically assessing the relevance of the model by back-testing to verify that the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval, which has been the case at Group level since the VaR system was introduced;
- complementing the VaR system with stress-test measurements.

Moreover, work is constantly carried out on the internal model to improve its quality.

Structural interest rate and exchange rate risks

The application of regulations 1997-02, 2001-01 and 2004-02 of the French Banking and Financial Regulation Committee on internal control provided Société Générale Group with the opportunity to formally define the principles for monitoring the Group’s exposure to interest rate and exchange rate risks which had been in force for several years.

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders’ equity, investments, bond issues).

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

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

Interest rate and exchange rate risks on proprietary transactions must also be hedged as far as possible.

Consequently, structural interest rate and exchange rate risks are only borne on the residual positions remaining after this hedging.

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

The principles and standards for managing these risks are defined at Group level. The operating entities assume primary responsibility for the management of their risk exposure, while the Group's Asset and Liability Management Department (ALM Department) carries out a second level of control on the management of these risks performed by the entities.

- The Group's Finance Committee, chaired by the General Management and composed of members of the Executive Committee and Finance Department:
  - validates the basic principles for the organization and management of the Group's structural risks;
  - sets the limits for each operating entity;
  - examines the reports on these risks provided by the ALM Department;
  - validates the transformation policy of the French Networks;
  - validates the hedging programs implemented by Société Générale Métropole.
- The ALM Department, which is part of the Group Finance Department:
  - defines the standards for the management of structural risks (organization, monitoring methods);
  - validates the models used by the entities;
  - informs the entities of their respective limits;
  - centralizes, consolidates and reports on structural risk exposure, and carries out second level controls (independently of the operating divisions supervising the entities).
- The operating entities are responsible for controlling structural risks.

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

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

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

STRUCTURAL INTEREST RATE RISKS

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

- **Objective of the Group**

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

For this, 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. Said sensitivity defines the variation in the net present value of future (maturities of up to 20 years) residual fixed-rate positions (surplus or deficits on assets and liabilities) for a 1% parallel shift in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for the overall Group is EUR 500 million (which equates to less than 1.7% of shareholders' equity).

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

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

Assets and liabilities are generally analyzed independently, without any a priori matching. Maturities on outstanding positions are determined on the basis of the contractual terms governing transactions, models of historical client behavior patterns (special savings accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity and sight deposits). Options exposure is analyzed through its delta equivalent.

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

In addition to this analysis, analyses are also performed on scenarios of potential variations in net interest income, which factor in assumptions as to how assets and liabilities are likely to evolve in the future.

Throughout 2006, the Group's global sensitivity to interest rate risk remained below 1% of Group shareholders' equity and well within the EUR 500 million limit.

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

- within the domestic retail banking division, outstanding customer deposits, generally considered to be fixed-rate funds, exceed fixed-rate loans for maturities over 2 years. Indeed, thanks to macro-hedging essentially using interest rate swaps or caps, the French Networks' sensitivity to interest rate risk (on the basis of the adopted assumptions) has been kept to a minimum. At end-December 2006, the sensitivity of French networks (Société Générale and Crédit du Nord) based on their assets and liabilities denominated in euros stood at less than EUR 100 million;
- transactions with large corporate are match-funded (on an individual basis), and therefore present no interest rate risk;
- transactions with clients of the Specialized Financial Services subsidiaries are generally macro-hedged and therefore present only a small residual risk;
- client transactions at subsidiaries and branches located in countries with weak currencies can generate limited structural interest rate risk. Indeed, due to the lack of long-term fixed-rate loans, investment possibilities and hedging instruments such as swaps in these countries, the entities in question may have difficulty investing their excess deposits over a sufficiently long horizon;
- proprietary transactions are generally well hedged. Residual positions are limited and arise primarily from shareholders' equity that has not yet been fully reinvested with the desired maturities.

STRUCTURAL EXCHANGE RATE RISKS

Structural exchange rate risks essentially arise from:

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

- **Objective of the Group**

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

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

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

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

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

The Group's Asset and Liability Management Department monitors structural exchange rate positions and the currency sensitivity of the solvency ratio.

In 2006, the Group successfully neutralized the sensitivity of its solvency ratio to fluctuations in strong currencies using structural positions in these currencies. Moreover, its positions in other currencies remained limited.

Hedging interest rate and exchange rate risk

In order to hedge certain market risks inherent to Société Générale'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 variations in long interest rates (essentially loans/borrowings, securities issues and fixed-rate 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 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 HEDGE

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

The aim of these hedges is to protect against unfavorable changes in future cash flow that are liable to impact on the income statement.

Société Générale'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 the way in which management styles evolve.

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

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

At December 31, 2006

(in millions of euros) **Remaining term**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Floating cash flow hedged	183	205	692	274	1,354
Highly probable forecast transactions	240	312	28	3	583
Total	**423**	**517**	**720**	**277**	**1,937**

At December 31, 2005

(in millions of euros) **Remaining term**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Floating cash flow hedged	67	29	130	336	562
Highly probable forecast transactions	134	127	24	3	288
Total	**201**	**156**	**154**	**339**	**850**

HEDGING OF A NET INVESTMENT IN A FOREIGN OPERATION

The purpose of a hedge on a net investment in a foreign operation 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.

Liquidity risk

Liquidity risk management covers all areas of Société Générale's business, from market transactions to structural transactions (commercial or proprietary transactions).

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

ORGANIZATION OF THE MANAGEMENT OF LIQUIDITY RISK

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

- The Group's Finance Committee, chaired by the General Management and composed of members of the Executive Committee and Finance Department:
  - validates the basic principles for the organization and management of the Group's liquidity risk;
  - examines the reports on liquidity risk provided by the ALM Department;
  - reviews the liquidity crisis scenarios;
  - validates the Group's financing programs.
- The ALM Department, which is part of the Group Finance Department:
  - defines the standards for the management of liquidity risk;
  - validates the models used by the entities;
  - centralizes, consolidates and reports on liquidity risk exposure, and carries out second level controls (independently of the operating divisions supervising the entities);
  - constructs liquidity crisis scenarios;
  - defines the Group's financing programs.
- The Treasury Department of the Corporate Banking Division is responsible for managing short-term liquidity (less than one year).
- The operating entities are responsible for managing their own liquidity risk.

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

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

OBJECTIVE OF THE GROUP

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

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

- as far as possible, central management of liquidity (mainly in Paris, New York, London, etc.);
- diversification of sources of funding, both in terms of geographical regions and sectors of activity;
- limitation of the number of issuers within the Group (Société Générale, SG Acceptance NV, SG North America, etc.);
- management of short-term liquidity in accordance with the regulatory framework.

MEASUREMENT AND MONITORING OF IIQUIDITY RISK

The Group's liquidity management system comprises two main processes:

- assessment of the Group's financing requirements on the basis of budget forecasts in order to plan appropriate funding solutions;
- analysis of liquidity risk exposure using liquidity crisis scenarios.

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

In 2006, the Group continued to maintain a surplus of long-term liquidity. Indeed, through its retail banking activities, Société Générale has a large and diversified deposits base which serves as a permanent resource in financing its domestic activities and the customer loans of its Financial Services business abroad.

In order to cover its medium-term financing needs and manage its prudential ratios, Société Générale had recourse to senior and subordinated debt issues in 2006.

The regulatory one-month liquidity coefficient is calculated on a monthly basis, and concerns Société Générale Métropole (which comprises the Head Office in mainland France and all branches). In 2006, Société Générale systematically maintained a coefficient above the required regulatory minimum.

Note 5

Cash, due from central banks

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Cash	2,111	1,654	1,373
Due from central banks	7,247	4,532	3,831
Total	**9,358**	**6,186**	**5,204**

Note 6

Financial assets and liabilities at fair value through profit and loss

	December 31, 2006		December 31, 2005		January 1, 2005	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading portfolio						
Treasury notes and similar securities	38,422		40,881		31,835	
Bonds and other debt securities	88,807		80,590		43,066	
Shares and other equity securities[(1)]	96,104		70,154		42,123	
Other financial assets	81,823		65,004		24,624	
Sub-total trading assets	**305,156**		**256,629**		**141,648**	
o/w securities on loan	14,386		13,283		6,970	
Securitized debt payables		39,902		34,482		21,596
Amounts payable on borrowed securities		20,528		16,193		8,542
Bonds and other debt instruments sold short		38,752		41,342		24,772
Shares and other equity instruments sold short		15,219		4,229		5,150
Other financial liabilities		44,498		43,967		29,766
Sub-total trading liabilities		**158,899**		**140,213**		**89,826**
Interest rate instruments						
Firm instruments						
Swaps	45,128	48,495	51,683	54,792	66,750	66,604
FRA	120	114	147	144	248	213
Options						
Options on organized markets	158	100	912	98	494	1,201
OTC options	5,792	5,679	6,091	6,605	4,305	4,049
Caps, floors, collars	3,025	3,751	3,693	3,849	3,413	3,343
Foreign exchange instruments						
Firm instruments	*9,363*	*8,381*	*10,191*	*9,600*	*5,185*	*5,145*
Options	*1,504*	*822*	*2,979*	*2,218*	*3,002*	*2,394*
Equity and index instruments						
Firm instruments	*1,031*	*787*	*511*	*594*	*57*	*74*
Options	*25,873*	*33,222*	*22,373*	*29,395*	*13,488*	*16,605*
Commodity instruments						
Firm instruments-Futures	*10,196*	*10,043*	*6,030*	*6,032*	*4,343*	*4,307*
Options	*5,063*	*4,871*	*7,302*	*7,848*	*3,046*	*3,479*
Credit derivatives	5,829	5,888	1,792	1,843	980	1,010
Other forward financial instruments						
On organized markets	366	221	357	141	120	25
OTC	581	580	1,686	524	959	489
Sub-total trading derivatives	**114,029**	**122,954**	**115,747**	**123,683**	**106,390**	**108,938**
Sub-total trading portfolio	**419,185**	**281,853**	**372,376**	**263,896**	**248,038**	**198,764**
Financial assets measured using fair value option through P&L						
Treasury notes and similar securities	1,843		1,733		1,398	
Bonds and other debt securities	9,853		8,803		12,464	
Shares and other equity securities[(1)]	19,910		16,311		15,034	
Other financial assets	2,416		1,215		1,423	
Sub-total of financial assets measured using fair value option through P&L	**34,022**		**28,062**		**30,319**	
Sub-total of separate assets relating to employee benefits					**4**	
Sub-total of financial liabilities measured using fair value option through P&L		**16,840**		**11,131**		**9,478**
Total financial instruments measured at fair value through P&L	**453,207**	**298,693**	**400,438**	**275,027**	**278,361**	**208,242**
o/w valued by valuation techniques based on non-observable market data	**2,883**	**33,717**	**1,082**	**32,502**	**854**	**23,118**

(1) Including UCITS

Financial liabilities measured using fair value option through P&L

(in millions of euros)	December 31, 2006			December 31, 2005			January 1, 2005		
	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	Fair value	Amount repayable at maturity	Difference between fair value and amount repayable at maturity
Total of financial liabilities measured using fair value option through P&L(2)	16,840	17,103	(263)	11,131	11,249	(118)	9,478	9,507	(29)

(2) Mainly indexed EMTNs whose refund value, regarding the index, is not fundamentally different from the fair value.
The variation in fair value attributable to the Group's own credit risk is not material over the period.

At December 31, 2005, total of financial assets and liabilities at fair value through profit or loss has been reduced by EUR 11,778 million on assets and EUR 11,755 million on liabilities. This reduction can be explained for EUR 9,577 million by the compensation of fair values on some interest rate swaps, and for EUR 4,302 million by the compensation of fair values on some index options. At January 1, 2005, total of financial assets and liabilities at fair value through profit or loss has been reduced by EUR 5,145 million on assets and EUR 5,110 million on liabilities.This reduction can be explained for EUR 5,509 million by the compensation of fair values on some index options.

Note 7

Hedging derivatives

	December 31, 2006		December 31, 2005		January 1, 2005	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FAIR VALUE HEDGE						
Interest rate instruments:						
Firm instruments						
Swaps	2,468	2,323	2,555	1,804	2,076	3,036
Forward Rate Agreements (FRA)	-	-	-	1	-	1
Options						
Options on organized markets	-	-	-	-	15	-
OTC options	158	-	268	-	238	-
Caps, floors, collars	170	-	224	-	3	-
Foreign exchange instruments						
Firm instruments						
Currency financing swaps	96	42	163	75	90	79
Forward foreign exchange contracts	92	87	37	39	-	-
Equity and index instruments						
Equity and stock index options	*71*	*1*	*60*	*1*	*39*	*38*
CASH-FLOW HEDGE						
Interest rate instruments						
Firm instruments						
Swaps	611	371	432	225	356	262
Foreign exchange instruments						
Firm instruments						
Currency financing swaps	2	-	2	-	-	-
Forward foreign exchange contracts	-	2	1	8	-	-
Total	**3,668**	**2,826**	**3,742**	**2,153**	**2,817**	**3,416**

Note 8

Available-for-sale financial assets

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Current assets			
Treasury notes and similar securities	***11,517***	***10,018***	***9,340***
Listed	10,109	9,136	8,606
Unlisted (1)	1,145	692	546
Related receivables	288	214	188
Provisions for impairment	(25)	(24)	-
Bonds and other debt securities	***55,525***	***53,944***	***48,557***
Listed	50,573	48,550	45,010
Unlisted	4,197	4,629	2,822
Related receivables	763	823	798
Provisions for impairment	(8)	(58)	(73)
Shares and other equity securities (2)	***4,578***	***4,136***	***3,529***
Listed	3,256	2,711	2,148
Unlisted	1,390	1,471	1,473
Provisions for impairment	(69)	(46)	(92)
Related receivables	1	-	-
Sub-total	**71,620**	**68,098**	**61,426**
Long-term equity investments			
Listed	3,359	3,269	4,418
Unlisted	4,291	2,449	2,514
Provisions for impairment	(520)	(792)	(1,159)
Related receivables	4	4	3
Sub-total	**7,134**	**4,930**	**5,776**
Total available-for-sale financial assets	**78,754**	**73,028**	**67,202**
o/w securities on loan	32	4	3

(1) Unlisted Treasury note and similar securities have been adjusted for EUR 531 million at December 31, 2005, and for EUR 364 million at January 1, 2005.This adjustment is derived from the reclassification of one of the Group subsidiary securities portofolio in the "Financial assets at fair value through profit or loss" category.

(2) Including UCITS.

Changes in available-for-sale financial assets

(in millions of euros)	2006	2005
Balance at January 1	**73,028**	**67,202**
Acquisitions	168,571	133,936
Disposals/redemptions	(162,442)	(131,035)
Reclassification and change in scope	2,144	(1,332)
Gains and losses on changes in fair value	(830)	827
Change in impairment	50	(9)
Impairment losses	250	413
Change in related receivables	14	52
Translation differences	(2,031)	2,974
Balance at December 31	**78,754**	**73,028**

Note 9

Due from banks

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Deposits and loans			
Demand and overnights			
Current accounts	14,690	10,926	8,756
Overnight deposits and loans and others	2,780	570	612
Loans secured by overnight notes	11	14	9
Term			
Term deposits and loans(1)	18,809	17,682	12,563
Subordinated and participating loans	650	690	713
Loans secured by notes and securities	221	178	100
Related receivables	343	355	203
Gross amount	**37,504**	**30,415**	**22,956**
Depreciation			
- depreciation for individually impaired loans	(45)	(71)	(77)
- depreciation for groups of homogenous receivables	(161)	(115)	(97)
Revaluation of hedged items	(10)	-	12
Net amount (2)	**37,288**	**30,229**	**22,794**
Securities purchased under resale agreements	30,869	23,222	30,543
Total	**68,157**	**53,451**	**53,337**
Fair value of amounts due from banks	**68,151**	**53,659**	**53,456**

(1) At December 31, 2006, the amount of receivables with incurred credit risk is EUR 46 million compared with EUR 98 million at December 31, 2005.

(2) The entities acquired in 2006 have a total impact of EUR 2,018 million on amounts due from banks.

Note 10

Customer loans

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Customer loans			
Trade notes	12,224	11,431	8,325
Other customer loans [(1)(2)]			
- Short-term loans	64,406	54,765	46,336
- Export loans	4,429	3,796	3,166
- Equipment loans	45,956	40,795	34,829
- Housing loans	67,363	55,315	46,122
- Other loans	41,891	41,426	35,487
Sub-total	**224,045**	**196,097**	**165,940**
Overdrafts	15,808	13,923	12,078
Related receivables	1,495	1,204	918
Gross amount	**253,572**	**222,655**	**187,261**
Depreciation			
- depreciation for individually impaired loans	(6,197)	(6,275)	(6,433)
- depreciation for groups of homogenous receivables	(864)	(824)	(871)
Revaluation of hedged items	2	141	134
Net amount [(3)]	**246,513**	**215,697**	**180,091**
Loans secured by notes and securities	1,124	103	59
Securities purchased under resale agreements	15,910	11,395	18,741
Total amount of customer loans	**263,547**	**227,195**	**198,891**
Fair value of customer loans	**263,548**	**228,510**	**200,980**

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

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Non-financial customers			
- Corporate	100,704	88,478	76,967
- Individual Customers	87,645	72,384	59,203
- Local authorities	9,240	7,706	7,577
- Self-employed professionals	8,904	7,624	7,268
- Governments and central administrations	3,029	2,591	2,013
- Others	3,985	3,861	3,632
Financial customers	10,538	13,453	9,280
Total	**224,045**	**196,097**	**165,940**

(2) At December 31, 2006, the amount of receivables with incurred credit risk is EUR 9,888 million compared with EUR 9,981 million at December 31, 2005.

(3) Entities acquired in 2006 had a EUR 5,565 million impact on net customer loans.

Note 11

Lease financing and similar agreements

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Real estate lease financing agreements	6,177	5,881	5,783
Non-real estate lease financing agreements	18,998	16,600	14,879
Related receivables	86	88	164
Gross amount (1)	**25,261**	**22,569**	**20,826**
Depreciation for individually impaired loans	(235)	(231)	(219)
Revaluation of hedged items	1	25	26
Net amount	**25,027**	**22,363**	**20,633**
Fair value of receivables on lease financing and similar agreements	**24,863**	**22,433**	**20,655**

(1) At December 31, 2006, the amount of receivables with incurred credit risk is EUR 668 million compared with EUR 537 million at December 31, 2005.

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Gross investments	**27,851**	**24,205**	**22,905**
- less than one year	6,665	5,540	5,226
- 1-5 years	15,073	13,570	12,625
- more than five years	6,113	5,095	5,054
Present value of minimum payments receivable	**24,320**	**21,713**	**20,000**
- less than one year	5,977	5,021	4,612
- 1-5 years	13,002	12,484	11,477
- more than five years	5,341	4,208	3,911
Unearned financial income	**2,590**	**1,636**	**2,079**
Unguaranteed residual values receivable by the lessor	**941**	**856**	**826**

Note 12

Held-to-maturity financial assets

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Treasury notes and similar securities	**1,404**	**1,880**	**2,162**
Listed	1,377	1,831	1,964
Unlisted	-	7	149
Related receivables	27	42	49
Bonds and other debt securities	**55**	**60**	**68**
Listed	54	59	66
Related receivables	1	1	2
Total held-to-maturity financial assets	**1,459**	**1,940**	**2,230**
Fair value of held-to-maturity financial assets	**1,476**	**1,988**	**2,290**

Note 13

Tax assets and liabilities

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Current tax assets	863	770	553
Deferred tax assets	640	831	843
- o/w on balance sheet items	726	1,050	1,000
- o/w on items credited or charged to shareholders' equity for unrealized gains or losses	(86)	(219)	(157)
Total	**1,503**	**1,601**	**1,396**

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Current tax liabilities	1,497	1,325	793
Deferred tax liabilities	462	352	293
- o/w on balance sheet items	293	298	219
- o/w on items credited or charged to shareholders' equity for unrealized gains or losses	169	54	74
Total	**1,959**	**1,677**	**1,086**

Note 14

Other assets

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Guarantee deposits paid	11,482	10,582	6,522
Settlement accounts on securities transactions	3,537	2,206	1,817
Prepaid expenses	1,136	776	684
Miscellaneous receivables	18,498	17,691	21,987
Gross amount	**34,653**	**31,255**	**31,010**
Depreciation	(139)	(201)	(206)
Net amount	**34,514**	**31,054**	**30,804**

Note 15

Tangible and intangible fixed assets

(in millions of euros)	Gross book value at December 31, 2005	Acquisitions	Disposals	Changes in consolidation scope and reclassifications[1]	Gross value at December 31, 2006	Accumulated depreciation and amortization of assets at December 31, 2005	Allocations to amortization in 2006	Impairment of assets 2006	Write-backs from amortization in 2006	Changes in consolidation scope and reclassifications[1]	Net book value at December 31, 2006	Net book value at December 31, 2005	Net book value at January 1, 2005
Intangible assets													
Software, EDP development costs	1,014	108	(3)	76	1,195	(766)	(128)	-	3	(7)	297	248	268
Internally generated assets	984	20	-	179	1,183	(718)	(151)	-	-	6	320	266	218
Assets under development	297	194	(6)	(257)	228						228	297	242
Others	247	21	(1)	141	408	(86)	(11)	-	1	(28)	284	161	155
Sub-total	**2,542**	**343**	**(10)**	**139**	**3,014**	**(1,570)**	**(290)**	**-**	**4**	**(29)**	**1,129**	**972**	**883**
Operating tangible assets													
Land and buildings	3,118	53	(22)	32	3,181	(882)	(83)	-	6	(4)	2,218	2,236	2,178
Assets under development	157	201	(1)	(169)	188						188	157	172
Lease assets of specialised financing companies	7,540	3,696	(2,198)	28	9,066	(1,892)	(1,399)	(3)	1,015	2	6,789	5,648	4,414
Others	3,971	344	(118)	80	4,277	(2,842)	(349)	2	94	86	1,268	1,129	1,067
Sub-total	**14,786**	**4,294**	**(2,339)**	**(29)**	**16,712**	**(5,616)**	**(1,831)**	**(1)**	**1,115**	**84**	**10,463**	**9,170**	**7,831**
Investment property													
Land and buildings	371	151	(7)	57	572	(69)	(18)	-	3	(18)	470	302	241
Assets under development	15	1	-	(6)	10						10	15	15
Sub-total	**386**	**152**	**(7)**	**51**	**582**	**(69)**	**(18)**	**-**	**3**	**(18)**	**480**	**317**	**256**
Total tangible and intangible fixed assets	**17,714**	**4,789**	**(2,356)**	**161**	**20,308**	**(7,255)**	**(2,139)**	**(1)**	**1,122**	**37**	**12,072**	**10,459**	**8,970**

(1) Including translation differences arising from the conversion of financial statements denominated in foreign currencies: gross amount: EUR (5) million, amortization: EUR (4) million.

Leasing activities

(in millions of euros)	December 31, 2006	December 31, 2005
Breakdown of minimum payments receivable		
- due in less than one year	1,146	861
- due in 1-5 years	1,683	1,299
- due in more than five years	6	8
Total minimum future payments receivable	**2,835**	**2,168**

Note 16

Goodwill affected by business unit

(in millions of euros)	RETAIL BANKING AND FINANCIAL SERVICES			CORPORATE & INVESTMENT BANKING		GLOBAL INVESTMENT MANAGEMENT & SERVICES				
	French Networks	**Retail Banking outside France**	**Financial Services**	**Corporate Banking and Fixed Income**	**Equity and Advisory**	**Asset Management**	**Private Banking**	**SGSS and Online Savings**	**CORPORATE CENTRE**	**GROUP TOTAL**
Gross book value at January 1, 2005	53	983	423	-	50	464	263	50	-	2,286
Acquisitions and other increases	-	365	360	5	41	-	2	46	68	887
Disposals and other decreases	-	-	(8)	-	-	-	(2)	-	-	(10)
Change	-	41	4	-	6	66	4	-	-	121
Gross value at December 31, 2005	**53**	**1,389**	**779**	**5**	**97**	**530**	**267**	**96**	**68**	**3,284**
Acquisitions and other increases	-	936	82	15	-	-	-	523	225	1,781
Disposals and other decreases	-	(3)	(1)	-	(40)	-	-	(15)	-	(59)
Change	-	4	-	-	(8)	(52)	(6)	(1)	-	(63)
Gross value at December 31, 2006	**53**	**2,326**	**860**	**20**	**49**	**478**	**261**	**603**	**293**	**4,943**
Impairment of goodwill at January 1, 2005	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	(13)	-	-	-	(10)	(23)
Impairment of goodwill at December 31, 2005	**-**	**-**	**-**	**-**	**(13)**	**-**	**-**	**-**	**(10)**	**(23)**
Impairment losses	-	-	-	-	13	-	-	-	(18)	(5)
Impairment of goodwill at December 31, 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28)**	**(28)**
Net goodwill at January 1, 2005	53	983	423	-	50	464	263	50	-	2,286
Net goodwill at December 31, 2005	53	1,389	779	5	84	530	267	96	58	3,261
Net goodwill at December 31, 2006	**53**	**2,326**	**860**	**20**	**49**	**478**	**261**	**603**	**265**	**4,915**

Cash-generating units (CGU) are the most accurate measurement units used by management to measure return on investment in a particular activity. The Group divides its activities into 14 cash-generating units, which is consistent with the management of the Group by core business lines. The recoverable value of a cash-generating unit is calculated by the most appropriate method, notably by discounting cash flows by cash-generating unit rather than by individual legal entity. The discount rates used are derived from recent analyses of the Group's business lines and cash flows are projected over the same horizon as the budgets and strategic plans approved by the management.

In compliance with IAS 36 "Impairment of assets", the Group implemented impairment tests on goodwill at December 31, 2006.

As of December 31, 2006, the Group retained the following Cash Generating Units (CGU):

CGU	BUSINESS UNIT
Retail Banking outside France - European Union and Pre-European Union	Retail Banking outside France
Other Retail Banking outside France	Retail Banking outside France
Crédit du Nord	French Networks
Société Générale network	French Networks
Insurance Financial Services	Financial Services
Individual Financial Services	Financial Services
Company Financial Services	Financial Services
Car renting Financial Services	Financial Services
Alternative Distribution Models	Financial Services
Equity and Advisory	Equity and Advisory
Corporate Banking and Fixed Income	Corporate Banking and Fixed Income
SGSS and Online Savings	SGSS and Online Savings
Asset Management	Asset Management
Private Banking	Private Banking

Breakdown of main sources of goodwill by CGU (in millions of euros)

Entities	Goodwill (net book value at Dec. 31, 2006)	Allocation (CGU)
Komercni Banka	918	Retail Banking outside France – European Union and Pre-European Union
HVB splitska Banka	747	Retail Banking outside France – European Union and Pre-European Union
TCW Group Inc	440	Asset management
2S Banka	395	SGSS and Online Savings
MIBank	371 (1)	Other Retail Banking outside France
SG Private Banking (Suisse) SA	174	Private Banking
Eurobank	170	Individual Financial Services
Gefa Bank	155	Company Financial Services
Boursorama	154	SGSS and Online Savings
Hanseatic Bank	131	Individual Financial Services

(1) Amount carried out from EUR 352 million to EUR 371 million after fair value adjustment process.

As indicated in the table of changes in shareholders' equity and in note 1, transactions which relate to minority interests are now treated for accounting purposes as shareholders' equity transactions. This change in accounting method has led to the retroactive adjustment of goodwill under shareholders' equity attributable to equity holders of the parent in the amount of EUR 585 million at January 1, 2005 and EUR 974 million at December 31, 2005.

Note 17

Due to banks

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Demand and overnight deposits			
Demand deposits and current accounts	11,001	8,579	7,519
Overnight deposits and borrowings and others	21,972	17,364	11,673
Sub-total	**32,973**	**25,943**	**19,192**
Term deposits			
Term deposits and borrowings	82,937	76,605	47,837
Borrowings secured by notes and securities	686	405	144
Sub-total	**83,623**	**77,010**	**47,981**
Related payables	751	479	319
Revaluation of hedged items	(11)	(15)	(1)
Securities sold under repurchase agreements	12,499	9,790	12,268
Total (1)	**129,835**	**113,207**	**79,759**
Fair value of amounts due to banks	**129,675**	**113,116**	**79,108**

(1) Entities acquired in 2006 had a EUR 2,716 million impact on amounts due to banks.

Note 18

Customer deposits

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Regulated savings accounts			
Demand	29,423	27,405	25,188
Term	20,128	21,186	21,471
Sub-total	**49,551**	**48,591**	**46,659**
Other demand deposits			
Businesses and sole proprietors	42,093	34,804	29,190
Individual customers	32,588	30,033	26,042
Financial customers	29,087	13,001	12,451
Others	12,218	11,901	6,875
Sub-total	**115,986**	**89,739**	**74,558**
Other term deposits			
Businesses and sole proprietors	24,753	24,064	18,536
Individual customers	17,272	14,626	12,067
Financial customers	15,872	19,451	17,279
Others	15,827	9,016	3,848
Sub-total	**73,724**	**67,157**	**51,730**
Related payables	1,144	1,040	940
Revaluation of hedged items	11	107	23
Total customer deposits (1)	**240,416**	**206,634**	**173,910**
Borrowings secured by notes and securities	196	226	1,626
Securities sold to customers under repurchase agreements	26,785	15,684	17,327
Total	**267,397**	**222,544**	**192,863**
Fair value of customer deposits	**267,411**	**222,582**	**192,911**

(1) Entities acquired since December 31, 2005 accounted for EUR 6,547 million in customer deposits.

Note 19

Securitized debt payables

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Term savings certificates	2,715	2,351	2,039
Bond borrowings	4,611	2,603	1,928
Interbank certificates and negotiable debt instruments	92,126	78,785	64,571
Related payables	966	767	509
Sub-total	**100,418**	**84,506**	**69,047**
Revaluation of hedged items	(46)	(181)	(217)
Total	**100,372**	**84,325**	**68,830**
o/w floating rate securities	14,997	20,720	16,565
Fair value of securitized debt payables	**100,341**	**83,357**	**68,643**

Note 20

Other liabilities

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Guarantee deposits received	13,389	12,279	10,233
Settlement accounts on securities transactions	3,914	3,208	1,487
Other securities transactions	36	35	96
Accrued social charges	3,071	2,448	1,836
Deferred income	1,928	1,654	1,884
Miscellaneous payables	16,988	13,404	14,648
Total	**39,326**	**33,028**	**30,184**

Note 21

PEL/CEL mortgage saving accounts

Outstanding deposits in PEL/CEL accounts

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
PEL accounts			
less than 4 years old	1,227	5,938	5,184
between 4 and 10 years old	7,024	2,084	2,183
more than 10 years old	7,025	9,666	10,877
Sub-total	**15,276**	**17,688**	**18,244**
CEL accounts	2,334	2,351	2,356
Total	**17,610**	**20,039**	**20,600**

Outstanding housing loans granted with respect to PEL/CEL accounts

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
less than 4 years old	201	292	432
between 4 and 10 years old	235	319	389
more than 10 years old	83	67	74
Total	**519**	**678**	**895**

Provisions for commitments linked to PEL/CEL accounts

(in millions of euros)	January 1, 2005	Allocations	Reversals	December 31, 2005	Allocations	Reversals	December 31, 2006
PEL accounts							
less than 4 years old	12	8	12	8	6	7	7
between 4 and 10 years old	-	-	-	-	17	17	-
more than 10 years old	261	83	74	270	-	176	94
Sub-total	**273**	**91**	**86**	**278**	**23**	**200**	**101**
CEL accounts	1	41	1	41	-	6	35
Total	**274**	**132**	**87**	**319**	**23**	**206**	**136**

The Plans d'Epargne Logement (PEL or housing savings plans) imply two types of commitment for the Group that have the negative effect of generating a PEL/CEL provision: a commitment to lend at an interest rate which is fixed at the start of the agreement and a commitment to remunerate the savings at an interest rate which is also fixed at the portfolio. As a result, it is primarily the obligation to remunerate savings at a fixed rate on older generations of PEL plans (PELs of over 10 years which have higher remuneration rates than current market rates) which triggers the PEL/CEL provision.

As interest rates rose over 2006, the obligation to remunerate savings at a fixed rate is less risky for Société Générale Group and therefore means a reduction in the provision. Provisioning for outstanding household savings amounted to 0.77% of total outstandings at December 31, 2006.

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 periods of between 10 and 15 years. The values of these parameters can be adjusted if any changes are subsequently made to regulations that might undermine the effectiveness of past data as an indicator of future customer behavior.

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

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

Note 22

Provisions and depreciation

Asset depreciations

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Banks	45	71	77
Customer loans	6,197	6,275	6,433
Lease financing and similar agreements	235	231	219
Groups of homogenous receivables	1,025	939	967
Available-for-sale assets	622	920	1,325
Others	248	303	289
Total	**8,372**	**8,739**	**9,310**

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

(in millions of euros)	Assets depreciations at December 31, 2005	Impairment losses	Reversals available	Net impairment losses	Reversals used	Currency and scope effects	Assets depreciations at December 31, 2006
Banks	71	1	(8)	(7)	(8)	(11)	45
Customer loans	6,275	2,018	(1,405)	613	(660)	(31)	6,197
Lease financing and similar agreements	231	114	(81)	33	(30)	1	235
Groups of homogenous receivables	939	238	(132)	106	-	(20)	1,025
Available-for-sale assets [1]	920	46	(389)	(343)	-	45	622
Others [1]	303	106	(107)	(1)	(51)	(3)	248
Total	**8,739**	**2,523**	**(2,122)**	**401**	**(749)**	**(19)**	**8,372**

(1) Including a EUR (23) million net allocation for identified risks.

Provisions

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Provisions for off-balance sheet commitments to banks	-	10	14
Provisions for off-balance sheet commitments to customers	128	173	228
Provisions for employee benefits	1,172	1,251	1,218
Provisions for tax adjustments	497	512	434
Provisions for other risks and commitments	782	1,091	1,047
Total	**2,579**	**3,037**	**2,941**

The change in provisions can be analysed as follows:

(in millions of euros)	Provisions at December 31, 2005	Allocations	Write-backs available	Net allocation	Write-backs used	Effect of discounting	Currency and scope effects	Provisions at December 31, 2006
Provisions for off-balance sheet commitments to banks	10	-	(2)	**(2)**	-	-	(8)	-
Provisions for off-balance sheet commitments to customers	173	64	(103)	**(39)**	-	-	(6)	128
Provisions for employee benefits	1,251	254	(317)	**(63)**	-	-	(16)	1,172
Provisions for tax adjustments	512	210	(66)	**144**	(29)	3	(133)	497
Provisions for other risks and commitments(2)(3)	1,091	110	(334)	**(224)**	(223)	2	136	782
Total	**3,037**	**638**	**(822)**	**(184)**	**(252)**	**5**	**(27)**	**2,579**

(2) including a EUR (33) million net allocation for net cost of risk.

(3) The Group's provisions for other risks and commitments include EUR 319 million of PEL/CEL provisions at December 31, 2005 and EUR 136 million at December 31, 2006 i.e. a combined net allocation of EUR (183) million over 2006 for the Société Générale France Network and for Crédit du Nord.

The consequences, as assessed on December 31, 2006, of those disputes and tax risks that are liable to have or have recently had a significant impact on the financial position of the Group, its activities or results have been provisioned in the Group's financial statements.

Note 23

Employee benefits

Post-employment defined contribution plans

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

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

Contributions to those schemes amount to EUR 502 million in 2006.

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

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	December 31, 2006				December 31, 2005				December 31, 2004			
	Post employment benefits		Other long term benefits		Post employment benefits		Other long term benefits		Post employment benefits		Other long term benefits	
(in millions of euros)	Pension plans	Others		Total	Pension plans	Others		Total	Pension plans	Others		Total
Reminder of gross liabilities	2,448	215	351	3,014	2,310	156	363	2,829	2,026	153	338	**2,517**
Reminder of assets	(1,985)	-	(78)	(2,063)	(1,754)	-	(49)	(1,803)	(1,537)	-	(47)	**(1,584)**
Deficit in the plan (Net balance)	463	215	273	951	556	156	314	1,026	489	153	291	**933**
Breakdown of the deficit in the plan												
Present value of defined benefit obligations	2,236	-	78	2,314	2,176	-	83	2,259	1,854	-	72	**1,926**
Fair value of plan assets	(2,075)	-	(78)	(2,153)	(1,924)	-	(49)	(1,973)	(1,757)	-	(47)	**(1,804)**
Actuarial deficit (net balance) A	161	-	-	161	252	-	34	286	97	-	25	**122**
Present value of unfunded obligations B	276	216	273	765	308	159	280	747	242	156	266	**664**
Other items recognized in balance sheet C												
Unrecognized items												
Unrecognized Past Service Cost	58	-	-	58	54	-	-	54	40	-	-	**40**
Unrecognized Net Actuarial (Gain) /Loss	6	1	-	7	120	3	-	123	30	3	-	**33**
Separate assets	(1)	-	-	(1)	(1)	-	-	(1)	(5)	-	-	**(5)**
Plan assets impacted by change in Asset Celling	(89)	-	-	(89)	(169)	-	-	(169)	(215)	-	-	**(215)**
Total unrecognized items D	(26)	1	-	(25)	4	3	-	7	(150)	3	-	(147)
Deficit in the plan (Net balance) A+B+C-D	**463**	**215**	**273**	**951**	**556**	**156**	**314**	**1,026**	**489**	**153**	**291**	**933**

Notes:

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

2. Pension plans include pension benefits as annuities and end of career payments. Pension benefit annuities are paid additionally to pensions state plans.

The Group grants 125 pension plans located in 38 countries. 10 pension plans located in France, the UK, Germany, the US and Switzerland represents 85% of gross liabilities of these pension plans.

Other post employment benefit plans are healthcare plans. These 11 plans are located in 7 countries among which France represents 90% of gross liabilities.

The healthcare plan for SG Metropole has been reformed as at 1st January 2007 and the corresponding obligation has been settled through contribution (EUR 170 million) paid to the insurance organism Mutual Insurance Société Générale in charge of the administration of the scheme. As a result, the Société Générale has accounted for an extra liability amounting to EUR 61 million in 2006.

Other long-term employee benefits include deferred bonuses, flexible working provisions (French acronym: compte épargne temps) and long-service awards. 80 benefits are located in 23 countries. 75% of gross liabilities of these benefits are located in France.

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

4. Information regarding plan assets

The break down of the fair value of plan assets is as follows: 44% bonds, 40% equities, 9% monetary instruments and 7% others.

For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 111 million, including EUR 89 million unrecognized.

5. The expected employer's contributions for post-employment benefits scheme are estimated for 2007 at EUR 80 million.

6. In general manner, the expected rates of return on scheme assets are based on a weighted average of expected returns on each category of assets.

The actual return on plan and separate assets were:

(in millions of euros)	Post employment benefits											
	Pension plans			Others			Other long term benefits			Total		
	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2006	December 31, 2005	December 31, 2004
Plan assets	175	204	112	-	-	-	5	7	4	180	211	116

AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

	Post employment benefits											
	Pension plans			Others			Other long term benefits			Total		
(in millions of euros)	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2006	December 31, 2005	December 31, 2004
Current Service Cost including Social Charges	70	68	51	8	6	3	50	52	77	**128**	**126**	131
Employee contributions	(3)	(2)	(2)	-	-	-	-	-	-	**(3)**	**(2)**	(2)
Interest Cost	106	102	94	6	7	7	5	6	6	**117**	**115**	107
Expected Return on Plan Assets	(107)	(102)	(80)	-	-	-	(3)	(3)	(3)	**(110)**	**(105)**	(83)
Expected Return on Separate Assets	-	-	-	-	-	-	-	-	-	**-**	-	-
Amortization of Past Service Cost	5	30	3	-	-	-	-	-	-	**5**	**30**	3
Amortization of Losses (Gains)	5	31	-	2	(1)	-	(7)	4	-	-	**34**	-
Settlement, Curtailment	-	(1)	-	60	-	-	(1)	4	-	**59**	**3**	-
Change in asset celling	6	3	-	-	-	-	-	-	-	**6**	**3**	-
Transfert from non recognized assets	-	-	-	-	-	-	-	-	4	**-**	**-**	4
Total Charges	**82**	**129**	**66**	**76**	**12**	**10**	**44**	**63**	**84**	**202**	**204**	**160**

- **Movements in the present value of defined benefits obligations**

	2006			2005			2004		
	Post employment benefits			Post employment benefits			Post employment benefits		
(in millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total	Pension plans	Others	Total
Value at January 1	2,483	159	**2,642**	2,096	155	**2,251**	1,928	150	**2,078**
Current Service Cost including Social Charges	70	8	**78**	68	6	**74**	51	3	**54**
Interest Cost	106	6	**112**	102	7	**109**	94	7	**101**
Employee contributions	(3)	-	**(3)**	(2)	-	**(2)**	(2)	-	**(2)**
Actuarial (gains)/losses	(32)	(1)	**(33)**	262	-	**262**	91	3	**94**
Foreign currency exchange adjustment	(6)	(2)	**(8)**	34	1	**35**	(3)	-	**(3)**
Benefit payments	(96)	(10)	**(106)**	(105)	(10)	**(115)**	(92)	(8)	**(100)**
Past Service Cost	9	-	**9**	41	-	**41**	-	-	**-**
Acquisition of subsidiaries	(4)	(2)	**(6)**	6	-	**6**	29	-	**29**
Transferts and others	(15)	58	**43**	(19)	-	**(19)**	-	-	**-**
Value at December 31	**2,512**	**216**	**2,728**	**2,483**	**159**	**2,642**	**2,096**	**155**	**2,251**

• Movements in fair value of plan assets

	2006			2005			2004		
	Post employment benefits			Post employment benefits			Post employment benefits		
(in millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total	Pension plans	Others	Total
Value at January 1	1,924	-	**1,924**	1,757	-	**1,757**	1,665	-	**1,665**
Expected Return on Plan Assets	107	-	**107**	102	-	**102**	80	-	**80**
Expected Return on Separate Assets	-	-	**-**	-	-	**-**	-	-	**-**
Actuarial gains/(losses)	72	-	**72**	84	-	**84**	46	-	**46**
Foreign currency exchange	(2)	-	**(2)**	22	-	**22**	-	-	**-**
Employee Contributions	3	-	**3**	3	-	**3**	-	-	**-**
Employer Contributions to plan assets	132	-	**132**	41	-	**41**	40	-	**40**
Benefit payments	(78)	-	**(78)**	(71)	-	**(71)**	(74)	-	**(74)**
Acquisition of subsidiaries	-	-	**-**	2	-	**2**	-	-	**-**
Transferts and others	(83)	-	**(83)**	(16)	-	**(16)**	-	-	**-**
Value at December 31	**2,075**	**-**	**2,075**	**1,924**	**-**	**1,924**	**1,757**	**-**	**1,757**

MAIN ASSUMPTIONS

	December 31, 2006	December 31, 2005	December 31, 2004
Discount rate			
Europe	4.50%	4.00%	4.10%
Americas	5.20%	5.00%	4.90%
Asia-Oceania-Africa	4.30%	3.20%	3.60%
Expected return on plan assets (separate and plan assets)			
Europe	5.87%	6.00%	5.60%
Americas	6.50%	6.50%	6.50%
Asia-Oceania-Africa	2.50%	2.05%	1.25%
Future salary increase net of inflation			
Europe	1.00%	1.00%	1.50%
Americas	2%	2%	2%
Asia-Oceania-Africa	1.80%	1.80%	1.80%
Healthcare cost increase rate			
Europe	4.63%	4.55%	4.70%
Americas	NA	NA	NA
Asia-Oceania-Africa	3.50%	2.40%	1.70%
Average remaining lifetime of employees (in years)			
Europe	11.5	11.5	10.7
Americas	9.5	9.4	9.5
Asia-Oceania-Africa	11	13.7	12.3

Notes:
1.The range in discount rate is due to various post-employment benefit plans durations and to different levels of interest rates used in the same geographical area like Europe and Asia.

2. The range of expected return on plan assets rate is due to actual plan assets allocation.

3. Average remaining lifetime of employees is calculated taking into account turnover assumptions.

SENSITIVITIES ANALYSIS OF POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS COMPARED TO MAIN ASSUMPTIONS RANGES

	2006			2005			2004		
(Measured element percentage)	Pension plans	Post employment healthcare plans	Other plans	Pension plans	Post employment healthcare plans	Other plans	Pension plans	Post employment healthcare plans	Other plans
Variation from +1% in discount rate									
Impact on Defined Benefit Obligations at December 31	-14%	-14%	-6%	-14%	-15%	-6%	-11%	-15%	-3%
Impact on total Expenses	-19%	-8%	-34%	-19%	-7%	-77%	-6%	-8%	-37%
Variation from +1% in Expected return on plan assets									
Impact on Plan Assets at December 31	1%	1%	1%	1%	1%	1%	1%	1%	1%
Impact on total Expenses	-21%	NA	-3%	-14%	NA	-4%	-11%	NA	0%
Variation from +1% in Future salary increases net of inflation									
Impact on Defined Benefit Obligations at December 31	5%	NA	5%	5%	NA	6%	6%	NA	2%
Impact on total Expenses	17%	NA	39%	16%	NA	93%	14%	NA	39%
Variation from +1% in Healthcare cost increase rate									
Impact on Defined Benefit Obligations at December 31		15%			18%			13%	
Impact on total Expenses		19%			29%			16%	

EXPERIENCE ADJUSTMENTS ON POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS

(in millions of euros)	December 31, 2006	December 31, 2005	December 31, 2004
Defined Benefit Obligations	2,512	2,484	2,096
Fair value of plan assets	2,075	1,924	1,757
Deficit/(surplus)	437	560	339
Experience adjustments on plan liabilities (negative: gain)	(11)	23	
Experience adjustments on plan assets (negative: gain)	(67)	(84)	

Note 24

Subordinated debt

(in millions of euros)

Currency issue	2007	2008	2009	2010	2011	Other	Outstanding at December 31, 2006	Outstanding at December 31, 2005	Outstanding at January 1, 2005
Subordinated capital notes									
EUR	678	121	313	616	439	5,837	8,004	8,221	8,344
USD	304	-	-	-	-	1,631	1,935	1,657	1,642
GBP	-	-	-	-	-	893	893	1,022	993
Other currencies	-	54	-	-	-	94	148	228	157
Sub-total	**982**	**175**	**313**	**616**	**439**	**8,455**	**10,980**	**11,128**	**11,136**
Dated subordinated debt									
EUR	-	-	-	-	8	29	37	29	29
USD	-	-	-	-	-	-	-	30	56
Other currencies	-	-	-	-	-	-	-	-	2
Sub-total	**-**	**-**	**-**	**-**	**8**	**29**	**37**	**59**	**87**
Related payables	274	-	-	-	-	-	274	262	276
Total excluding revaluation of hedged items	**1,256**	**175**	**313**	**616**	**447**	**8,484**	**11,291**	**11,449**	**11,499**
Revaluation of hedged items							222	634	637
Total							**11,513**	**12,083**	**12,136**

The fair value of subordinated debt securities stood at EUR 11,751 million at December 31, 2006 (EUR 12,239 million at December 31, 2005).

As indicated in the table of changes in shareholders' equity and in note 1, subordinated debt was restated under shareholders' equity attributable to equity holders of the parent in the amount of EUR 450 million at January 1, 2005 and EUR 478 million at December 31, 2005.

In 2007, the Group decided to exercise the early redemption option on those undated subordinated notes for which this option exists. The par value of those notes that continue to be booked under subordinated debt stands at EUR 532 million.

Note 25

Société Générale ordinary shares, treasury shares, shares held by employees

Number of shares	December 31, 2006	December 31, 2005	January 1, 2005
Ordinary shares	461,424,562	434,288,181	445,153,159
Including treasury shares (without voting rights) (1)	-	26,911,655	39,337,919
Including treasury shares (with voting rights) (1)	22,939,831	-	-
Including shares held by employees	32,424,638	32,831,211	33,024,632

(1) Does not include the Société Générale shares held for trading.

Note 26

Commitments

Commitments granted and received

COMMITMENTS GRANTED

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Loan commitments			
to banks	19,279	13,493	9,074
to customers (1)			
- Issuance facilities	100	82	91
- Confirmed credit lines	146,194	134,722	97,285
- Others	1,726	1,053	781
Guarantee commitments			
on behalf of banks	31,694	4,938	1,733
on behalf of customers (1) (2)	67,114	54,942	44,896
Securities commitments			
Securities to deliver	28,663	30,151	14,617

COMMITMENTS RECEIVED

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Loan commitments			
from banks	17,526	10,643	8,574
Guarantee commitments			
from banks	58,352	59,367	35,908
other commitments (3)	49,854	44,073	39,082
Securities commitments			
Securities to be received	32,783	40,922	15,717

(1) As at December 31, 2006, credit lines and guarantee commitments granted to securization vehicles and other special purpose vehicles amounted to EUR 29.5 billion and EUR 0.7 billion respectively.

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

(3) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 28.3 billion as at December 31, 2006 and EUR 30.7 billion as at December 31, 2005. The remaining balance mainly corresponds to securities and assets assigned as guarantee.

Forward financial instrument commitments (notional amounts)

(in millions of euros)	December 31, 2006		December 31, 2005		January 1, 2005	
	Trading transactions	Hedging transactions	Trading transactions	Hedging transactions	Trading transactions	Hedging transactions
Interest rate instruments						
Firm transactions						
Swaps	5,566,581	216,633	4,130,135	118,209	3,272,860	112,948
Interest rate futures	1,454,300	20	1,132,152	175	975,692	1,076
Options	*2,397,826*	*16,357*	*1,930,518*	*912*	*1,445,148*	*5,029*
Foreign exchange instruments						
Firm transactions	*685,824*	*37,514*	*567,435*	*11,870*	*522,465*	*2,961*
Options	*205,201*	-	*378,819*	-	*351,719*	-
Equity and index instruments						
Firm transactions	*231,930*	-	*89,741*	-	*26,119*	-
Options	*646,448*	*148*	*588,982*	*173*	*330,613*	*7,741*
Commodity instruments						
Firm transactions	*155,635*	-	*152,097*	-	*112,833*	-
Options	*154,586*	-	*231,016*	-	*80,992*	-
Credit derivatives	991,383	-	348,086	-	131,547	-
Other forward financial instruments	16,826	-	13,608	-	15,398	50

Credit risk equivalent

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

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
OECD member governments and central banks	993	674	758
OECD member banks and local authorities	23,176	19,116	15,786
Customers	15,407	12,948	8,825
Non-OECD member banks and central banks	657	526	590
TOTAL (after netting agreements)	**40,233**	**33,264**	**25,959**

Netting agreements reduced the credit risk equivalent by EUR 102,921 million at December 31, 2006 compared with a reduction of EUR 96,977 million at December 31, 2005.

SECURITIZATION TRANSACTIONS

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

As the Group does not control these vehicles, they are not consolidated in the Group's financial statements.

As at December 31, 2006, there were 6 non-consolidated vehicles (Barton, Antalis, Asset One, Homes, ACE Australia, ACE Canada) structured by the Group on behalf of customers or investors. Total assets held by these vehicles and financed through the issuance of commercial papers amounted to EUR 19,815 million on this date.

The default risk on these assets is borne by the transferors of the underlying receivables or by third parties. The Société Générale Group provides an additional guarantee as a credit enhancement through the issuance of letters of credit in the amount of EUR 731 million. Furthermore, the Group has granted these vehicles short-term loan facilities in the amount of EUR 29,237 million at this date.

Note 27

Assets pledged as security

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Assets pledged as security			
Book value of assets pledged as security for liabilities	25,884	16,274	3,355
Book value of assets pledged as security for transactions in financial instruments	10,687	10,306	6,421
Book value of assets pledged as security for off-balance sheet commitments	385	341	253
Total	**36,956**	**26,921**	**10,029**
Assets received as security and available for the entity			
Fair value of reverse repos	**46,831**	**34,812**	**49,284**

Note 28

Breakdown of assets and liabilities by term to maturity

Maturities of financial assets and liabilities

(in millions of euros at December 31, 2006)	Less than 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
ASSETS					
Cash, due from central banks	9,358	-	-	-	9,358
Financial assets at fair value through profit and loss	306,073	119,355	9,016	18,763	453,207
Hedging derivatives	3,668	-	-	-	3,668
Available-for-sale financial assets	17,862	10,421	16,799	33,672	78,754
Due from banks	48,960	6,443	10,644	2,110	68,157
Customer loans	66,868	34,712	91,396	70,571	263,547
Lease financing and similar agreements	2,424	4,732	12,038	5,833	25,027
Revaluation differences on portfolios hedged against interest rate risk	(20)	-	-	-	(20)
Held-to-maturity financial assets	68	131	584	676	1,459
Total Assets	**455,261**	**175,794**	**140,477**	**131,625**	**903,157**
LIABILITIES					
Due to central banks	4,183	-	-	-	4,183
Financial liabilities measured at fair value through profit and loss	188,733	69,211	21,217	19,532	298,693
Hedging derivatives	2,826	-	-	-	2,826
Due to banks	109,932	13,543	3,799	2,561	129,835
Customer deposits	221,402	14,387	23,058	8,550	267,397
Securitized debt payables	62,494	20,180	12,428	5,270	100,372
Revaluation differences on portfolios hedged against interest rate risk	143	-	-	-	143
Total Liabilities	**589,713**	**117,321**	**60,502**	**35,913**	**803,449**

Maturities of commitments on financial derivatives

(in millions of euros at December 31, 2006)	Less than 1 year	1-5 years	More than 5 years	Total
Interest rate instruments				
Firm instruments				
Swaps	2,259,832	2,065,471	1,457,911	**5,783,214**
Interest rate futures	1,211,855	242,432	33	**1,454,320**
Options	*981,657*	*930,952*	*501,574*	***2,414,183***
Forex instruments				
Firm instruments	*528,768*	*127,343*	*67,227*	***723,338***
Options	*184,224*	*16,349*	*4,628*	***205,201***
Equity and index instruments				
Firm instruments	*175,266*	*55,657*	*1,007*	***231,930***
Options	*343,540*	*265,875*	*37,181*	***646,596***
Commodity instruments				
Firm instruments	*111,763*	*41,051*	*2,821*	***155,635***
Options	*112,546*	*41,365*	*675*	***154,586***
Credit derivatives	47,875	599,286	344,222	**991,383**
Other forward financial instruments	16,250	558	18	**16,826**

Note 29

Foreign exchange transactions

(in millions of euros)	December 31, 2006				December 31, 2005				January 1, 2005			
	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	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	533,154	530,927	13,151	10,223	467,709	459,823	9,831	7,950	402,206	385,497	6,168	6,686
USD	249,846	265,322	19,242	22,147	230,767	232,107	12,937	15,242	162,980	186,814	11,334	14,964
GBP	29,532	30,722	6,306	3,811	26,831	34,765	1,400	2,250	21,870	24,940	1,801	2,013
JPY	37,244	35,237	2,743	4,674	30,470	29,080	2,757	2,065	19,800	14,368	7,587	3,420
Other currencies	107,065	94,633	7,977	8,906	79,357	79,359	5,284	5,258	65,871	61,108	4,179	4,122
Total	**956,841**	**956,841**	**49,419**	**49,761**	**835,134**	**835,134**	**32,209**	**32,765**	**672,727**	**672,727**	**31,069**	**31,205**

Note 30

Insurance activities

Underwriting reserves of insurance companies

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Underwriting reserves for unit-linked policies	21,010	17,738	14,657
Life insurance underwriting reserves	43,341	39,336	34,007
- o/w provisions for deferred profit sharing	*2,170*	*3,174*	*2,251*
Non-life insurance underwriting reserves	232	205	141
Total	**64,583**	**57,279**	**48,805**
Attributable to reinsurers	295	328	232
Underwriting reserves of insurance companies net of the part attribuable to reinsurers	**64,288**	**56,951**	**48,573**

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, 2006	**17,738**	**39,336**	**205**
Allocation to insurance reserves	2,528	3,227	26
Revaluation of policies	1,025	-	-
Charges deducted from policies	(118)	-	-
Transfers and arbitrage	(202)	200	-
New customers	-	-	-
Profit-sharing	54	565	-
Others	(15)	13	1
Reserves at December 31, 2006	**21,010**	**43,341**	**232**

Net investments of insurance companies

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Financial assets measured at fair value through P&L (1)	**28,014**	**23,797**	**19,103**
Treasury notes and similar securities	332	347	341
Bonds and other debt securities	8,986	8,262	7,891
Shares and other equity securities	18,696	15,188	10,871
Available-for-sale financial assets	**39,312**	**35,757**	**31,193**
Treasury notes and similar securities	45	125	39
Bonds and other debt securities	36,085	33,005	29,033
Shares and other equity securities	3,182	2,627	2,121
Investment property	**400**	**238**	**189**
Total	**67,726**	**59,792**	**50,485**

(1) Financial assets at fair value through profit or loss are almost exclusively made up of assets measured using the fair value option through profit or loss. The financial assets held to guarantee unit-linked policies of the Group life-insurance subsidiaries are booked at fair value through profit or loss to ensure their financial treatment matches that of the corresponding insurance liabilities. The fair value option thus allows the Group to record changes in the fair value of the financial assets through the income statement so that they match fluctuations in value of the insurance liabilities associated with these unit-linked policies.

Technical income from insurance companies

(in millions of euros)	December 31, 2006	December 31, 2005	December 31, 2004 (1)
Earned premiums	10,458	8,853	7,488
Cost of benefits (including changes in reserves)	(11,146)	(10,311)	(7,785)
Net income from investments	1,497	2,192	1,083
Other net technical income (expense)	(444)	(427)	(532)
Contribution to operating income before elimination of intercompany transactions	**365**	**307**	**254**
Elimination of intercompany transactions (2)	329	175	228
Contribution to operating income after elimination of intercompany transactions	**694**	**482**	**482**

(1) IFRS excl. IAS 32&39 and IFRS 4.

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

Net fee income (3)

(in millions of euros)	December 31, 2006	December 31, 2005	December 31, 2004 (1)
Fees received			
- acquisition fees	200	179	160
- management fees	491	440	343
- others	48	45	37
Fees paid			
- acquisition fees	(172)	(141)	(117)
- management fees	(198)	(190)	(146)
- others	(9)	(23)	(21)
Total fees	**360**	**310**	**256**

(1) IFRS excl. IAS 32&39 and IFRS 4.

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

Management of life insurance risks

In life insurance, insurers are exposed to the instabilities of the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by the behavior of policyholders.

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

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

- monitoring of long-term cash flows: matching the duration of a liability against the duration of an asset, and cash flow peaks are strictly controlled in order to minimize reinvestment risks;
- close monitoring of the equity markets and stress scenario simulations;
- hedging of exchange rate risks using financial instruments.

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

Note 31

Interest income and expense

(in millions of euros)	2006	2005	2004 [1]
Transactions with banks	**5,372**	**3,052**	**4,008**
Demand deposits and interbank loans	2,844	1,683	1,599
Securities purchased under resale agreements and loans secured by notes and securities	2,528	1,369	2,409
Transactions with customers	**13,758**	**10,945**	**12,145**
Trade notes	1,038	885	692
Other customer loans [2]	10,819	8,658	7,626
Overdrafts	862	696	626
Securities purchased under resale agreements and loans secured by notes and securities	1,039	706	1,544
Other income	-	-	1,657
Transactions in financial instruments	**9,584**	**5,916**	**3,993**
Available-for-sale financial assets	2,492	2,297	N/A
Held-to-maturity financial assets	110	185	N/A
Securities lending	244	79	N/A
Hedging derivatives	6,738	3,355	N/A
Finance leases	**1,342**	**1,188**	**1,689**
Real estate finance leases	315	281	491
Non-real estate finance leases	1,027	907	1,198
Total interest income	**30,056**	**21,101**	**21,835**
Transactions with banks	**(7,401)**	**(4,160)**	**(4,884)**
Interbank borrowings	(6,011)	(3,603)	(2,391)
Securities sold under resale agreements and borrowings secured by notes and securities	(1,390)	(557)	(2,493)
Transactions with customers	**(9,197)**	**(6,627)**	**(6,064)**
Regulated savings accounts	(1,024)	(1,308)	(1,224)
Other customer deposits	(6,825)	(4,268)	(2,433)
Securities sold under resale agreements and borrowings secured by notes and securities	(1,348)	(1,051)	(2,407)
Transactions in financial instruments	**(10,341)**	**(5,861)**	**(4,751)**
Securitized debt payables	(3,426)	(2,224)	N/A
Subordinated and convertible debt	(615)	(631)	N/A
Securities borrowing	(36)	(40)	N/A
Hedging derivatives	(6,264)	(2,966)	N/A
Other interest expense	**(5)**	**(8)**	**(5)**
Total interest expense [3]	**(26,944)**	**(16,656)**	**(15,704)**

(1) IFRS excl. IAS 32&39 and IFRS 4.

(2) Breakdown of "Other customer loans"

(in millions of euros)	2006	2005	2004
- short-term loans	3,873	2,795	2,216
- export loans	255	261	211
- equipment loans	1,840	1,623	1,622
- housing loans	2,753	2,393	2,194
- other customer loans	2,098	1,586	1,383
Total	**10,819**	**8,658**	**7,626**

(3) These expenses include the refinancing cost of financial instruments at fair value through P&L, which is classified in net income and expense from financial instruments (note 33).

Note 32

Fee income and expense

(in millions of euros)	2006	2005	2004[1]
Fee income from			
Transactions with banks	133	123	145
Transactions with customers	2,237	1,967	1,624
Securities transactions	816	661	585
Primary market transactions	246	205	160
Foreign exchange transactions and financial derivatives	822	604	509
Loan and guarantee commitments	505	489	459
Services	4,299	3,770	3,376
Others	184	185	248
Total fee income	**9,242**	**8,004**	**7,106**
Fee expense on			
Transactions with banks	(189)	(163)	(164)
Securities transactions	(418)	(365)	(381)
Foreign exchange transactions and financial derivatives	(618)	(468)	(383)
Loan and guarantee commitments	(202)	(182)	(341)
Others	(962)	(744)	(562)
Total fee expense	**(2,389)**	**(1,922)**	**(1,831)**

(1) FRS excl. IAS 32&39 and IFRS 4.

Note 33

Net income and expense from financial instruments at fair value through P&L

(in millions of euros)	2006	2005
Net gain/loss on non-derivative financial assets held for trading	22,056	16,861
Net gain/loss on financial assets measured using fair value option	557	(165)
Net gain/loss on non-derivative financial liabilities held for trading	(10,799)	(7,690)
Net gain/loss on financial liabilities measured using fair value option	(177)	268
Net gain/loss on derivative instruments and revaluation of hedged items	(1,878)	(2,817)
Net gain/loss on foreign exchange transactions	601	569
Total[1]	**10,360**	**7,026**

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

Note 34

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

(in millions of euros)	2006	2005
Current activities		
Gains on sale	150	122
Losses on sale	(22)	(41)
Impairment of equity investments	(8)	(1)
Capital gain on the disposal of available-for-sale financial assets, after payment of profit-sharing to policy holders (insurance business)	9	11
Sub-total	**129**	**91**
Long-term equity investments		
Gains on sale	532	430
Losses on sale	(17)	(4)
Impairment of equity investments	(20)	(45)
Sub-total	**495**	**381**
Total	**624**	**472**

Note 35

Income and expenses from other activities

(in millions of euros)	2006	2005	2004 (1)
Income from other activities			
Real estate development	64	58	155
Real estate leasing	90	83	118
Equipment leasing	3,576	2,909	2,842
Other activities (including income from insurance activity)	13,033	11,738	11,384
Sub-total	**16,763**	**14,788**	**14,499**
Expenses from other activities			
Real estate development	-	-	(115)
Real estate leasing	(44)	(33)	(359)
Equipment leasing	(3,072)	(2,448)	(2,762)
Other activities (including expenses from insurance activitiy)	(12,472)	(11,422)	(10,753)
Sub-total	**(15,588)**	**(13,903)**	**(13,989)**
Net total	**1,175**	**885**	**510**

(1) IFRS excl. IAS 32&39 and IFRS 4.

Note 36

Personnel expenses

(in millions of euros)	2006	2005	2004 [1]
Employee compensation [2]	(5,948)	(5,328)	(4,862)
Social security charges and payroll taxes [2]	(1,147)	(977)	(859)
Retirement expenses - defined contribution plans	(502)	(435)	(438)
Retirement expenses - defined benefit plans	(77)	(115)	(61)
Other social security charges and taxes	(329)	(303)	(313)
Employee profit-sharing and incentives	(347)	(311)	(210)
Total	**(8,350)**	**(7,469)**	**(6,743)**

(1) IFRS excl. IAS 32& 39 and IFRS 4.

(2) o/w variable remuneration of EUR (2,156) million as of December 31, 2006 against EUR (1,719) million as of December 31, 2005.

	2006	2005	2004
Average headcount			
- France	54,718	52,809	51,753
- Outside France	60,416	47,377	41,606
Total	**115,134**	**100,186**	**93,359**

Note 37

Share-based payment plans

Expenses recorded in the income statement

	December 31, 2006			December 31, 2005			December 31, 2004		
(in millions of euros)	Cash settled plans	Equity-settled plans	Total plans	Cash settled plans	Equity-settled plans	Total plans	Cash settled plans	Equity-settled plans	Total plans
Net expenses from stock purchase plans	-	31.9	31.9	-	21.5	21.5	-	7.3	7.3
Net expenses from stock option plans	147.9	91.9	239.8	148.4	62.4	210.8	1.6	35.4	37.0

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

Main characteristics of Société Générale stock-option plans

EQUITY-SETTLED STOCK-OPTION PLANS FOR SOCIÉTÉ GÉNÉRALE GROUP EMPLOYEES FOR THE YEAR ENDED DECEMBER 31, 2006 ARE BRIEFLY DESCRIBED BELOW:

- **Stock-options**

Issuer	Société Générale	Société Générale	Société Générale	Société Générale	Société Générale	Société Générale for TCW
Year of grant	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**
Type of plan	**stock-option**	**stock-option**	**stock-option**	**stock-option**	**stock-option**	**stock-option**
Shareholders agreement	05/13/1997	04/23/2002	04/23/2002	04/29/2004	04/29/2004	04/29/2004
Board of Directors decision	01/16/2002	04/22/2003	01/14/2004	01/13/2005	01/18/2006	04/25/2006
Number of stock-options granted (1)	3,553,549	3,910,662	3,814,026	4,067,716	1,548,218	138,503
Contractual life of the options granted	7 years	7 years	7 years	7 years	7 years	7 years
Settlement	Société Générale shares	Société Générale shares	Société Générale shares	Société Générale shares	Société Générale shares	Société Générale shares
Vesting period	01/16/02-01/16/05	04/22/03-04/22/06	01/14/04-01/14/07	01/13/2005-01/13/2008	01/18/2006-01/18/2009	04/25/2006-04/25/2009
Performance conditions	no	no	no	no	no	no
Resignation from the Group	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited
Retirement	maintained	maintained	maintained	maintained	maintained	maintained
Death	maintained for 6 month period	maintained for 6 month period	maintained for 6 month period	maintained for 6 month period	maintained for 6 month period	maintained for 6 month period
Share price at grant date *(in EUR)* (average of 20 days prior to grant date) (1)	62.08	51.65	69.53	74.50	104.85	121.52
Discount	0%	0%	0%	0%	0%	0%
Exercise price *(in EUR)* (1)	62.08	51.65	69.53	74.50	104.85	121.52
Options authorized but not attributed	-	-	-	-	-	-
Options exercised	2,086,222	1,059,063	2,000	4,000	2,174	-
Options forfeited at December 31, 2006	283,574	186,146	91,870	92,533	22,037	680
Options outstanding at December 31, 2006	1,183,753	2,665,453	3,720,156	3,971,183	1,524,007	137,823
Number of shares reserved at December 31, 2006	1,183,753	2,665,453	3,720,156	(2)	(2)	137,823
Share price of shares reserved *(in EUR)*	63.18	51.03	50.35	(2)	(2)	124.1
Total value of shares reserved *(in EUR Millions)*	75	136	187	(2)	(2)	17
First authorized date for selling the shares	01/16/2006	04/22/2007	01/14/2008	01/13/2009	01/18/2010	04/25/2009
Delay for selling after vesting period	1 year	1 year	1 year	1 year	1 year	-
Fair value *(% of the share price at grant date)*	28%	25%	21%	17%	16%	17%
Valuation method used to determine the fair value	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

(1) In accordance with IAS 33 accounting standard, as a result of the detachment of Société Générale share preferential subscription rights, the historical share data has been adjusted by the coefficient given by Euronext which reflects the part attributable to the share after detachment following the capital increase which took place in the fourth quarter of 2006.

(2) 2005 and 2006 stock-option plans have been hedged using call options on Société Générale shares.

- **Free shares**

Issuer	Société Générale
Year of grant	**2006**
Type of plan	**free shares**
Shareholders agreement	05.09.2005
Board of Directors decision	01.18.2006
Number of free shares granted	726,666
Settlement	Société Générale shares
Vesting period	01/18/2006 - 03/31/2008 - 01/18/2006 - 03/31/2009
Performance conditions	conditions on ROE for certain recipients
Resignation from the Group	forfeited
Redundancy	forfeited
Retirement	maintained
Death	maintained for 6 months
Share price at grant date (in EUR)	103.6
Shares exercised	240
Shares forfeited at December 31, 2006	26,967
Shares outstanding at December 31, 2006	699,459
Number of shares reserved at December 31, 2006	699,459
Share price of shares reserved (in EUR)	90.62
Total value of shares reserved (in EUR million)	63
First authorized date for selling the shares	03.31.2010 03.31.2011
Delay for selling after vesting period	2 years
Fair value (% of the share price at grant date)	vesting period 2 years: 86% vesting period 3 years: 81%
Valuation method used to determine the fair value	Arbitrage

STATISTICS CONCERNING SOCIÉTÉ GÉNÉRALE STOCK-OPTION PLANS

Main figures concerning Société Générale stock-option plans, for the year ended December 31, 2006

	Options granted in 2002	**Options granted in 2003**	**Options granted in 2004**	**Options granted in 2005**	**Options granted in 2006**	**TCW Options granted in 2006**	**Weighted average remaining contractual life**	**Weighted average fair value at grant date** *(EUR)*	**Weighted average share price at exercise date** *(EUR)*	**Range of exercise prices** *(EUR)*
Options outstanding on 01/01/2006	2,804,216	3,749,031	3,724,350	4,004,949		-				
Options granted in 2006 (1)	9,572	19,083	25,726	27,716	1,548,218	138,503				
Options forfeited in 2006	4,088	45,098	27,920	57,482	22,037	680				
Options exercised in 2006	1,625,947	1,057,563	2,000	4,000	2,174	-			118.72	51.65-104.85
Options expired in 2006	-	-	-	-	-	-				
Outstanding options on 12/31/2006	1,183,753	2,665,453	3,720,156	3,971,183	1,524,007	137,823	48 months	14.47		
Exercisable options on 12/31/2006	1,183,753	2,665,453	-	-	-	-				

(1). In accordance with IAS 33 accounting standard, as a result of the detachment of Société Générale share preferential subscription rights, the historical share data has been adjusted by the coefficient given by Euronext which reflects the part attributable to the share after detachment following the capital increase which took place in the fourth quarter of 2006.

Notes:
1. The main assumptions used to value Société Générale stock-option plans are as follows:

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

2. The implicit volatility used is that of Société Générale 5-year share options traded OTC, which was 22% in 2006. This implicit volatility reflects the future volatility.

Other stock-option plans - TCW company

STOCK-OPTION PLANS FOR TCW GROUP EMPLOYEES FOR THE YEAR-ENDED DECEMBER 31, 2006 ARE BRIEFLY DESCRIBED BELOW:

Issuer	TCW	TCW	TCW	TCW	TCW
Year of grant	2001	2002	2003	2005	2006
Type of plan	stock option	stock option	stock option	stock option	stock option
Shareholders agreement	07/07/2001	07/07/2001	07/07/2001	07/01/2005	09/01/2006
Board of Directors decision	07/07/2001	01/01/2002-07/16/2002	02/19/2003-03/31/2003-06/27/2003	07/01/2005	09/01/2006
Number of stock-options granted	1,343,320	1,417,980	1,268,350	2,753,708	2,385,515
Contractual life of the options granted	10 years	10 years	10 years	7 years	7 years
Settlement	Société Générale shares	Société Générale shares	Société Générale shares	Société Générale shares	Société Générale shares
Vesting period	07/07/2001-07/07/2003	01/01/2002-07/15/2008	02/19/2003-06/26/2009	07/01/2005-06/30/2010	09/01/2006-08/31/2011
Performance conditions	no	no	no	no	no
Resignation from the Group	forfeited	forfeited	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited	forfeited	forfeited
Retirement	forfeited	forfeited	forfeited	forfeited	forfeited
Death	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting	Partially maintained and accelerated vesting
Share price at grant date *(in EUR)*	22.23	18.14	15.50	41.35	36.95
Discount *(in EUR)*	3.29	2.69	2.30	13.48	5.64
Exercise price *(in EUR)*	18.93	15.45	13.21	27.87	31.31
Options authorized but not attributed					
Options exercised	1,313,456	865,720	358,128	-	-
Options forfeited at December 31, 2006	-	59,728	552,142	98,673	16,474
Options outstanding at December 31, 2006	29.864	492,532	358,080	2,655,035	2,369,041
First authorized date for selling the shares	08/07/2003	02/01/2003	03/18/2005	08/01/2007	11/01/2008
Delay for selling after vesting period	no delay	no delay	no delay	no delay	no delay
Fair value (% of the share price at grant date)	42%	56%	51%	66%	41%
Valuation method used to determine the fair value	black & scholes	black & scholes	black & scholes	black & scholes	black & scholes

STATISTICS CONCERNING TCW STOCK OPTION PLANS

Main figures concerning TCW stock option plans, for the year ended December 31, 2006:

	Total no. of options	Options granted in 2001	Options granted in 2002	Options granted in 2003	Options granted in 2005	Options granted in 2006	Weighted average remaining contractual life	Weighted average fair value at grant date *(EUR)*	Weighted average share price at exercise date *(EUR)*	Range of exercise prices *(EUR)*
Options outstanding on 01/01/2006	4,484,918	59,730	835,860	835,620	2,753,708	-				
Options granted in 2006	2,385,515	-	-	-	-	2,385,515				
Options forfeited in 2006	503,187	-	59,728	328,312	98,673	16,474				
Options exercised in 2006	462,694	29,866	283,600	149,228	-	-			111.25	11.09-30.51
Options expired in 2006	-	-	-	-	-	-				
Options outstanding on 12/31/2006	5,904,552	29,864	492,532	358,080	2,655,035	2,369,041	69 months	15.62		
Exercisable options on 12/31/2006	933,963	29,864	253,732	119,360	531,007	-				

Notes:

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

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

Notes:

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

(3) Due to the term of this plan, which is settled in Société Générale shares, no shares have been specifically allocated.

Information on other plans

The other Share-based payment plans granted to Group employees during 2006 are as follows:

GLOBAL EMPLOYEE SHARE-OWNERSHIP PLAN

As part of the Group employee shareholding policy, Société Générale offered on the 04/25/06 to employees of the Group to subscribe to a reserved capital increase at a share price of EUR 97.96, with a discount of 20% rapported at the average of the 20 Société Générale share prices before this date.

For 4,044,222 shares subscribed, the Group recorded a EUR 31.9 million expense taking into account the qualified 5-year holding period.

The valuation model used, which complies with the recommendation of the National Accounting Council on the accounting treatment of company savings plans, compares the gain the employee would have obtained if he had been able to sell the shares immediately and the notional cost that the 5-year holding period represents to the employee.

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

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

- Société Générale share price: EUR 122.2;
- risk-free interest rate: 3.93%;
- interest rate of a non-affected five years facilities credit applicable to market actors which are benefiting of non-transferable shares: 6.88%.

This notional 5-year holding period cost is valuated at 13.4% Société Générale share price at the subscription date.

STOCK-OPTION PLANS GRANTED BY UNLISTED COMPANIES

A number of Group companies have granted stock options to employees and chief executive officers. These plans are settled in cash. The contractual life of the options granted is generally 6 years and the last option will be exercised in 2008 at the latest. In these companies, no new options were granted during 2006.

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

The related impact on the 2006 income statement is a net expense of EUR 1.3 million, resulting from a difference between the exercise price and the value of the shares to be delivered.

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

BOURSORAMA STOCK OPTION PLAN

In June 2006, Boursorama set up a stock option & free shares plan, settled in Boursorama shares, for employees of companies within its consolidation scope.

Under this plan:

- 900.000 options with a life of 7 years were granted to employees with a vesting period of 3 years;
- 344.000 free shares were granted to employees with a vesting period of 2 and 3 years.

The settlement of this plan will be realized in Boursorama shares.

The stock-options were valued using the Black & Scholes method.

The valuation model used for free shares is similar to the one used by Société Générale and takes into account the performance conditions applied to Boursorama free shares granted.

The related expense for this new plan amounts to EUR 0.9 million and has been booked in the 2006 income statement.

The 2006 expense of the 2004 plan is EUR 1.0 million.

In 2006,198,000 options related to the 2004 plan were forfeited.

OTHER COMPENSATION INDEXED ON SG SHARES

During 2006, several business lines in the Group have granted performance compensation indexed on Société Générale shares, to be settled in cash.

Note 38

Cost of risk

(in millions of euros)	2006	2005	2004 [1]
Counterparty risk			
Net allocation to impairment losses	(681)	(373)	(333)
Losses not covered	**(215)**	**(229)**	**(218)**
Losses on bad loans	(191)	(205)	(194)
Losses on other risks	(24)	(24)	(24)
Amounts recovered	**184**	**174**	**111**
Amounts recovered on provisioned loans	183	173	107
Amounts recovered on other risks	1	1	4
Other risks			
Net allocation to other provisions	33	(20)	(128)
Total	**(679)**	**(448)**	**(568)**

(1) IFRS excl. 32, 39 & IFRS 4.

Note 39

Income tax

(in millions of euros)	2006	2005	2004[(1)]
Current taxes	(2,099)	(1,563)	(1,342)
Deferred taxes	(194)	(227)	(34)
Total taxes[(2)]	**(2,293)**	**(1,790)**	**(1,376)**

(1) IFRS excl. IAS 32, 39 & IFRS 4.

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

	2006	2005	2004 [(1)]
Income before tax and net income from companies accounted for by the equity method (in millions of euros)	8,078	6,710	4,955
Normal tax rate applicable to French companies (including 3.3% tax contributions)	34.43%	34.93%	35.43%
Permanent differences	-0.94%	-1.63%	-1.20%
Differential on items taxed at reduced rate	-1.10%	-0.78%	-0.48%
Tax rate differential on profits taxed outside France	-1.31%	-3.39%	-3.37%
Impact of non-deductible losses and use of tax loss carry-forwards	-2.70%	-2.46%	-2.62%
Group effective tax rate	**28.38%**	**26.67%**	**27.76%**

Note 40

Earnings per share

(in millions of euros)	2006	2005	2004 [(1)]
Net earnings per share	5,221	4,402	3,281
Net earnings attributable to shareholders [(2)]	5,180	4,377	3,281
Weighted average number of shares outstanding [(3)]	420,156,535	408,911,309	411,038,756
Earnings per share *(in EUR)*	**12.33**	**10.70**	**7.98**

(in millions of euros)	2006	2005	2004 [(1)]
Net earnings per share	5,221	4,402	3,281
Net earnings attributable to shareholders [(2)]	5,180	4,377	3,281
Weighted average number of shares outstanding [(3)]	420,156,535	408,911,309	411,038,756
Average number of shares used to calculate dilution	5,723,992	3,637,416	3,699,956
Weighted average number of shares used to calculate diluted net earnings per share	425,880,527	412,548,725	414,738,712
Diluted earnings per share *(in EUR)*	**12.16**	**10.61**	**7.91**

(1) IFRS excl. IAS 32, 39 & IFRS 4.

(2) The variation reflects interest after tax paid to holders of deeply subordinated notes.

(3) Excluding treasury shares.

In accordance with IAS 33, the historical share data have been adjusted following the detachment of Société Générale share preferential subscription right, as a result of the capital increase which took place in the fourth quarter of 2006.

Note 41

Transactions with related parties

Senior managers

In accordance with the definitions provided under IAS 24, the Group's related parties include the following: board of directors members, the chairman and chief executive officers and the two chief executives officers, their respective spouses and any children residing in the family home, and the following subsidiaries: subsidiaries which are controlled exclusively or jointly by the Group, companies over which Société Générale exercises significant influence.

REMUNERATION OF THE GROUP'S MANAGERS

This includes amounts effectively paid by the Group to directors and chief executive officers as remuneration (including employer charges), and other benefits under IAS 24, paragraph 16, as indicated below:

(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005
Short-term benefits	11.91	11.04	10.24
Post-employment benefits	2.86	1.84	0.02
Long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	2.91	2.47	1.67
Total	**17.68**	**15.35**	**11.93**

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

RELATED PARTY TRANSACTIONS

The transactions with board of directors members, chief executive officers and members of their families included in this note comprise loans and guarantees outstanding at December 31, 2006, in a total amount of EUR 3.5 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY THE SOCIÉTÉ GÉNRALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by the Société Générale Group at December 31, 2006 under IFRS 2 for the payment of pensions and other benefits to Société Générale's chief executive officers and directors (Messrs. Bouton, Citerne, Alix, Viénot and the 2 staff-elected directors) was EUR 43.8 million.

Principal subsidiaries and affiliates [1]

OUTSTANDING ASSETS WITH RELATED PARTIES

(in millions of euros)	December 31, 2006	December 31, 2005 [2]	January 1, 2005 [2]
Financial assets at fair value through profit and loss	118	129	45
Other assets	11	326	237
Total outstanding assets	**129**	**455**	**282**

OUTSTANDING LIABILITIES WITH RELATED PARTIES

(in millions of euros)	December 31, 2006	December 31, 2005 [2]	January 1, 2005 [2]
Liabilities at fair value through profit and loss	71	74	17
Customer deposits	-	-	-
Other liabilities	77	153	121
Total outstanding liabilities	**148**	**227**	**138**

NET BANKING INCOME FROM RELATED PARTIES

(in millions of euros)	2006	2005 [2]
Interest and similar income	(1)	4
Commissions	(1)	(1)
Net income from financial transactions	22	82
Net income from other activities	-	-
Net banking income	**20**	**85**

COMMITMENTS TO RELATED PARTIES

(in millions of euros)	December 31, 2006	December 31, 2005 [2]	January 1, 2005 [2]
Loan commitments granted	-	-	-
Guarantee commitments granted	-	-	-
Forward financial instrument commitments	1,705	928	1,019

(1) Entities consolidated using the proportionate method.

(2) The valuation method of commitments and transactions with principal subsidiaries and affiliates has been reviewed by the Group.

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

Note 42

Companies included in the consolidation scope

	COUNTRY	METHOD*	Group ownership interest		Group voting interest	
			December 2006	December 2005	December 2006	December 2005
FRANCE						
BANKS						
Banque de Polynésie	France	FULL	72.10	72.10	72.10	72.10
Barep [(1)]	France	FULL	100.00	100.00	100.00	100.00
BFCOI	France	FULL	50.00	50.00	50.00	50.00
Calif [(6)]	France	FULL	100.00	100.00	100.00	100.00
Crédit du Nord [(1)]	France	FULL	80.00	80.00	80.00	80.00
Génébanque	France	FULL	100.00	100.00	100.00	100.00
Groupama Banques [(4)]	France	EQUITY	20.00	40.00	20.00	40.00
SG Calédonienne de Banque	France	FULL	90.10	90.10	90.10	90.10
SG de Banque aux Antilles	France	FULL	100.00	100.00	100.00	100.00
FINANCIAL COMPANIES						
Barep Gestion	France	FULL	100.00	100.00	100.00	100.00
Euro VL [(1)]	France	FULL	100.00	100.00	100.00	100.00
FCP Morgan Stanley Aktien	France	FULL	100.00	100.00	98.30	99.00
IEC	France	FULL	100.00	100.00	100.00	100.00
Interga S.A.S	France	FULL	100.00	100.00	100.00	100.00
Jetstream	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
Lyxor Strategium N° 1 [(5)]	France	FULL	-	100.00	-	100.00
Nofirec [(5)]	France	FULL	-	100.00	-	100.00
Primafair SAS	France	FULL	100.00	100.00	100.00	100.00
SAS Orbeo [(2)]	France	PROP	50.00	-	50.00	-
SGAM Index	France	FULL	100.00	100.00	100.00	100.00
SG Asset Management	France	FULL	100.00	100.00	100.00	100.00
SG Energie Usa Corp[(13)]	France	FULL	100.00	-	100.00	-
SGAM AI	France	FULL	100.00	100.00	100.00	100.00
SGAM Finance[(1)]	France	FULL	100.00	100.00	100.00	100.00
SGAM RTO	France	FULL	100.00	100.00	100.00	100.00
SPECIALIZED FINANCING						
Airbail	France	FULL	100.00	100.00	100.00	100.00
ALD France[(1)]	France	FULL	100.00	100.00	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest		Group voting interest	
			December 2006	December 2005	December 2006	December 2005
Bull Finance	France	FULL	51.35	51.35	51.35	51.35
Cafirec	France	FULL	100.00	100.00	100.00	100.00
C.G.I.[1]	France	FULL	99.89	99.73	99.89	99.73
Dalarec	France	FULL	100.00	100.00	100.00	100.00
Disponis	France	FULL	99.94	99.87	100.00	100.00
Evalparts	France	FULL	100.00	100.00	100.00	100.00
Fenwick Lease	France	FULL	100.00	100.00	100.00	100.00
Fontanor[1]	France	FULL	100.00	100.00	100.00	100.00
Franfinance SA[1]	France	FULL	99.99	99.99	99.99	99.99
Franfinance Location	France	FULL	99.99	99.99	100.00	100.00
French Supermarkets 1	France	FULL	100.00	100.00	100.00	100.00
Génécal	France	FULL	100.00	100.00	100.00	100.00
Génécomi	France	FULL	60.65	50.09	60.65	50.09
Ipersoc SAS	France	FULL	100.00	100.00	100.00	100.00
Linden SAS	France	FULL	100.00	100.00	100.00	100.00
Orpavimob SA	France	FULL	100.00	100.00	100.00	100.00
Promopart	France	FULL	100.00	100.00	100.00	100.00
Rusfinance SAS[1]	France	FULL	100.00	100.00	100.00	100.00
Sagem Lease	France	FULL	100.00	100.00	100.00	100.00
SAS IPF	France	FULL	100.00	100.00	100.00	100.00
SCP Clémence	France	FULL	100.00	100.00	100.00	100.00
SCP Cygne[6]	France	FULL	-	100.00	-	100.00
SCP de la Prose[5]	France	FULL	-	100.00	-	100.00
SCP Muscade[6]	France	FULL	-	100.00	-	100.00
SCP Philibert[5]	France	FULL	-	100.00	-	100.00
SCP Salomé	France	FULL	100.00	100.00	100.00	100.00
SGEF SA[2]	France	FULL	100.00	-	100.00	-
SG Services	France	FULL	100.00	100.00	100.00	100.00
SNC Athena Investissements	France	FULL	100.00	100.00	100.00	100.00
SNC Cofininvest	France	FULL	100.00	100.00	100.00	100.00
SNC Distinvest	France	FULL	100.00	100.00	100.00	100.00
SNC Financières Valmy Investissements	France	FULL	100.00	100.00	100.00	100.00
SNC Fininva	France	FULL	100.00	100.00	100.00	100.00
SNC Finovadis	France	FULL	100.00	100.00	100.00	100.00
SNC Paris Strasbourg	France	FULL	100.00	100.00	100.00	100.00
SNC Sirius	France	FULL	100.00	100.00	100.00	100.00
Sofom	France	FULL	100.00	100.00	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest December 2006	Group ownership interest December 2005	Group voting interest December 2006	Group voting interest December 2005
Sofrafi	France	FULL	100.00	100.00	100.00	100.00
Sogéfimur	France	FULL	100.00	100.00	100.00	100.00
Sogéfinancement	France	FULL	100.00	100.00	100.00	100.00
Sogéfinerg	France	FULL	100.00	100.00	100.00	100.00
Sogéga PME	France	FULL	100.00	100.00	100.00	100.00
Sogelease France	France	FULL	100.00	100.00	100.00	100.00
Solocvi	France	FULL	100.00	100.00	100.00	100.00
Valmyfin	France	FULL	100.00	100.00	100.00	100.00
Varoner 2	France	FULL	100.00	100.00	100.00	100.00
PORTFOLIO MANAGEMENT						
Aurelec	France	FULL	100.00	100.00	100.00	100.00
FCC Albatros[2]	France	FULL	100.00	-	51.00	-
FCP Lyxor Obligatium[1][2]	France	FULL	100.00	-	100.00	-
Fimat Americas S.A.S.	France	FULL	100.00	100.00	100.00	100.00
Finareg	France	FULL	100.00	100.00	100.00	100.00
Finecorp	France	FULL	100.00	100.00	100.00	100.00
Fonvalor 2	France	FULL	100.00	100.00	100.00	100.00
Geforpat	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
Geninfo	France	FULL	100.00	100.00	100.00	100.00
Lyxor Quantic Optimizer[2]	France	FULL	100.00	-	100.00	-
Libécap	France	FULL	100.00	100.00	100.00	100.00
Megaval	France	FULL	100.00	100.00	100.00	100.00
Mountain Peak[2]	France	FULL	100.00	-	100.00	-
Salvépar	France	FULL	51.42	51.42	51.42	51.42
SCI Foncière Défense	France	FULL	99.99	99.99	100.00	100.00
SG Capital Developpement	France	FULL	100.00	100.00	100.00	100.00
SG Consumer Finance[1]	France	FULL	100.00	100.00	100.00	100.00
SG Financial Services Holding	France	FULL	100.00	100.00	100.00	100.00
SGSS Holding[2]	France	FULL	100.00	-	100.00	-
SHTV Holding[11]	France	FULL	-	100.00	-	100.00
Sivalparts	France	FULL	100.00	100.00	100.00	100.00
Sogéfim	France	FULL	100.00	100.00	100.00	100.00
Sogénal Participations	France	FULL	100.00	100.00	100.00	100.00
Sogéparts	France	FULL	100.00	100.00	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest		Group voting interest	
			December 2006	December 2005	December 2006	December 2005
Sogéparticipations (ex-Sogenal) [1]	France	FULL	100.00	100.00	100.00	100.00
Sogéplus	France	FULL	100.00	100.00	100.00	100.00
Soginnove	France	FULL	100.00	100.00	100.00	100.00
Sté Rue Edouard- VII	France	FULL	99.91	99.91	99.91	99.91
Vouric	France	FULL	100.00	100.00	100.00	100.00
BROKERS						
Boursorama[1]	France	FULL	56.57	70.71	56.57	70.71
Clickoptions	France	FULL	100.00	100.00	100.00	100.00
Fimat Banque	France	FULL	100.00	100.00	100.00	100.00
Fimat SNC Paris	France	FULL	100.00	100.00	100.00	100.00
Gaselys	France	PROP	49.00	49.00	49.00	49.00
SG 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 Options Europe	France	FULL	100.00	100.00	100.00	100.00
SG Securities Paris	France	FULL	100.00	100.00	100.00	100.00
REAL ESTATE AND REAL ESTATE FINANCING						
Galybet	France	FULL	100.00	100.00	100.00	100.00
Généfim[1]	France	FULL	100.00	100.00	100.00	100.00
Généfimmo[1]	France	FULL	100.00	100.00	100.00	100.00
Orient Properties[2]	France	FULL	100.00	-	100.00	-
Sogébail	France	FULL	100.00	100.00	100.00	100.00
Sogéprom[1]	France	FULL	100.00	100.00	100.00	100.00
Sophia-bail	France	FULL	51.00	51.00	51.00	51.00
SERVICES						
CGA	France	FULL	100.00	100.00	100.00	100.00
ECS[1]	France	FULL	100.00	100.00	100.00	100.00
Parel	France	FULL	100.00	100.00	100.00	100.00
Socogéfi	France	FULL	100.00	100.00	100.00	100.00
GROUP REAL ESTATE MANAGEMENT COMPANIES						
CFM[1]	France	FULL	100.00	100.00	100.00	100.00
Eléaparts	France	FULL	100.00	100.00	100.00	100.00
Génégis 1	France	FULL	100.00	100.00	100.00	100.00
Génégis 2	France	FULL	100.00	100.00	100.00	100.00
Génévalmy	France	FULL	100.00	100.00	100.00	100.00
SC Alicante 2000	France	FULL	100.00	100.00	100.00	100.00
SC Chassagne 2000	France	FULL	100.00	100.00	100.00	100.00
SCI Opéra 72	France	FULL	99.99	99.99	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest		Group voting interest	
			December 2006	December 2005	December 2006	December 2005
SI 29 Haussmann	France	FULL	100.00	100.00	100.00	100.00
Société Immobilière de Strasbourg	France	FULL	100.00	100.00	100.00	100.00
Sogé Colline Sud	France	FULL	100.00	100.00	100.00	100.00
Sogé Perival 1	France	FULL	100.00	100.00	100.00	100.00
Sogé Perival 2	France	FULL	100.00	100.00	100.00	100.00
Sogé Perival 3	France	FULL	100.00	100.00	100.00	100.00
Sogé Perival 4	France	FULL	100.00	100.00	100.00	100.00
Sogéfontenay	France	FULL	100.00	100.00	100.00	100.00
Soginfo(1)	France	FULL	100.00	100.00	100.00	100.00
STIP	France	FULL	99.99	99.99	100.00	100.00
Valminvest	France	FULL	100.00	100.00	100.00	100.00
INSURANCE						
Génécar	France	FULL	100.00	100.00	100.00	100.00
Oradéa Vie	France	FULL	100.00	100.00	100.00	100.00
Sogécap(1)	France	FULL	100.00	100.00	100.00	100.00
Sogessur	France	FULL	65.00	65.00	65.00	65.00
EUROPE						
BANKS						
Banca Romana Pentru Devzvoltare(1)	Romania	FULL	58.32	58.32	58.32	58.32
General Bank of Greece(1)	Greece	FULL	52.32	52.32	52.32	52.32
HVB Splitska Banka(2)	Croatia	FULL	99.76	-	99.76	-
Komercni Banka(1)	Czech Republic	FULL	60.35	60.35	60.35	60.35
Rosbank(2)	Russia	EQUITY	20.00	-	20.00	-
SG Bank Nederland NV	Netherland	FULL	100.00	100.00	100.00	100.00
SG Express Bank	Bulgaria	FULL	97.95	97.95	97.95	97.95
SG Hambros Bank Limited(1)	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Suisse)(1)	Switzerland	FULL	77.62	77.62	77.62	77.62
SG Yougoslav Bank AD	Serbia	FULL	100.00	100.00	100.00	100.00
SG Vostok(1)	Russia	FULL	100.00	100.00	100.00	100.00
SGBT Luxembourg(1)	Luxembourg	FULL	100.00	100.00	100.00	100.00
SGBT Monaco	Monaco	FULL	100.00	100.00	100.00	100.00
SKB Banka(1)	Slovenia	FULL	99.58	99.58	99.58	99.58
Société Générale Cyprus Ltd	Cyprus	FULL	51.00	51.00	51.00	51.00
Sogéparticipations Belgium(1)	Belgium	FULL	100.00	100.00	100.00	100.00
2S Banca(2)	Italy	FULL	100.00	-	100.00	-
FINANCIAL COMPANIES						
Amber	Great Britain	FULL	100.00	100.00	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest December 2006	Group ownership interest December 2005	Group voting interest December 2006	Group voting interest December 2005
BRD Finance Credite Consum SRL[2]	Romania	FULL	79.58	-	100.00	-
Brigantia BV[1][2]	Great Britain	FULL	100.00	-	80.00	-
Claris 4[2]	Jersey	FULL	100.00	-	100.00	-
Euro-VL Luxembourg	Luxembourg	FULL	100.00	100.00	100.00	100.00
Fond Telecom Italia[7]	Italy	FULL	-	100.00	-	100.00
Halysa SA[2]	Luxembourg	FULL	100.00	-	100.00	-
Horizon Equity Sarl[5]	Luxembourg	FULL	-	100.00	-	100.00
IVEFI	Luxembourg	FULL	100.00	100.00	100.00	100.00
Lightning Finance Company Ltd	Ireland	FULL	51.00	51.00	51.00	51.00
LFL Asset Finance Ltd	Ireland	FULL	51.00	51.00	51.00	51.00
Lyxor Master Funds	Jersey	FULL	100.00	100.00	100.00	100.00
Orion Liquidity Share Assets Fund BV[2]	Netherlands	FULL	100.00	-	95.00	-
Parsifal	Jersey	FULL	100.00	100.00	100.00	100.00
Red & Black Consummer 2006-1 plc[2]	Ireland	FULL	100.00	-	100.00	-
SGA Societe Generale Acceptance N.V.	Netherlands Antilles	FULL	100.00	100.00	100.00	100.00
SG Asset Management Group Ltd[1]	Great Britain	FULL	100.00	100.00	100.00	100.00
SGAM Iberia	Spain	FULL	100.00	100.00	100.00	100.00
SGBF	Belgium	FULL	100.00	100.00	100.00	100.00
SG Effekten	Germany	FULL	100.00	100.00	100.00	100.00
SG Finance Ireland[1]	Ireland	FULL	100.00	100.00	100.00	100.00
SG Investment UK Ltd[1]	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Russel Asset Management	Ireland	PROP	50.00	50.00	50.00	50.00
SG Securities London	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Wertpapierhandelsgesellschaft Mbh	Germany	FULL	100.00	100.00	100.00	100.00
Verifonds[2]	Germany	FULL	100.00	-	100.00	-
SPECIALIZED FINANCING						
ALD Belgium[1]	Belgium	FULL	100.00	100.00	100.00	100.00
ALD Danmark[1]	Danmark	FULL	100.00	100.00	100.00	100.00
ALD Finland[1]	Finland	FULL	100.00	100.00	100.00	100.00
Axus Italiana S.R.L	Italy	FULL	100.00	100.00	100.00	100.00
ALD Nederland	Netherlands	FULL	100.00	100.00	100.00	100.00
ALD Norway[1]	Norway	FULL	100.00	100.00	100.00	100.00
ALD Sweden[1]	Sweden	FULL	100.00	100.00	100.00	100.00
Adria Leasing Spa (groupe GEFA-ALD)	Italy	FULL	100.00	100.00	100.00	100.00
ALD Germany (groupe GEFA-ALD)[1]	Germany	FULL	100.00	100.00	100.00	100.00
ALD UK (groupe GEFA-ALD)[1]	Great Britain	FULL	100.00	100.00	100.00	100.00
ALD Czech Republic	Czech Republic	FULL	100.00	100.00	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest December 2006	Group ownership interest December 2005	Group voting interest December 2006	Group voting interest December 2005
ALD International SAS & Co[1]	Germany	FULL	100.00	100.00	100.00	100.00
ALD International S.A.	Germany	FULL	100.00	100.00	100.00	100.00
ALD Lease Finanz Gmbh[1]	Germany	FULL	100.00	100.00	100.00	100.00
ALD Portugal	Portugal	FULL	100.00	100.00	100.00	100.00
ALD Spain[1]	Spain	FULL	100.00	100.00	100.00	100.00
Delta Credit Mortgage Finance BV[1]	Netherlands	FULL	100.00	100.00	100.00	100.00
Essox	Czech Republic	FULL	79.81	79.67	100.00	99.87
Eurobank	Poland	FULL	99.26	98.98	99.26	98.98
Fiditalia Spa	Italy	FULL	100.00	100.00	100.00	100.00
Fraer Leasing Spa (groupe GEFA-ALD)	Italy	FULL	67.75	67.75	67.75	67.75
SGEF Czech Republic	Czech Republic	FULL	100.00	100.00	100.00	100.00
Franfinance Leasing Italia Spa (groupe GEFA-ALD)	Italy	FULL	100.00	100.00	100.00	100.00
SGEF Polska (groupe GEFA-ALD)	Poland	FULL	100.00	100.00	100.00	100.00
Gefa Bank (groupe GEFA-ALD)	Germany	FULL	100.00	100.00	100.00	100.00
Gefa Leasing Gmbh (groupe GEFA-ALD)	Germany	FULL	100.00	100.00	100.00	100.00
Hanseatic Bank	Germany	FULL	75.00	75.00	75.00	75.00
LocatRent S.P.A	Italy	PROP	50.00	50.00	50.00	50.00
Montalis Investment BV	Netherlands	FULL	100.00	100.00	100.00	100.00
Promopart Snc	Luxembourg	FULL	100.00	100.00	100.00	100.00
SGBT Finance Ireland Limited	Ireland	FULL	100.00	100.00	100.00	100.00
SG Capital Europe Fund III[1]	Great Britain	FULL	46.94	46.94	46.94	46.94
SGEF Benelux[2]	Netherlands	FULL	100.00	-	100.00	-
SGEF International GMBH[1]	Germany	FULL	100.00	100.00	100.00	100.00
SGEF Schwitzerland	Switzerland	FULL	100.00	100.00	100.00	100.00
SGEF SA & CO KG	Germany	FULL	100.00	100.00	100.00	100.00
SG Factoring Spa	Italy	FULL	100.00	100.00	100.00	100.00
SGEF Scandinavia[1]	Norway	FULL	100.00	100.00	100.00	100.00
SG Holding de Valores y Participationes	Spain	FULL	100.00	100.00	100.00	100.00
Société Générale Italia holding SPA[2]	Italy	FULL	100.00	-	100.00	-
Sogega Pme Snc	Luxembourg	FULL	100.00	100.00	100.00	100.00
Sogelease BV Nederland[1]	Netherlands	FULL	100.00	100.00	100.00	100.00
BROKERS						
Cube Financial[2]	Great Britain	FULL	100.00	-	100.00	-
Squaregain[9]	Great Britain	FULL	100.00	-	100.00	-
Succursale Fimat Francfort	Germany	FULL	100.00	100.00	100.00	100.00
Succursale Fimat Londres	Great Britain	FULL	100.00	100.00	100.00	100.00

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest December 2006	Group ownership interest December 2005	Group voting interest December 2006	Group voting interest December 2005
Succursale Fimat Madrid	Spain	FULL	100.00	100.00	100.00	100.00
INSURANCE						
Généras	Luxembourg	FULL	100.00	100.00	100.00	100.00
Inora Life	Ireland	FULL	100.00	100.00	100.00	100.00
Komercni Pojistovna	Czech Republic	FULL	80.57	80.57	100.00	100.00
Sogelife	Luxembourg	FULL	100.00	100.00	100.00	100.00
OTHERS						
Glassbeads SARL(3)	Luxembourg	FULL	-	36.89	-	78.60
Sovitec Group(3)	Luxembourg	FULL	-	33.20	-	90.00
AFRICA AND THE MIDDLE-EAST						
BANKS						
BFV-SG (Madagascar)	Madagascar	FULL	70.00	70.00	70.00	70.00
Guinée Equatoriale(2)	Guinea	FULL	52.44	-	57.24	-
MIBank(12)	Egypt	FULL	-	71.08	-	90.68
National SG Bank SAE	Egypt	FULL	77.17	78.38	77.17	78.38
SG Algérie	Algeria	FULL	100.00	100.00	100.00	100.00
SGB Cameroun	Cameroon	FULL	58.08	58.08	58.08	58.08
SG Banques en Côte-d'Ivoire(1)	Ivory Coast	FULL	68.20	68.20	68.20	68.20
SG Banque en Guinée	Guinea	FULL	52.94	52.94	52.94	52.94
SG Banque au Liban(1)(4)	Lebanon	EQUITY	19.00	50.00	19.00	50.00
SG Banques au Sénégal	Senegal	FULL	57.72	57.72	57.72	57.72
SG Marocaine de Banques(1)	Morocco	FULL	53.02	51.91	53.02	51.91
SSB Bank Ghana	Ghana	FULL	51.00	51.00	51.00	51.00
Union International de Banque	Tunisia	FULL	52.34	52.34	52.34	52.34
SPECIALIZED FINANCING						
ALD Marocco	Morocco	FULL	42.95	42.79	50.00	50.00
Eqdom	Morocco	FULL	44.84	44.64	53.61	53.61
Sogelease Egypt	Egypt	FULL	70.87	71.35	80.00	80.00
Sogelease Maroc	Morocco	FULL	71.81	71.15	100.00	100.00
INSURANCE						
La Marocaine Vie	Morocco	FULL	73.75	73.44	87.07	87.07
THE AMERICAS						
BANKS						
Banco Société Générale Brazil SA(1)	Brazil	FULL	100.00	100.00	100.00	100.00
SG Canada(1)	Canada	FULL	100.00	100.00	100.00	100.00
FINANCIAL COMPANIES						
Andromede Fund(2)	Cayman Islands	FULL	100.00	-	100.00	-

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest		Group voting interest	
			December 2006	December 2005	December 2006	December 2005
The Emerald Fund Limited(2)	Cayman Islands	FULL	100.00	-	100.00	-
Raeburn Overseas Partners Ltd(2)	United States	FULL	100.00	-	100.00	-
SG Americas Inc(1)	United States	FULL	100.00	100.00	100.00	100.00
SG Capital Trust(1)	United States	FULL	-	-	100.00	100.00
SGAM Inc(3)	United States	FULL	-	100.00	-	100.00
SG Warrants Limited	United States	FULL	100.00	100.00	100.00	100.00
SocGen Real Estate Company L.L.C.	United States	FULL	100.00	50.31	100.00	100.00
TCW Group(1)	United States	FULL	95.06	74.30	98.15	89.89
TOBP(8)	United States	FULL	-	-	-	-
TOPAZ Fund	Cayman Islands	FULL	100.00	100.00	100.00	100.00
Tourmaline(3)	Cayman Islands	FULL	-	100.00	-	100.00
Turquoise	Cayman Islands	FULL	100.00	100.00	100.00	100.00
BROKERS						
Fimat Alternatives Strategies Inc.	United States	FULL	100.00	100.00	100.00	100.00
Fimat Canada Inc.	Canada	FULL	100.00	100.00	100.00	100.00
Fimat Futures USA LLC	United States	FULL	100.00	100.00	100.00	100.00
Fimat Preferred LLC	United States	FULL	100.00	100.00	100.00	100.00
SERVICES						
Fimat Facilities Management	United States	FULL	100.00	100.00	100.00	100.00
SPECIALIZED FINANCING						
Cousto Investments LP	United States	FULL	100.00	100.00	55.00	55.00
Makatea JV Inc	United States	FULL	100.00	100.00	66.67	60.00
Mehetia Inc	United States	FULL	100.00	100.00	51.00	51.00
Rexus LLC	United States	FULL	100.00	100.00	70.83	70.83
SG Ariki Inc(5)	United States	FULL	-	100.00	-	100.00
SG Astro Finance LP	United States	FULL	100.00	100.00	100.00	100.00
SG Astro Finance Trust	United States	FULL	100.00	100.00	100.00	100.00
SG Constellation Canada LTD	Canada	FULL	100.00	100.00	100.00	100.00
SG Equity Finance LLC	United States	FULL	100.00	100.00	100.00	100.00
SG Finance Inc	United States	FULL	100.00	100.00	100.00	100.00
SG Preferred Capital III LLC(1)	United States	FULL	100.00	100.00	100.00	100.00
Sorbier Investment Corp	United States	FULL	100.00	100.00	60.00	60.00
PORTFOLIO MANAGEMENT						
SG Commodities Product(2)	United States	FULL	100.00	-	100.00	-

** FULL: Full consolidation - PROP: Proportionate consolidation - EQUITY: Equity method*

	COUNTRY	METHOD*	Group ownership interest December 2006	Group ownership interest December 2005	Group voting interest December 2006	Group voting interest December 2005
SG Investissement Management Holding Corp[2]	United States	FULL	100.00	-	100.00	-
SG Tandem	United States	FULL	100.00	100.00	100.00	100.00
ASIA AND OCEANIA						
BANKS						
SG Australia Holdings[1]	Australia	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Japan) Limited	Japan	FULL	100.00	100.00	100.00	100.00
SG Securities North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
FINANCIAL COMPANIES						
IBK SGAM	South Korea	PROP	50.00	50.00	50.00	50.00
SG Asset Management Singapore Ltd	Singapore	FULL	100.00	100.00	100.00	100.00
SGAM Japan	Japan	FULL	100.00	100.00	100.00	100.00
Société Générale Asia Ltd (Hong-Kong)	Hong-Kong	FULL	100.00	100.00	100.00	100.00
Sogeko[10]	South Korea	PROP	-	41.35	-	42.15
PORTFOLIO MANAGEMENT						
S.G. Asset Management North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
BROKERS						
Fimat International Banque Hong Kong[2]	Hong-Kong	FULL	100.00	-	100.00	-
Fimat Asia Pte Limited	Singapore	FULL	100.00	100.00	100.00	100.00
Fimat Futures Hong-Kong	Hong-Kong	FULL	100.00	100.00	100.00	100.00
Fimat Taiwan[2]	Taiwan	FULL	100.00	-	100.00	-
SG Securities Asia Int. Holdings[1]	Singapore	FULL	100.00	100.00	100.00	100.00
Succursale Fmat Sydney	Australia	FULL	100.00	100.00	100.00	100.00

(1) Companies carrying out sub-consolidation.

(2) Consolidated for the first time in 2006.

(3) Entities now sub-consolidated.

(4) Change of method following to the partial transfers of shares to the exterior of the group.

(5) Entities deconsolidated during 2006.

(6) Dissolution by a merger of assets with Calif.

(7) Entity liquidated in 2006.

(8) Special Purpose Vehicle substantially controlled by the Group.

(9) Change of method following to the transfer by Boursorama to SGSS Holding.

(10) Entity sold in 2006.

(11) Dissolution by a merger of assets with SG Métropole.

(12) MIBank and NSGB mergered in November 2006.

(13) Company directly consolidated in 2006.

Note 43

Sector information by business line

(in millions of euros)	Retail banking and Financial Services								
	French Networks			Retail Banking outside France			Financial Services		
	2006	2005	2004 (1)	2006	2005	2004 (1)	2006	2005	2004 (1)
Net banking income	6,701	6,189	5,870	2,786	2,345	1,979	2,536	2,127	1,819
Operating expenses (2)	(4,354)	(4,212)	(4,069)	(1,644)	(1,419)	(1,223)	(1,386)	(1,202)	(1,082)
Gross operating income	**2,347**	**1,977**	**1,801**	**1,142**	**926**	**756**	**1,150**	**925**	**737**
Cost of risk	(274)	(282)	(292)	(215)	(131)	(161)	(274)	(201)	(136)
Net income from companies accounted for by the equity method	2	1	2	11	4	3	(14)	(8)	-
Net income/expense from other assets	5	2	5	7	5	15	(1)	-	(1)
Impairment of goodwill	-	-	-	-	-	-	-	-	-
Earnings before tax	**2,080**	**1,698**	**1,516**	**945**	**804**	**613**	**861**	**716**	**600**
Income tax	(707)	(594)	(529)	(242)	(224)	(190)	(303)	(252)	(216)
Net income before minority interests	**1,373**	**1,104**	**987**	**703**	**580**	**423**	**558**	**464**	**384**
Minority interests	52	45	45	232	194	165	14	11	8
Net income, Group share	**1,321**	**1,059**	**942**	**471**	**386**	**258**	**544**	**453**	**376**

(in millions of euros)	Global Investment Management and Services								
	Asset Management			Private Banking			SGSS and Online Savings		
	2006	2005	2004 (1)	2006	2005	2004 (1)	2006	2005	2004 (1)
Net banking income	1,281	1,152	1,047	658	540	463	1,256	892	755
Operating expenses(2)	(805)	(715)	(642)	(434)	(376)	(334)	(1,059)	(761)	(662)
Gross operating income	**476**	**437**	**405**	**224**	**164**	**129**	**197**	**131**	**93**
Cost of risk	1	(2)	-	(4)	(1)	(7)	(5)	(3)	-
Net income from companies accounted for by the equity method	-	-	-	-	-	-	-	-	-
Net income/expense from other assets	(1)	-	(2)	-	-	(1)	-	-	5
Impairment of goodwill	-	-	-	-	-	-	-	-	-
Earnings before tax	**476**	**435**	**403**	**220**	**163**	**121**	**192**	**128**	**98**
Income tax	(162)	(147)	(137)	(49)	(33)	(23)	(62)	(43)	(31)
Net income before minority interests	**314**	**288**	**266**	**171**	**130**	**98**	**130**	**85**	**67**
Minority interests	16	31	35	12	8	8	10	4	3
Net income, Group share	**298**	**257**	**231**	**159**	**122**	**90**	**120**	**81**	**64**

(1) IFRS excl. IAS 32, 39 & IFRS 4.

(2) Including depreciation and amortization.

	Corporate and Investment Banking											
	Corporate Banking and Fixed Income			Equity and Advisory			Corporate Centre			Société Générale Group		
(in millions of euros)	2006	2005	2004 (1)	2006	2005	2004(1)	2006	2005	2004 (1)	2006	2005	2004 (1)
Net banking income	3,649	3,143	2,698	3,349	2,554	2,029	201	224	(270)	22,417	19,166	16,390
Operating expenses (2)	(2,128)	(1,786)	(1,569)	(1,762)	(1,534)	(1,355)	(131)	(151)	(126)	(13,703)	(12,156)	(11,062)
Gross operating income	**1,521**	**1,357**	**1,129**	**1,587**	**1,020**	**674**	**70**	**73**	**(396)**	**8,714**	**7,010**	**5,328**
Cost of risk	102	132	106	(9)	13	(45)	(1)	27	(33)	(679)	(448)	(568)
Net income from companies accounted for by the equity method	20	22	27	4	-	(1)	(5)	-	9	18	19	40
Net income/expense from other assets	30	(10)	18	-	(1)	(2)	3	152	158	43	148	195
Impairment of goodwill	-	-	-	-	(13)	-	(18)	(10)	4	(18)	(23)	4
Earnings before tax	**1,673**	**1,501**	**1,280**	**1,582**	**1,019**	**626**	**49**	**242**	**(258)**	**8,078**	**6,706**	**4,999**
Income tax	(462)	(377)	(297)	(440)	(291)	(150)	134	171	197	(2,293)	(1,790)	(1,376)
Net income before minority interests	**1,211**	**1,124**	**983**	**1,142**	**728**	**476**	**183**	**413**	**(61)**	**5,785**	**4,916**	**3,623**
Minority interests	8	11	6	5	-	-	215	210	72	564	514	342
Net income, Group share	**1,203**	**1,113**	**977**	**1,137**	**728**	**476**	**(32)**	**203**	**(133)**	**5,221**	**4,402**	**3,281**

(1) IFRS excl. IAS 32, 39 & IFRS 4.

(2) Including depreciation and amortization.

	Retail banking and Financial Services											
	French Networks			Retail Banking outside France			Financial Services			Division total		
(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005
Sector assets	144,556	128,913	114,179	53,606	38,507	28,616	108,445	94,460	81,478	306,607	261,880	224,273
Sector liabilities (1)	112,469	107,979	98,195	49,335	40,535	32,136	74,055	65,530	59,958	235,859	214,044	190,289

	Corporate and Investment Banking								
	Corporate Banking and Fixed Income			Equiy and Advisory			Division total		
(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005
Sector assets	391,120	364,283	282,861	169,815	142,926	112,901	560,935	507,209	395,762
Sector liabilities (1)	446,454	407,774	311,721	134,871	111,263	98,052	581,325	519,037	409,773

	Global Investment Management and Services											
	Asset Management			Private Banking			SGSS and Online Savings			Division total		
(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005
Sector assets	21,708	15,863	14,912	18,908	15,162	12,047	32,237	18,873	12,288	72,853	49,898	39,247
Sector liabilities (1)	12,675	9,028	7,520	23,764	22,954	14,394	53,029	30,691	21,333	89,468	62,673	43,247

	Corporate Centre			Société Générale Group		
(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005
Sector assets	16,446	16,147	13,445	956,841	835,134	672,727
Sector liabilities(1)	16,757	12,180	7,170	923,409	807,934	650,479

(1) Sector liabilities correspond to total liabilities except equity.

Sector information by geographical region

Geographical breakdown of net banking income

	France			Europe			Americas		
(in millions of euros)	2006	2005	2004 (1)	2006	2005	2004 (1)	2006	2005	2004 (1)
Net interest and similar income	1,102	2,220	2,414	2,235	1,923	1,957	(260)	271	1,493
Net fee income	4,012	3,638	3,100	1,447	1,015	830	965	1,046	998
Net income/(expense) from financial transactions	6,353	4,274	3,559	1,630	1,092	314	2,174	1,380	(30)
Other net operating income	619	287	(172)	676	638	636	(124)	(44)	33
Net banking income	**12,086**	**10,419**	**8,901**	**5,988**	**4,668**	**3,737**	**2,755**	**2,653**	**2,494**

	Asia			Africa			Oceania			Total		
(in millions of euros)	2006	2005	2004 (1)	2006	2005	2004 (1)	2006	2005	2004 (1)	2006	2005	2004 (1)
Net interest and similar income	(192)	(44)	66	557	453	354	(37)	(122)	99	3,405	4,701	6,383
Net fee income	160	166	153	239	195	168	30	22	26	6,853	6,082	5,275
Net income/ (expense) from financial transactions	638	498	350	32	32	33	157	222	(4)	10,984	7,498	4,222
Other net operating income	-	(2)	3	4	8	11	-	(2)	(1)	1,175	885	510
Net banking income	**606**	**618**	**572**	**832**	**688**	**566**	**150**	**120**	**120**	**22,417**	**19,166**	**16,390**

(1) IFRS excl. 32, 39 & IFRS 4

Geographical breakdown of balance sheet items

	France			Europe			Americas			Asia		
(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005
Sector assets	598 559	523 956	437 964	174 749	142 371	105 974	128 581	120 039	92 484	25 570	23 948	19 983
Sector liabilities (2)	572 717	503 223	419 998	170 391	138 841	103 616	126 684	118 296	91 394	25 272	23 576	19 818

	Africa			Oceania			Total		
(in millions of euros)	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005	December 31, 2006	December 31, 2005	January 1, 2005
Sector assets	14 450	12 346	7 897	14 932	12 474	8 425	956 841	835 134	672 727
Sector liabilities (2)	13 570	11 669	7 349	14 775	12 329	8 304	923 409	807 934	650 479

(2) Sector liabilities correspond to total liabilities except equity

Note 44

Post closing events

On January 8, 2007, the Société Générale Group announced that it had entered into exclusive negotiations with Calyon regarding a possible merger of their brokerage activities, currently carried out by Fimat and Calyon Financial respectively.

The newly formed entity would be a world leader in execution and clearing of listed derivatives and would be controlled equally by Société Générale and Calyon.

The two groups will enter into a mutual due diligence process with a view to sign a definitive agreement.

Business objectives for the newly created group would be communicated at the time of signing of the definitive agreement.

The project will be subject to a consultation of employee representatives.

This project has not had any impact on 2006 consolidated financial statements.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

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

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Société Générale for the year ended December 31, 2006.

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

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, and of the financial position of the Group as at December 31, 2006 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

II - JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

ACCOUNTING POLICIES

Note 1 to the financial statements explains the change in 2006 in the accounting policies governing the increase in the Group's ownership interest in an entity over which the Group already exercises sole control and the related change in the purchase of put options granted to minority shareholders in fully-consolidated subsidiaries, as well as the reclassification in shareholders' equity of some undated subordinated notes. In accordance with IAS 8, comparative information relating to the years ended December 31, 2004 and 2005, presented in the consolidated financial statements, was restated to take into account retrospectively, the application of this new accounting treatment. Consequently, comparative information differs from the consolidated financial statements published for the year ended December 31, 2005.

As part of our assessment of the accounting policies adopted by your company, we have examined the correct restatement of the 2004 and 2005 accounts and the related disclosures in the financial statements.

ACCOUNTING ESTIMATES

- As detailed in Note 1 to the financial statements, your Company records provisions to cover the credit risks inherent to its activities. As part of our assessment of the significant, accounting estimates performed by the Group in its year-end accounts closing process, we have reviewed and tested the procedures implemented by the Management for identifying and assessing these risks and determining the amount of individual and collective provisions considered necessary.

- As detailed in Note 1 to the financial statements, your Company records provisions to cover potential negative global interest rate risks on the «*épargne-logement*» contracts (mortgage savings plans and agreements). The calculation method of this provision has been determined pursuant to the Opinion No 2006-02 published by the French National Accounting Standards Board (CNC) on March 31, 2006. We have examined, on a test basis, the accuracy of the calculation method.
- As detailed in Note 1 to the financial statements, your Company uses internal models to measure financial instruments that are not listed on liquid markets. Our procedures consisted in reviewing the control procedures related to the models dedicated, to assess the data and assumptions used as well as the inclusion of the risks related to these instruments. Furthermore, we have reviewed and tested the processes implemented by Management to:
  - identify and defer on inception, the gains on financial instruments calculated in accordance with valuation techniques based on non-observable market data or measured by valuation models that are not recognized by the market;
  - subsequently record these gains in the income statement.
- In its year-end accounts closing process, significant accounting estimates are performed by Société Générale, as described in Note 1 to the financial statements, related in particular to the assessment of the fair value of financial instruments accounted for at amortized cost, of goodwill and pension plans and other post-employment benefits. We have reviewed the underlying assumptions and valuation parameters and ensured ourselves that these accounting estimates are based on documented methods in accordance with the accounting policies described in Note 1 to the financial statements.

We have assessed the reasonableness of these estimates.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our audit opinion in the first part of this report.

III – SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris – La Défense and Neuilly-sur-Seine, March 6, 2007

The Statutory Auditors
French original signed by

ERNST & YOUNG Audit	**DELOITTE & ASSOCIES**
Philippe PEUCH-LESTRADE	José-Luis GARCIA

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