BASE LISTING DOCUMENT DATED 18 APRIL 2008

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

*The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Hong Kong Securities Clearing Company Limited ("**HKSCC**") take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*

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)

Sponsor, Liquidity Provider & Placing Agent

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 18 April 2008 (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.

CONTENTS

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?

Save as disclosed in the paragraph headed "Post-Closing Events" under the section headed "Group Management Report" in Appendix 4 of this document as extracted from pages 52-56 of the 2008 Registration Document, there has been no material adverse change in the financial or trading position of the Guarantor since 31 December 2007 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 by way of deed poll (the "**Instrument**") executed by us and the Guarantor on 26 August 2002 (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 an 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 4 April 2008 and 29 February 2008 respectively in this document and/or the references to their names 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 futures contract 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 (as the case may be). 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 futures contract, the Exercise Price/Strike Price (as the case may be) 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 you invest in the Warrants.

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 tracks 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) the Hang Seng Index, the Hang Seng China Enterprises Index and the 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 the Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of the 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 the 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 the Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

(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) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such 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 European Style CBBCs over single equities (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 the 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 the 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?

The 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 the Mandatory Call Event;

(c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of the 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 18 April 2008, the text of which is set out below. Mr. Hervé Audren de Kerdrel, Chief Financial Officer of Société Générale Corporate and Investment Banking, who signed the guarantee, was empowered by the power of attorney dated 12 February 2007 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 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 18 April 2008 and 17 April 2009 (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 2007, our total indebtedness was US$105,943,877,000. 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 and SG Option Europe) may issue medium term notes in an amount not exceeding €100,000,000,000 or its equivalent in other currencies (as at 2 May 2007). The medium term notes issued by us together with the Guarantor and SG Option Europe 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 Leblanc and Stéphane Marie Henri Landon. The members of the supervisory board are Bruno Georges Dejoux and Alain Eugène Bozzi (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, Stéphane Marie Henri Landon, Bruno Georges Dejoux and Alain Eugène Bozzi 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 representing 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 of our financial year.

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 us or to amend our 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 2007 and our independent auditors' report on the financial statements for the year ended 31 December 2007 are reproduced in Appendix 3 to this document.

There has been no material adverse change in our financial position or operations since 31 December 2007.

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 2007 as adjusted to give effect to the issuance of additional debt by us 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 2007.

CAPITALISATION TABLE
(USD thousands)

	31 December 2007	31 December 2006
Short Term Debt ≤ 2 years		
- Denominated in USD	8,478,904	5,209,441
- Denominated in other currencies	28,148,749	26,514,918
	36,627,653	**31,724,359**
Medium Term Debt > 2 years and ≤ 7 years		
- Denominated in USD	13,668,731	11,294,832
- Denominated in other currencies	34,717,398	29,585,448
	48,386,129	**40,880,280**
Long Term Debt > 7 years		
- Denominated in USD	3,247,138	4,612,919
- Denominated in other currencies	17,682,956	14,209,978
	20,930,094	**18,822,897**
TOTAL	**105,943,876**	**91,427,536**
Shareholders' equity		
- Capital stock	560	560
- Retained earnings	875	875
- Net income	0	0
Total Shareholders' Equity	**1,435**	**1,435**
Total Capitalisation	**105,945,311**	**91,428,971**

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 2007 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 organized around five core businesses: French Networks, International Retail Banking, Financial Services, Global Investment Management and Services, Corporate and Investment Banking.

French Networks

The Guarantor and Crédit du Nord retail networks (along with six regional banks) cater to over 9 million individual customers and several hundred thousand businesses and professionals, offering a comprehensive range of financial products and services via a high performance, multi-channel platform. The two networks, which complement each other in terms of their positioning, together operate 2,997 local branches across France (including 71 opened in 2007), situated primarily in urban areas concentrating a high proportion of the nation's wealth. This strategic positioning and the skills and commitment of their 40,000 staff have enabled the French Networks to consistently increase their market share over the past seven years.

International Retail Banking

International Retail Banking is one of the Guarantor's growth drivers. Since its creation in 1998, the Group has been shaped by a strategy of targeted investments to allow for the international deployment of the Guarantor's retail banking model in France, while nonetheless adapting it to incorporate local market characteristics. Through a combination of organic growth and acquisitions, the division is building up a position as a universal bank offering products and services that are suited to a broad base of individual and business customers. At December 31, 2007, International Retail Banking was present in 37 different locations, with significant positions in Central and Eastern Europe, the Mediterranean Basin, Africa and French Overseas Territories, and had a network of 2,795 branches and around 40,000 employees catering to 8.8 million individual customers and over 730,000 businesses. International Retail Banking had total deposits of EUR 51.3 billion (EUR 24.9 billion individual customer deposits and EUR 26.4 billion business customer deposits) and total loans of EUR 44.1 billion (EUR 16.2 billion individual customer loans and EUR 27.9 billion business loans). International Retail Banking continued to invest in organic growth in 2007, notably in Romania, Serbia, the Czech Republic, Russia, Morocco and Algeria. At constant structure, the division opened 379 new branches. At the same time, it embarked on new targeted acquisitions to supplement its positions in Central and Eastern Europe and in Africa.

Financial Services

Financial Services comprises business finance and services, consumer credit and insurance. It is one of the major development areas for the Group, which is currently present in 47 countries and boasts leadership positions: No. 1 in Continental Europe in vendor and equipment finance (SG Equipment Finance), No. 1 in Europe in IT asset leasing and management (ECS), and No. 2 in Europe in operational vehicle leasing and fleet management (ALD Automotive). In consumer credit, Société Générale Consumer Finance enjoys solid positions in France, Italy and Germany, and has experienced strong growth in emerging countries. Lastly, in life insurance, the Sogecap Group is continuing with its international expansion, and offers an extensive range of products to French Network customers and International Retail Banking.

Global Investment Management and Services

The Guarantor's Global Investment Management and Services division comprises the Group's asset management (Société Générale Asset Management), private banking (SG Private Banking), securities services (Société Générale Securities Services), custody and clearing on organized markets (Fimat) and online banking (Boursorama) businesses. At the end of 2007, assets under management with GIMS amounted to EUR 434.6 billion. This figure does not include EUR 72.6 billion in assets managed by Lyxor Asset Management, a consolidated subsidiary of the Equities business line of Corporate and Investment Banking, nor does it include customers managed directly by the French networks with investable assets of over EUR 150,000, which represented approximately EUR 118 billion. Assets under custody stood at EUR 2,583 billion at December 31, 2007. Fimat and Boursorama both confirmed their respective positions as a world leader in execution and clearing, and a major player in the distribution of online financial products in Europe.

(i) Asset Management

Société Générale Asset Management (SGAM) is a global player whose operations span the world's three major investment pools: Europe, Asia and the United States. By carrying out cross-selling between its management platforms, Asset Management combines client proximity and expert knowledge of local regulations with a portfolio of genuinely international products. With assets under management of EUR 357.7 billion at December 31, 2007, business has struck a strong balance as much in terms of types of investors (individual and institutional), as in terms of product mix (equities, diversified, interest rate and alternative products) and the geographical breakdown of its assets under management (Europe, United States, Asia). SGAM's growth strategy combines targeted acquisitions, partnerships, and organic growth based on expanding its distribution coverage, notably via 1,200 agreements with banks, insurance companies, brokers and independent advisors worldwide, and focusing its product range on innovation and value-added services for the client in both traditional and alternative management. In Asia, SGAM has used partnerships with local leaders to create one of the most extensive networks, giving it access to 350 million potential clients in China, India and Korea.

(ii) Private Banking

Backed by the expertise of specialist teams in estate planning and asset allocation, SG Private Banking offers bespoke solutions to clients with a net financial worth of over EUR 1 million. The business line has developed rapidly in the past few years, in particular in Asia. At December 31, 2007, it had over 3,000 employees and EUR 76.9 billion in assets under management (i.e. average annual growth of assets under management of 14.3% since 2003). Present in 24 countries, in Europe, Asia, the Middle East and North America, SG Private Banking ranks among industry leaders in almost all of its international financial markets. SG Private Banking has received a number of awards for its renowned professionalism, in particular, *Best Private Bank for Structured Products* (Euromoney 2006 and 2007) and *Best Private Bank for Alternative Investments* (Private Banker International 2005 and 2007). In 2007, SG Private Banking continued to expand its client portfolio and develop its international activities with the acquisition of ABN AMRO's private banking activities in the United Kingdom, and of Canadian Wealth Management, which is expected to be completed in early 2008.

(iii) Securities Services

Société Générale Securities Services (SGSS) is one of the leading European custodians with EUR 2,583 billion assets under custody at December 31, 2007 (+14.2% over one year). SGSS used a combination of organic and external growth to strengthen its position in Europe (Italy, Luxembourg, Germany) while it continued to increase its service offering. In 2007, SGSS reinforced its fund administration activities with the acquisition of Pioneer Investments in Germany, which represented around EUR 46 billion of assets under administration. At the end of 2007, the fund administration business represented EUR 444 billion and covered over 5,000 UCITS. Lastly, Société Générale Securities Services is the leader in France among corporate customer issuers in terms of administration services of their shareholders services, especially for employee shareholders, the management of securities services and the centralization of financial transactions. Strong growth at the business line and efforts to innovate and increase the range of services resulted in numerous awards, including *European Administrator in 2007* (Funds Europe) and *Most Innovative European Securities Services Provider* (Financial-i).

(iv) Derivative brokerage

Fimat is one of the world's premier brokers, offering its institutional clients comprehensive execution and clearing services for options and futures on financial and commodities products as well as for OTC rate products, currency products, equities and commodities.

Through its expertise, Fimat increases its market share in the main markets of which it is a member every year, and it stood at 9.0% for 2007 versus 6.7% one year earlier. In 2007, the creation of Newedge, as a result of the merger of the brokerage activities of Fimat and Calyon Financial was announced. The operational launch of this new entity, which is jointly and owned (50/50) by the Guarantor and Calyon took place at the start of 2008. With 3,000 employees in over 70 organized markets, Newedge provides an extensive product offering and has positioned itself as a world leader in the execution, especially electronic execution, and clearing of listed derivative products in a fast growing market. In the United States, Newedge is ranked number three in the list of Future Commission Merchants. Newedge's shareholders hope to float the entity in the next 18 to 24 months.

(v) Online Banking

With 6.2 million executed orders, 64,000 direct bank accounts and EUR 4.4 billion in outstanding savings at December 31, 2007, Boursorama is a major European player in online savings. In France, Boursorama is a key player in online banking under the Boursorama Bank brand. In the United Kingdom and Spain, the Group is a key player in online broking under the Selftrade and Self Trade Bank brands. In Germany, the Group has been present in online broking since 1997 through the Fimatex brand. The acquisition of OnVista in 2007, the German leader in web-based financial information, enable Boursorama to replicate its media-broker development strategy in this country.

Corporate and Investment Banking

Present in 46 countries with 12,000 employees, Société Générale Corporate and Investment Banking (SG CIB) groups together all capital market and financing activities for corporate clients, financial institutions and institutional investors in Europe, the Americas and Asia Pacific. Combining innovation with strong execution capabilities, SG CIB develops high value-added, integrated financial solutions in each of its three key areas of expertise: euro capital markets, derivatives and structured finance.

Board of Directors and Management

Pursuant to Article 7 of the Guarantor's by-laws (the "By-laws"), the business affairs of the Guarantor 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 two Directors elected by the employees of the Guarantor. 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 By-laws and in compliance with the provisions of the articles L.225-27 to L.225-34 of the French Commercial Code. They are appointed for a term of three years.

The Board of Directors elects a Chairman from among its natural person and sets the duration of his term of office, which may not exceed that of his term of 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

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 is set out below.

Board of Directors

The members of the Board of Directors of the Guarantor as at 1 January 2008 are as follows:

Daniel Bouton
(Date of birth: 10 April 1950)
Chairman and Chief Executive Officer of Société Générale. Member of the Nomination Committee.

Philippe Citerne
(Date of birth: 14 April 1949)
Director and Co-Chief Executive Officer of Société Générale.

Jean Azéma
(Date of birth: 23 February 1953)
Chief Executive Officer of Groupama Group Independent Director.

Michel Cicurel
(Date of birth: 5 September 1947)
Independent Director, Member of the Nomination Committee and the Compensation Committee. Chairman of the management board of *Compagnie financière Edmond de Rothschild* and *Compagnie financière Saint-Honoré*.

Elie Cohen
(Date of birth: 8 December 1946)
Independent Director and Member of the Audit Committee. Professor at the Universite Paris Dauphine.

Robert Day
(Date of birth: 11 December 1943)
Chairman and Chief Executive Officer of the Trust Company of the West (TCW)

Jean-Martin Folz
(Date of birth: 11 January 1947)
Company Director, Chairman of the AFEP (Association Francaise Des Entreprises Privees - French Association for Private Enterprises). Independent Director. Member of the Nomination Committee and the Compensation Committee.

Antoine Jeancourt-Galignani
(Date of birth: 12 January 1937)
Independent Director, Chairman of the Nomination Committee and the Compensation Committee. Company Director.

Elisabeth Lulin
(Date of birth: 8 May 1966)
Independent Director and Member of the Audit Committee. Founder and Chief Executive Officer of Paradigmes Et Caetera (a company specialized in benchmarking and public policy forecasting).

Gianemilio Osculati
(Date of birth: 19 May 1947)
Independent Director and Member of the Audit Committee. Chairman of Valore Spa.

Patrick Ricard
(Date of birth: 12 May 1945)
Member of the Nomination Committee and the Compensation Committee. Chairman and Chief Executive Officer of Pernod-Ricard.

Luc Vandevelde
(Date of birth: 26 February 1951)
Independent Director. Member of the Nomination Committee and Compensation Committee. Founder and Chief Executive Director of Change Capital Partners.

Anthony Wyand
(Date of birth: 24 November 1943)
Company Director. Chairman of the Audit Committee.

Philippe Pruvost
(Date of birth: 2 March 1949)
Director elected by employees of Société Générale. Wealth management adviser at the Annemasse branch.

Gérard Révolte
(Date of birth: 30 March 1946)
Director elected by employees of Société Générale. Head of employee relations – Orleans.

Non-voting Director

Kenji Matsuo
Chairman of Meiji Yasuda Life Insurance.

Executive Committee

The Executive Committee of the Guarantor as at 1 January 2008 comprised the following members:

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

Séverin Cabannes
Group Chief Administrative Officer

Philippe Collas
Chief Executive Officer, Société Générale Global Investment Management and Services

Didier Hauguel
Group Chief Risk Officer

Hugues Le Bret
Head of Group Communication

Anne Marion-Bouchacourt
Senior Executive Vice-President, Head of Group Human Resources

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 of Crédit du Nord

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

Christian Schricke
Corporate Secretary and Group Head of the Compliance Monitoring

Attend meetings of the Executive Committee on subjects within his domain of competence

Christian Poirier
Senior Advisor to the Chairman

Group Management Committee

The Group Management Committee of the Guarantor as at 1 January 2008 is as follows:

Philippe Aymerich
Deputy Group Chief Risk officer

Alain Bataille
Group Country Head for United Kingdom

Henri Bonnet
Deputy Head, Specialized Financial Services

Bernard David
Deputy Head, International Retail Banking

Luc François
Head of Global Equities and Derivatives Solutions (GEDS)

Laurent Goutard
Chairman and Chief Executive Officer of Komercni Banka, Group Country Head of Czech Republic

Olivier Khayat
Co-Head of Capital Raising & Financing (CAFI)

Diony Lebot
Chief Executive Officer of SG Americas

Jean-Luc Parer
Co-Head of Capital Raising & Financing (CAFI)

Jacques Ripoll
Head of Group Strategy

Jean-Robert Sautter
Head of Sales and Marketing, Retail Banking Société Générale France

Marc Stern
Chairman GIMS America

Patrick Suet
Deputy Group Corporate Secretary

Vincent Taupin
Chairman and Chief Executive Officer BOURSORAMA

Grégoire Varenne
Co-Head, Fixed Income, Currencies & Commodities

Daniel Bouton
Chairman and Chief Executive Officer

Philippe Citerne
Director and Co-Chief Executive Officer

Didier Alix
Co-Chief Executive Officer

Séverin Cabannes

Philippe Collas
Chief Executive Officer, Global Investment Management and Services

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

Jean-Pierre Mustier
Chief Executive Officer, 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 the Compliance function

Christian Poirier
Senior Advisor to the Chairman

Thierry Aulagnon
Co-Head of the Corporates, Institutions and Advisory Division

Marc Breillout
Co-Head of the Fixed Income, Currencies and Commondities Division

Yannick Chagnon
Head of SG Payment Services

Alain Closier
Global Head of Securities Services

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 Specialized 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 Officer, Corporate and Investment Banking

Philippe Miécret
Head of Group Internal Audit

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 Officer, Securities Services

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, 92037 Paris, La Défense, 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° 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 14 March 2008, the registered and fully-paid capital of the Guarantor are EUR 729,088,551.25, divided into 583,270,841 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 2007 prepared in accordance with IFRS as endorsed by the European Union as of 31 December 2007 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 29 February 2008 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 3 of this document.

Set out below is, as at 31 December 2007, 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 2007

	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	13,239,736	151,992,169	9,824,181	112,781,598	3,415,555	39,210,571
Interest rate	65,647,028	753,627,881	41,878,033	480,759,819	23,768,995	272,868,063
Equity	30,247,302	347,239,027	11,531,628	132,383,089	18,715,674	214,855,938
Commodities	9,631,185	110,566,004	7,006,180	80,430,946	2,625,005	30,135,057
Precious metal	114,016	1,308,904	35,272	404,923	78,744	903,981
Total	**118,879,267**	**1,364,733,985**	**70,275,294**	**806,760,375**	**48,603,973**	**557,973,610**

Non-Trading Activities

Unaudited 31 December 2007

	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	449,991	5,165,897	642,383	7,374,557	-192,392	-2,208,660
Interest rate	770,347	8,843,584	485,013	5,567,949	285,334	3,275,634
Equity	262,103	3,008,942	170,174	1,953,598	91,929	1,055,345
Commodities	39,633	454,987	-	-	39,633	454,987
Precious metal	-	-	-	-	-	-
						-
Total	**1,522,074**	**17,473,410**	**1,297,570**	**14,896,104**	**224,504**	**2,577,306**

Capitalisation of the Guarantor

The following table sets out the Guarantor's capitalisation as at 31 December 2007 and 31 December 2006, 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 2007.

	31 December 2006	**31 December 2007**
	(EUR millions)	**(EUR millions)**
Medium and long-term debt (2) (3)		
- denominated in Euros	381	202
- denominated in other currencies (4)	1,265	1,109
SUB TOTAL	**1,646**	**1,311**
Long-term subordinated debt		
- denominated in Euros	7,859	8,701
- denominated in other currencies	2,995	2,717
SUB TOTAL	10,854	11,418
TOTAL	**12,500**	**12,729**
Shareholders' equity and undated		
subordinated loans and capital notes		
- Undated subordinated capital notes (5)	2,710	4,110
- Capital stock	577	583
- Reserves and unappropriated earnings	19,294	19,924
SUB TOTAL	**22,581**	**24,617**
TOTAL	**35,081**	**37,346**

(1) This figure includes the 2006 net income (dividends excluded) as approved by the Shareholders Meeting on 14 May 2007. On 31 December 2007, the Guarantor's fully paid-up capital stock amounted to EUR 583,228,241.25 or 466,582,593 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 2006 (first column) and on 31 December 2007.

Rate of conversion :	31 December 2006	31 December 2007
Exchange Rate AUD :	1.66910	1.67570
Exchange Rate USD :	1.31700	1.47210
Exchange Rate JPY :	156.93000	164.93000
Exchange Rate HKD :	10.24090	11.48000
Exchange Rate GBP :	0.67150	0.73335
Exchange Rate CAD :	1.52810	1.44490
Exchange Rate CHF :	1.60690	1.65470
Exchange Rate ZAR :	9.21240	10.02980
Exchange Rate CZK :	27.48500	26.62800
Exchange Rate DKK :	7.45600	7.45830

(5) The Guarantor issued the following amounts of undated subordinated fixed/floating rate notes in 1985, 1986, 1994, 1996, 1997, 2000, 2003, 2005 and 2007:

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
2007:	USD 1,100,000,000 USD 200,000,000 GBP 350,000,000 EUR 600,000,000

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.

Furthermore, since 13 March 2008, the Guarantor has increased its capital by 5,541,072,980 Euro (involved share premium).

This increase is decomposed of:

- Share capital: 145,817,710 Euro represented by 116,654,168 new shares of 1.25 Euro
- Euro share premium: 5,395,255,270

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.

As of 14 March 2008, Frédéric Oudea was named Deputy Chief Executive Officer of the Group; and on 19 March 2008, Jean-Francois Gautier and Jean-Louis Mattei joined the Executive Committee of the Group.

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 which are the subject of the offering contemplated by this document as completed by the relevant supplemental listing document in relation thereto to the public in that Relevant Member State has been, or will be, made except for, with effect from and including the Relevant Implementation Date, an offer of the Structured Products to the public in that Relevant Member State:

(a) if the supplemental listing document in relation to the Structured Products specifies that an offer of those Structured Products may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such 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, provided that such prospectus has subsequently been completed by the supplemental listing documents contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or supplemental listing document, as applicable;

(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;

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining prior consent of the relevant dealer or dealers nominated by us for any such offer; or

(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Structured Products referred to in (b) to (e) above shall require us or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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 have been complied, and will be complied, with respect to anything done by it in relation to any Structured Products 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 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 the termination or expiry thereof, 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. The 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 a 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.

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 sponsor/publisher/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.

The 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 ("**HKEx**") (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 (if applicable) and the relevent Conditions. 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, HKEx, 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 the 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 such 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 the 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 the Mandatory Call Event.

Delay in announcements of the 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 the 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 the 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 which may lead to the occurrence of the 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 the occurrence of the Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of the 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 the 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 the 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 13 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 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 (where applicable) 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 the 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).

The 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 the 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 the 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:

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

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 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:

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

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:

Level 38
Three Pacific Place
1 Queen's Road East
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.

SG Securities (HK) Limited:

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

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 Génerale 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:

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

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

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

"**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.

SG Securities (HK) Limited:

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

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.

SG Securities (HK) Limited:

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

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;

"**Day of Notification**" means the Trading Day immediately following the day on which the Mandatory Call Event occurs;

"**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 end of 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,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

"**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 or closing auction session on the Stock Exchange (as the case may be), all auction trades concluded in such session; 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 or a closing auction session of the Stock Exchange (as the case may be), 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 or closing auction session (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**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 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) The 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) or such other time frame as prescribed by the Stock Exchange from time to time on the Day of Notification, in which case, (A) the Mandatory Call Event so triggered will be reversed; and (B) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

(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:

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 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:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Entitlement Ratio}}$$

(ii) in respect of a Series of callable bear contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Entitlement Ratio}}$$

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 the 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 the 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 end of 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).

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

(B) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one session only;

"**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:

(a) in the case where the Mandatory Call Event occurs during a pre-opening session or closing auction session on the Stock Exchange (as the case may be), all auction trades concluded in such session; 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;

"**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:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level - Strike Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Entitlement Ratio}}$$

(b) in respect of a Series of callable bear contracts:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level - Maximum Index Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Entitlement Ratio}}$$

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) The 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) or such other time frame as prescribed by the Stock Exchange from time to 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 no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

(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 2007 and our Independent Auditors' report

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards generally accepted in France.

Société Générale Acceptance N.V. (SGA)

Year ended December 31, 2007

Report of Independent Auditors on the Annual Financial Statements

ERNST & YOUNG et Autres

ERNST & YOUNG

Ernst & Young et Autres
41, rue Ybry
92576 Neuilly-sur-Seine cedex
Tél. : +33 (0) 1 55 61 00 00
www.ey.com/fr

Société Générale Acceptance N.V. (SGA)

Year ended December 31, 2007

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)

We have audited the accompanying annual financial statements of Société Générale Acceptance N.V. (SGA), stated in USD, which comprise the balance sheet as at December 31, 2007, and the income statement and cash-flow statement for the year ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of these annual financial statements in accordance with accounting rules and principles applicable in France. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing . Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of Société Générale Acceptance N.V. (SGA) as of December 31, 2007, and of its financial performance and its cash-flows for the year then ended in accordance with accounting rules and principles applicable in France.

Neuilly-sur-Seine, April 4, 2008

The Independent Auditors
ERNST & YOUNG et Autres

French original signed by
Isabelle Santenac

SG ACCEPTANCE NV

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

A- BALANCE SHEET AND OFF BALANCE SHEET AS AT DECEMBER 31, 2007

SGA Societe Generale Acceptance NV
BALANCE SHEET

(In 000's USD)

ASSETS		31/12/2007	31/12/2006
INTERBANK AND MONEY MARKET ASSETS	*Note 1*	**106 199 075**	**91 393 407**
Due from banks		727	446
Loans to banks		105 548 132	91 040 083
Accrued interest on loans to banks		650 216	352 878
DEBT SECURITIES		**-**	**-**
Euro Medium Term Notes		-	-
Accrued interest on debt securities		-	-
ACCRUALS AND OTHER ACCOUNTS RECEIVABLE		**75 197 306**	**49 806 620**
RECEIVABLES ON DEBT SECURITIES		2 120 834	377 244
Redemption premium		2 120 834	377 244
		-	-
FINANCIAL INSTRUMENTS BOUGHT		67 915 279	47 692 205
Premiums on interest rate options		-	-
Premiums on foreign exchange options		490 224	227 931
Premiums on stock index and equity options		65 516 644	46 419 702
Premiums on commodity options		1 908 411	1 044 572
OTHER ACCRUALS AND ACCOUNTS RECEIVABLE		5 161 193	1 737 171
Prepaid expenses		12	-
Accrued income		1 428	1 420
Other receivables	*Note 2*	5 159 754	1 735 751
FIXED ASSETS		**-**	**-**
Intangible assets			10
Amortization of intangible assets			- 10
TOTAL ASSETS		**181 396 380**	**141 200 027**

SGA Societe Generale Acceptance NV
BALANCE SHEET

(in 000's USD)

LIABILITIES		31/12/2007	31/12/2006
INTERBANK AND MONEY MARKET LIABILITIES		**851 957**	**66**
Due to banks		116	66
Term borrowing		851 841	-
DEBT SECURITIES IN ISSUE	*Note 2*	**105 943 877**	**91 427 536**
Euro Medium Term Notes		87 779 094	64 406 621
Bonds		17 519 950	26 668 036
Accrued interest on debt securities in issue		644 832	352 879
ACCRUALS AND OTHER ACCOUNTS PAYABLE		**74 599 111**	**49 770 990**
PAYABLES ON DEBT SECURITIES		1 523 464	342 670
Premiums on debt securities		1 523 464	342 670
FINANCIAL INSTRUMENTS SOLD		67 915 339	47 692 240
Premiums on foreign exchange warrants		490 224	227 931
Premiums on stock index and equity warrants		65 516 704	46 419 737
Premiums on commodity warrants		1 908 411	1 044 572
OTHER ACCRUALS AND ACCOUNTS PAYABLE		5 160 309	1 736 081
Accrued expenses		555	330
Other payables	*Note 1*	5 159 754	1 735 751
SHAREHOLDERS' EQUITY		**1 435**	**1 435**
Share capital		560	560
Retained earnings		875	875
Current year profit		-	-
TOTAL LIABILITIES		**181 396 380**	**141 200 027**

SGA Societe Generale Acceptance NV
OFF BALANCE SHEET

(in 000's USD)

COMMITMENTS RECEIVED		31/12/2007	31/12/2006
COMMITMENTS ON FINANCIAL INSTRUMENTS			
Securities to be received		**497 078**	**827 005**
Commitment given on PLP		**205 891**	
Interest rate swaps		-	-
Floor contracts bought		-	-
Call options bought	Note 3	**381 704 279**	**226 106 572**
Foreign exchange call options bought		25 688 854	12 455 038
Stock index and equity call options bought		337 951 925	203 219 785
Commodity call options bought		18 063 500	10 431 750
Put warrants sold	Note 3	**247 089 879**	**119 616 505**
Foreign exchange put warrants sold		26 731 024	12 640 419
Stock index and equity put warrants sold		212 916 355	103 357 586
Commodity options put warrants sold		7 442 500	3 618 500
TOTAL ASSETS		**629 497 127**	**346 550 082**

SGA Societe Generale Acceptance NV
OFF BALANCE SHEET

(in 000's USD)

COMMITMENTS		31/12/2007	31/12/2006
GUARANTEES ON DEBT SECURITIES IN ISSUE		-	-
COMMITMENTS ON FINANCIAL INSTRUMENTS			
Securities to be delivered		**702 969**	**827 005**
Put options bought	Note 3	**247 089 879**	**119 616 505**
Foreign exchange put options bought		26 731 024	12 640 419
Stock index and equity put options bought		212 916 355	103 357 586
Commodity put options bought		7 442 500	3 618 500
Call warrants sold	Note 3	**381 704 279**	**226 106 572**
Foreign exchange call warrants sold		25 688 854	12 455 038
Stock index and equity call warrants sold		337 951 925	203 219 785
Commodity options call warrants sold		18 063 500	10 431 750
TOTAL LIABILITIES		**629 497 127**	**346 550 082**

B - PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31, 2007

SGA Societe Generale Acceptance NV
PROFIT AND LOSS ACCOUNT

(in 000's USD)

EXPENSE	31/12/2007	31/12/2006
EXPENSE	**128 187 773**	**100 845 470**
EXPENSE ON INTERBANK TRANSACTIONS	2 582 330	9 199 638
Interest paid on current accounts	388	219
Interest on long term loans & borrowing	19 659	
Interest paid on bank borrowings	2 562 281	9 199 419
EXPENSE ON DEBT SECURITIES	12 661 354	8 872 129
Interest paid on debt securities	12 661 354	8 872 129
Amortization of discounts on debt securities	-	-
Losses on proceeds of debt securities	-	-
Fees paid on debt securities	-	-
EXPENSE ON FINANCIAL INSTRUMENTS	112 944 089	82 773 703
Expense on foreign exchange options & warrants	573 024	629 235
Expense on interest rate options & warrants	-	-
Expense on stock index and equity options & warrants	110 323 355	79 926 969
Expense on commodity options & warrants	2 047 710	2 217 499
OTHER EXPENSE	**615**	**593**
Operating expense	374	310
Insurance premiums	6	3
Audit fees	11	30
Local taxes	-	-
Other operating costs	224	249
NET INCOME	**0**	**0**
TOTAL EXPENSE	**128 188 387**	**100 846 063**

SGA Societe Generale Acceptance NV
PROFIT AND LOSS ACCOUNT

(In 000's USD)

INCOME	31/12/2007	31/12/2006
INCOME	**128 187 739**	**100 845 283**
INCOME ON INTERBANK TRANSACTIONS	7 953 338	7 035 372
Interest received on current accounts	352	45
Interest received on loans to banks	4 122 876	2 203 256
Gains and amortization of discounts on term borrowing	3 830 109	4 832 072
INCOME ON DEBT SECURITIES	7 290 311	11 036 208
Interest received on debt securities	-	-
Amortization of premium on debt securities	-	-
Gains on proceeds of debt securities	7 290 311	11 036 208
INCOME ON FINANCIAL INSTRUMENTS	112 944 089	82 773 703
Income on foreign exchange warrants & options	573 024	629 235
Income on interest rate warrants & options	-	-
Income on stock index and equity warrants & options	110 323 355	79 926 968
Income on commodity warrants sold	2 047 710	2 217 499
OTHER INCOME	**648**	**779**
Operating income	648	779
TOTAL INCOME	**128 188 387**	**100 846 063**

C - APPENDIX TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

NOTES TO THE FINANCIAL STATEMENTS

SOCIETE GENERALE ACCEPTANCE N.V.

Notes to the financial statements

1- General

SGA Société Générale Acceptance N.V. was incorporated on October 7th, 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, 2007 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

There has been no change in accounting methods on exercise 2007.
As a reminder, 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 sale in 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 amounted to 103 202 KUSD and concerned the balance sheet and the off-balance sheet as of 31st December 2006. There was no impact on the income statement. This change of method was designed to converge 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.

Accrued liabilities

Accrued liabilities are the compensation for services granted by Société Générale to SGA, according to Management Agreement.

Accrued income

Accrued income correspond to the reinvoicing of SGA services to Société Générale, in accordance with Financial Services 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, 2007 the result of SGA Société Générale Acceptance is nil. Therefore no related tax charge is recorded into the profit and loss account.

NOTE 1

INTERBANK AND MONEY MARKET ASSETS
BREAKDOWN OF ASSET BY TERM TO MATURITY

(in 000's USD)	December 2007					December 2006
	0 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total	Total
Due from banks						
Current accounts	727	-	-	-	727	446
Overnight transactions	-	-	-	-	-	-
Related receivables	-	-	-	-	-	-
Sub -total	**727**	**-**	**-**	**-**	**727**	**446**
Term deposits						
Term deposits and borrowings	4 379 021	15 256 646	52 337 415	33 575 050	105 548 132	91 040 083
Related receivables	-	650 216	-	-	650 216	352 878
Sub -total	**4 379 021**	**15 906 862**	**52 337 415**	**33 575 050**	**106 198 348**	**91 392 961**
Total	**4 379 748**	**15 906 862**	**52 337 415**	**33 575 050**	**106 199 075**	**91 393 407**

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, 2007, they amount to USD 1,161.09 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	Total December 31,2007	December 2006
Euro Medium Term Notes	3 502 097	10 294 118	44 180 889	29 801 991	**87 779 095**	**64 406 621**
Bonds	901 909	5 049 574	8 455 134	3 113 332	**17 519 949**	**26 668 036**
Related payables	-	644 832	-	-	**644 832**	**352 879**
Total Debt Securities in Issue	**4 404 006**	**15 988 524**	**52 636 023**	**32 915 323**	**105 943 876**	**91 427 536**

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, 2007 they amount up to USD 1,161.09 millions.

Note 3

Forward Financial instrument commitments

(in millions of USD)	Trading Transactions	Hedging Transactions	total december 31,2007	Fair value at december 31, 2007	total december 30,2006	Fair value at december 30, 2006
Warrants						
- Stock exchange indices and equities	550 868 280	-	550 868 280	65 516 704	306 577 371	46 419 737
- Currency warrants	52 419 879	-	52 419 879	490 224	25 095 456	227 931
- Commodities	25 506 000	-	25 506 000	1 908 411	14 050 250	1 044 572
Total	**628 794 158**	**-**	**628 794 158**	**67 915 339**	**345 723 077**	**47 692 240**
Options						
- Stock exchange indices and equities	550 868 280	-	550 868 280	65 516 704	306 577 371	46 419 702
- Currency options	52 419 879	-	52 419 879	490 224	25 095 456	227 931
- Commodities	25 506 000	-	25 506 000	1 908 411	14 050 250	1 044 572
Total	**628 794 158**		**628 794 158**	**67 915 339**	**345 723 077**	**47 692 205**

CAPITALIZATION TABLE
(in thousands USD)

	31 December 2007	31 December 2006
Short Term Debt <= 2 years		
- Denominated in USD	8 478 904	5 209 441
- Denominated in other currencies	28 148 749	26 514 918
	36 627 653	**31 724 359**
Medium Term Debt > 2 years <= 7 years		
- Denominated in USD	13 668 731	11 294 832
- Denominated in other currencies	34 717 398	29 585 448
	48 386 129	**40 880 280**
Long Term Debt > 7 years		
- Denominated in USD	3 247 138	4 612 919
- Denominated in other currencies	17 682 956	14 209 978
	20 930 094	**18 822 897**
TOTAL	105 943 876	91 427 536
Shareholders' equity		
- Capital stock	560	560
- Retained earnings	875	875
- Net income	0	0
Total Shareholders' Equity	**1 435**	**1 435**
TOTAL	105 945 311	91 428 971

SGA Societe Generale Acceptance NV

CASH FLOW STATEMENT

(in millions of USD)

		31/12/07	31/12/06
Net cash flow from operating activities		-	-
Non monetary items :			
- Depreciation and amortization		-	-
Bond Debt			
Issuing : EMTN		- 35 763	- 22 769
Issuing : Bonds		- 679	- 13 666
Redemptions : EMTN		43 255	14 434
Redemptions : Bonds		13 409	7 855
Forward financial instruments commitments sold :			
Warrants premium sold		- 110 979	- 56 461
Interbank activities and Cash			
Subscriptions of term loans (PLP)		36 442	36 435
Redemption of term loans (PLP)		- 56 664	- 22 289
Forward financial instruments commitments bought :			
Option premiums bought		110 979	56 461
Other cash inflow/(outflow) from banking activities			
Accrued interest paid on debt securities		- 4 109	- 2 196
Accrued Interest received on loan to banks		4 109	2 196
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)**	-	-

APPENDIX 4 - FINANCIAL INFORMATION OF THE GUARANTOR

Reproduction of Extracts of the "2008 REGISTRATION DOCUMENT" of the Guarantor for the year ended 31 December 2007 and the Statutory Auditors' Report on the Consolidated Financial Statements

TABLE OF CONTENTS

This Appendix has been extracted from the "2008 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.

SOCIETE GENERALE GROUP MAIN ACTIVITIES

SIMPLIFIED ORGANIZATIONAL CHART AT DECEMBER 31, 2007

French Networks | International Retail Banking | Financial Services

FRANCE

French Networks

Societe Generale*	
Crédit du Nord Group	80.0%
Compagnie Générale d'Affacturage	100%
Sogéfinancement	100%
Sogéfimur	100%
Sogelease FRANCE	100%
Sogébail	48.0%
Groupama Banque	20.0%
SG Services	100%
SG Capital Développement	100%

International Retail Banking

Banque de Polynésie	72.1%
Microcred	22.3%
Societe Generale Calédonienne de Banque	90.1%
Banque Française Commerciale Océan Indien	50.0%
SG de Banque aux Antilles	100%

Financial Services

Franfinance Group	100%
CGI Group	99.9%
ECS Group	100%
Sogécap	100%
Sogessur	65.0%
Temsys	100%

EUROPE

International Retail Banking

SKB Banka *Slovenia*	99.7%
BRD - SG Group *Romania*	58.3%
SG Express Bank *Bulgaria*	97.9%
Komerçni Banka A.S. (KB) *Czech Republic*	60.4%
General Bank of Greece *Greece*	52.3%
Banque SG Vostok *Russia*	100%
SG Cyprus Ltd	51.0%
Ohridska Banka ad Ohrid *Macedonia*	58.8%
SG Banka SRBIJA *Serbia*	100%
Podgoricka Banka *Montenegro*	86.7%
Delta Credit *Russia*	100%
Rosbank *Russia*	20.0%
SG-Splitska Banka *Croatia*	99.7%
Bank Republic *Georgia*	60.0%
Mobiasbanca *Moldavia*	95.3%
Banka Popullore *Albania*	75.0%

Financial Services

ALD International Group	100%
GEFA Group *Germany*	100%
Fiditalia Spa *Italy*	100%
SG Equipment Finance Group	100%
Eurobank *Poland*	99.4%
Rusfinance *Russia*	100%
Hanseatic Bank *Germany*	75.0%
SG Consumer Finance Group	100%

AFRICA - MIDDLE EAST

International Retail Banking

SG Marocaine de Banques	53.0%
SG de Banques en Côte-d'Ivoire	68.2%
Union Internationale de Banque *Tunisia*	52.0%
SG de Banques au Cameroun	58.1%
SG de Banque au Liban	19.0%
National Societe Generale Bank *Egypt*	77.2%
SG de Banque en Guinée	53.0%
SG de Banques au Bénin	73.2%
SG – SSB Limited *Ghana*	51.0%
Societe Generale *Mauritania*	51.0%
BFV SG *Madagascar*	70.0%
SG de Banques au Sénégal	59.3%
SG Algérie	100%
SG de Banques au Burkina	42.3%
SG de Banques en Guinée Equatoriale	52.4%
SG Tchadienne de Banque	55.2%

Financial Services

Eqdom *Morocco*	54.2%
La Marocaine Vie	87.1%

** Parent company*
(1) Subsidiary of SGBT Luxembourg
(2) As well as its Private Banking activities, Societe Generale Bank & Trust Luxembourg also provides retail and corporate and investment banking services for its corporate customers.
Notes:
- The percentages given indicate the share of capital held by the Societe Generale Group.
- Groups are listed under the geographical region where they carry out their principal activities.

Societe Generale Group

- **Global Investment Management and Services**
  - Assets Management
  - Private Banking
  - Securities Services and Online Savings
- **Corporate and Investment Banking**

Assets Management	Private Banking	Securities Services and Online Savings	Corporate and Investment Banking
FRANCE			
SG Asset Management Group (SGAM) 100%	**Societe Generale***	**Societe Generale*** **FIMAT Banque** 100% **Parel** 100% **Boursorama Group** 55.9% **Euro VL** 98.2% **FIMAT SNC** 100%	**Societe Generale*** **CALIF** 100% **SG Securities (Paris) SAS** 100% **Lyxor Asset Management** 100% **Gaselys** 49.0% **Orbeo** 50.0% **Généfimmo** 100% **Généfim** 100% **Sogéprom** 100% **SG Option Europe** 100% **Clickoptions** 100%
EUROPE			
SGAM Group Ltd *United Kingdom* 100% **SG Russell Asset Management** *Ireland* 50.0% **SGAM Ireland** 100% **IKS** *Czech Republic* 100%	**Societe Generale Bank & Trust Luxembourg** (2) 100% **SG Private Banking Suisse SA** 77.6% (1) **SG Private Banking (Belgique)** 99.0% **SG Hambros Bank Limited** *United Kingdom* 100% **SG Private Banking (Monaco)** 100% (1)	**2S Banca Spa** *Italy* 100% **FIMAT Banque** ***Branches in:*** **Frankfurt** *Germany* **Madrid** *Spain* **London** *United Kingdom*	**Societe Generale*** ***Branches in:*** **Milan** *Italy* **Frankfurt** *Germany* **Madrid** *Spain* **London** *United Kingdom*
AMERICAS			
TCW Group Inc. *United States* 99.4% **SG Investment Management Corp** *United States* 100%		**FIMAT USA, LLC** 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% **Societe Generale*** ***Branches in:*** **New York** *United States* **Montréal** *Canada*
ASIA – AUSTRALIA			
SGAM Japan 100% **SGAM Singapore** 100% **IBK-SGAM** *Korea* 50.0% **Fortune SGAM** *China* 49.0%	**SG Private Banking (Japan) Ltd** 100%	**FIMAT Singapore Pte Ltd** 100% **FIMAT Hong Kong Ltd** 100% **FIMAT Hong Kong, Taïwan Branch** **FIMAT Japan Inc.** 100% **FIMAT SNC trading as Fimat Australia** 100% **FIMAT Banque Hong Kong Branch**	**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% **Lyxor Asset Management Japan Co Ltd** 100% **Societe Generale*** ***Branches in:*** **Singapore** **Tokyo** *Japan* **Hong Kong** **Sydney** *Australia*

GROUP ACTIVITY AND RESULTS

The financial information presented for 2007 and comparative information in respect of the 2006 financial year have been prepared by applying accounting principles and methods in accordance with IFRS, as adopted in the European Union and applicable at those dates.

The interim financial statements and related Group management report as of and for the six-month period ended June 30, 2007, the quarterly results as of and for the three-month and nine-month period ended March 31, 2007 and September 30, 2007 correspond to published historical data.

Against the backdrop of the financial crisis, the Group produced resilient revenues in 2007 due to its robust platform of activities and sound development model. The retail banking networks achieved good performances, while Financial Services, Private Banking and Securities Services enjoyed strong growth. During H2 2007, Corporate and Investment Banking was affected by the repercussions of the US financial crisis and Asset Management by the liquidity crisis.

Moreover, the Group has suffered the effects of a fraud committed by a trader in a sub-division of its capital market activities. The fraudulent positions, uncovered in January 2008, were unwound in a manner that respected the integrity of the markets and the interests of shareholders. They resulted in an exceptional loss for the Group of EUR 4.9 billion.

However, the Group has generated positive net income of EUR 947 million for 2007 due to its diverse portfolio of activities and the solidity of its revenues.

SUMMARY CONSOLIDATED INCOME STATEMENT

(In millions of euros)	2007	2006	Change	
Net banking income	21,923	22,417	-2.2%	-2.8%*
Operating expenses	(14,305)	(13,703)	+4.4%	+4.0%*
Gross operating income	**7,618**	**8,714**	**-12.6%**	**-13.6%***
Net allocation to provisions	(905)	(679)	+33.3%	+29.3%*
Operating income excluding net loss on unauthorized and concealed trading actvities	**6,713**	**8,035**	**-16.5%**	**-17.2%***
Net loss on unauthorized and concealed trading activities	(4,911)	0	NM	NM
Operating income including net loss on unauthorized and concealed trading actvities	**1,802**	**8,035**	**-77.6%**	**-79.6%***
Net income from companies accounted for by the equity method	44	18	NM	
Net income from other assets	40	43	-7.0%	
Impairment losses on goodwill	0	(18)	NM	
Income tax	(282)	(2,293)	-87.7%	
Net income before minority interests	1,604	5,785	-72.3%	
Minority interests	*657*	*564*	*+16.5%*	
Net income	**947**	**5,221**	**-81.9%**	**-84.6%***
Cost/income ratio	65.3%	61.1%		
Average allocated capital	23,683	20,107	+17.8%	
ROE after tax	**3.6%**	**25.8%**		
Tier-one ratio	**6.6%**	**7.8%**		

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

In order to make information on the Group's financial performance more pertinent for the purposes of comprehension, the global loss related to the closure of the directional positions taken under unauthorized and concealed activities is presented in an additional entry in the consolidated income statement, entitled "Net loss on unauthorized and concealed trading activities".

Net banking income

The Group's net banking income for 2007 was down -2.8% * vs. 2006 (-2.2% in absolute terms), at EUR 21.9 billion.

The strong performance of the French Networks (+4.8% * vs. 2006 excluding the impact of the PEL/CEL provision and excluding the capital gain from the disposal of Euronext shares), the significant growth of International Retail Banking (+17.1% * vs. 2006), Private Banking (+27.2% * vs. 2006) and Securities Services (+32.2% * vs. 2006), and the growth in Financial Services (+15.1% * vs. 2006) helped limit the consequences of the decline in Corporate and Investment Banking (-32.8% * vs. 2006) and Asset Management (-14.6% * vs. 2006) on the Group's net banking income as a result of the write-downs booked.

Operating expenses

The increase in operating expenses (+4.0% * vs. 2006) reflects the continued investment needed for the Group's organic growth, strict control of operating costs and changes in the businesses' performance-linked pay.

The Group continued to improve its operating efficiency in 2007. The Retail Banking Networks together with Private Banking and Securities Services saw their C/I ratio decline in 2007. The C/I ratios for Corporate and Investment Banking and Asset Management increased in 2007 as a result of the write-downs and losses recorded primarily in the second half. Overall, the C/I ratio stood at 65.3% (vs. 61.1% in 2006).

Operating income

The Group's 2007 gross operating income was down -13.6% * vs. 2006, at EUR 7.6 billion.

At 25 bp of risk-weighted assets, the Group's cost of risk in 2007 was similar to 2006. It was stable for the French Networks but lower for International Retail Banking. The higher cost of risk for Financial Services can be attributed to the growing share of consumer credit in emerging countries. Having recorded the impact of the financial crisis in the form of lower revenues, Corporate and Investment Banking made a EUR 56 million write-back in 2007.

Overall, the Group generated operating income, excluding the net loss on unauthorized and concealed trading activities, of EUR 6,713 million, down -17.2% * in 2007 vs. 2006 (-16.5% in absolute terms).

Net income

After the exceptional fraud-related loss, tax (the Group's effective tax rate was 15.3% vs. 28.4% in 2006) and minority interests, Group net income for 2007 totaled EUR 947 million. Excluding the fraud, it would have come to EUR 4,167 million.

The Group's 2007 ROE after tax stood at 3.6% (17.1% excluding the fraud), vs. 25.8% in 2006.

2007 earnings per share amounts to EUR 1.98. Excluding the fraud, the figure would have been EUR 9.37.

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

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 key businesses of the Group:

- the **French Networks** which include the Societe Generale and Credit du Nord networks in France. Cash management activities, previously incorporated in Financial Services, have been attached to the French Networks since 2007. Note that historical data have been adjusted accordingly since 2005;
- **International Retail Banking;**
- the **Financial Services** for businesses subsidiaries (equipment and vendor finance, IT asset leasing and management, operational vehicle leasing and fleet management), financing for individuals and life and non-life insurance;
- **Global Investment Management and Services** including Asset Management, Private Banking and Securities Services 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** centred on 3 businesses since 2007:
  - **"Financing & Advisory"** which includes all the services and products relating to financing, debt and equities, advisory activities for businesses, financial institutions & insurers, investment funds as well as sovereign and public issuers;
  - **"Fixed Income, Currencies and Commodities"**, dedicated to investors, and covering both integrated financial engineering and the distribution of flow and structured products relating to fixed income, currencies and commodities;
  - **"Equities"**, also dedicated to investors, includes all cash equities and equity derivatives products and services, as well as equity research.

The financial communication has changed as follows:

- the revenues of the former "Corporate Banking and Fixed Income" are now divided between "Financing & Advisory" and "Fixed Income, Currencies and Commodities";
- the revenues generated by the equities origination /syndication and advisory activities, previously located in the former "Equity and Advisory" business are included in "Financing & Advisory".
- the division publishes a single income statement detailing the revenues of SG CIB's three activities.

These operating divisions are complemented by the **Corporate Centre** which acts as the Group's central funding department vis-à-vis the divisions. 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 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 Centre, 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 the French Networks and International Retail Banking, as well as Financial Services, 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 Centre 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 Centre.

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 fully redistributed between the core businesses. The Corporate Centre 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 Centre.

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

For the Group, 2007 was marked by:

- excellent results for Retail Banking, Private Banking and Securities Services;
- the effects of the serious financial crisis on Corporate and Investment Banking and Asset Management activities;
- the exceptional fraud, the pre-tax cost of which amounts to EUR -4.9 billion.

Despite these two negative impacts, the Group generated net income of EUR 947 million. 2007 ROE after tax stood at 3.6% (17.1% excluding the fraud).

	French Networks		International Retail Banking		Financial Services		Global Investment Management & Services		Corporate & Investment Banking		Corporate Centre		Group	
(In millions of euros)	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net banking income	7,058	6,833	3,444	2,786	2,838	2,404	3,741	3,195	4,522	6,998	320	201	21,923	22,417
Operating expenses	(4,566)	(4,450)	(1,986)	(1,644)	(1,526)	(1,290)	(2,708)	(2,298)	(3,425)	(3,890)	(94)	(131)	(14,305)	(13,703)
Gross operating income	**2,492**	**2,383**	**1,458**	**1,142**	**1,312**	**1,114**	**1,033**	**897**	**1,097**	**3,108**	**226**	**70**	**7,618**	**8,714**
Net allocation to provisions	(329)	(275)	(204)	(215)	(374)	(273)	(41)	(8)	56	93	(13)	(1)	(905)	(679)
Operating income excluding net loss on unauthorized and concealed trading actvities	**2,163**	**2,108**	**1,254**	**927**	**938**	**841**	**992**	**889**	**1,153**	**3,201**	**213**	**69**	**6,713**	**8,035**
Net loss on unauthorized and concealed trading activities	0	0	0	0	0	0	0	0	(4,911)	0	0	0	(4,911)	0
Operating income including net loss on unauthorized and concealed trading actvities	**2,163**	**2,108**	**1,254**	**927**	**938**	**841**	**992**	**889**	**(3,758)**	**3,201**	**213**	**69**	**1,802**	**8,035**
Net income from companies accounted for by the equity method	2	2	36	11	(7)	(14)	0	0	19	24	(6)	(5)	44	18
Net income from other assets	4	5	28	7	1	(1)	(6)	(1)	26	30	(13)	3	40	43
Impairment losses on goodwill	0	0	0	0	0	0	0	0	0	0	0	(18)	0	(18)
Income tax	(736)	(719)	(320)	(242)	(315)	(291)	(295)	(273)	1,501	(902)	(117)	134	(282)	(2,293)
Net income before minority interests	1,433	1,396	998	703	617	535	691	615	(2,212)	2,353	77	183	1,604	5,785
Minority interests	58	52	312	232	17	14	39	38	9	13	222	215	657	564
Net income	**1,375**	**1,344**	**686**	**471**	**600**	**521**	**652**	**577**	**(2,221)**	**2,340**	**(145)**	**(32)**	**947**	**5,221**
Cost/income ratio	64.7%	65.1%	57.7%	59.0%	53.8%	53.7%	72.4%	71.9%	75.7%	55.6%	29.4%	65.2%	65.3%	61.1%
Average allocated capital	6,227	5,703	1,860	1,316	3,726	3,280	1,382	1,086	5,684	4,914	4,804**	3,808**	23,683	20,107
ROE after tax	**22.1%**	**23.6%**	**36.9%**	**35.8%**	**16.1%**	**15.9%**	**47.2%**	**53.1%**	**NM**	**47.6%**	**NM**	**NM**	**3.6%**	**25.8%**

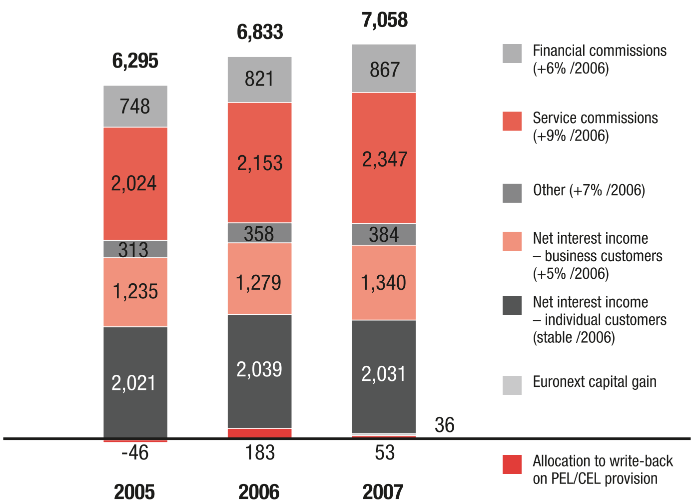
*** Calculated as the difference between the total Group capital and capital allocated to the core businesses.*

French Networks

(In millions of euros)	2007	2006	Change
Net banking income	7,058	6,833	+3.3%
Operating expenses	(4,566)	(4,450)	+2.6%
Gross operating income	**2,492**	**2,383**	**+4.6%**
Net allocation to provisions	(329)	(275)	+19.6%
Operating income	**2,163**	**2,108**	**+2.6%**
Net income from companies accounted for by the equity method	2	2	NM
Net income from other assets	4	5	NM
Income tax	(736)	(719)	+2.4%
Net income before minority interests	1,433	1,396	+2.7%
Minority interests	*58*	*52*	*+11.5%*
Net income	**1,375**	**1,344**	**+2.3%**
Cost/income ratio	64.7%	65.1%	
Average allocated capital	6,227	5,703	+9.2%
ROE after tax	**22.1%**	**23.6%**	

NB: The Cash Management activities were transferred from Financial Services to the French Network in 2007. Historical data has been adjusted accordingly.

BREAKDOWN OF THE FRENCH NETWORKS' NBI (IN MILLIONS OF EUROS)



The French Networks enjoyed a good year in 2007, with 4.8% growth in net banking income (excluding the effect of the PEL/CEL provision and the capital gain on the disposal of Euronext shares). They benefited from higher interest rates, especially at the short-end of the yield curve (3-month Euribor +120 bp on average/2006), and still sustained demand for financing. The end-2007 saw a slowdown in demand for unit-linked life insurance products, with customers preferring to transfer to investments exhibiting little volatility, in a more uncertain environment.

The French Networks continued to pursue their growth policy, with the net opening of 71 branches during the year. They also expanded their customer bases by focusing on two approaches: i) targeting of the most promising regions together with close cooperation between the Group's business lines; ii) strengthening of the sales force and creation of specific offerings for targeted customers with strong potential through the "Mass Affluent" project implemented over 2007-2009.

Sales performances for individual customers were satisfactory throughout the year. The number of personal current accounts rose +2.6% over one year (representing 160,400 net openings). Outstanding sight deposits continued to grow at a healthy pace (+4.3% vs. 2006) while outstandings for special savings accounts (excluding PEL accounts) were up +6.5% over the same period, mainly due to the Sustainable Development Account (+17.4%). Meanwhile, at EUR 2.9 billion, outstandings on term accounts benefited from the rate environment, posting growth of more than 90% vs. 2006. However, the erosion of PEL outstandings continued, as in the previous year (-13.2%). Life insurance inflows were down -6.2% (compared with a decline of -8.2% in the bancassurance market), after an exceptional year in 2006, although they remained at a very high level (EUR 9.2 billion for the year). The Group has a cautious approach to housing loans that consists of managing margins according to the quality and potential of counterparties. Consequently, new housing loans in 2007 were down -6.2% vs. 2006 at EUR 16.3 billion.

In the case of business customers, the dynamic activity shows no sign of abating, with a sustained rise in outstanding sight deposits (+9.5% vs. 2006) and investment loans (+15.3%), while French companies' healthy cash situation and reasonable level of debt have enabled them to cope with the expansion of their business without further recourse to operating loans (stable outstandings vs. 2006).

From a financial perspective, the revenues of the French Networks were up by +4.8% in 2007, after adjustment for changes in the PEL/CEL provision (provision write-back of EUR 53 million in 2007 and EUR 183 million in 2006) and the capital gain on the disposal of Euronext shares (EUR 36 million recorded in Q2 07). Before these adjustments, NBI was up +3.3% vs. 2006 at EUR 7,058 million.

Net interest income was up +2.1% vs. 2006 (excluding the PEL/CEL effect), due to the combination of increased deposits and rising market rates.

Commission income was up +8.1% vs. 2006, due to the increase in service commissions (+9.0%). These reflect the expansion of customer bases and the boom in activities such as payment services and direct banking, non-life insurance or personal insurance offerings. In the case of business customers, they also reflect the success of the Joint Ventures between the Societe Generale network and SG CIB in exchange rate hedging, SME consultancy, and local authority financing.

Financial commissions rose 5.6%.

Operating expenses were up +2.6% vs. 2006. The cost/income ratio (excluding the effect of the PEL/CEL provision and Euronext capital gain) improved by 1.4 point to 65.5% (vs. 66.9% in 2006).

The net cost of risk remained under control in 2007: 28 basis points of risk-weighted assets vs. 27 basis points in 2006. The level reflects the good overall quality of the French Networks' customer bases and their loan portfolio.

In 2007, the French Networks' contribution to Group net income amounted to EUR 1,375 million, up +2.3% vs. 2006.

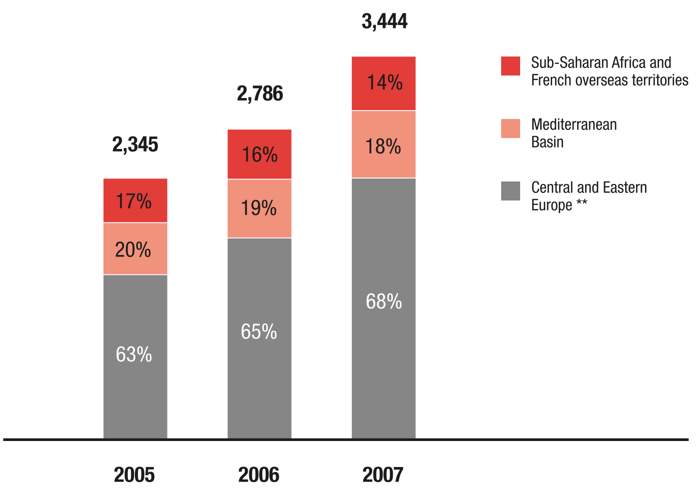
ROE after tax stood at 22.1% (21.2% excluding the effect of the PEL/CEL provision and the Euronext capital gain) vs. 23.6% in 2006 (21.5% excluding the effect of the PEL/CEL provision).

International retail banking

(In millions of euros)	2007	2006	Change	
Net banking income	3,444	2,786	+23.6%	+17.1%*
Operating expenses	(1,986)	(1,644)	+20.8%	+14.2%*
Gross operating income	**1,458**	**1,142**	**+27.7%**	**+21.3%***
Net allocation to provisions	(204)	(215)	-5.1%	-3.7%*
Operating income	**1,254**	**927**	**+35.3%**	**+27.2%***
Net income from companies accounted for by the equity method	36	11	NM	
Net income from other assets	28	7	NM	
Income tax	(320)	(242)	+32.2%	
Net income before minority interests	998	703	+42.0%	
Minority interests	*312*	*232*	*+34.5%*	
Net income	**686**	**471**	**+45.6%**	**+30.1%***
Cost/income ratio	57.7%	59.0%		
Average allocated capital	1,860	1,316	+41.3%	
ROE after tax	**36.9%**	**35.8%**		

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

BREAKDOWN OF NBI BY REGION (IN MILLIONS OF EUROS)



*** Including Greece and Cyprus.*

One of the Group's priority growth areas, International Retail Banking continued to pursue its sustained expansion in the different regions in which the Group is present during 2007. The increase in the Group's net banking income in the regions is significant: Central, Eastern and South-Eastern Europe excluding Russia (+17.3% *), Russia (+58.3% *), Africa and French Overseas Territories (+6.0% *) and Mediterranean Basin (+19.3% *).

The expansion of these activities is based on organic and external growth through the acquisition of shareholdings of varying size. In 2007, the Group reinforced its position as a major player in Central, Eastern and South-Eastern Europe and also continued to expand in Africa.

Moreover, the Group has exercised its option to purchase Rosbank at the price of USD 1.7 billion (corresponding to 30% of the capital plus 2 shares) after acquiring an initial stake in 2006 (20% minus 1 share). It is now the majority shareholder of one of the leading retail banking networks in Russia. The exercise of the purchase option has triggered the launch by Societe Generale of a mandatory takeover bid which could result in its stake increasing to 57.8% by the end of H1 2008. In a fast-growing banking market, Rosbank will supplement the Group's

Retail Banking, Financial Services for individuals and Corporate and Investment Banking activities in Russia.

The Group has responded to the growth in the banking markets in which it is already present by maintaining a significant pace of branch openings. It has opened 379 branches at constant structure, including 206 in Romania. This expansion strategy is also evident in the Mediterranean Basin with the opening of 25 branches in Morocco, 21 in Egypt and 20 in Algeria.

As a result of the acquisitions made over the period, 116 branches have been added to the International Retail Banking network which, at end-2007, had a total of 2,795 branches (2). To support its expansion, the total headcount (38,900 (2) people at end 2007) has continued to grow, with the recruitment of 3,150 staff (2) in one year.

Individual customer bases grew at a sustained rate in 2007. At constant structure, the number of individual customers increased by more than 744,000 over one year (+9.5%) and their outstanding deposits by +17.0% *. The credit growth rate for individual customers stood at +30.2% * for 2007, due to the rapid expansion of consumer and housing loans in the Central and Eastern European subsidiaries. At end-December 2007, International Retail Banking had 8.8 million (2) individual customers.

In the case of business customers, the respective growth rates for loans and deposits were +25.0% * and +18.0% *.

International Retail Banking's financial contribution is higher: 2007 revenues (EUR 3,444 million) were up 17.1% * vs. 2006 (+23.6% in absolute terms).

Operating expenses increased by +14.2% * (+20.8% in absolute terms) vs. 2006, with +5.9% * in respect of development costs for the existing network, mainly related to branch openings.

As a result, 2007 gross operating income rose +21.3% * (+27.7% in absolute terms) to EUR 1,458 million. The C/I ratio continued to improve, standing at 57.7% vs. 59.0% in 2006.

The cost of risk remained low in 2007 (44 bp vs. 55 bp in 2006), confirming the overall good quality of the portfolios.

The division's contribution to Group net income totaled EUR 686 million in 2007, substantially higher (+30.1% *) than in 2006 (+45.6% in absolute terms).

ROE after tax was a very high 36.9% in 2007, vs. 35.8% in 2006.

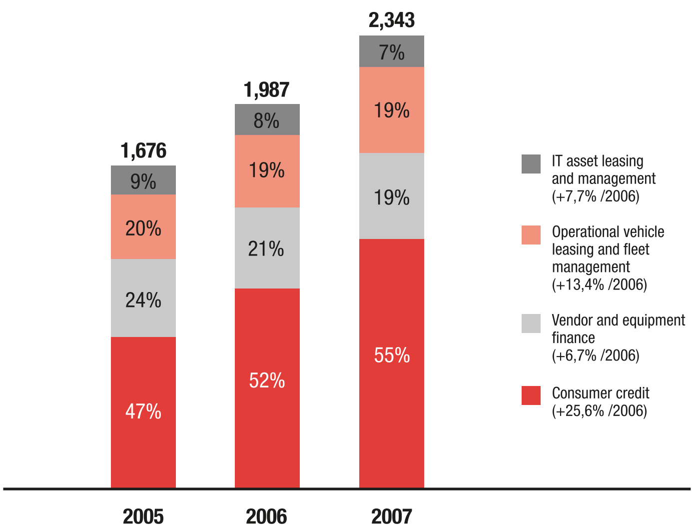
(2) Excluding Rosbank (Russia).

Financial Services

(In millions of euros)	2007	2006	Change	
Net banking income	2,838	2,404	+18.1%	+15.1%*
Operating expenses	(1,526)	(1,290)	+18.3%	+14.9%*
Gross operating income	**1,312**	**1,114**	**+17.8%**	**+15.3%***
Net allocation to provisions	(374)	(273)	+37.0%	+32.9%*
Operating income	**938**	**841**	**+11.5%**	**+10.0%***
Net income from companies accounted for by the equity method	(7)	(14)	NM	
Net income from other assets	1	(1)	NM	
Income tax	(315)	(291)	+8.2%	
Net income before minority interests	617	535	+15.3%	
Minority interests	*17*	*14*	*+21.4%*	
Net income	**600**	**521**	**+15.2%**	**+12.3%***
Cost/income ratio	53.8%	53.7%		
Average allocated capital	3,726	3,280	+13.6%	
ROE after tax	**16.1%**	**15.9%**		

** When adjusted for changes in Group structure and at constant exchange rates.*
NB: The Cash Management activities were transferred from Financial Services to the French Network in 2007. Historical data has been adjusted accordingly.

BREAKDOWN OF THE NBI OF SPECIALIZED FINANCING (IN MILLIONS OF EUROS)



Excluding life and non-life insurance

The **Financial Services** division comprises Specialized Financing (consumer credit, equipment finance, operational vehicle leasing and fleet management, IT leasing and management), Life and Non-Life Insurance.

Specialized Financing is one of the Group's growth drivers. Its performances have grown steadily, driven by a strategy combining organic growth and targeted acquisitions in markets with strong potential. This has boosted the international activities, which represented 75% of revenues in 2007 vs. 72% in 2006.

The **consumer credit business** confirmed its dynamic growth in 2007. It contributed 55% of Specialized Financing revenues vs. 52% in 2006. New consumer loans in 2007 increased by 16.9% * to EUR 11.0 billion. This performance is driven by new markets such as Russia (x2 * vs. 2006) and Poland (+66.0% *). Traditional markets (France, Germany and Italy) have generally seen more moderate growth (+4% in new lending and +9% in outstandings).

In 2007, the Group expanded its operations in Brazil by finalising the acquisition of Banco Cacique, one of the major players in the sector, following the acquisition of Banco Pecùnia. It has also continued its organic growth by launching new operations in Turkey, the United States and Vietnam.

As for **business finance and services**, new financing (3) by SG Equipment Finance – a European leader in equipment finance for businesses – totaled EUR 8.5 billion in 2007, up 7.7% * vs. 2006. Activity in 2007 was buoyant, especially in Poland (+35.2% *), the Czech Republic (+13.1% *) and Scandinavia (+10.6% *). SG Equipment Finance's outstandings (3) totaled EUR 17.3 billion at end-2007, up 9.5% * vs. end-2006. Net banking income was up 6.5% *.

In **operational vehicle leasing and fleet management**, ALD Automotive is No. 2 in Europe with a fleet under management representing more than 728,000 vehicles at end-2007, or +6.1% at constant structure. Business continues to be focused on Europe where positions have been strengthened in Italy following the purchase from Unicredit of the remaining 50% in their joint subsidiary (Locatrent). At the same time, international expansion has continued with the establishment of new subsidiaries (in Algeria, Serbia, Malaysia and Mexico), taking the geographical coverage to 39 countries.

Overall, **Specialized Financing** revenues increased by +14.4% * in 2007 (+17.9% in absolute terms).

Gross new inflows in **Life Insurance** totaled EUR 8.9 billion in 2007, down 8.3% * vs. 2006, which was marked by an exceptional inflow as a result of transfers from PEL accounts. The proportion of unit-linked policies amounted to 30%. 2007 life insurance revenues were substantially higher (+18.9% *) than the previous year, driven by the increase in mathematical reserves (+8.9%). 2007 marked a rapid expansion in the international operation with the establishment of 7 new subsidiaries. Sogecap is now present in 11 countries.

Overall, the **Financial Services** division generated substantially higher revenues totaling EUR 2,838 million in 2007, or +15.1% * (+18.1% in absolute terms). Organic growth, which was particularly significant in consumer credit, was accompanied by a 14.9% * increase in operating expenses (+18.3% in absolute terms). As a result, gross operating income was up +15.3% * (+17.8% in absolute terms) at EUR 1,312 million.

The net allocation to provisions (EUR 374 million in 2007) was up 32.9% * vs. 2006, amounting to 89 bp vs. 73 bp in 2006. This trend is due to the strong growth of consumer credit in emerging countries where the cost of risk is higher, especially in Russia and Brazil.

2007 operating income rose by 10.0% * (+11.5% in absolute terms) and the contribution to Group net income by +12.3% *, to EUR 600 million. ROE after tax stood at 16.1% vs. 15.9% in 2006.

(3) Excluding factoring.

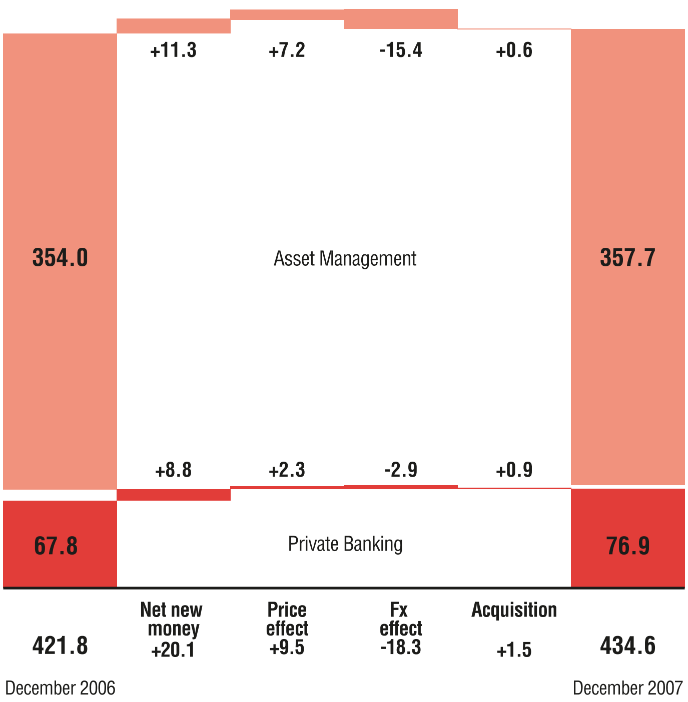
Global Investment Management & Services

(In millions of euros)	2007	2006	Change	
Net banking income	3,741	3,195	+17.1%	+12.3%*
Operating expenses	(2,708)	(2,298)	+17.8%	+13.3%*
Gross operating income	**1,033**	**897**	**+15.2%**	**+9.9%***
Net allocation to provisions	(41)	(8)	NM	NM
Operating income	**992**	**889**	**+11.6%**	**+7.3%***
Net income from other assets	(6)	(1)	NM	
Income tax	(295)	(273)	+8.1%	
Net income before minority interests	691	615	+12.4%	
Minority interests	*39*	*38*	*+2.6%*	
Net income	**652**	**577**	**+13.0%**	**+8.4%***
Cost/income ratio	72.4%	71.9%		
Average allocated capital	1,382	1,086	+27.3%	

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

Global Investment Management and Services comprises asset management (Societe Generale Asset Management), private banking (SG Private Banking), Societe Generale Securities & Services (SG SS) and online savings (Boursorama).

ASSETS UNDER MANAGEMENT (IN BILLIONS OF EUROS)



The liquidity crisis prevailing since the summer 2007 has led to a substantial outflow from dynamic money market funds in France, a segment in which SGAM had a significant market share. SGAM decided to ensure the liquidity of some of its funds (most of which are marketed to corporate and institutional clients) and therefore felt the effects of this crisis.

Meanwhile, Private Banking produced excellent performances with a very high net inflow (EUR 8.8 billion in 2007), a substantial increase on 2006.

Overall, Asset Management recorded a net inflow of EUR 20.1 billion (vs. EUR 41.9 billion in 2006) and outstanding assets under management totaled EUR 434.6 billion [(4)] at the end of the year (vs. EUR 421.8 billion at end-2006). Securities Services confirmed its dynamic growth, with in particular assets under custody up +14.2% at EUR 2,583 billion at end-2007.

(4) This figure does not include the assets held by customers of the French Networks (around EUR 118 billion for investable assets exceeding EUR 150,000) nor the assets managed by Lyxor Asset Management (EUR 72.6 billion at December 31, 2007), whose results are consolidated in the Equities business line.

Global Investment Management and Services recorded mixed financial performances in 2007: Asset Management, which was heavily impacted by the liquidity crisis, produced lower results, whereas Private Banking and Securities Services posted sharply higher results. Overall, and after the EUR 33 million net allocation to provisions in Q4 07, Global Investment Management and Services recorded operating income up +7.3% * vs. 2006 (+11.6% in absolute terms) at EUR 992 million (5). The contribution to Group net income was 13.0% higher than in 2006 and totaled EUR 652 million (5).

Asset Management

(In millions of euros)	2007	2006	Change	
Net banking income	1,119	1,281	-12.6%	-14.6%*
Operating expenses	(841)	(805)	+4.5%	+5.6%*
Gross operating income	**278**	**476**	**-41.6%**	**-48.2%***
Net allocation to provisions	(4)	1	NM	NM
Operating income	**274**	**477**	**-42.6%**	**-49.1%***
Net income from other assets	(6)	(1)	NM	
Income tax	(91)	(162)	-43.8%	
Net income before minority interests	177	314	-43.6%	
Minority interests	*8*	*16*	*-50.0%*	
Net income	**169**	**298**	**-43.3%**	**-50.5%***
Cost/income ratio	75.2%	62.8%		
Average allocated capital	371	280	+32.5%	

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

For 2007, the business line posted a positive net inflow of EUR 11.3 billion vs. EUR 34.2 billion in 2006. The slowdown was essentially due to two different factors:

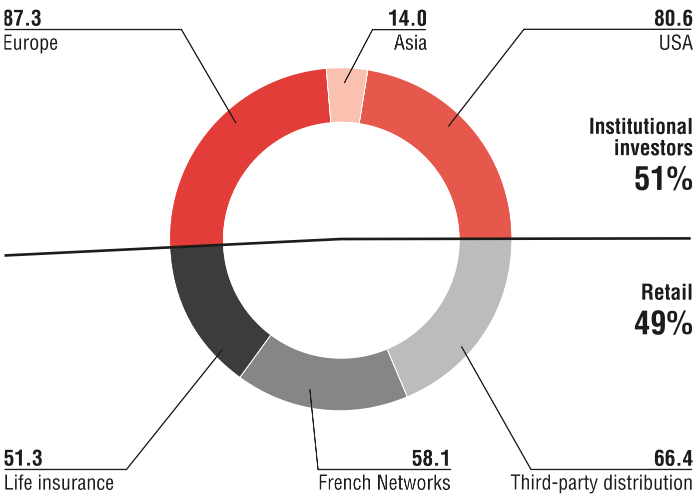
- firstly, withdrawals from dynamic money market funds representing EUR -14.1 billion in 2007. SGAM was also forced to ensure the liquidity of some dynamic money market funds for its clients. This decision and the valuation of certain assets resulted in write-downs and losses amounting to EUR 276 million for 2007;
- secondly, the outflow from CDOs (EUR -7.6 billion) through TCW.

In contrast, note the healthy contribution from the Asian operation, whose inflow for 2007 totaled EUR 6.7 billion.

Assets managed by SGAM totaled EUR 357.7 billion at end-2007, vs. EUR 354.0 billion a year earlier.

Operating expenses increased +5.6% * (and +4.5% in absolute terms) vs. 2006.

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY TYPE OF CLIENT AND REGION (IN BILLIONS OF EUROS)

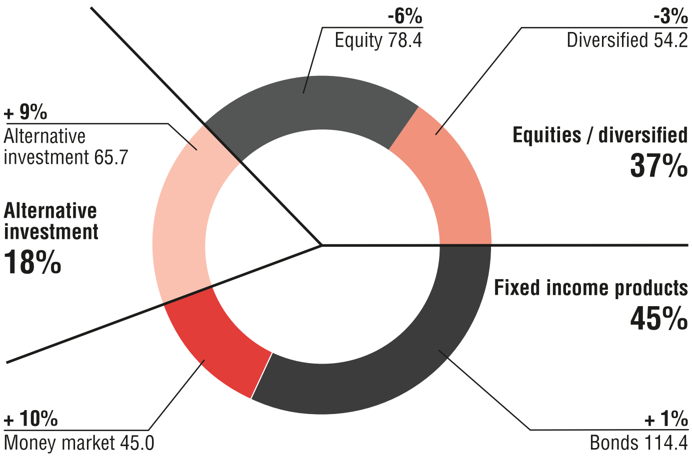


(5) Including the EUR 165 million Euronext capital gain booked in Q2 07.

SGAM recorded operating income of EUR 274 million in 2007. This was lower than the EUR 477 million posted in 2006. The contribution to 2007 Group net income amounted to EUR 169 million vs. EUR 298 million in 2006.

The purchase of assets originating from SGAM funds invested in credit-type underlyings could continue in Q1 2008 and, given the situation in the credit markets, lead to further write-downs.

BREAKDOWN OF ASSETS UNDER MANAGEMENT BY PRODUCT (IN BILLIONS OF EUROS) – % CHANGE VS 2006



Private Banking

(In millions of euros)	2007	2006	Change	
Net banking income	823	658	+25.1%	+27.2%*
Operating expenses	(531)	(434)	+22.4%	+24.4%*
Gross operating income	**292**	**224**	**+30.4%**	**+32.6%***
Net allocation to provisions	(1)	(4)	-75.0%	-75.0%*
Operating income	**291**	**220**	**+32.3%**	**+34.6%***
Net income from other assets	0	0	NM	
Income tax	(63)	(49)	+28.6%	
Net income before minority interests	228	171	+33.3%	
Minority interests	*13*	*12*	*+8.3%*	
Net income	**215**	**159**	**+35.2%**	**+37.6%***
Cost/income ratio	64.5%	66.0%		
Average allocated capital	427	378	+13.0%	

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

SG Private Banking achieved excellent performances, both commercial and financial, in 2007.

Net inflow totaled EUR 8.8 billion in 2007 (or 13% of assets year-on-year), vs. EUR 7.7 billion in 2006. It was driven by all the geographical regions. Assets under management totaled EUR 76.9 billion at end-2007. The gross margin was sharply higher (114 bp vs. 103 bp in 2006). As a result, the business line's net banking income was up +27.2% * at EUR 823 million.

The increase in operating expenses (+24.4% * vs. 2006) includes the impact of continued commercial and infrastructure investments and the increase in business performance-linked pay.

The business line's gross operating income (EUR 292 million) was sharply higher (+32.6% * vs.2006), with the contribution to Group net income also progressing 35.2% to EUR 215 million in 2007.

Securities Services and Online Savings

(In millions of euros)	2007	2006	Change	
Net banking income	1,799	1,256	+43.2%	+32.2%*
Operating expenses	(1,336)	(1,059)	+26.2%	+14.5%*
Gross operating income	**463**	**197**	**x2.4**	**x2.3***
Net allocation to provisions	(36)	(5)	NM	NM
Operating income	**427**	**192**	**x2.2**	**x2.2***
Net income from other assets	0	0	NM	
Income tax	(141)	(62)	x2.3	
Net income before minority interests	286	130	x2.2	
Minority interests	*18*	*10*	*+80.0%*	
Net income	**268**	**120**	**x2.2**	**x2.2***
Cost/income ratio	74.3%	84.3%		
Average allocated capital	584	428	+36.4%	

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

SG SS' business volumes grew substantially in 2007.

With 1,582 million lots traded in 2007, up 62.4% vs. 2006, FIMAT continued to boost its global market share [(6)], which stood at 9.0% at end-2007, vs. 6.7% in 2006.

The launch in January 2008 of Newedge, the result of the merger between FIMAT and Calyon Financial, has produced a leader in derivatives execution and clearing. Owned jointly (50/50) by Societe Generale and Calyon, Newedge will be present in more than 70 markets around the world, with 3,000 staff.

The **Global Custodian subdivision** has also enjoyed buoyant business: assets under custody rose 14.2% year-on-year to EUR 2,583 billion at end-2007, reinforcing the Group's position as one of the leading European custodians. Assets under administration also increased by 20.0% to EUR 444 billion after including the acquisition of the fund administration activities of Pioneer Investments in Germany, a subsidiary of Pioneer Global Asset Management, which enabled the business line to consolidate its position in this activity. Societe Generale Securities Services has continued its targeted development strategy, acquiring the securities custody, clearing and administration activities of Capitalia in Q1 2008. The operation is expected to be finalized at end-March 2008.

In 2007, **Boursorama** confirmed its position as a major player in the distribution of online savings products. At end-2007, Boursorama acquired OnVista AG, the German leader in web-based financial information. This operation will enable Boursorama to accelerate its development in Germany, where it is already present via its Fimatex subsidiary. The strong growth of its activities has continued, with a 8.6% increase in the number of executed orders vs. 2006, which represented a high comparison base. Outstanding savings totaled EUR 4.4 billion, or +7.1% year-on-year. The success of the banking offering has been confirmed, with the opening of 14,700 accounts in 2007, taking the total number of bank accounts to nearly 64,000.

Revenues for SG SS and Boursorama (excluding Euronext capital gain) were up +18.4% * vs. 2006 (+30.2% in absolute terms).

Continued investment in the European custody and fund administration platforms combined with a rise in performance-linked pay due to the growth in business resulted in a 14.5% * increase in operating expenses vs. 2006. The C/I ratio was down, at 81.7% (excluding Euronext capital gain) vs. 84.3% in 2006. Operating income was 29.2% * higher (excluding Euronext capital gain).

(6) Market share in the main markets of which Fimat is a member.

Corporate and Investment Banking

(In millions of euros)	2007	2006 **	Change	
Net banking income	4,522	6,860	-34.1%	-32.8%*
o.w. Financing & Advisory	*1,859*	*1,559*	*+19.2%*	*+21.0%**
o.w.Fixed Income, Currencies & Commodities	*(885)*	*2,252*	*NM*	*NM*
o.w. Equities	*3,548*	*3,049*	*+16.4%*	*+18.4%**
Operating expenses	(3,425)	(3,755)	-8.8%	-6.9%*
Gross operating income	**1,097**	**3,105**	**-64.7%**	**-64.0%***
Net allocation to provisions	56	93	-39.8%	-36.4%*
Operating income excluding net loss on unauthorized and concealed trading actvities	**1,153**	**3,198**	**-63.9%**	**-63.2%***
Net loss on unauthorized and concealed trading activities	(4,911)	0	NM	NM
Operating income including net loss on unauthorized and concealed trading actvities	**(3,758)**	**3,198**	**NM**	**NM**
Net income from companies accounted for by the equity method	19	24	-20.8%	
Net income from other assets	26	30	-13.3%	
Impairment losses on goodwill	0	0	NM	
Income tax	1,501	(901)	NM	
Net income before minority interests	(2,212)	2,351	NM	
Minority interests	*9*	*13*	*-30.8%*	
Net income	**(2,221)**	**2,338**	**NM**	**NM**
Cost/income ratio	75.7%	54.7%		
Average allocated capital	5,684	4,908	+15.8%	
ROE after tax	**n/s**	**47.6%**		

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

The results of **Societe Generale Corporate & Investment Banking** (SG CIB) are presented in accordance with the division's organizational structure implemented at the beginning of Q1 2007. Historical comparable data have been adjusted and are also now presented excluding Cowen.

SG CIB posted a negative contribution to Group net income of EUR -2,221 million in 2007, due to the combination of an exceptional fraud (EUR 4.9 billion net loss on unauthorized and concealed trading activities) and the US financial crisis.

Net banking income totaled EUR 4,522 million in 2007 or -32.8% * vs. 2006 (-34.1% in absolute terms). The growth in Equities activities and Financing & Advisory (net banking income up +18.4% * and +21.0% * respectively vs. 2006) helped limit the financial crisis' impact on the Fixed Income, Currencies & Commodities business.

Trading revenues were heavily impacted by the financial crisis in the United States (negative contribution of EUR 1,174 million in 2007). Client-driven revenues continued to grow and amounted to EUR 5,197 million, or +14.5% vs. 2006.

Revenues for the **Equities** business were up +18.4% * in 2007 (+16.4% in absolute terms) at EUR 3,548 million, due to the financial crisis. Equity trading activities were affected by the subprime crisis (-15.4% vs. 2006 at EUR 1,251 million). Revenues from client-driven activities continued to grow (+35.8% vs. 2006), confirming the robustness of the franchise. As a result, flow products, structured products and cash equities produced good performances in 2007. Lastly, Lyxor saw its managed outstandings increase by EUR 11.6 billion in 2007, confirming clients' interest in its products and its model.

The **Fixed Income, Currencies & Commodities** business posted net banking income of EUR -885 million in 2007 due to EUR 2.6 billion of write-downs and losses on US mortgage-related exposures, including:

- EUR -1,250 million relating to super senior tranches of unhedged CDOs;
- EUR -947 million [7] relating to the counterparty risk on monoline insurers (gross exposure of EUR 1.9 billion at December 31, 2007, adjusted to EUR 1.3 billion after taking into account CDS hedges purchased from banking counterparties, *i.e.* net exposure after write-down of EUR 0.4 billion);
- EUR -325 million on the RMBS trading portfolio. Written down on the basis of market parameters, this portfolio has been largely hedged or sold. At December 31, 2007, RMBS exposure, net of write-downs and unhedged, amounted to EUR 184 million.

The decision to consolidate the SIV (Structured Investment Vehicle) PACE at December 31, 2007 resulted in the recording of EUR -49 million under net banking income in 2007.

However, client-driven activities increased +15.7% in 2007 to EUR 1,404 million, particularly for flow products and structured rates.

Financing & Advisory revenues grew +21.0% * vs. 2006, to EUR 1,859 million (+19.2% in absolute terms). SG CIB confirmed its place among the leaders in euro capital markets. In 2007, it ranked No.3 for euro bond issues (IFR) and was named “Euro Bond House of the Year” (IFR).

SG CIB’s operating expenses fell -6.9% * to EUR 3,425 million in 2007 (-8.8% in absolute terms).

Corporate and Investment Banking recorded a EUR 56 million provision write-back in 2007 (vs. a EUR 93 million write-back in 2006). In a particularly uncertain and difficult environment, the Group expects an increase in the cost of risk in the next few months.

Corporate and Investment Banking made a total contribution to operating income in 2007, excluding the net loss on unauthorized and concealed trading activities, of EUR 1,153 million (vs. EUR 3,198 million in 2006).

The division’s ROE after tax, adjusted for the net loss on unauthorized and concealed trading activities, stood at 17.9%.

(7) Including EUR 47 million relating to the exposure to ACA (fully written down at December 31, 2007).

Corporate Center

(In millions of euros)	2007	2006
Net banking income	320	201
Operating expenses	(94)	(131)
Gross operating income	**226**	**70**
Net allocation to provisions	(13)	(1)
Operating income	**213**	**69**
Net income from companies accounted for by the equity method	(6)	(5)
Net income from other assets	(13)	3
Impairment losses on goodwill	0	(18)
Income tax	(117)	134
Net income before minority interests	77	183
Minority interests	*222*	*215*
Net income	**(145)**	**(32)**

The Corporate Centre recorded gross operating income of EUR 226 million in 2007 (vs. EUR 70 million in 2006). Income from the equity portfolio amounted to EUR 502 million. At December 31, 2007, the IFRS net book value of the industrial equity portfolio, excluding unrealized capital gains, amounted to EUR 0.6 billion, representing market value of EUR 1.0 billion.

In managing the liquidity of some SGAM funds, the Group subscribed to units in two dynamic money market funds in Q4 07. The write-downs and depreciation for the cost of risk recorded on these units due to the liquidity crisis had an impact of EUR - 49 million on the Corporate Centre's operating income.

Methodology

1. **The potential accounting impact of the unauthorized transactions is not reflected in the interim financial statements, management reports and quarterly results**

   The interim financial statements and related Group management report as of and for the six-month period ended June 30, 2007, the quarterly results as of and for the three-month and nine-month period ended March 31, 2007 and September 30, 2007, together with the related Group management comments are incorporated by reference as originally issued and do not reflect the potential accounting impact of eliminating such unauthorized activities. This information which is included respectively in the supplements to the 2007 Annual Report submitted to the AMF under No. D.07-0146-A02 on August 31, 2007, No. D.07-0146-A01 on May 25, 2007, No. D.07-0146-A03 on November 13, 2007 cannot be relied upon without due consideration of the matter described above.

2. **The Group's results were approved by the Board of Directors on February 20, 2008**

   The financial information presented for 2007 and comparative information in respect of the 2006 financial year have been prepared by applying accounting principles and methods in accordance with IFRS, as adopted in the European Union and applicable at those dates.

3. 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 excluding conversion 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 83 million for 2007 vs. EUR 41 million for 2006).

4. **Earnings per share** is the ratio of (i) net income for the period after deduction (as of 2005) of the interest, net of tax, to be paid to holders of deeply subordinated notes (EUR 55 million in 2007 and EUR 28 million in 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 28 million for 2007 vs. 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.

5. **Net assets** are comprised of Group shareholders' equity, excluding (i) deeply subordinated notes (EUR 2.48 billion), undated subordinated notes previously recognized as debt (EUR 0.87 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, 2007, excluding treasury shares but including (a) trading shares held by the Group and (b) shares held under the liquidity contract.

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.

The Tier One ratio at the end of 2007 was 6.6% due to respective changes in available capital and its use over the year and, in particular, to the impact of the exceptional fraud-related loss.

After the current capital increase and taking into account the acquisition of additional tranches of 37.8% in the Russian bank Rosbank, the proforma Tier One ratio for the end of 2007 will be slightly higher than 8%. The Group aims to maintain a Tier One ratio (Basel I) of 8% at the end of 2008 and to subsequently gradually reduce it to 7.5% by the end of 2010.

Capital base

At December 31, 2007, Group shareholders' equity amounted to EUR 27.2 billion and book value per share to EUR 56.4 (-11.4% vs. 2006), including EUR 2.6 of unrealized capital gains. Risk-weighted assets increased by 14.3% * year-on-year reflecting strong organic growth in all the Group's businesses. Corporate and Investment Banking's risk-weighted assets increased +10.7% over the same period, but have fallen -5.7% since June 30, 2007.

In order to boost its shareholders' equity, the Board of Directors, meeting on January 23, 2008, decided to launch a EUR 5.5 billion capital increase. This operation, which is subject to a firm underwriting (*garantie de bonne fin*) as per article L.225-145 of the French Commercial Code, will take the Tier One ratio (Basel I) to 8%, taking into account the Rosbank acquisition.

The Group follows a share buyback policy aimed at annually neutralising the dilutive effect of capital issues reserved for employees and allocations of stock options and free shares. In accordance with this policy, the Group repurchased 10.7 million shares during 2007. At December 31, 2007, Societe Generale held 30.3 million treasury shares (or 6.5% of the capital), excluding shares held for trading purposes.

The Societe Generale Group's ratings were upgraded in 2006 and 2007 by the rating agencies Moody's (on May 11, 2007 from Aa2 to Aa1), Standard & Poor's (on November 15, 2006 from AA- to AA) and Fitch (on May 12, 2006 from AA- to AA). Following the fraud-related loss and in view of the financial policy measures undertaken by the Group to boost its shareholders' equity, Moody's and Fitch have downgraded (on January 24, 2008) Societe Generale's long-term rating, respectively to Aa2 and AA- with a stable outlook. On February 15, 2008, Standard & Poor's also downgraded its long-term rating to AA- with a negative outlook.

These levels are compatible with the long-term rating objective that the Group has set.

Generation and use of capital in 2007

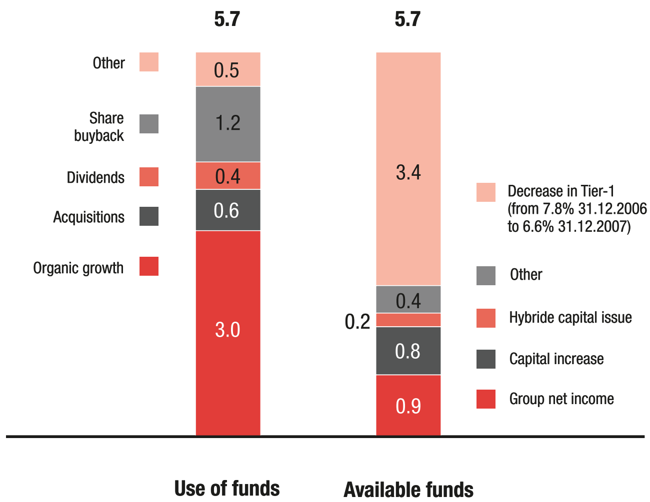
The main changes in shareholders' equity over 2007 were as follows:

Available funds:

- attributable net income of EUR 0.9 billion;
- additional paid-in capital from capital increases reserved for employees in the amount of EUR 0.8 billion;
- additional paid-in capital from the issuance of equity instruments (deeply subordinated notes) in the amount of EUR 0.2 billion;
- various items, including changes in reserves, in the amount of EUR 0.4 billion.

Use of funds:

- financing of organic growth: EUR 3.0 billion in 2007, at constant exchange rates, reflecting growth in all the Group's businesses;
- financing of acquisitions: EUR 0.6 billion in 2007;
- the dividend for 2007 which is subject to the approval of the General Meeting (pay-out ratio slightly higher than 45% in 2007);
- share buybacks intended to dilute the impact of capital increases reserved for employees, corresponding to the purchase of 10.7 million shares in 2007 (EUR 1.2 billion).



Financing of the main investments currently underway

The main investments currently underway will be financed using the Group's usual sources of funds.

SIGNIFICANT NEW PRODUCTS OR SERVICES

In line with its strategy of innovation, the Societe Generale Group launched a number of new products and services in 2007, the most significant of which are listed below:

Business Division	New product or service	
French Networks	High Fidelity Services Infinite Visa card Réservéa	Societe Generale offering aimed at "premium" individual and professional customers, with a range of services specifically for cardholders, a card and money accessible at any time.
	12-15 generation by Societe Generale	Societe Generale offering aimed at young people, including a young person's account, a debit card and access to consult and monitor the account.
	"Integral" Progecard	Societe Generale's new electronic banking solution for professionals:" to collect more cash, more quickly and at lower cost".
	Libertimmo 3 Cap-1 Modulinvest 3 Cap-1	New variable-rate loan formula launched by Credit du Nord. It provides customers with similar security to that of a fixed-rate loan and enables them to benefit from any decline in the variable rate.
	Antarius Dépendance	An insurance policy for individuals offered by Credit du Nord and covering the consequences of partial and/or total dependence. It allows holders to avoid being a burden on their family and provides access to assets in the event of dependence.
International Retail Banking	"O-la-la" Visa card in Serbia	Launch of the Visa revolving credit card O-la-la to celebrate Societe Generale's 30 years in Serbia. Holders will benefit from a 10% discount in partner stores and accumulate points on day-to-day banking transactions that they can convert into gifts. The O-la-la card is also accessible to non-SG customers.
	Mortgage loan in the Czech Republic	A unique product launched by Komerçni Banka in the Czech mortgage market, offering the possibility of postponing and changing monthly payments.
	Personalized bank cards in the Czech Republic	A Komerçni Banka service enabling customers to create the visual appearance of their bank card (personal photos, pets, monuments) via a dedicated website (www.mojekarta.cz)
	Ahly card in Morocco	A pre-paid "family solidarity" card launched by Societe Generale in Morocco and designed for Moroccans living abroad. The card enables them to make transfers and money available to their family in Morocco, from within Morocco or directly from abroad.
	Pro Active Pack in Reunion island	A package for professionals comprising a basic range of services (direct banking, insurance, payment services, overdraft facility, account handling fees) and optional products (bank cards, Pro legal protection, private account package).
Financial Services	Franfinance/Nouvelles Frontières co-branded card	This card combines the functionalities of a traditional Visa card, financing solutions and the specific features of a store card. It also enables the holder to benefit from travel reductions, through purchases made in the Nouvelles Frontières network and credited to an acount.
	Multipremia in Italy	Launch by Fiditalia of a personal loan rewarding regular monthly payments throughout the contract through a graduated decreasing rate system (degressive amortization plan). In the case of a payment incident, the customer loses the possibility of benefiting from a lower rate at the next stage. The number of stages (maximum of 4) and the duration of each are determined according to the total duration of the loan (from 24 to 96 months).
	VIP Service	Launch by ALD of a new VIP offering comprising a range of innovative services: – organization of appointments relating to car maintenance; – supply of a replacement car in the luxury category for the period the car is out of service; – premium assistance with a wider range of services.
	The Safe Proctocol	Launch by SG Equipment of a new product designed to confirm to exporting SMEs the implementation of leasing financing with their foreign buyers. The direct release of the financing into the hands of the exporter's local representative helps to secure the commercial counterparty risk.
	Ebène	An individual multi-media life insurance contract (launched by SOGECAP) aimed at wealth management clients. Offering access to external funds and the best products of the Group's management companies, "Ebène" provides increased guarantees with tax breaks.

Asset Management	SGAM AI Equity Fund	Obtainment of approval in France, Italy, Portugal, Spain, the United Kingdom, Austria and Germany for the marketing of SGAM AI Equity Fund. A mutual fund with sub-funds governed by Luxembourg law, this product provides access to US "long-only" equity funds managed by leaders recognized in the global hedge fund industry.
	ETF range	Launch on Euronext Paris of four ETFs: two ETFs offering inverse exposure to changes in the CAC 40 and two ETFs offering inverse exposure to the Dow Jones EURO STOXX 50. These ETFs are intended for institutional investors not wishing to use futures to implement a declining market and portfolio hedging strategy, and well-informed individual investors.
Private Banking	New SG Private Banking product	Launch of a socially responsible structured product in partnership with the Association Mondiale des Amis de l'Enfance Monaco (A.M.A.D.E.) whose characteristics are as follows: a 6-year investment horizon, a secure investment and a selection of assets related to sustainable development.
	SGAM Fund Equities SGAM Fund Bonds	Launch by SGAM Fund, the Luxembourg subsidiary of SGAM, of 7 new sub-funds (SGAM Fund Equities Latin America, SGAM Fund Equities Europe Expansion, SGAM Fund Equities Europe Growth, SGAM Fund Equities Global 130/30, SGAM Fund Bonds Europe Convertible, SGAM Fund Bonds Absolute Return Forex, SGAM Fund Bonds Global MultuiStrategies) offering clients new expertise in order to still better respond to their needs and changes in the market.
Securities Services	Asset Servicing offering for complex derivatives	Extension of the range of services of Societe Generale Securities Services. After the marketing of valuation, performance attribution, and complex derivative risk calculation services, SGSS has supplemented the Asset Servicing offering with a new middle office OTC and structured products service.
Corporate and Investment Banking	Lyxor Generis	Launch by Lyxor of a range of three mono-strategy Hedge Funds based on implicit assets.
	Lyxor Quantic	Launch of a new "absolute return" fund, Ucits 3, which primarily manages arbitrage positions on hidden assets.
	CrossRoads	A service for investors offering access to innovative structured strategies and active management of the portfolio composed of these different strategies.
	"Societe Generale Index"	Creation of "Societe Generale Index" (SGI), a new generation of indexes accessible via investment vehicles. For each new SGI index created, a certificate or ETF is launched that replicates the index.
	Timer Call	A new generation of derivatives, an innovation in terms of vanilla call (or Put) at the base of all options products, warrants with complex structured products.
	EMTN with incorporated swap	Structuring of an EMTN program issue, a very innovative product due to its structure, and incorporating a derivative.

MAJOR INVESTMENTS

As part of its strategy to increase its customer base in Europe and secure its long-term growth, the Group made further targeted acquisitions in 2007, notably in its designated growth drivers: International Retail Banking, Financial Services, Global Investment Management & Services.

Business Division	Description of the investment
2007	
International Retail Banking	Acquisition of 51% of Banque Internationale d'Investissement (BII) in Mauritania.
	Acquisition of 95% of Mobiasbanca, one of the main banks in Moldavia.
	Acquisition of 59% of Ohridska Banka, one of the four major universal banks in Macedonia.
	Acquisition of 75% of Banka Popullore, a dynamic universal bank in Albania.
Financial Services	Acquisition of Scott Financial Services, a broker specializing in pleasure boat financing in the United States.
	Acquisition of 70% of Banco Pecunia, a Brazilian company specializing in consumer credit.
	Acquisition of Banco Cacique, a major Brazilian player specialized in consumer credit.
	Increase of the stake in Indian consumer credit company Family Credit (ex-Apeejay Finance) from 45% to 100%.
	Purchase from UniCredit of its 50% share in LocatRent, an Italian company specialized in multi-brand operational vehicle leasing and fleet management. LocatRent will therefore be wholly-owned by Societe Generale.
Asset Management	Increase in SGAM's stake in Fortune SGAM to 49%, the maximum level authorized by Chinese regulations. Fortune SGAM is a co-management company formed in 2003 with the Chinese industrial leader Baosteel.
	Acquisition of an additional 3.3% of the capital of TCW.
	Acquisition of 51% of Buchanan Street Partners, an asset management company specialized in real estate in the United States.
Private Banking	Acquisition of the private banking activities of ABN AMRO in the United Kingdom.
Securities Services and Online Savings	Acquisition by Boursorama of 82% of OnVista AG, the German leader in web-based financial information.
	Purchase by Fimat of the commodities business of Himawari CX Inc., a Japanese broker in the futures markets in Japan.
	Acquisition of the fund administration, middle and back office activities of Pioneer Investments in Germany.
2006	
International Retail Banking	Acquisition of 99.75% of HVB Splitska Banka d.d., a Croatian universal bank with a 9% market share of banking assets.
	Acquisition by Societe Generale of a stake in Rosbank (No. 2 in retail banking in Russia) representing 10% to 20% minus one share. Interros has given Societe Generale a purchase option on 30% of Rosbank + 2 shares in order to take control of the Russian bank before the end of 2008
	Acquisition of control by Komercni Banka (Czech Republic) of Modra Pyramida (stake increased from 40% to 100%)
	Acquisition of a 60% stake in Bank Republic, one of the main banks in Georgia.
Financial Services	Acquisition by Rusfinance, a wholly-owned subsidiary of Societe Generale, of SKT Bank in Russia, specialized in dealership car loans.
	Acquisition of Chrofin, a Greek company specialized in car financing and operational vehicle leasing.
	Acquisition of 100% of Oster Lizing, a Hungarian consumer credit company specialized in car financing.
	Acquisition of SKT Bank (Russia), specialized in dealership car loans.
	Acquisition by ALD International of Ultea, a US company specialized in car fleet management.
	Acquisition of an initial tranche of 45% of Apeejay Finance (India), specialized in financing for a wide range of products including cars, commercial vehicles, two-wheeled vehicles and consumer goods.
	Acquisition of Inserviss Group, a Latvian company offering a wide range of consumer credit products.
Asset Management	Acquisition of 20.65% of the capital of TCW

Business Division	Description of the investment
Securities Services and Online Savings	Acquisition of CaixaBank, a French subsidiary of CaixaHolding, by Boursorama
	Acquisition by Fimat of Cube Financial, a broker specialized in derivatives execution services with offices in London and Chicago.
	Acquisition of the securities business line of the Unicredit Group (2S Banca S.p.a.), the second largest securities custodian in Italy.
2005	
International Retail Banking	Acquisition of 91% of MIBank (Egypt) by NSGB.
	Acquisition of 100% of the capital of DeltaCredit Bank in Russia, the main mortgage player in Russia.
	Acquisition of 64.44% of the capital of Podgoricka Banka, the third largest bank in Montenegro by balance sheet size (13.3% market share).
Financial Services	Acquisition of 75% of the capital of Hanseatic Bank, a subsidiary of the Otto Group. Hanseatic Bank ranks as Germany's No. 4 consumer credit specialist.
	Acquisition by Fiditalia of the financing activities of Finagen (Italy).
	Acquisition by ALD International of 51% of 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, a subsidiary of the Sok Group (Russia) and one of the leading regional banks specializing in consumer credit, and notably car loans.
Corporate and Investment Banking	Acquisition of Bank of America's hedge-fund linked structured investment business.
Securities Services and Online Savings	Purchase of the assets of PreferredTrade (USA) by Fimat to reinforce its service offering in all US cash equities and equity derivative products.
	Acquisition by Boursorama of Squaregain (ex Comdirekt UK), a major online brokerage player in the UK.

RECENT DEVELOPMENTS AND FUTURE PROSPECTS

In 2007, the crisis in the US residential real estate sector and its repercussions on the financial markets put an end to four years of rising equity markets. After several years of strong economic growth, steady increases in the prices of basic products and a low cost of risk, the economic environment is now less buoyant and uncertain. Global economic activity is therefore expected to see more moderate growth in 2008 as a result of the slowdown in the US economy. That said, and despite the slowdown in demand from the most industrialized countries, the emerging economies should generally continue to enjoy strong growth, due primarily to the dynamic development of their internal markets.

The Group which, since the end of the 1990s, has developed its activities by gradually reinforcing the importance of businesses and regions with strong potential, is particularly well positioned to seize the opportunities for growth in emerging countries, as testified by the acquisition of the majority of Rosbank in Russia, which was finalized in February 2008. This makes Societe Generale one of the leading banks in Russia, with 600 branches in the country's largest private banking network, in a market of 142 million inhabitants driven by a dynamic economy. In 2008, the Group will also continue to expand its activities in Central and Eastern Europe and in the Mediterranean Basin, as well as in Consumer Credit, particularly in countries with strong growth potential, and in Private Banking.

As in the past, this expansion of the Group's growth drivers will draw on the substantial capital generation resulting from the French Networks and Corporate and Investment Banking, which boast leadership positions in their respective markets. In the case of the French Networks, the growth in the customer base will continue to be based on the opening of new branches, the development of the multi-channel distribution network and the targeting of customer segments with strong potential. An extensive platform will be put in place for mass affluent customers through the recruitment over 2007-2009 of 650 dedicated advisers and the roll-out of a specific offering. In Corporate and Investment Banking, the first half of 2008 will be a transitional period marked by the reinforcement of operating control mechanisms and the temporary reduction of stress test limits and arbitrage volumes, in a market environment that will probably remain difficult. Thanks to the strength of the commercial franchise the performance of client-based activities will remain sustained. The division will continue to develop its targeted growth strategy in the three areas in which it excels (equity derivatives, structured financing and euro capital markets) primarily through cooperation initiatives between its different businesses and with International Retail Banking (particularly in Eastern Europe).

In order to increase the Group's efficiency, initiatives introduced in 2007 with the creation of the Resources Department and the launch of an operating efficiency improvement program will continue in 2008, with a threefold ambition by 2010:

- to reinforce process industrialization;
- to develop mutualization practices and synergies in France and abroad;
- to optimize the cost of resources.

POST-CLOSING EVENTS

The main post-closing events are as follows:

Operational launch of newedge, brokerage subsidiary of Societe Generale and Calyon

January 2, 2008 saw the start of business at Newedge, the result of the merger between the Fimat and Calyon Financial brokerage companies. The new entity, owned jointly (50/50) by Societe Generale and Calyon, enjoys a global leadership position in listed derivatives execution (especially electronic execution) and clearing.

Newedge is supported by a powerful international network of 25 subsidiaries in 17 countries and offers its clients access to more than 70 markets around the world.

Newedge's strategy consists of responding to the growing needs of its clients. Based on a traditional offering involving futures contracts, options, equity products, currencies, fixed income and commodities on OTC markets, Newedge offers clients a full range of added value services in execution, clearing and prime brokerage. With a position in its Futures Commission Merchants (FTM) activity, Newedge aims to diversify its range of prime brokerage services to include new asset classes, and to develop new activities using its electronic trading platform.

La Banque Postale and Societe Generale sign memorandum of understanding

On January 10, 2008, Societe Generale announced the signing of a memorandum of understanding with La Banque Postale bringing together the development and operational use of their electronic payment systems. By mutualizing investments, maintenance and operating costs of the electronic payment platform, the two partners aim to share their expertise while reducing costs.

Current and future IT processing will be centralized by a joint venture led equally by the two institutions.

Management of the transaction systems for bank card payments, retail operations and ATMs will be shared, thereby reducing investment, maintenance and operating costs.

The two institutions will maintain their autonomy in terms of commercial, pricing policy and client relationship management.

Detection of an exceptional fraud

Exceptional loss on a fraudulent and concealed position

In January 2008, the Group uncovered an exceptional fraud in both its scale and nature: a trader, in charge of arbitrage activities on financial instruments involving European stock market indexes, took fraudulent directional positions during 2007 and in early 2008 that greatly exceeded the individual limits that had been allocated to him. Certain unusual transactions had also been carried out in 2005 and 2006, albeit on a "sporadic" or "marginal" basis (Lagarde report). They are currently being investigated in the course of the ongoing audits. This trader, whose activity consisted in the concurrent management of two portfolios similar in size and composition, using one to hedge the other, conducted hedges using fictitious transactions, thus concealing his losses and gains. He was able to conceal his positions through a series of fictitious transactions of various sorts. In order to prevent the immediate identification of these fictitious transactions, the trader used his years of experience acquired in departments for the processing and control of market transactions to circumvent the controls enabling the Bank to verify the details and therefore the real existence of the transactions initiated by its traders.

On January 18, 2008, an alert on the positions taken triggered an internal investigation. On January 20, 2008, once the scale of the exposure had been identified, Societe Generale's Chairman notified the Board of Directors' Accounts Committee as well as the Bank of France and the *Autorité des Marchés Financiers* (French Securities Regulator). The positions were unwound between January 21 and 23 in a manner respecting the integrity of the markets and the interests of shareholders. The unwinding of transactions on the Eurostoxx, DAX and FTSE involved volumes that represented a maximum of 8.1% of the daily trading volumes in these markets. Given the size of these positions and the particularly unfavorable market conditions at the time, this fraud has ultimately had a net negative impact of EUR 4.9 billion on the Group's 2007 operating income.

At the date of the closing of the accounts, Corporate and Investment Banking activities are still the subject of various investigations, both internal and external, and any new information will be taken into consideration.

Exceptional nature of the loss

Since 2003, the Group has kept a record of unit internal operating losses in excess of EUR 10k (EUR 25k for Corporate and Investment Banking) covering virtually all of its entities, both in France and abroad. This database has been used to analyze losses (by category of event, activity, geographical region, etc) and monitor their trends as well as the corrective action plans proposed. The total annual cost of operating risk represented, excluding the exceptional loss mentioned above, around EUR 225 million over 2004-2007.

Measures taken – Impact on the control environment

During a hearing before the Senate's Finance Commission on January 30, 2008, the Governor of the Bank of France stated that "the initial information available suggested that Societe Generale's system of internal control had not functioned as it should have and that those that had functioned had not always been appropriately monitored".

Mrs. Lagarde's February 4, 2008 Report to the Prime Minister on recent events at Societe Generale identified the eight areas below that are likely to have been particularly exposed:

- monitoring of traders' nominal outstandings (as opposed to the monitoring of net positions which, by definition, only reveals a limited market risk): the absence of this monitoring made it possible to establish in a little over two weeks a position of EUR 50 billion in January 2008;
- monitoring of cash flows, margin calls and payments, guarantee deposits, results achieved;
- extensive analysis of and follow up on requests for information that the Eurex clearing house submitted to the Bank in November 2007;
- monitoring of transaction cancellations and changes originating from a single trader;
- confirmation of transactions with all the counterparties;
- compliance with the Chinese Wall between the front and back offices and cross-functional organization of the middle and back offices;
- IT systems' security and protection of access codes;
- monitoring of unusual behavior (e.g. absence of vacations).

Societe Generale has not commented on the points other than to note that the Report does not call into question its risk measurement and management systems. Societe Generale has indicated that all of the points mentioned are being analyzed as part of the audits in progress.

This trader's positions have been reviewed and a detailed analysis of all positions within his department has been made, which has identified no similar situation. The employee, who has acknowledged these facts, has been relieved of his duties and a dismissal procedure has been initiated. In addition, the trader's direct line managers have been suspended, pending the results of the current audits and investigations, which will enable Societe Generale to determine whether the trader acted alone or in concert with others, within or outside the Group.

Specific control procedures have been defined in order to prevent any further use of the techniques devised by this trader to circumvent the control procedures. Some measures are being implemented immediately. Other, more structural, measures will be implemented in the short-term. These changes, together with their timetable, have been communicated to supervisors.

An action plan has been launched to prevent any similar situation. The plan is as follows:

- the measures that have already been implemented concern the scope of the fraud. They included a review of the trader's transactions and any other transactions exhibiting similar characteristics.

  A program to improve IT security is underway (frequent changing of passwords, access checking). A biometric identity control system will be put in place on the most sensitive workstations over the coming months;
- the management of alert indicators has been reformed (control and limits of gross nominal amounts, supervision of cancellations, transactions with deferred start, ongoing confirmation with internal counterparties, control of cash flows, more rigorous monitoring of holidays and unusual behavior, alert distribution list);
- plans already underway to reorganize relations between the middle and front offices will continue. The middle office's organizational structure will be reformed and a department responsible for transaction security, and independent of the front and back office chains, will be set up. This will include a team responsible for seeking out fraudulent transactions, notably those related to malicious behavior. Lastly, fraud risk training and control resources will be stepped up.

These developments are in keeping with those already under way. The resources of SG CIB's back and middle offices have increased from 55% of the workforce in 2002 to 62% today.

The action plan described above has been prepared on the basis of internal audits carried out during the period immediately after the discovery of the fraud. The internal audit is still ongoing. Moreover, other audits and investigations, notably by the Banking Commission, are in progress, which will enable Societe Generale to reinforce and improve its internal control systems and procedures if weaknesses are identified.

Establishment of a Special Committee within the Board of Directors

On January 30, 2008, the Board of Directors set up a Special Committee of independent directors responsible primarily for ensuring:

- that the causes and amounts of the trading losses announced by the bank have been completely identified;
- that measures have been, or are, put in place to prevent the occurrence of further incidents of the same nature;
- that the bank's public disclosure faithfully reflects the findings of the investigations;
- that the situation is managed in the best interests of the company, its shareholders, clients and employees.

This Committee is assisted in its task by Price Waterhouse Coopers.

The Chairman of the Special Committee will provide an update on the situation at the Board of Directors' meeting on February 20, 2008 based on the state of progress of the ongoing investigations.

Interim report by the Board of Directors' Special Committee (February 20, 2008)

1. The Special Committee was given the following missions by the Board of Directors: ensure that the causes and sizes of the trading losses discovered in January 2008 have been completely identified, that measures have been put in place to prevent the occurrence of further incidents of the same nature, that the information communicated by the bank faithfully reflects the findings of the inquiry and that management of the situation is conducted in the best interests of the company, its shareholders, its clients, and its employees.
2. On January 24, 2008, the bank's General Inspection department received an internal audit mission. The Banking Commission dispatched an audit team which commenced its work on January 25, 2008. Legal proceedings were opened on January 28, 2008 by the investigating magistrates, Van Ruymbeke and Desset, who entrusted the investigation to the Paris financial brigade. The French securities regulator (AMF) has opened an inquiry into the financial information and the market for Societe Generale shares. The Minister of the Economy, Finance and Employment delivered a report on these events to the Prime Minister on February 4, 2008.
3. The aim of the mission carried out by the General Inspection department is to establish the chronology of the fraudulent positions, identify the responsibilities and malfunctions pertaining to the controls which enabled the fraud to occur, to seek the motives for the fraud and any accomplices and to confirm the absence of any other frauds using some of the mechanisms used for equity market activities. The scope of the mission was reviewed and approved by the Special Committee, which enlisted PriceWaterhouseCoopers to review the various tasks.
4. To successfully carry out its mission, the General Inspection used a team of over forty employees. The aims of the different investigations are not identical but their realization is largely based on the same tasks and interviews with the same individuals. Consequently, the General Inspection took responsibility for coordinating requests from the other investigating bodies with which it was working so as to ensure transparency and efficiency. It goes without saying that the legal investigation takes priority over the other inquiries and, given its obligations, it has prevented the bank's General Inspection department from carrying out all of the interviews required before it can submit its conclusions.
5. The Special Committee submits below its assessment of the interim conclusions of the internal audit mission carried out by the General Inspection department of the Societe Generale [8], as well as a status update on the measures designed to strengthen the control systems in order to avoid the occurrence of similar frauds.

THE NATURE OF THE TRADING ACTIVITIES WHERE THE FRAUD OCCURRED

6. In the Global Equities Derivatives Solutions (GEDS) department of the Corporate and Investment Banking arm, the trading activities where the fraud occurred can be separated into two main types of activity, depending on whether they are directly linked or not to client operations.

The former activities involve carrying out transactions in the market with a view to reducing or even eliminating the risk for the bank on operations carried out by its clients.

The latter activities, called arbitrage or proprietary trading involve taking advantage of differences in the valuation of correlated assets. For example, by purchasing a portfolio of financial instruments and selling at the same time another portfolio of very similar financial instruments but with a slightly different value. The fact that the two portfolios have very similar characteristics and that they offset each other means that these activities present very little market risk. As the differences in value are often very small, numerous transactions are required involving sometimes-high nominal amounts in order to generate any significant income. The trader involved in the fraud worked in this field.

In both cases, it is not the role of the trading activities to take positions on rises or falls in the market (called directional risk) unless they are residual, over a short period, and within strictly defined limits.

(8) The Inspection General report is available on the website www.socgen.com.

INTERMEDIARY CONCLUSIONS OF THE INTERNAL AUDIT MISSION

7. The conclusions of the internal audit mission confirm the main characteristics of the fraud, as indicated on January 24, 2008 by Societe Generale's management.
8. The author of the fraud departed from his normal arbitrage activities and established genuine "directional" positions in regulated markets, concealing them through fictitious transactions in the opposite direction. The various techniques used consisted primarily of:
   - purchases or sales of securities or warrants with a deferred start date;
   - transactions or futures with a pending counterparty.
   - forwards with an internal Group counterparty.
9. The author of the fraud began taking these unauthorized directional positions, in 2005 and 2006 for small amounts, and from March 2007 for larger amounts. These positions were uncovered between January 18 and 19, 2008. The total loss resulting from these fraudulent positions has been identified and amounts to 4.9 billion euros, after their unwinding between January 21 and 23, 2008.
10. The General Inspection department believes that, on the whole, the controls provided by the support and control functions were carried out in accordance with the procedures, but did not make it possible to identify the fraud before January 18, 2008. The failure to identify the fraud until that date can be attributed firstly to the efficiency and variety of the concealment techniques employed by the fraudster, secondly to the fact that operating staff do not systematically carry out more detailed checks, and finally to the absence of certain controls that were not provided for and which would have probably identified the fraud. The Inspection General department has refrained from drawing any conclusions at this stage regarding the responsibility of the front office manager supervising the fraud's author, given the ongoing legal investigation which has not enabled it to interview all the protagonists. At this stage of the investigations, there is no evidence of embezzlement or internal or external complicity (*i.e.* the existence of a third party who knowingly assisted the interested party to conceal his movements).The investigations are continuing and, in particular, have been extended to cover a wider area than the activities of the author of the fraud.
11. After receiving the comments of Price Waterhouse Coopers, the Special Committee concurs with these conclusions. It has decided to make public the General Inspection department's interim summary report.

MEASURES AIMED AT REINFORCING THE CONTROL SYSTEM IN ORDER TO PREVENT FURTHER FRAUDS

12. As soon as the fraud was discovered, weaknesses were identified in the supervision and control system which required immediate corrective measures. Consequently, action plans were immediately implemented as part of a structured plan consisting of three priority areas:
    - Strengthening of IT security through the development of strong identification solutions (biometry), the acceleration of current structural plans for the management of access security and targeted security audits;
    - Reinforcement of controls and alert procedures; these are reviewed mainly to ensure the appropriate circulation of relevant information between the different units and at the correct management level;
    - Strengthening of the organizational structure and governance of the operating risk prevention system to develop its cross-functional nature and better take account of the fraud risk, including from the human resources standpoint.
13. The bank has taken account in its action plans of the observations and recommendations presented in the report delivered by the Minister of the Economy and Finance to the Prime Minister on February 4, 2008. It has implemented or undertaken to apply specific additional measures to enhance, whenever necessary, its control systems on the points highlighted by this report.
14. The Special Committee has entrusted Price Waterhouse Coopers with the task of analyzing all the measures that will be implemented, assessing the pertinence of the measures, and making any recommendations that it deems appropriate. Price Waterhouse Coopers' report will be given to the Board of Directors and will be made public prior to the Annual General Meeting.
15. The Special Committee has ensured that the information distributed by the bank faithfully reflects the findings of the investigations and that the situation is properly managed in the best interests of the company, its shareholders, clients and staff. It will continue to do so over the next few months and will report on its mission to the Annual General Meeting of shareholders on May 27, 2008.

Announcement and launch of a EUR 5.5 billion capital increase with preferential subscription rights

Following an exceptional fraud uncovered in January 2008 and in order to reinforce its capital base, the Board Meeting on January 23 decided to launch a EUR 5.5 billion capital increase with preferential subscription rights. This operation will be led by JP Morgan, Morgan Stanley and Societe Generale Corporate and Investment Banking. The capital increase will be subject to a firm underwriting (*garantie de bonne fin*) as per article L.225-145 of the French Commercial Code. It will take the Tier One ratio (Basel I) to 8% proforma at December 31, 2007, taking into account the Rosbank acquisition.

On February 11, 2008, the Group announced the procedures of its EUR 5.5 billion capital increase:

The preferential subscription right will be maintained for the capital increase in order to protect the interests of the Group's shareholders and to involve them as largely as possible in the operation. Four preferential subscription rights will entitle the holder to subscribe to one new share at the price of EUR 47.50 (or a nominal value of EUR 1.25 and a EUR 46.25 issue premium) resulting in the issuance of 116,654,168 new shares.

Each Societe Generale shareholder will receive one preferential subscription right per share held at the close of business on February 20, 2008. The subscription period for new shares will begin on February 21, 2008 and will close February 29, 2008 (inclusive). During this period, the preferential subscription rights will be listed and traded on Eurolist by NYSE Euronext Paris. Subscriptions subject to reduction on a contingent basis will be accepted.

The offering will be open to the public in France and in 8 European countries [9].

The new shares will carry rights to dividends as of January 1, 2008. They will not entitle their holders to the dividend with respect to the 2007 financial year that is likely to be proposed by the Board of Directors to the shareholders' meeting convened to approve the financial statements for the 2007 financial year. The new shares will be listed for trading on Eurolist of NYSE Euronext Paris as of March 13, 2008.

Acquisition of the former Capitalia securities services business from UniCredit

Consistent with their previous transactions in the securities services sector, Societe Generale and UniCredit have entered into an agreement for the sale and outsourcing of the former Capitalia Group's custody, clearing, depositary bank and fund administration businesses to Societe Generale Securities Services (SGSS). The securities services business bought by SGSS represents assets under custody of EUR 102 billion and assets under administration in Italy and in Luxembourg of respectively EUR 22 billion and EUR 5 billion.

SGSS will also become the exclusive provider in Italy of securities services to the relevant businesses in the former Capitalia Group. This falls within the framework of the existing outsourcing agreement between UniCredit and SGSS, which was established following the sale of 2S Banca (now SGSS Spa) to Societe Generale in 2006.

Following this latest acquisition, SGSS will have close to EUR 2,720 billion in assets under custody and approximately EUR 480 billion in assets under administration, thus consolidating its position among the three largest European global custodians.

Completion of the transaction is expected by the end of March 2008.

Finalization of the acquisition of a majority stake in Rosbank

On February 13, 2008, the Group announced the closing of the Rosbank operation, in accordance with the announcement on December 20, 2007. With 50% +1 share, Societe Generale is now the majority shareholder of Rosbank. The Group will launch a mandatory takeover bid as specified by Russian law. This could increase its stake in Rosbank to 57.8%.

(9) Offer open to the public through the passport of the prospectus in Germany, Belgium, Spain, Italy, Luxembourg, Czech Republic, Romania and the United Kingdom.

IMPLEMENTATION OF THE BASEL II REFORM

New capital requirements

Minimal capital requirements relating to credit and operating risks

The Societe Generale Group's efforts since 2003 to prepare for the implementation of the Basel II reform resulted in mid-2007 in the presentation to the Banking Commission's General Secretariat of an official application for the processing of most of the Group's credit portfolio under the IRBA method. Following an audit mission which was completed at end-2007 and on the basis of a mutually agreed Memorandum of Understanding, the Banking Commission validated this application in December.

Similarly, in 2007, the Banking Commission's General Inspection department conducted an investigation into the operating risk system developed by Societe Generale. The Banking Commission has authorized the Group to use the AMA method (Advanced Measurement Approach) to calculate its capital requirement in relation to operating risk.

The Societe Generale Group can therefore use the advanced methods (IRBA and AMA) from January 2008 to calculate its minimum capital requirement.

Organization under Basel II

To prepare for the changes in the management of capital and the measurement of risk generated by the Basel II reform, a work program has been launched jointly by the Group's Risk Department and Finance Department.

The work is in keeping with the implementation of Pillar II of the reform: it is designed to continue the development of the risk measurement system and to take account of the requirements of Basel II in the management of the Group's capital.

As part of the improvements to the risk identification and measurement system, portfolio analyses covering all the Group's commitments are carried out and presented to the Group's management on a regular basis, in order to analyze the credit portfolios' risk profile on a sector and geographical basis.

Moreover, a project for the realization of global stress tests incorporating the Group's full risk profile has been carried out in order to measure, in a consistent framework, the consequences of macro-economic crises scenarios on the Group's loss profile. These forward-looking analyses are supplemented by analyses of economic cycles to assess the volatility of the loss profile and Risk Weighted Assets (RWA) established under Basel II standards.

This work naturally leads to procedures for management of the capital in a Basel II environment. The global stress test scenarios are included and identified in the different components for the management of financial equilibrium and the Tier 1 ratio. These analyses presented to the Group's Risk Committee make it possible to consistently simulate the Group's loss profile and also the solvency ratio by incorporating the volatility of Basel II RWA.

New disclosure requirements

Pillar 3 of the reform (resumed in the French Decree of February 20, 2007 of the European Directive) provides for banks having selected the advanced methods (IRBA and AMA) to publish Pillar 3 data at least once a year from January 1, 2008. Pillar 3 information should therefore be included in the 2008 registration document to be published in H1 2009. However, during 2008, the Group will publish information on the reform's main effects on minimum capital requirements as well as on the management of the Group's capital.

This information will be published under the joint responsibility of the Group's Finance Department and Risk Department.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(In billions of euros)	31.12.2007	31.12.2006	Change 12.31.2007/12.31.2006
Cash, due from central banks	**11.3**	9.4	21%
Financial assets at fair value through profit or loss	**490.0**	453.2	8%
Hedging derivatives	**3.7**	3.7	1%
Available-for-sale financial assets	**87.8**	78.7	12%
Non-current assets held for sale	**14.2**	0.0	NM
Due from banks	**73.1**	68.2	7%
Customer loans	**305.2**	263.5	16%
Lease financing and similar agreements	**27.0**	25.0	8%
Revaluation differences on portfolios hedged against interest rate risk	**(0.2)**	0.0	NM
Held-to-maturity financial assets	**1.6**	1.5	11%
Tax assets and other assets	**39.0**	36.0	8%
Tangible, intangible assets and other	**19.1**	17.6	8%
Total	**1,071.8**	**956.8**	**12%**

LIABILITIES

(In billions of euros)	31.12.2007	31.12.2006	Change 12.31.2007/12.31.2006
Due to central banks	**3.0**	4.2	-28%
Financial liabilities at fair value through profit or loss	**340.7**	298.7	14%
Hedging derivatives	**3.9**	2.8	37%
Liabilities directly associated with non-current assets classified as held for sale	**15.1**	0.0	NM
Due to banks	**131.9**	129.8	2%
Customer deposits	**270.7**	267.4	1%
Securitized debt payables	**138.1**	100.4	38%
Revaluation differences on portfolios hedged against interest rate risk	**(0.3)**	0.1	NM
Tax liabilities and other liabilities	**48.4**	41.2	17%
Underwriting reserves of insurance companies	**68.9**	64.6	7%
Provisions	**8.7**	2.6	NM
Subordinated debt	**11.5**	11.5	0%
Shareholders' equity	**27.2**	29.1	-6%
Minority interests	**4.0**	4.4	-8%
Total	**1,071.8**	**956.8**	**12%**

Main changes in the consolidated balance sheet

At December 31, 2007, the Group's consolidated balance sheet totaled EUR 1,071.8 billion, up EUR 115 billion (+12.0%) vs. the figure at December 31, 2006 (EUR 956.8 billion). Changes in the dollar, yen and sterling exchange rate have impacted the balance sheet by respectively EUR –26.3 billion, EUR -1.8 billion and EUR –2.5 billion.

The main changes in scope impacting the consolidated balance sheet and occurring during the 2007 financial year consist of:

- the acquisition of 60% of the capital of Bank Republic with a commitment by Societe Generale to purchase 30% of the remaining shares via sales of futures options;
- entry into the scope of SGCF Hellas Finance which, in 2006, acquired SFS HF Lease & Trade (ex Chrofin) and SFS HF Consumer (ex Cofidis Hellas);
- the acquisition of 100% of the capital of the holding company Transcoso Participaçoes Ltda and the company Banco Cacique SA via Banco SG Brasil;
- the full consolidation of PACE, a Structured Investment Vehicle, following the Group's acquisition of control;
- the full consolidation of seven funds of the SGAM sub-division, the Group having ensured their liquidity.

Main changes in the consolidated balance sheet

Financial assets at fair value booked through profit and loss (EUR 490 billion at December 31, 2007) increased EUR 36.8 billion (+8.1%) compared with December 31, 2006, including a EUR – 16.4 billion dollar effect and EUR +5.9 million scope effect. This increase is primarily due to the rise in trading derivatives which were up EUR +35.6 billion including EUR +13.8 billion on credit derivatives, EUR +6.2 billion on index and equity instruments and EUR +8.1 billion on interest rate instruments. The trading portfolio increased EUR +0.8 billion including EUR +23.9 billion for the bond portfolio, EUR -22.9 billion for other financial assets (including EUR –27.6 billion for securities purchased under resale agreements and EUR +4.9 billion on trading loans), EUR +1 billion for the portfolio of public bills and EUR –1.2 billion for the equity portfolio. The portfolio of financial assets measured using fair value option increased EUR +0.4 billion.

Similarly, financial liabilities at fair value booked through profit and loss (EUR 340.7 billion at December 31, 2007) increased EUR 42.0 billion (+14.1%) compared with December 31, 2006, including a EUR –8.2 billion dollar effect and EUR +1.1 billion scope effect. This increase is due to the progression in trading derivatives which were up EUR +35.0 billion, including EUR +11.5 billion on interest rate instruments, EUR +12.6 billion on credit derivatives, EUR +5.3 billion on currency instruments and EUR +4.3 billion on index and equity instruments. Trading liabilities rose EUR 3.2 billion, including EUR +9.7 billion on securitized debt payables, EUR +24.3 billion in respect of debts on borrowed securities, EUR -43 billion on securities sold short and EUR +12.2 billion on other financial liabilities (including EUR +9.3 billion on securities purchased under resale agreements and EUR +3 billion on trading borrowings). Financial liabilities measured using fair value option increased EUR +3.8 billion.

Non-current assets and liabilities intended for sale amounted respectively to EUR +14.2 billion and EUR +15.1 billion and can be attibuted principally to the disposal of 50% of Fimat in the Newedge operation.

Customer loans stood at EUR 305.2 billion at December 31, 2007, including securities purchased under resale agreements, representing a rise of EUR 41.7 billion (+15.8%) compared with December 31, 2006, including a EUR –4.2 billion dollar effect and EUR +2.6 billion scope effect.

This increase mainly reflects the following:

- growth in short-term credit facilities (EUR +24.1 billion) primarily for business customers (EUR +11.7 billion) and individual customers (EUR +11.1 billion);
- increased housing loan issuance (EUR +10.1 billion);
- rise in equipment loans (EUR +5.6 billion);
- increase in loans to financial customers (EUR +5.6 billion);
- decline in other loans (EUR -3.9 billion).

Debts represented by a security totaled EUR 138.1 billion at December 31, 2007. They increased EUR 37.7 billion (+37.6%) compared with December 31, 2006, including a dollar effect of EUR +6.5 billion and a scope effect of EUR +1.5 billion. Most of the increase (EUR +37.9 billion) relates to interbank market securities and negotiable debt securities which totaled EUR +130.1 billion.

Group shareholders' equity stood at EUR 27.2 billion at December 31, 2007 vs. EUR 29.1 billion at December 31, 2006, mainly reflecting the following:

- net income for 2007: EUR +0.9 billion;
- variation in treasury stock: EUR –1.6 billion;
- equity instrument issues (undated subordinated notes and deeply subordinated notes): EUR +2.1 billion;
- the dividend payment in respect of the 2006 financial year: EUR –2.4 billion.

After taking into account minority interests (EUR 4.0 billion), total shareholders' equity amounted to EUR 31.3 billion at December 31, 2007.

This represented a B.I.S. ratio of 8.87% at December 31, 2007. The Tier One ratio stood at 6.62% of risk-weighted assets (EUR 326 billion).

Group debt policy

The Societe Generale 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 refinancing in order to guarantee its stability: at December 31, 2007, customer deposits and insurance deposits accounted for EUR 318 billion (*i.e.* 29.5% of the Group's liabilities), while debt instruments, interbank deposits and funds generated through the refinancing of securities portfolios amounted to EUR 490 billion (*i.e.* 45.5% 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 Societe Generale Group's tangible fixed assets amounted to EUR 18.2 billion at December 31, 2007. This figure essentially comprises land and buildings (EUR 3.2 billion), assets rented out by specialized financing companies (EUR 9.9 billion), and other tangible assets (EUR 4.5 billion)

The gross book value of the Group's investment property amounted to EUR 567 million at December 31, 2007.

The net book value of tangible fixed assets and investment property amounted to EUR 11.9 billion, representing just 1.1% of the consolidated balance sheet at December 31, 2007. Due to the nature of the Group's activities, the weighting of property and equipment in overall assets is low.

The following construction projects are also underway:

- 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;
- a new building at La Défense, with work expected to start in the summer: these premises will supplement our trading floor facilities which are currently saturated;
- a new site at Val de Fontenay, with work expected to start at the end of 2008 or beginning of 2009. 4,500 positions currently located in Paris or at La Défense will be transferred to this site.

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. It provides a summary of the internal controls carried out by the consolidated Societe Generale 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. The Chairman of each French limited liability company carrying out a public offering, 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, internal control is a vital instrument in risk management that plays an important role in ensuring the sustainability of activities. 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). Lastly, internal control is an area that affects all Group employees: 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 procedures.

As such, the Committee is responsible for the following:

- 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 financial statements, internal control, risk management and compliance.

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 the 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 Societe Generale, 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.

Internal control is defined as all the means and resources that enable the Group General Management to ensure that the transactions carried out and the organization and procedures implemented are compliant with legal and regulatory requirements, with professional and compliance practices, and with the internal rules and policies defined by the Company's executive bodies. 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 the development forecasts are, in terms of both cost synergies and earnings growth;
- the conditions of 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 business line 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. In April 2007, a summary of the acquisitions carried out in 2006 was presented to the Audit Committee. A development plan is thus drawn up upon the acquisition of a new entity and then reviewed some two years later.

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 ongoing control 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 Finance Departments of the business lines,** which are hierarchically attached to the managers of the business lines and functionally attached to the Group Finance Department. They make sure that accounts are prepared correctly at 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 and compliancy 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.

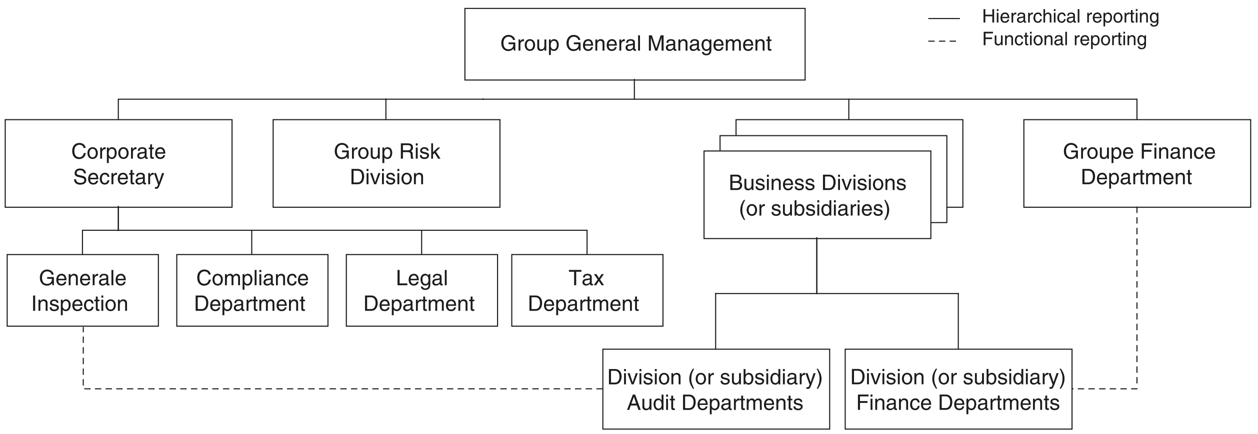
With the exception of the business line Finance Departments, all these functional departments report directly to Group's General Management or the Corporate Secretary. They are also responsible for submitting any information required by the Executive Committee for the strategic management of the Company 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 managers of the business lines and functionally attached to the General Inspection Department;
- the **General Inspection Department.**

Philippe Citerne, Societe Generale'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: assessment, 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 five categories:

- **credit risk** (including country risk): risk of loss arising from the inability of the bank's customers (including sovereign issuers) or other counterparties to meet their financial commitments;
- **market risk:** risk of loss resulting from changes in market prices and interest rates, from the correlations 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);
- **liquidity risk** (risk of the Group not being able to meet its commitments at their maturities);
- **operational risks** (including legal, compliance, accounting, environmental and reputational 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.

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).

Each division must submit all new products and activities or products under development to a specific new product procedure. 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 submitted 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.

2,700 employees dedicated to managing and controlling risk exposure on a permanent basis

Societe Generale Group's risk function comprises some 2,700 staff dedicated to risk management activities:

- 700 in the Group Risk Division;
- 2,000 in the Group's different businesses 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 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, and by 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 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**:

- the Risk Division proposes limits for each type of activity to the Group Risk Committee, 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 to this risk and prepare the necessary reports. They are responsible for monitoring Group standards and compliance with limitations. The Financial Division's Capital, Assets and Liabilities Department is responsible for establishing Group standards on structural risk, second level controls, the consolidation of structural risk and its reporting to the Finance Committee. It also validates the models and methods used by the entities as well providing advice to both the entities and the business lines.

Lastly, the Finance Committee, which is part of the Group's General Management, approves all risk analysis and assessment methods and sets the exposure limits for each Group entity.

Operational risks are managed by the Operational Risk function comprised of the Operational Risk Department (placed under the authority of the Risk Division on January 1, 2007) and the teams responsible for managing and controlling these risks within the operational 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 tests them on a regular basis.

In January 2007, a Crisis Management function was detached from the BCP function in order to strengthen the incorporation of this specific issue within the Group and the implementation of appropriate tools and measures.

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 based notably 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 various 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

Societe Generale 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, at both the local level (banking entities) and central level (Risk Division).

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.

As regards credit risks and operational risks, the risk approval and monitoring procedures have been extended and adapted to meet the regulatory requirements relating to the implementation of the Basel II reform. 2007 represented a particularly important phase in the Group's IRBA (Internal Rating Based Advanced) and AMA (Advanced Measurement Approach) validations. The French Banking Commission undertook an in-depth review of the main portfolios and the measures for monitoring operational risk. All the recommendations drawn up by the supervisor at the end of these audits were acted upon with the given time schedules, which meant that the Group obtained IRBA and AMA validation on January 1, 2008. Komercni Banka also received IRBA validation from the Czech National Bank.

Modeling carried out for credit risk purposes was accompanied by the implementation of permanent procedures in the Group enabling the collection of the data required for modeling and back testing.

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.

The Group rating system is therefore now operational on a permanent basis for exposure in France and used on a regular basis to monitor risk, from portfolio analysis to information at the Group's management bodies.

The same measures for operational risk are currently in the regular production phase. The integration of the model into the AMA system for collecting internal losses and scenario analyses now means that the Risk Committees can be presented with regular simulations so as to monitor the main changes in Group capital.

The developments achieved in the framework of the Basel II reform enabled Societe Generale to reinforce its risk management procedures.

Significant methodological studies were carried out with the other departments in the Risk Division responsible for credit risk management of the analysis of concentrations on an individual basis and on a portfolio basis.

The creation of a validation unit, separate from the Group's modeling entities, also helped:

- strengthen the management and control of model risk;
- implement the operational governance of the rating system for the purpose of the permanent supervision of the rating system's models.

In addition to validating models, this entity:

- informs management of the state of the rating system;
- manages the different committees for validating models and banking decisions which are required for the internal validation of models;
- is also responsible for carrying out audits of the non-IRBA sections of the portfolio; and
- to this end, has carried out audits of the scoring systems of some Central European subsidiaries.

Fully conscious of the increasing exposure of its information systems to external threats as a result of the increasing number of sales channels such as the Internet, Societe Generale has maintained and reinforced its different 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 business divisions. At the operating level, the Group uses a central unit that manages alerts and monitors security levels using a multitude of both internal and external sources for information and supervision purposes. The security network is regularly updated to keep abreast of technological developments and the appearance of new threats. The need to adapt the security network of the information systems to the risks inherent to the banking activity has been taken into account, especially within the framework of procedures for Basel II. Employees are regularly informed of and trained in the procedures and approach to adopt in order to deal with risks linked to the use of IT systems.

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 a Group compliance committee comprising, among others, the individual heads of compliance appointed within each business 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 within this structure by the heads of compliance, with the support of:

- 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, including legal compliance, 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 and offices, 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, Societe Generale 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 Societe Generale Group

Permanent supervision is defined as all of the measures taken on a permanent basis to ensure the compliance, security and authenticity of transactions performed at the operational level. The first level of responsibility for permanent control lies with the Group's operating 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 primary function of Societe Generale's Internal Audit teams is to regularly assess the efficiency of the internal controls employed by the entity to which they are attached. It covers all Group entities and activities and can focus on any aspect of their day-to-day 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 Societe Generale comprise some 1,150 members of staff.

The Group employs almost 1,000 auditors, 74% of whom are employed in Retail Banking, 12% in Corporate and Investment Banking, 10% in Global Investment Management and Services, with the remainder responsible for specialized audit assignments (accounting, legal, information technology, etc.).

The General Inspection Department employs 158 people, including 121 inspectors and controllers.

Societe Generale'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 has hierarchical and functional authority over all the auditors in the division. The system also includes an audit department for the support functions, 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 18 months, whereas in Corporate and Investment Banking, the highest-risk entities are audited 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 Department.

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 support functions 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 finding, 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 Societe Generale and its subsidiaries is both coherent and effective.

To do this, the General Inspection Department:

- audits the various support functions 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 (3 assignments in 2007) 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 Heads of business line audits, the Head of Audit for the support departments 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 business line and main subsidiary.

AUDIT COMMITTEES

Audit Committees are attended by representatives of the business line 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 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 CBRF 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 business line Finance Departments 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 control 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, which are based on IFRS as 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 business line 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.) for the General Management and 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, Societe Generale 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;

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 FINANCE DEPARTMENTS OF THE BUSINESS DIVISIONS

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 Finance Departments of the business divisions 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. A formalized quarterly analysis of the supervision carried out is sent to the management of the entity and the business division and to the Group Financial Department.

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 AUDIT DEPARTMENTS OF THE BUSINESS DIVISIONS 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 Audit Departments of the business lines 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 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 Audit Departments of the business divisions 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 their recommendations with the other internal Audit Services.

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. For example, in 2007, the General Inspection Department conducted audits on the accounting department of Corporate & Investment banking and the financial function of BRD, the Group's Romanian retail banking subsidiary.

Developments underway

An exceptional loss from a fraudulent and concealed position

In January 2008, the Group uncovered an exceptional fraud in both its scale and nature: a trader, in charge of arbitrage activities on financial instruments involving European stock market indexes, took fraudulent directional positions throughout 2007 and in early 2008 that greatly exceeded the individual limits that had been allocated to him. The trader was able to conceal his positions through a series of fictitious transactions. In order to prevent the immediate identification of these fictitious transactions, the trader used his years of experience acquired in departments for the processing and control of market transactions to circumvent the controls enabling the Bank to verify the details and therefore the real existence of the transactions initiated by its traders.

The Group decided to close these positions as quickly as possible while respecting the integrity of the markets and the interest of its shareholders. Given the size of the positions and the particularly unfavorable market conditions, the fraud had a EUR 4.9 billion negative impact on the Group's pre-tax income in 2007.

Exceptional nature of the loss

Since 2003, the Group has kept a record of unit internal operating losses in excess of EUR 10,000 (EUR 25,000 for Corporate and Investment Banking) covering virtually all of its entities, both in France and abroad. This database has been used to analyze losses (by category of event, activity, geographical region) and monitor their trends as well as the corrective action plans proposed. The total annual cost of operating risk represented, excluding the exceptional loss mentioned above, around EUR 225 million over the 2004-2007 period.

Impact on the control environment

This trader's positions have been reviewed and a detailed analysis of all positions within his department has been made, which has identified no similar situation. The employee, has been relieved of his duties and a dismissal procedure has been initiated.

Specific control procedures have been defined in order to prevent any further use of the techniques devised by this trader to circumvent the control procedures. Some measures are being implemented immediately. Other, more structural, measures will be implemented in the short-term. These changes, together with their timetable, have been communicated to supervisors.

They are designed to precisely establish the scope of the fraud, improve IT security and the management of alert indicators and reinforce organization and training programs.

On January 30, 2008, the Board of Directors set up a Special Committee of independent directors responsible primarily for ensuring that the investigation into the affair is carried out independently and in accordance with audit regulations so that the mechanisms behind the fraud can be fully exposed. The Committee will be assisted in its assignment by the audit firm PriceWaterhouseCoopers.

Other developments related to the implementation of Basel II reforms

Under the Basel II project, Societe Generale 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.

While continuing efforts to refine its structure as part of Pillar 1 of the Basel II reform, the Group also committed itself to the operational launch in 2008 of the different elements of Pillar 2.

To this end, the Finance Division and the Risk Division have launched a joint Basel II guidance project.

Requirements for financial communication under Pillar 3 of Basel II also mean that the Group will be in a position to publish a substantial amount of quantitative and qualitative information on its credit portfolio as of 2009.

This will require additional changes to the information system, which are already under way.

9 RISK MANAGEMENT

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, from the correlations between these elements and from their volatility;
- **operational risks** (including legal, compliance, accounting, environmental and reputational 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;
- **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.

Societe Generale dedicates significant resources to constantly adapting its risk management to its increasingly varied activities. These 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 *Comité de la Réglementation Bancaire et Financière* (French Banking and Financial Regulation Committee):

- risk assessment departments are completely independent from the operating divisions;
- a consistent approach to risk assessment and monitoring is applied throughout the Group.

The Group's risk function comprises 2,700 staff dedicated to risk management activities.

The Risk Division at Societe Generale Head office employs 700 staff members, while a further 2,000 are employed throughout the Group to monitor 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.

Structural interest rate and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

Structural interest rate, exchange rate and liquidity risks, as well as the Group's long-term refinancing, capital requirements and capital structure are managed by the Group Finance Department.

A systematic review of the bank's key risk management issues is carried out during the monthly meetings of the Risk Committee (CORISQ), which comprises 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, assessment methods, material and human resources, analyses of portfolios and of 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 (sales or business line). 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 submitted to adequate procedures and controls, using the appropriate information systems and processing chains.

CREDIT RISKS

Risk approval

Approval of a credit risk must be based on sound knowledge of the client, 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;
- systematic recourse to internal counterparty 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 approval 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 heighten the Group's expertise in this client segment by centralizing 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 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, geographic regions, sectors, products or customer types, in order to reduce cross-business 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 involves those business divisions 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 business divisions and the risk function. Furthermore, the Risk Division also carries out file reviews or risk audits in the Group's business divisions. In addition, 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. The Committee is presented with an overview of Group risks at least twice a year. 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, Societe Generale Group undertook to create internal models for quantitative risk measurement and risk-adjusted return on capital in the mid-1990s.

These models have since been adapted in order to comply with new regulations. 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 covers 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 bring their expertise 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 approval

Societe Generale Group systematically performs a quantitative analysis of the counterparty and transaction risks in all credit applications and these two parameters, along with all of the other elements of a credit 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 operational staff and the risk function.

Portfolio analysis

The portfolio analyses and studies carried out by the risk function have been based, for several years now, on common rating scales (with respect to transaction, counterparty, country sector, business line on to the portfolio as a whole) that apply throughout the Group.

Quantifying these risks 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.).

Drawing on the excellent coverage of rating and data systems, the overall portfolio reviews represent the best way to establish the Group's risk profile.

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 the bank is exposed to.

Rating models for Group credit risk

2007 was a particularly important year for the Group's IRBA validation (the most advanced method under the Bale II reform for calculating capital requirements for credit risk).

To this end, the rating models applied to the main credit portfolios have been thoroughly audited and revised to be operational and to satisfy the «use test criteria» and the technical conditions required by the regulations.

Modeling carried out for credit risk purposes was backed by the implementation of permanent procedures enabling the collection of the data required for modeling and back testing purposes. The Group rating system is now permanently operational for most of the portfolio, and it is used regularly for risk monitoring purposes. Accordingly, the Risk Division defined a body of procedures detailing the ways to rate counterparties and transactions, which was then deployed in each business division. A portfolio analysis governance system was also established, both globally and at the industry and geographical levels. Conclusions from these analyses are periodically presented to the Group's governing bodies.

The systems for measuring Probability of default and Loss Given Default are now in the optimization phase for all of the credit portfolios under the IRBA scope.

Group rating system governance

The rating system will play a key role in the calculation of regulatory capital requirements. Societe Generale Group established Group rating system governance principles in 2007, with the aim of reinforcing the steps required to validate and manage the performance of its rating system.

In conjunction with the audit teams, the credit risk model control function carried out a comprehensive review of the main Probability of Default and Loss Given Default models developed by the modeling entities (whether integrated within the Risk Division or the Business Divisions).

Reports based on these reviews were submitted to the Group Risk Committee, thus providing a means of monitoring the coverage and performance of the rating system for the main portfolios (Corporates, Financial Institutions, SMEs and Retail Banking).

The governing bodies for all the operational aspects therein are the Validation Committees (combining both the Business Divisions and the Risk Division) charged with the permanent supervision of the models and the rating system.

Validation of the rating system – Pillar 1

By mid-2007, the efforts made by the Group, since 2003, to implement the Basel II reform led to the filing of a request with the French Banking Commission for the use of the IRBA method for most of the Group's credit portfolio. Following the results of an audit by the Banking Commission's General Inspection Department in late 2007, the Banking Commission approved this request.

Basel II guidance project – Pillar 2

In order to lay the groundwork for the changes resulting from the Basel II reform in capital management and risk measurement, a series of projects has been launched in conjunction with the Group Finance Department. These projects are part of Pillar 2 of the reform, aimed at better establishing the sensitivity of regulatory capital to the conditions of the economic cycle. In addition, a global stress test project incorporating the Group's entire risk profile was initiated as a means of measuring, within a coherent framework, the consequences of economic crises on capital ratios and identifying methods for managing financial equilibrium.

Replacement risk

Societe Generale 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, and represents the current cost of replacing transactions with a positive value to 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 a historical analysis of market risk factors. The price of each transaction is then recalculated for each scenario obtained using the simulation method.

Societe Generale 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;
- an extreme risk indicator, corresponding to 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 the replacement risk limits for individual counterparties.

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

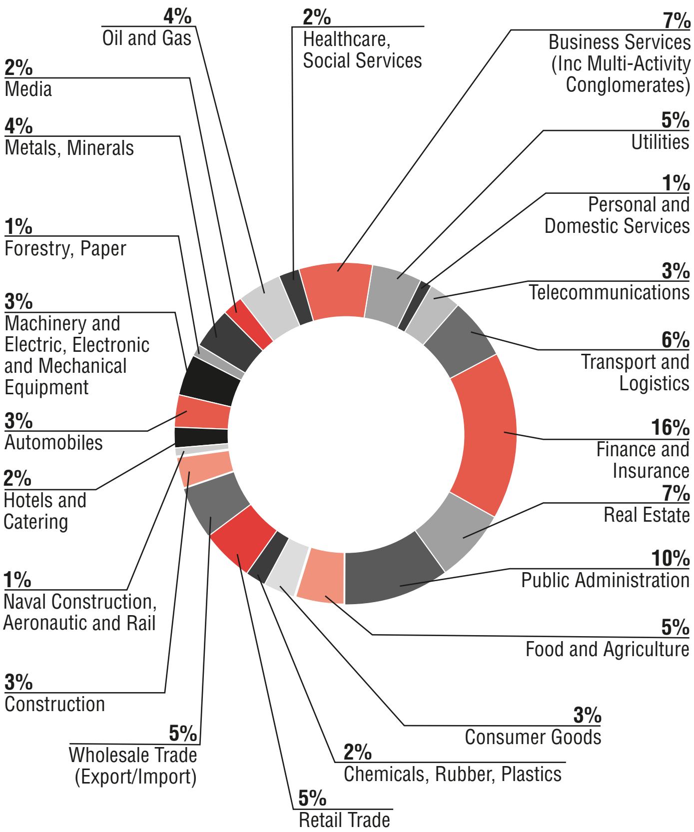
Credit portfolio analysis

Outstanding on individual and business customers

At December 31, 2007, on- and off-balance sheet loans (gross of provisions and excluding securities purchased under resale agreements) granted by Societe Generale Group to its non-banking clients totaled EUR 461 billion (including EUR 326 billion in outstanding balance sheet loans).

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

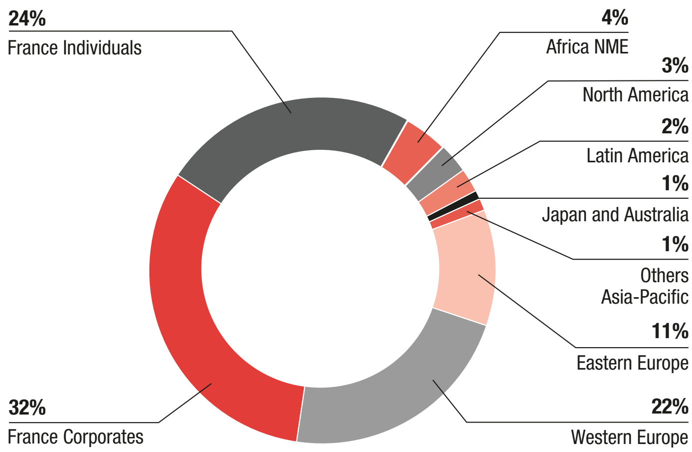
BREAKDOWN OF SOCIETE GENERALE COMMERCIAL OUTSTANDING BY INDUSTRY AT DECEMBER 31, 2007 (EUR 356 billion, EXCLUDING INDIVIDUALS)



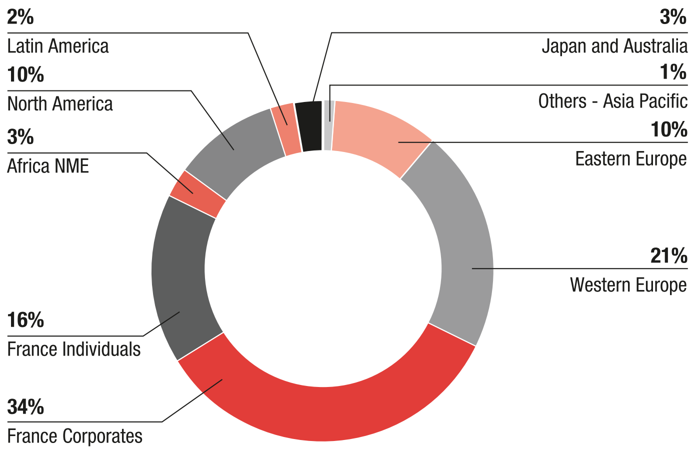
The Group's loan portfolio is highly diversified in terms of sectors, and generally matches the structure of global GDP. Only one sector accounts for more than 10% of total Group outstanding (finance excluding banks), and is characterized by a moderate cost of risk.

BREAKDOWN OF SOCIETE GENERALE OUTSTANDING LOANS TO NON-BANKING CUSTOMERS BY GEOGRAPHIC REGION AT DECEMBER 31, 2007 (INCLUDING INDIVIDUALS)

BALANCE SHEET COMMITMENTS (EUR 326 billion):

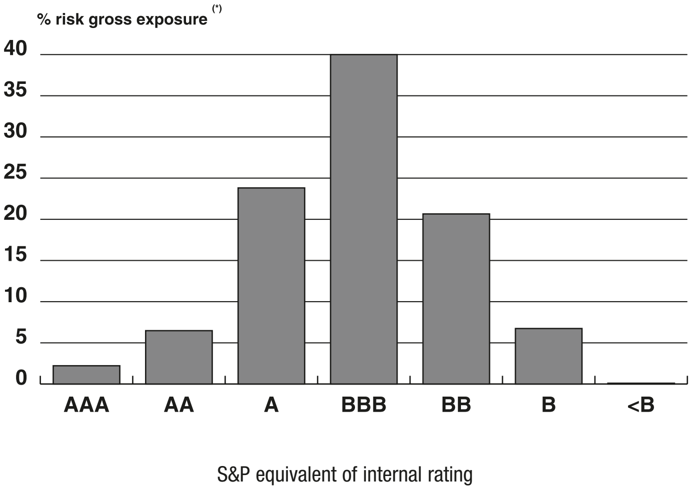


ON- AND OFF-BALANCE SHEET COMMITMENTS (EUR 461 billion):



At December 31, 2007, 84% of Societe Generale Group's on- and off-balance sheet outstanding loans were concentrated in the major industrialized countries. Half of the global amount of loans was to French customers (34% to corporates and 16% to individual customers).

BREAKDOWN OF RISK BY RATING FOR SG CIB CORPORATE CLIENTS AT DECEMBER 31, 2007



** Borrower, issuer and replacement risk on rated counterparties; excluding equity investments, securitization and doubtful loans.*

The above chart shows SG CIB's performing commitments to corporate customers, 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.

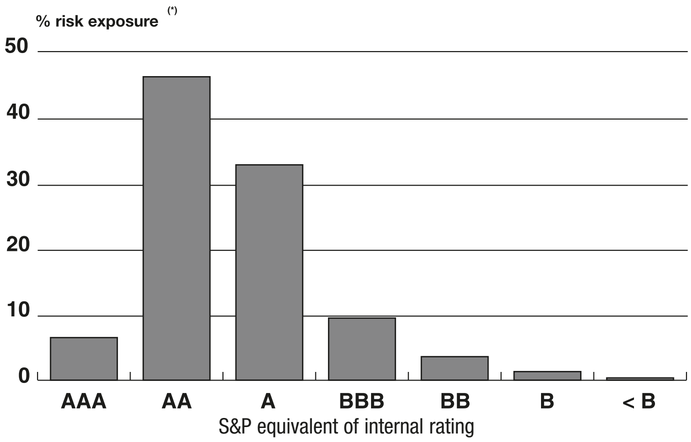
The gross amount of commitments gives the total counterparty risk (borrower, issuer, replacement) incurred on these client groups. At year-end 2007, it stood at EUR 154 billion, excluding equity investments (EUR 0.5 million) and securitization.

At December 31, 2007, most of the portfolio (73%) was investment grade.

Transactions with non-investment grade counterparties are often mitigated by guarantees and collaterals in order to reduce the risk incurred.

Commitments on banking counterparties

BREAKDOWN OF RISK* BY INTERNAL RATING FOR GROUP BANKING CLIENTS AT DECEMBER 31, 2007



** Gross borrower and issuer risk and replacement risk (expressed in CvaR) totaling EUR 76.5 billion at December 31, 2007, excluding doubtful loans.*

The breakdown of commitments on banking counterparties by rating reveals that the loan portfolio is largely composed (95%) of institutions rated as investment grade.

This breakdown is based on an internal counterparty rating system, presented as their S&P equivalent.

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 7% of the credit portfolio, net of guarantees.

At December 31, 2007, more than 60% 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 17.1 billion at December 31, 2007, up from EUR 12.2 billion at December 31, 2006 on a like-for-like basis (excluding Romania and Bulgaria, which joined the EU on January 1, 2007 and which accounted for EUR 6.6 billion at December 31, 2006). Furthermore, commitments in the amount of EUR 1.5 billion are covered by specific provisions. This portfolio covers 17 countries in four regions (Eastern Europe, the Mediterranean Basin, French-speaking Africa and South America). 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, EXCLUDING ROMANIA AND BULGARIA AND INCLUDING NEW ACQUISITIONS) RETAIL BANKING

	Dec. 31, 2007	Dec. 31, 2006
Individual customers	6.7	4.5
Business customers	10.4	7.7
Total	**17.1**	**12.2**

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 11.5 billion at December 31, 2007 (73% of which were loans to counterparties in investment grade countries) versus a figure of EUR 10.3 billion in 2006.

CHANGE IN NON-BANKING EXPOSURE ON EMERGING MARKETS [2] EXCLUDING ROMANIA AND BULGARIA (IN BILLIONS OF EUROS) CORPORATE AND INVESTMENT BANKING

	Dec. 31, 2007	Dec. 31, 2006
Reduced country risk [3]	2.3	2.5
Standard country risk [4]	2.3	2.2
Strong country risk [4]	6.9	5.6
Total	**11.5**	**10.3**

Furthermore, outstanding loans covered by specific provisions amounted to EUR 0.1 billion.

Outstanding loans to counterparties in Russia

The Group's operations in Russia include retail banking, via its universal banking activities, as well as specialized financing and corporate and investment banking. Outstanding loans to counterparties in Russia stood at EUR 8.2 billion at December 31, 2007 versus EUR 3.9 billion at end-2006. Furthermore, the Group announced its decision in December to exercise its option on 30% of the capital in Rosbank, in which it had acquired a 20% stake in 2006.

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 special department to manage its credit portfolio, known as CPMC, or Credit Portfolio Management Corporate. Working in close cooperation 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 portfolio, essentially to reduce single name, sector and geographic concentrations, and to implement a proactive risk and capital management policy.

The Group's overconcentration management policy has led it to take major individual hedging positions: for example, the ten most-hedged names account for EUR 6.4 billion in protection (i.e. 27% of the total amount of individual protections), of which EUR 0.8 billion for the most-hedged name.

The notional value of credit derivatives purchased for this purpose is booked in the off-balance sheet commitments under guarantee commitments received (positions are almost exclusively long positions).

In 2007, total credit derivatives under management increased by EUR 24.1 billion, reaching a total of EUR 50.5 billion at end-December: EUR 24.0 billion in the form of Credit Default Swaps (CDS) and EUR 26.5 billion in the form of synthetic Collateralized Debt Obligations (CDOs). The increase in size of the portfolio is due to new CDS and structured transactions covering pools of exposures.

In 2007, there was no sale of protections.

Almost all protection purchases 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).

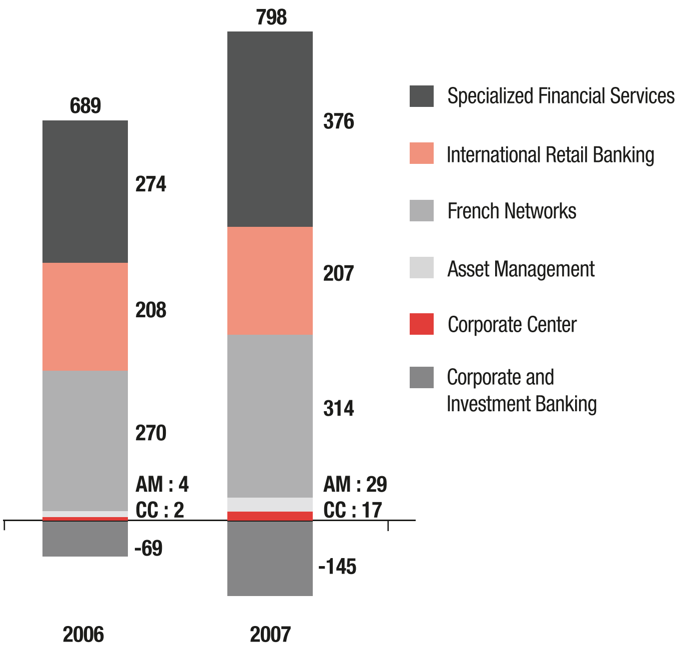
Provisions for credit risks at December 31, 2007

The Group's total provisions for the cost of risk (excluding provisions for legal disputes) amounted to EUR 798 million in 2007, compared with EUR 689 million at December 31, 2006.

The annual cost of risk remains low and stable at 25 bp of risk-weighted assets, despite the current financial situation on the markets. This is largely due to the fact that the impacts of the US residential mortgage crisis primarily materialized as a decline in net banking income.

Our credit portfolio suffered no setbacks in spite of the correction on the credit market. The portfolio of consumer loans in emerging countries continued to grow in 2007.

CHANGE IN GROUP PROVISIONING IN 2007 (EXCLUDING PROVISIONS FOR LEGAL DISPUTES)



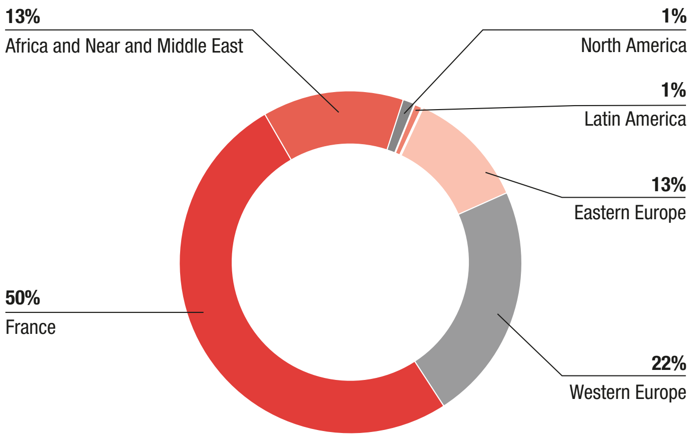
The main changes in the cost of risk compared to the 2006 fiscal year were as follows:

- stable in the French Networks at 28 bp (vs. 27 bp in 2006);
- low cost of risk in International Retail Banking: 44 bp in 2007 vs. 55 bp in 2006, below the 60-80 bp range expected in such a business given its current mix;
- cost of risk at 89 bp for Financial Services vs. 73 bp in 2006, resulting from the integration of acquisitions and from changes in the business mix, with the growing presence of consumer credit, especially in emerging countries;
- lower cost of risk in Corporate and Investment Banking due to significant write-backs in 2007.

Specific provisions for credit risks

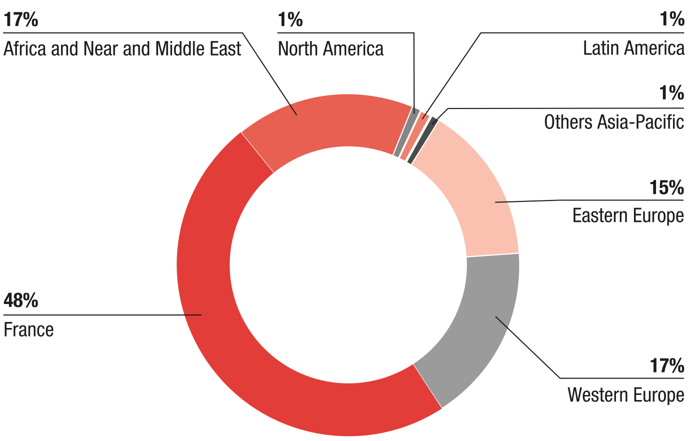
Provisions for credit risk are primarily booked for doubtful and disputed loans. At December 31, 2007, these amounted to EUR 11.4 billion.

BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHIC REGION AT DECEMBER 31, 2007



Total doubtful and disputed loans: EUR 11.4 billion.

BREAKDOWN OF THE STOCK OF PROVISIONS BY GEOGRAPHIC REGION AT DECEMBER 31, 2007



Total stock of provisions: EUR 6.8 billion, excluding portfolio-based provisions.

These loans were provisioned for an amount of EUR 6.8 billion at December 31, 2007, giving a coverage ratio of 59%.

Portfolio-based provisions

At December 31, 2007, the Group's total portfolio-based provisions amounted to EUR 909 million against EUR 1,033 million at December 31, 2006.

Portfolio-based provisions are collective provisions booked:

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

These provisions are calculated on the basis of observed historical losses, adjusted to reflect any relevant current economic conditions, and on the basis of 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 continued in 2007 despite the market turbulence linked to the US residential mortgage crisis. Indeed, Societe Generale expanded its relations with this segment, without the difficulties encountered by certain funds causing any 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, Societe Generale 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 and monitoring of hedge fund performances following the procedures and methods validated by the Risk Division;
- a ratings model based on data collected during due diligence procedures and reviewed annually;
- the centralization of all risk exposure on hedge funds with the Risk Division which monitors counterparty and market risk on a daily basis.

All activities with hedge funds, throughout the Group, are governed by a set of global limits set by the Chairman, notably including:

- 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 constantly 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 makes 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 from the front offices, include:

- the ongoing analysis of exposure and results, in conjunction 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

Societe Generale 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;
- a stress test measurement, based on a decennial shock-type indicator. Stress test measurements limit the Group's exposure to systemic risk and exceptional market shocks;
- complementary limits (sensitivity, nominal, concentration or holding period, etc.), which ensure consistency between the total risk limits and the operational limits used by the front office. These limits also allow for control of risks that are only partially detected by VaR or stress test measurements.

The 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. In early 2007, the VaR calculation was refined to better reflect the range of variation between equity volatilities and index volatilities. 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:

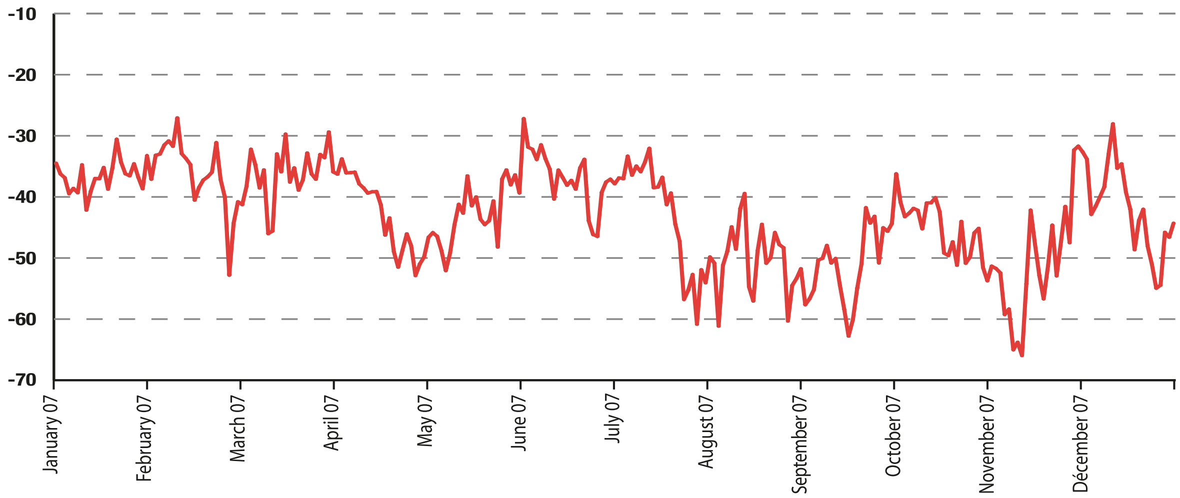
- the creation of a database tracing the risk factors which are representative of Societe Generale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.). On the whole, VaR is calculated using a database of several thousand risk factors;
- 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.

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.

VaR is first and foremost designed to monitor market activity in the bank's trading portfolios. In 2007, the VaR limit for all trading activities was increased to EUR 70 million (EUR 10 million more than in 2006) to reflect the aforementioned change in the VaR calculation method.

Value at Risk in the Group's trading activities, across the full scope of activities monitored, evolved as follows in 2007:

TRADING VAR (TRADING PORTFOLIOS)
CHANGES IN THE TRADING VAR DURING 2007 (1-DAY, 99%) IN MILLIONS OF EUROS



BREAKDOWN OF TRADING VAR BY TYPE OF RISK – CHANGE BETWEEN 2006 AND 2007 IN MILLIONS OF EUROS

	Year-end		Average		Minimum		Maximum	
1-day, 99%	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Equity price risk	(26)	(25)	(36)	(21)	(11)	(7)	(53)	(38)
Interest rate risk	(13)	(9)	(13)	(15)	(7)	(9)	(20)	(20)
Credit risk	(57)	(18)	(30)	(14)	(12)	(9)	(69)	(24)
Exchange rate risk	(4)	(3)	(3)	(2)	(1)	(1)	(6)	(5)
Commodity price risk	(2)	(2)	(3)	(2)	(1)	(1)	(6)	(5)
Compensation effect	57	35	43	29	NM*	NM*	NM*	NM*
Total	**(44)**	**(22)**	**(43)**	**(25)**	**(27)**	**(11)**	**(66)**	**(44)**

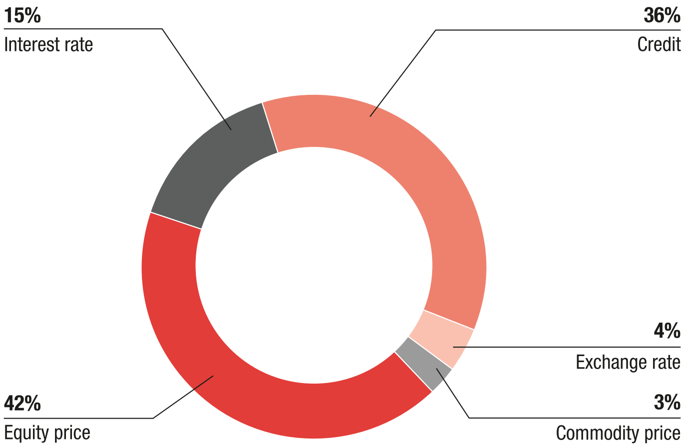
** Compensation is not material since the potential minimum and maximum losses do not occur on the same date.*

The figures for 2007 do not include the positions related to unauthorized and concealed activities (cf. chapter 10 –Consolidated Financial Statements- Note 40).

Average VaR came out at EUR 43 million in 2007 versus an average of EUR 25 million for 2006.

This EUR 18 million increase can be primarily attributed to a rise of EUR 16 million in "credit" VaR, directly related to the very volatile scenarios observed in 2007, and by a rise of EUR 15 million in "equity" VaR, derived mainly from the aforementioned refinement of the VaR calculation method. Both increases were partially offset by a clear improvement (EUR 14 million) in compensation between the different types of risks.

BREAKDOWN OF TRADING VAR BY TYPE OF RISK – 2007

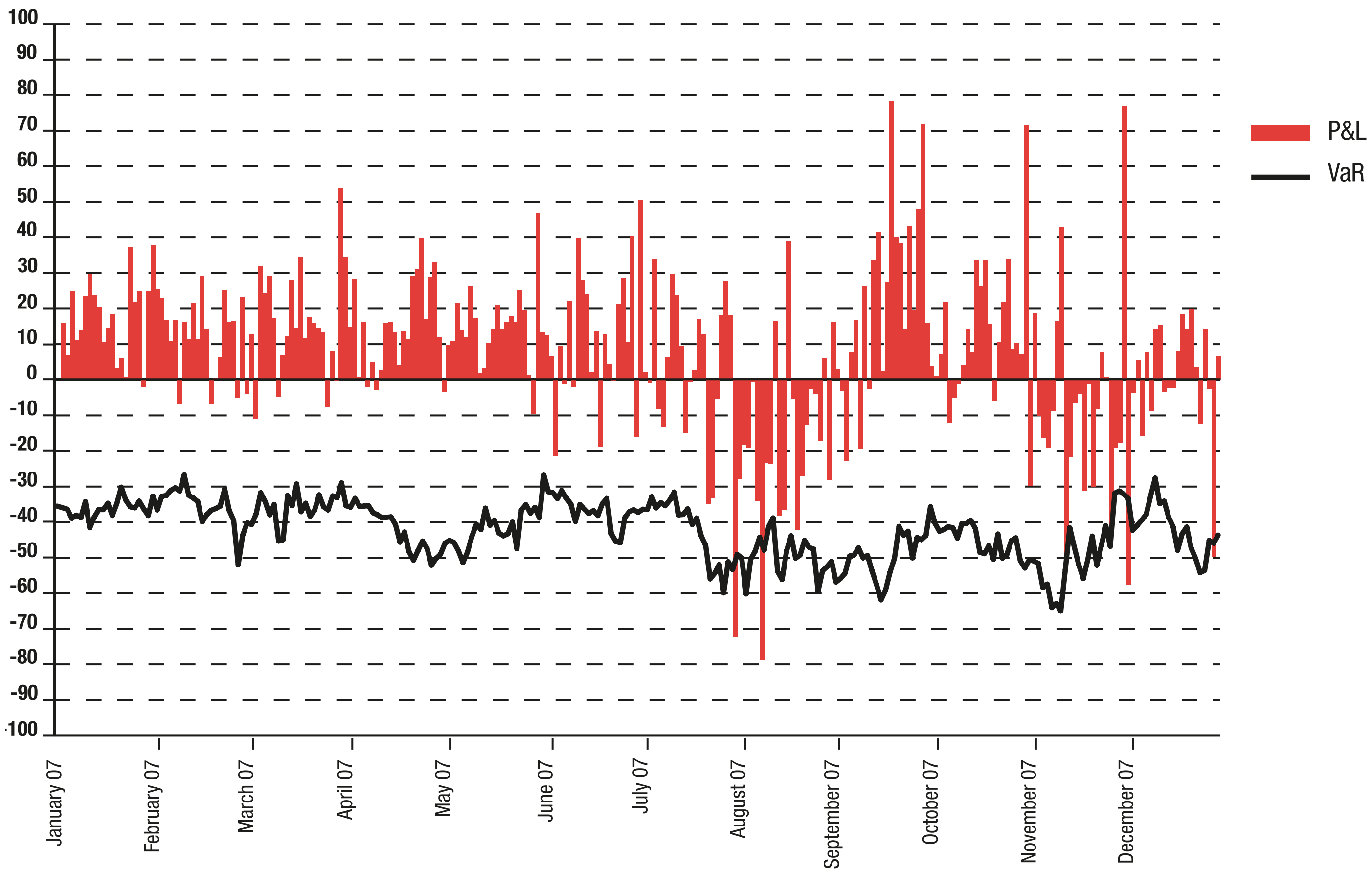


Limitations of the VaR assessment

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; the 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 2007 – 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. The chart above shows the back-testing of the VaR for the regulatory scope. In 2007, the total daily loss exceeded the VaR on four occasions which is slightly above 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, Societe Generale 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 "Societe Generale Hypothetical Scenario", which has been used since the start of the 1990s. 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 on a daily basis for each of the bank's market activities (all products combined), 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. They define, firstly, the maximum acceptable loss under the Societe Generale Hypothetical Scenario and the hypothetical scenario of a stock market crash such as that of October 1987, and, secondly, the maximum acceptable loss under the 24 remaining historical scenarios and 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 2007. No scenarios were withdrawn or added as a result of this review.

HISTORICAL STRESS TESTS

This method consists of an analysis of the major economic crises that have affected the financial markets since 1990. The 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, Societe Generale has established 18 historical scenarios.

HYPOTHETICAL STRESS TESTS

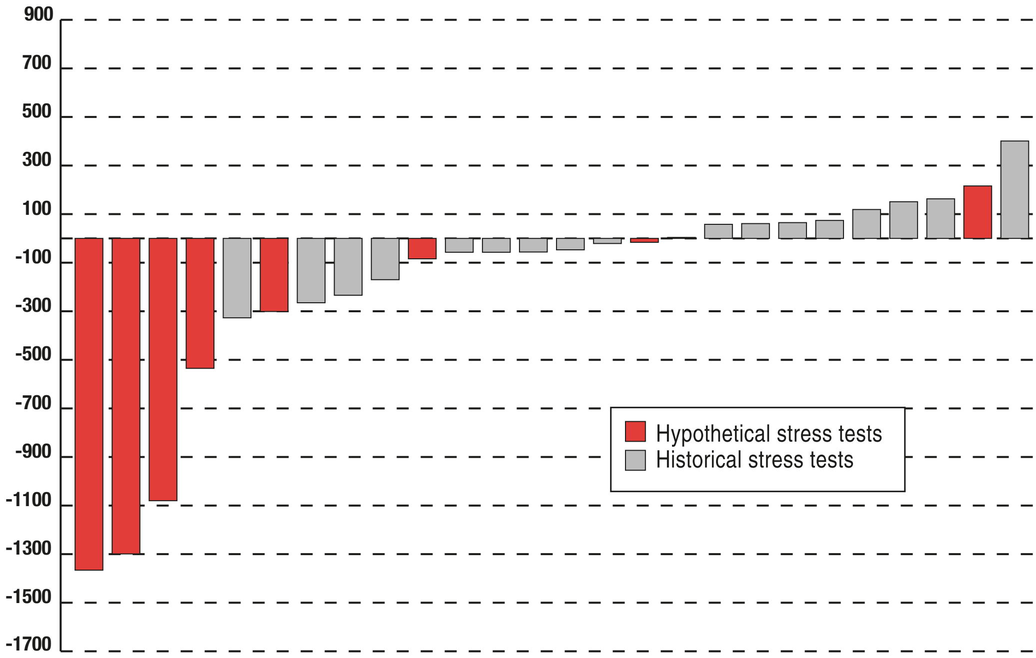
The hypothetical scenarios are defined by the bank's economists and designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The bank aims to select extreme, but nonetheless plausible events which would have major repercussions on all international markets. Societe Generale has adopted seven hypothetical scenarios, in addition to the Societe Generale Hypothetical Scenario.

Results at December 31, 2007

Societe Generale applied each of these scenarios to its trading positions at December 31, 2007 and obtained the results indicated in the chart below:

The highest potential loss (around EUR 1,300 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 AT DECEMBER 31, 2007



US RESIDENTIAL MORTGAGE MARKET

The second half of 2007 was affected by a crisis involving all financial instruments related to the residential mortgage market in the United States.

Relatively unaffected through its direct exposure to this sector (limited direct exposure to US originators of commercial real estate loans, no direct origination activity for individual real estate loans in the United States), following the gradual deterioration in the market environment, the Societe Generale Group was impacted mainly on:

- its RMBS (Residential Mortgage Backed Securities) trading positions;
- its positions on super senior tranches of RMBS CDOs (Collateralised Debt Obligations);
- its exposure to the counterparty risk on monoline insurers;
- its involvement in a SIV (Structured Investment Vehicle), a financial securitisation vehicle.

RMBS trading positions

The subprime RMBS portfolio, directly valued using observable market parameters, was widely hedged through the acquisition of protection on ABX indexes, or sold. On December 31, 2007, exposure to RMBS, totaled EUR 184 million after write-downs (EUR 49 million of nominal exposure, sensitivity hedged and EUR 135 million covered by monoline insurance). The RMBS trading portfolio has generated in 2007 a loss of EUR -325 million recorded in *Net banking income.*

Positions on US residential mortgage-backed super senior CDO tranches

At December 31, 2007, the total amount of write-downs came out at EUR -1,250 million, recorded in the income statement under net banking income.

CUMULATIVE LOSSES ON CDO SUBPRIME ASSETS AND SENSITIVITY ANALYSIS

	2005	2006	2007	Impact on NBI
Assumptions on cumulative losses for Q3 07	9.1%	14.6%	14.5%	EUR -167 m for 9M 2007
Assumptions on cumulative losses for Q4 07	9.0%	23.0%	25.0%	EUR -1,250 m for FY 2007

Sensitivity	Impact on NBI
+10% cumulative losses for each year of production	EUR -431 m (1)

(1) Impact at average Q4 07 exchange rate.

Assumptions on total losses for the US residential mortgage sector: about USD 350 billion.

The CDO tranches were valued with a model used to value underlyings on the basis of default parameters, loss given default, early repayment rates and default horizon. The results obtained using the model were supplemented with an approach designed to reflect the illiquidity of the tranches in question. The valuations obtained were in line with the valuation levels of the ABX indexes at December 31, 2007, where the comparison of underlyings is relevant. More specific and detailed information on the valuation of these instruments can be found in Note 3 to the financial statements.

DEPRECIATION RATE IN SUBPRIME RMBS IN THE SUPER SENIOR CDO TRANCHES

		Depreciation rate based on credit stress test	Depreciation rate based on ABX indexes
2005 vintage		- 25%	NA
2006 & 2007 vintages	A and above	- 62%	- 57%
	BBB and below	- 100%	- 82%

The CDO tranches of CDOs were also fully depreciated.

EXPOSURE TO US RESIDENTIAL MORTGAGE RISK

	CDO: super senior AAA tranches		
	Portfolio No. 1	Portfolio No. 2	Portfolio No. 3
Gross exposure at Dec. 31, 2007 (in millions of euros)	1,401	1,736	1,717
Attachment point	31%	15%	32,%
Underlying	mezzanine	high grade	mezzanine
% of underlying subprime assets	84%	53%	73%
o/w originated in 2005 (and earlier)	53%	20%	62%
in 2006	31%	20%	6%
in 2007	1%	12%	5%
Write-downs recorded in 2007 (in millions of euros) [(1)]	(458)	(629)	(164)
% total CDO write-downs [(2)]	32%	36%	9%
Net exposure at Dec. 31, 2007 (in millions of euros) [(3)]	955	1,116	1,554

(1) Write-down at average quarterly exchange rates.
(2) Net of hedging by subordination.
(3) Exposure at Dec. 31, 2007 exchange rate.

Sensitivity:

An assumption of a 10% overall increase in cumulative losses (in particular 9.0% to 9.9% for loans originated in 2005, 23,0% to 23.5% for loans originated in 2006 and 25.0% to 27.5% for loans originated in 2007) would lead to an estimated additional write-down of EUR –431 million.

Exposure to counterparty risk on US monoline insurers

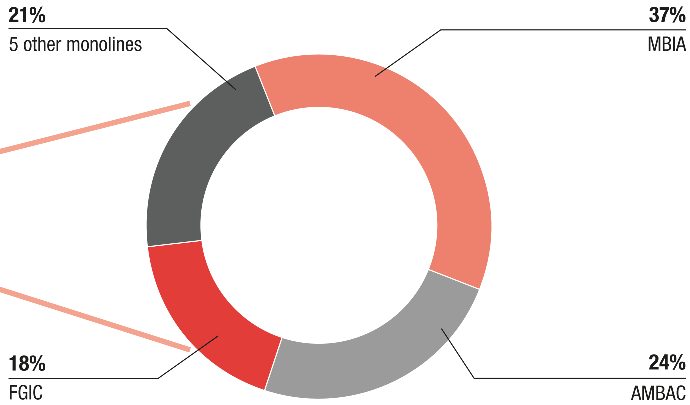
The exposures mentioned in this section refer to financial assets listed at fair value through profit and loss. The fair value of the Group's exposures to monolines insurers that have granted credit enhancements on assets including US residential mortgage underlyings reflect the deterioration in the estimated counterparty risk on these credit enhancers.

These factors led the Group to record write-downs of EUR -900 million in 2007 in profit and loss under net banking income. The amount of these write-downs was based on an analysis of each insured asset (with the assumption of an immediate default of all monolines having insured these assets), in accordance with our risk valuation models used for underlying assets of unhedged CDO portfolios including US residential mortgage underlyings, and was established on the basis of the Management's best estimate.

More specific and detailed information on this exposure can be found in Note 3 to the financial statements.

EXPOSURE TO MONOLINE COUNTERPARTY RISK AT DECEMBER 31, 2007
(SCENARIO OF THE IMMEDIATE DEFAULT OF ALL SOCIETE GENERALE MONOLINE COUNTERPARTIES)

	In EUR Bn
Gross counterparty exposure [1 & 2]	1.9
CDS purchased from banking counterparties	-0.6
Net counterparty exposure	1.3
Write-downs	-0.9
Net residual exposure	0.4



(1) Based on valuation methodologies consistent with those used for uninsured assets and excluding ACA.

(2) Including EUR 1.5 billion gross counterparty exposure related to a US mortgage related nominal exposure of EUR 7.9 billion, of which EUR 4.2 billion in underlying subprime assets (vintages: 3% 2007,21% 2006, 76% 2005 and earlier).

The Group also hedged its entire exposure to ACA for a total of EUR -47 million.

Participation in a SIV (Structured Investment Vehicle)

Societe Generale Group operates on the SIV market as a sponsor of a single conduit, PACE (Premier Asset Collateralized Entity).

On December 10, 2007, Societe Generale Group decided to refinance this structured investment vehicle.

This had a 0.05% impact on the Group's Tier one ratio and led to a EUR 1.6 billion increase in the financial assets in the portfolio.

The decision to consolidate PACE at December 31, 2007 led to the recording of EUR -49 million under net banking income (and EUR -12 million under net allocation to provisions).

The total impact on the Group's income was therefore EUR -2.6 billion as a result of the US subprime mortgage crisis, including:

- EUR -1,250 million on the portfolio of unhedged CDOs;
- EUR -947 million on counterparty risks relating to monoline insurers;
- EUR -325 million on the RMBS trading portfolio.

Asset Management

The financial crisis also affected Asset Management activities which suffered from a net outflows on some products during the second half of 2007. Against this backdrop, the Group was obliged to ensure the liquidity of some dynamic money market funds for the benefit of its clients, particularly by purchasing assets or funds' units. At December 31, 2007, seven funds have been fully consolidated, involving an increase of total Group assets for an amount of EUR 5.6 billion.

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 Societe Generale 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 therefore reducing 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 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 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 Societe Generale Metropole.

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 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.

To this end, any residual structural interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group as validated by the Finance Committee. This sensitivity is defined as the variation in the net present value of future (maturities of up to 20 years) residual fixed-rate positions (surplus or deficits 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 transactions 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 historic 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 2007, 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 5 years. Indeed, thanks to macrohedging essentially using fixed-rate swaps or caps, the French Networks' sensitivity to interest rate risk (on the basis of the adopted scenarios) has been kept to a minimum. At end-December 2007, the sensitivity of the French Networks (Societe Generale and Crédit du Nord) based on their assets and liabilities denominated in euros stood at less than EUR 160 million;
- transactions with large companies 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 Group 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 currencies which are important for the Group (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 structural foreign exchange 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 2007, 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 Societe Generale'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 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 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 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 liquidity risk management;
  - validates the models used by the entities;
  - centralizes, consolidates and reports on liquidity risk exposure, and carries out second level controls (independently from 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 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 geographic regions and sectors of activity;
- limitation of the number of issuers within the Group (Societe Generale, Societe Generale Acceptance NV, Societe Generale North America, etc.);
- management of short-term liquidity in accordance with the regulatory framework and based on assessments of crisis scenarios.

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.

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 2007, the Group continued to maintain a surplus of long-term liquidity. Indeed, through its retail banking activities, Societe Generale has a large and diversified deposit base which serves as a permanent resource in financing its domestic activities and credit transactions with its Financial Services clients abroad.

Following the liquidity crisis which impacted all financial instruments linked to the US residential mortgage market, the Group reduced its short-term refinancing positions while simultaneously raising the available stock of assets eligible for refinancing by the central banks.

In addition, Societe Generale Group implemented a program of medium to long-term senior debt and subordinated notes in 2007. The program was carried out as planned,by increasing recourse to private placements and secured issues.

The regulatory one month liquidity coefficient is calculated on a monthly basis, and concerns Societe Generale Parent Company (which comprises the head office in mainland France and all French branches and activities). In 2007, Societe Generale systematically maintained a coefficient above the required regulatory minimum.

OPERATIONAL RISKS

A fraud which was exceptional in both its size and its nature took place at Societe Generale over the course to 2007 and early 2008. This fraud occurred in spite of the improvement of the operational risk control system made in view of the Basel II reforms.

General description

By operational risk, the Group refers to the risk of losses resulting from a weakness or anomaly which can be attributed to procedures, personnel, internal systems or external events, including events with a low probability of occurrence but a high level of risk. Under this definition, operational risk also includes legal risk but excludes strategic and reputational risks. The Group monitors eight major categories of operational risk: commercial disputes, disputes with the authorities, errors in pricing or risk evaluation, execution errors, fraud and other criminal activity, rogue trading, loss of operating environment/capability and systems interruptions.

Operational risk is inherent to each of the Group's businesses and service activities. The supervision of operational risk is direct responsability of all those occupying managerial positions at all levels. It is managed through a system of prevention, control and coverage that comprises detailed procedures, permanent supervision and insurance policies, alongside work carried out by the internal audit departments and the General Inspection Department.

The system developed by the Group over the past few years 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.

In 2007, the French Banking Commission performed a review of the Operational Risk management system established by Societe Generale which resulted in the Group's authorization to use the Advanced Measurement Approach provided for under the Basel II agreements for the calculation of regulatory capital requirements for operational risk.

Governance

The main duties of the Operational Risk function are to define and implement a strategy for operational risk control, establish methods of measurement and analysis and encourage the application of best practices in this area. It also coordinates the implementation of the Group's crisis management and business continuity mechanisms.

The design of these tools and procedures and overall implementation of the system is the responsibility of the Risk Division's Operational Risk Department. Their practical implementation comes under the authority of the business divisions and functions, whose Operational Risk managers are functionally attached to the Operational Risk Department and have risk correspondents in the business lines and entities.

Operational Risk Committees have been set up at Group, business division, function and subsidiary levels.

The audit and the General Inspection teams verify the integrity and robustness of the system and may use elements of the system in the execution of their assignments.

Management of operational risks

Internal losses linked to operational risks

Since 2003, the Group has kept a record of internal losses arising from the materialization of operational risk amounting to more than 10,000 EUR per event (EUR 25,000 for Corporate and Investment Banking) covering almost all of the Group's entities in both France and abroad. This common database is used to analyze losses (by event category activity, geographic area, etc.) and monitor their evolution as well as the proposed corrective action plans. The overall cost of operational risk, excluding the exceptional loss covered on the next page, came out at EUR 225 million over the 2004-2007 period.

The four largest categories of losses were frauds, disputes with the authorities (tax disputes, in particular), commercial disputes and execution errors.

Evaluation of the risk control environment and risk profile

A specific methodology for evaluating the control environment has 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 and/or the severity of such losses. Under this methodology, the risks inherent to each activity are defined on a risk map, and the quality and efficiency of the corresponding control procedure is verified on a regular basis in order to identify the residual risks.

There are several different types of risk:

- common risks for which the bank has adopted an "expected loss" approach and has established for many years the necessary preventive and protective resources deemed effective in such cases;
- risks whose probability of occurrence is considered low, but which have a high loss potential that makes them particularly threatening. The Group's organization in this area is more recent and there is still progress to be made;
- new risks, linked to changes in the socio-political context and the growing complexity of technology and regulations, which must be taken into account.

The latter category of risk requires particular attention, and the following points shall serve to guide future assessment of the Group's evolving Operational Risk profile:

- increasing complexity of products and sophistication of modern technologies;
- interdependence of information processing and communication networks;
- rise in the occurrence of risks capable of causing so-called "major" shocks (health risks such as the avian flu pandemic, terrorist attacks, etc.);
- the increased litigiousness of society and stricter regulation of the banking industry;
- the magnifying effect that media coverage can have on the reputational risk institutions are exposed to.

The implementation of the Advanced Measurement Approach (AMA), including risk mapping and controls, collection of internal loss data and analyses of unfavorable scenarios have helped define and deploy effective Operational Risk management tools. There is still work to be done, however, to better integrate them into the management and measurement of entity performances, with the aim of better defining and thus further improving the Group's risk profile.

The Group also worked in 2007 on reinforcing its crisis management system. This included an in-depth analysis of the intrinsic resilience of its activities in addition to the existing business continuity plans.

Exceptional loss on a fraudulent and concealed position

In January 2008, the Group uncovered an exceptional fraud in both its scale and nature: a trader, in charge of arbitrage activities on financial instruments involving European stock market indexes, took fraudulent directional positions throughout 2007 and in early 2008 that greatly exceeded the individual limits that had been allocated to him. Certain unusual transactions had also been carried out in 2005 and 2006, albeit on a "sporadic" or "marginal" basis (Lagarde report). They are currently being investigated through the audits presently in progress and legal proceedings. This trader, whose unexpected activity consisted in the concurrent management of two portfolios similar in size and composition, using one to hedge the other, conducted hedges using fictitious transactions, thus concealing his losses and gains. He was able to conceal his positions through a series of fictitious transactions of various sorts, sometimes by using his colleagues' access rights to information systems. In order to prevent the immediate identification of these fictitious transactions, the trader used his years of experience acquired in departments for the processing and control of market transactions to circumvent the controls enabling the Bank to verify the details and therefore the real existence of the transactions initiated by its traders.

On January 18, 2008, an alert on the positions taken triggered an internal investigation. On January 20, 2008, once the scale of the exposure had been identified, Societe Generale's Chairman notified the Board of Directors' Accounts Committee as well as the Bank of France and *the Autorité des Marchés Financiers* (French Securities Regulator). The positions were unwound between January 21 and 23, respecting the integrity of the markets and the interests of shareholders. The unwinding of transactions on the EUROSTOXX, DAX and FTSE involved volumes that represented a maximum of 8.1% of the daily trading volumes in these markets. Given the size of these positions and the particularly unfavorable market conditions at the time, this fraud has ultimately had a net negative impact of EUR 4.9 billion on the Group's 2007 operating income.

MEASURES TAKEN – IMPACT ON THE CONTROL ENVIRONMENT

During a hearing before the Senate's Finance Commission on January 30, 2008, the Governor of the Bank of France stated that "the initial information available suggested that Societe Generale's system of internal control had not functioned as it should have and that those that had functioned had not always been appropriately monitored".

According to Mrs. Lagarde's February 4, 2008 Report to the Prime Minister on recent events at Societe Generale, the eight areas below are likely to have been particularly exposed:

- monitoring of traders' nominal outstandings (as opposed to the monitoring of net positions which, by definition, only reveals a limited market risk): the absence of this monitoring rendered possible the build up in a little over two weeks of a position of EUR 50 billion in January 2008;
- monitoring of cash flows, margin calls and payments, guarantee deposits, results achieved;
- extensive analysis and follow up of requests for information that the Eurex clearing house submitted to the Bank in November 2007;
- monitoring of transaction cancellations and changes originating from a single trader;
- confirmation of transactions with all the counterparties;
- compliance with the Chinese Wall between the front and back offices and cross-functional organization of the middle and back offices;
- IT systems' security and protection of access codes;
- monitoring of unusual behavior (e.g. failure to take any holiday).

Societe Generale has not commented on the points above but has observed that the risk measurement and management systems are not called into question in this report. Societe Generale has indicated that all of the points mentioned are being analyzed as part of the audits in progress.

This trader's positions have been reviewed and a detailed analysis of all positions within his department has been made, which has identified no similar situation. The employee, who has acknowledged these facts, has been relieved of his duties and a dismissal procedure has been initiated. In addition, the trader's direct line managers have been suspended, pending the results of the current audits and investigations, which will enable Societe Generale to determine whether the trader acted alone or in concert with others, within or outside the Group. It would appear that an employee of a brokerage company, a subsidiary of Societe Generale Group, who was used to carry out the trader's transactions and to offset his positions, had been informed by the trader some time ago of the large positions he had taken and of the requests for information by Eurex.

Additional specific control procedures have been defined in order to prevent any further use of the techniques devised by this trader to circumvent the control procedures. Some measures are being implemented immediately. Other, more structural, measures will be implemented in the short-term. These changes, together with their timetable, have been communicated to supervisors.

An action plan has been launched to prevent any similar situation. The plan is as follows:

- the measures that have already been implemented concern the scope of the fraud. They included a review of the trader's transactions and any other transactions exhibiting similar characteristics;

- a program to improve IT security is underway (frequent changing of passwords, access checking). In the coming months, a biometric identity control system will be introduced;
- the management of alert indicators has been reformed (control and limits of gross nominal amounts, supervision of cancellations, transactions with deferred start, ongoing confirmation with internal counterparties, control of cash flows, more rigorous monitoring of holidays and unusual behavior, alert distribution list);
- plans already underway to reorganize relations between the middle and front offices will continue. The middle office's organizational structure will be reformed and a department responsible for transaction security, and independent of the front and back office chains, will be set up. This will include a team responsible for seeking out fraudulent transactions, notably those related to malicious behavior. Lastly, fraud risk training and control resources will be stepped up.

These developments are in keeping with those already under way. The resources of SG CIB's back and middle offices have increased from 55% of the workforce in 2002 to 62% today.

The action plan described above has been prepared on the basis of internal audits carried out during the period immediately after the discovery of the fraud. The internal audit is still ongoing.

Moreover, other audits and investigations, notably by the Banking Commission, are in progress, which will enable Societe Generale to reinforce and improve its internal control systems and procedures if weaknesses are uncovered.

ESTABLISHMENT OF A SPECIAL COMMITTEE

On January 30, 2008, the Board of Directors set up a Special Committee of independent directors responsible primarily for ensuring:

- that the causes and amounts of the trading losses announced by the bank have been completely identified;
- that measures have been, or are, put in place to prevent the reoccurrence of incidents of the same nature;
- that the bank's public disclosure faithfully reflects the findings of the investigations;
- that the situation is managed in the best interests of the company, its shareholders, clients and employees.

This Committee is assisted in its task by Price Waterhouse Coopers.

The Chairman of the Special Committee provided an update on the situation at the Board of Directors' meeting on February 20, 2008, based on the state of progress of the ongoing investigations (see post-closing events in Chapter 4, Group management report).

LEGAL RISKS

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, Societe Generale 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, 2007, 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.

- SG Cowen, a former U.S. subsidiary of Societe Generale, is one of several defendants named in a lawsuit 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 that lawsuit 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. Societe Generale has agreed to indemnify SG Cowen for this matter. 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. Societe Generale 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 Societe Generale 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. Societe Generale fully cooperated with the Belgian State's investigations. These investigations having given rise to the opening of criminal proceedings, Societe Generale and its affiliate have also filed a complaint to shed light on the circumstances of this case. A provision has been made.

- 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. Societe Generale 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 collapse. 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 Societe Generale (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 Societe Generale 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 will take place from February 2008 until August 2008.

  Societe Generale'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 Societe Generale 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 Réglementation Bancaire et Financière (Banking and Financial Regulatory Committee)* came into force on April 26th, 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 Societe Generale.

- On November 23, 2006, Manulife Securities International Ltd. served an action against Societe Generale (Canada), Societe Generale, Lyxor Asset Management and Societe Generale Securities Inc. for payment of damages (CAD 1.630 billion) in the Superior Court of Justice of Ontario (Canada). It seeks compensation from these Societe Generale Group entities in connection with Notes issued by Societe Generale (Canada), guaranteed by Societe Generale and purchased by trusts, managed by the Portus entities, units of which were sold to private investors. It is alleged that these trusts had never been created, which allowed individuals associated with the Portus entities to partially misappropriate some of the investors' funds. It is further alleged that the Societe Generale Group entities breached duties purportedly owed to the investors in the Portus trusts or facilitated breaches by others. The Portus entities have since been put into bankruptcy. The plaintiff seeks, within the framework of a "class action", to have the Societe Generale Group entities declared responsible for these misappropriations and any other investor losses. The Societe Generale Group entities have fulfilled, and will continue to fulfill their commitments related to the Notes, and intend to vigorously oppose the action.

- Societe Generale, along with numerous other banks, insurance carriers and brokers is subject to investigations in the United States by the Internal Revenue Service, the Securities and Exchange Commission and the Antitrust Division of the Department of Justice for alleged non compliance with various laws and/or regulations relating to their conduct in the provision to governmental issuers of tax exempt municipal bonds of Guaranteed Investment Contracts (GICs). Societe Generale is cooperating fully with the investigating authorities.
- Lyxor Asset Management S.A. ("Lyxor"), a subsidiary of the Group, has been named as a defendant in a lawsuit filed in the Grand Court of Cayman Islands on July 25, 2007 and served on Lyxor in October 2007. The plaintiff was the only purchaser of approximately USD 550 million of certain structured Cayman Island unit trusts managed by Lyxor, which offered partial principal protection if held to maturity in 2015 (the "Protected Funds"). The Protected Funds are linked to the performance of other underlying funds also managed by Lyxor. The plaintiff alleges, among other things, that Lyxor has understated the unit net asset value ("NAV") of the Protected Funds by more than USD 110 million by incorrectly characterizing certain derivatives transactions of the Protected Funds as liabilities. The plaintiff seeks various declarations and orders by the Court concerning the valuation of the Protected Funds unit NAVs and their redemption, as well as additional unspecified damages to which it believes it is entitled. In December 2007, the court denied plaintiff's motion for summary judgment. Lyxor believes the plaintiff's claims lack merit and intends to vigorously defend this action.
- In January 2008, Societe Generale became aware of a fraud committed by one of its traders. This trader has taken, fraudulently and outside his functions, huge positions that were fictitiously hedged on the futures markets on equity indices. Societe Generale was obliged to unwind without delay these positions in particularly unfavorable market conditions. Societe Generale has filed a criminal claim. Criminal investigations are being conducted and the trader has been put under investigation for forgery, use of forgery, fraudulent access to IT system and breach of trust. Societe Generale has subsequently filed a civil claim in connection with the criminal case.

  The French "Commission Bancaire" has launched an investigation. The French Financial Markets Authority (AMF) has initiated an investigation into SG stock market and financial report. A shareholder has served an action in the "Tribunal de grande instance" of Paris against Societe Generale for allegedly deflating the value of its stock by its alleged misconduct. In the United State, Societe Generale has received a subpoena from the United States Attorney's Office for the Eastern District of New York in Brooklyn seeking documents relating to the trading activities of the aforementioned trader. Societe Generale has also received a related inquiry from the staff of the United States Securities and Exchange Commission, and has been informed that the Commodities Futures Trading Commission is also involved in the parallel inquiry. Societe Generale is cooperating fully with the U.S. authorities.

  The proceedings and the investigations mentioned above are the only ones Societe Generale is aware of. At this stage, it is difficult to predict the outcomes and consequences, if any, of these proceedings and investigations or of the proceedings and investigations which may be separately underway.

ENVIRONMENTAL RISKS

See pages 117 to 126.

INSURANCE FOR OPERATIONAL RISKS

Description of insurance policies

General policy

Societe Generale'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 special 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 worked in 2007 to increase its level of cover and extend the guarantees offered under its existing policies.

The Group also reinsures some 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 many cases is particularly high. This approach contributes to the improvement of the Group's knowledge and management of its risks.

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 2.34 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 2.59 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 to 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. Fraud is covered in the cases of actions committed with the intent to:

- make a personal illicit gain; or
- cause injury to the Bank.

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. Societe Generale's internal VaR model has been approved by the French Banking Commission (see section on "Methods of measuring Market Risk and defining exposure Limits, page 141).

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 8.87% at December 31, 2007, excluding Tier-3 capital, compared with 11.11% at end-December 2006.

RISK-BASED CAPITAL, RISK-WEIGHTED ASSETS AND SOLVENCY RATIOS

(In millions of euros)	Dec. 31, 2007	Dec. 31, 2006
Risk-based capital		
Group shareholders' equity	27,241	29,054
Dividends	(473)	(2,323)
Minority interests after appropriation of net income	2,331	2,039
Preferred shares	1,439	2,080
Prudential deductions [(1)]	(8,922)	(8,523)
Total Tier-1 capital	21,616	22,327
Total Tier-2 capital	12,936	11,987
Other deductions [(2)]	(5,608)	(2,602)
Total risk-based capital	28,944	31,712
Risk-weighted assets	326,468	285,525
International solvency ratio (B.I.S. ratio) (%)	8.87	11.11
Tier-1 ratio (in%)	6.62	7.82

(1) Essentially goodwill and intangible assets and IFRS prudential deductions.

(2) Holdings in non-consolidated financial companies or those accounted for under the equity method.

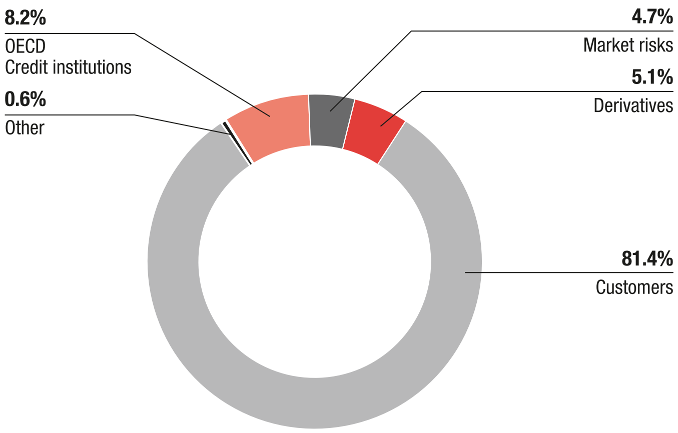
Group shareholders'equity at end-December 2007 totaled EUR 27.2 billion (compared with EUR 29.1 billion at end-December 2006). After taking into account minority interests and preferred shares, total Tier one capital stood at EUR 21.6 billion, giving a Tier one ratio of 6.62% at December 31, 2007 (compared with 7.82% at December 31, 2006).

Risk-weighted assets came out at EUR 326.5 billion, up 14.4% on 2006. By type of activity, this figure breaks down as follows:

- counterparty risks (EUR 311.1 billion) accounted for 95.3% of risk-weighted assets at December 31, 2007 (vs. 96.3% at December 31, 2006);
- market risks (EUR 15.4 billion) accounted for 4.7% of risk-weighted assets at December 31, 2007 (vs. 3.7% at December 31, 2006).

Credit risk on derivatives essentially relates to instruments with maturities under five years (a detailed analysis of these instruments is included in Note 29 to the consolidated financial statements on page 232).

BREAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK AT DECEMBER 31, 2007



Total counterparty risk exposure: EUR 311.1 billion (95.3%), of which:

Plain vanilla on- and off-balance sheet items: EUR 294.6 billion (90.2%)
Derivative products: EUR 16.5 billion (5.1%)

Total capital market risk exposure: EUR 15.4 billion (4.7%)

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, 2007, these risks were 118.1% covered by Group equity, excluding any Tier-3 capital (compared with 141.9% at December 31, 2006).

As with the international solvency ratio, the Group's equity requirements principally arise from "plain vanilla" banking activities.

Moreover, as Societe Generale Group has been classified as a financial conglomerate it is subject to additional supervision by the French Banking Commission.

Ratio of large exposures

The ratio of large exposures is calculated on a quarterly basis but is complied with on an ongoing basis by Societe Generale Group:

- the total risk incurred by Societe Generale in respect of any debtor taken individually does not exceed 25% of consolidated net equity;
- the total risk incurred by Societe Generale 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

Societe Generale's one-month liquidity ratio, which is used to monitor short-term liquidity, averaged 127% over 2007. At the end of each month in 2007, it was above the minimum regulatory requirement of 100%.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS

(In millions of euros)		IFRS December 31, 2007	IFRS December 31, 2006
Cash, due from central banks	Note 5	11,302	9,358
Financial assets measured at fair value through profit and loss	Note 6	489,959	453,207
Hedging derivatives	Note 7	3,709	3,668
Available-for-sale financial assets	Note 8	87,808	78,754
Non current assets held for sale	Note 9	14,229	34
Due from banks	Note 10	73,065	68,157
Customers loans	Note 11	305,173	263,547
Lease financing and similar agreements	Note 12	27,038	25,027
Revaluation differences on portfolios hedged against interest rate risk		(202)	(20)
Held-to-maturity financial assets	Note 13	1,624	1,459
Tax assets	Note 14	3,933	1,503
Other assets	Note 15	35,000	34,514
Investments in subsidiaries and affiliates accounted for by the equity method		747	646
Tangible and intangible fixed assets	Note 16	13,186	12,072
Goodwill	Note 17	5,191	4,915
Total		**1,071,762**	**956,841**

LIABILITIES

(In millions of euros)		IFRS December 31, 2007	IFRS December 31, 2006
Due to central banks		3,004	4,183
Financial liabilities measured at fair value through profit and loss	Note 6	340,751	298,693
Hedging derivatives	Note 7	3,858	2,826
Non current liabilities held for sale	Note 9	15,080	-
Due to banks	Note 18	131,877	129,835
Customer deposits	Note 19	270,662	267,397
Securitized debt payables	Note 20	138,069	100,372
Revaluation differences on portfolios hedged against interest rate risk		(337)	143
Tax liabilities	Note 14	2,400	1,959
Other liabilities	Note 21	46,052	39,326
Underwriting reserves of insurance companies	Note 31	68,928	64,583
Provisions	Notes 23 and 40	8,684	2,579
Subordinated debt	Note 25	11,459	11,513
Total liabilities		**1,040,487**	**923,409**
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Common stock		583	577
Equity instruments and associated reserves		7,514	6,294
Retained earnings		17,551	14,773
Net income		947	5,221
Sub-total		**26,595**	**26,865**
Unrealized or deferred capital gains or losses		646	2,189
Sub-total equity, Group share		**27,241**	**29,054**
Minority interests		**4,034**	**4,378**
Total equity		**31,275**	**33,432**
Total		**1,071,762**	**956,841**

CONSOLIDATED INCOME STATEMENT

(In millions of euros)		IFRS December 31, 2007	IFRS December 31, 2006
Interest and similar incomes	Note 32	38,093	30,056
Interest and similar expense	Note 32	(35,591)	(26,944)
Dividend income		400	293
Fee income	Note 33	10,745	9,242
Fee expense	Note 33	(3,217)	(2,389)
Net gains or losses on financial transactions		10,252	10,984
o/w net gains or losses on financial instruments at fair value through profit and loss	*Note 34*	*9,307*	*10,360*
o/w net gains or losses on avalaible-for-sale financial assets	*Note 35*	*945*	*624*
Income from other activities	Note 36	16,084	16,763
Expenses from other activities	Note 36	(14,843)	(15,588)
Net banking income		**21,923**	**22,417**
Personnel expenses	Note 37	(8,172)	(8,350)
Other operating expenses		(5,348)	(4,635)
Amortization, depreciation and impairment of tangible and intangible fixed assets		(785)	(718)
Gross operating income		**7,618**	**8,714**
Cost of risk	Note 39	(905)	(679)
Operating income excluding net loss on unauthorized and concealed trading activities		**6,713**	**8,035**
Net loss on unauthorized and concealed trading activities	Note 40	(4,911)	
Operating income including net loss on unauthorized and concealed trading activities		**1,802**	**8,035**
Net income from companies accounted for by the equity method		44	18
Net income/expense from other assets		40	43
Impairment losses on goodwill		-	(18)
Earnings before tax		**1,886**	**8,078**
Income tax	Note 41	(282)	(2,293)
Consolidated net income		**1,604**	**5,785**
Minority interests		657	564
Net income, Group share		**947**	**5,221**
Earnings per share	**Note 42**	**1.98**	**12.33**
Diluted earnings per share	**Note 42**	**1.96**	**12.16**

For information, the earning per share and diluted earning excluding the net loss on unauthorized and concealed trading activities of EUR 3,221 million after tax, are shown below:

Earnings per share excluding net loss on unauthorized and concealed trading activities	***Note 42***	***9.37***	***12.33***
Diluted earnings per share excluding net loss on unauthorized and concealed trading activities	***Note 42***	***9.25***	***12.16***

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, 2005	**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	34	2,791							2,825				2,825
Elimination of treasury stock			(425)	217					(208)				(208)
Issuance of equity instruments				22					22				22
Equity component of share-based payment plans		119							119				119
2006 Dividends paid				(1,966)					(1,966)	(415)		(415)	(2,381)
Effect of acquisitions and disposals on minority interests				(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				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					(381)				(381)		(80)	(80)	(461)
Sub-total	***-***	***-***	***-***	***0***	***(381)***	***1***	***-***	***-***	***(380)***	***-***	***(80)***	***(80)***	***(460)***
Shareholders' equity at December 31, 2006	**577**	**8,154**	**(1,860)**	**19,994**	**48**	**2,355**	**28**	**(242)**	**29,054**	**4,166**	**212**	**4,378**	**33,432**
Increase in common stock [1]	6	530							536				536
Elimination of treasury stock [2]			(1,604)	46					(1,558)				(1,558)
Issuance of equity instruments [3]		2,081		44					2,125				2,125
Equity component of share-based payment plans [4]		213							213				213
2007 Dividends paid				(2,397)					(2,397)	(299)		(299)	(2,696)
Effect of acquisitions and disposals on minority interests [6] [7]				(127)					(127)	(599)		(599)	(726)
Sub-total of changes linked to relations with shareholders	***6***	***2,824***	***(1,604)***	***(2,434)***		***-***	***-***	***-***	***(1,208)***	***(898)***	***-***	***(898)***	***(2,106)***
Change in value of financial instruments and fixed assets having an impact on equity						(214)	73		(141)		(15)	(15)	(156)
Change in value of financial instruments and fixed assets recognized in income						(941)	-		(941)		(12)	(12)	(953)
Tax impact on change in value of financial instruments and fixed assets having an impact on equity or recognized in income								90	90				90
2007 Net income for the period				947					947	657		657	1,604
Sub-total	***-***	***-***	***-***	***947***		***(1,155)***	***73***	***90***	***(45)***	***657***	***(27)***	***630***	***585***
Change in equity of associates and joint ventures accounted for by the equity method									-			-	-
Translation differences and other changes [8]				(9)	(551)				(560)		(76)	(76)	(636)
Sub-total	***-***	***-***	***-***	***(9)***	***(551)***	***-***	***-***	***-***	***(560)***	***-***	***(76)***	***(76)***	***(636)***
Shareholders' equity at December 31, 2007	**583**	**10,978**	**(3,464)**	**18,498**	**(503)**	**1,200**	**101**	**(152)**	**27,241**	**3,925**	**109**	**4,034**	**31,275**

(1) At December 31, 2007, Societe Generale's fully paid-up capital amounted to EUR 583,228,241.25 and was made up of 466,582,593 shares with a nominal value of EUR 1.25.

In 2007, Societe Generale operated several capital increases for EUR 6.4 million with EUR 530 million of issuing premiums:

- *EUR 5.7 million subscribed by employees under the Employee Share Ownership Plan, with EUR 493 million of issuing premiums,*
- *EUR 0.7 million resulting from the exercise by employees of stock options granted by the Board of Directors, with EUR 37 million issuing premiums.*

(2) At December 31, 2007, the Group held 37,790,738 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 8.10% of the capital of Societe Generale.

The amount deducted by the Group from its net book value for equity instruments (shares and derivatives) came to EUR 3,464 million, including EUR 798 million for shares held for trading purposes.

(3) (4) (5) (6) (7) et (8) : see next page

The change in treasury stock over 2007 breaks down as follows:

(In millions of euros)	Transaction-related activities	Buybacks and active management of Shareholders' equity	Total
Purchases net of disposals	(449)	(1,155)	(1,604)
	(449)	**(1,155)**	**(1,604)**
Capital gains net of tax on treasury shares and treasury share derivatives, booked under shareholders' equity	(4)	(4)	(8)
Related dividends, removed from consolidated results	7	47	54
	3	**43**	**46**

(3) Societe Generale has issued in March, 2007 a super subordinated loan amounting to GBP 350 million, in April, 2007 two undated subordinated notes amounting to USD 1,100 million and USD 200 million and in December, 2007 a super subordinated loan amounting to EUR 600 million. In view of the discretionary nature of their remuneration, all super and undated subordinated loans are classified in shareholders equity.

Movements relative to the super subordinated loans and the undated subordinated notes 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	29	15	44
Remuneration paid booked under dividends (2007 Dividends paid line)	69	20	89

(4) Share-based payments settled in equity instruments in 2007 amounted to EUR 213 million, including EUR 68 million for the stock option plans, EUR 56 million for the free shares attribution plan and EUR 89 million for Global Employee Share Ownership Plan.

(5) In 1997, Societe Generale issued USD 800 million of preferred shares in the United States via its subsidiary SocGen Real Estate Company llc. Those preferred shares have been reimbursed at the end of 2007.

In 2000, Societe Generale issued a further EUR 500 million via its subsidiary SG Capital Trust, and USD 425 million via SG Americas in 2001.

In 2003, Societe Generale issued a further EUR 650 million of preferred shares in the United States via SG Capital Trust III.

At December 31, 2007, preferred shares amounted to EUR 1,439 million.

(6) 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 uner shareholders' equity.

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.

Adjustment details as at December 31, 2007:

Gains on sales cancellation	0
Minority interest buybacks not subject to any put options	(2)
Transactions and variation of value on put options granted to minority shareholders	(153)
Net income attributable to the minority interests of shareholders holding a put option on their Group shares allocated to consolidated reserves.	28
Total	(127)

(7) Movements booked in the amount of EUR -599 million under minority interest reserves correspond to:

• EUR -587 million to preferred shares reimbursement by SocGen Real Estate Company llc,

• EUR -83 million in changes in scope over the period (mainly the deconsolidation of SocGen Real Estate Company llc for an amount of EUR -46 million),

• EUR -28 million in the reclassification of net income attributable to the minority interests of shareholders with a put option on their Group shares from minority interest reserves to consolidated reserves,

• EUR +100 million in capital increase by General Bank of Greece.

(8) The variation in Group translation differences for 2007 amounted to EUR -551 million.

This variation was mainly due to the increase of the euro against the US dollar (EUR -393 million), Pound sterling (EUR -113 million), the Leu (EUR -30 million), the Egyptian pound (EUR -29 million), the Japanese yen (EUR -20 million), and the increase of the Czech Krone against the euro (EUR 35 million).

The variation in translation differences attributable to Minority Interests amounted to EUR -76 million. This was mainly due to the revaluation of the euro against the US dollar linked to the issue of USD-denominated preferred shares (EUR -54 million) and against the Leu (EUR -25 million).

CASH FLOW STATEMENT

(In millions of euros)	IFRS December 31, 2007	IFRS December 31, 2006
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES		
Net income (I)	**1,604**	**5,785**
Amortization expense on tangible fixed assets and intangible assets	2,383	2,138
Depreciation and net allocation to provisions (mainly underwriting reserves of insurance companies)	5,120	7,885
Allocation to provisions for the loss linked to the closing of unauthorized and concealed trading activities positions (1)	6,382	
Net income/loss from companies accounted for by the equity method	(44)	(18)
Deferred taxes	(2,219)	194
Net income from the sale of long term available for sale assets and subsidiaries	(954)	(494)
Change in deferred income	(338)	274
Change in prepaid expenses	181	(361)
Change in accrued income	(575)	(668)
Change in accrued expenses	90	509
Other changes	1,457	2,986
Non-monetary items included in net income and others adjustments (not including income on financial instruments measured at fair value through P&L) (II)	**11,483**	**12,445**
Income on financial instruments measured at fair value through P&L (2) (III)	**(9,307)**	**(10,360)**
Interbank transactions	(457)	1,844
Customer transactions	(35,792)	8,555
Transactions related to other financial assets and liabilities	44,573	(10,267)
Transactions related to other non financial assets and liabilities	(996)	(165)
Net increase / decrease in cash related to operating assets and liabilities (IV)	**7,328**	**(33)**
NET CASH INFLOW (OUTFLOW) RELATED TO OPERATING ACTIVITIES (A) = (I) + (II) + (III) + (IV)	**11,108**	**7,837**
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES		
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long-term investments	438	(1,284)
Tangible and intangible fixed assets	(3,546)	(3,511)
NET CASH INFLOW (OUTFLOW) RELATED TO INVESTMENT ACTIVITIES (B)	**(3,108)**	**(4,795)**
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES		
Cash flow from/to shareholders	(2,182)	236
Other net cash flows arising from financing activities	6	(170)
NET CASH INFLOW (OUTFLOW) RELATED TO FINANCING ACTIVITIES (C)	**(2,176)**	**66**
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	**5,824**	**3,108**
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at start of the year		
Net balance of cash accounts and accounts with central banks	5,175	3,409
Net balance of accounts, demand deposits and loans with banks	3,689	2,347
Cash and cash equivalents at end of the year (3)		
Net balance of cash accounts and accounts with central banks	8,320	5,175
Net balance of accounts, demand deposits and loans with banks	6,368	3,689
NET INFLOW (OUTFLOW) IN CASH AND CASH EQUIVALENTS (1)	**5,824**	**3,108**

(1) The provision for loss on unauthorized and concealed trading activities amounting to EUR 6,382 million, realized between January 21 and 23, is excluded from 2007 cash flow variation.

(2) Income on financial instruments measured at fair value through P&L includes realized and unrealized income.

(3) o/w EUR 83 million cash related to entities acquired in 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 20, 2008.

Note 1

Significant Accounting Principles

In accordance with European Regulation 1606/2002 of June 19, 2002 on the application of International Accounting Standards, Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ending December 31, 2007 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date (these standards are available on European Commission Website at : http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission).

The standards comprise IFRS 1 to 7 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, 2007.

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").

On January 19 and 20, 2008, the Societe Generale Group uncovered unauthorized and concealed trading activities of an exceptional scale involving directional positions taken during 2007 and the beginning of 2008 by a trader responsible for trading on plain vanilla derivatives instruments based on European stock market indices. The identification and analysis of these positions on January 19 and 20, 2008 prompted the Group to close them as quickly as possible while respecting market integrity.

For the information of the shareholders and the public, the Group considered that the application of IAS 10 "Events After the Balance Sheet Date" and IAS 39 "Financial Instruments: Recognition and Measurement" for the accounting of transactions relating to the unauthorized activities and their unwinding was inconsistent with the objective of the financial statements described in the Framework of IFRS standards. For the purpose of a fair presentation of its financial situation, it was more appropriate to record all the financial consequences of the unwinding of these unauthorized activities under a separate caption in consolidated income for the 2007 financial year. To this end and in accordance with the provisions of paragraphs 17 and 18 of IAS 1 "Presentation of Financial Statements" the Group decided to depart from the provisions of IAS10 "Events After the Balance Sheet Date" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", by booking in the consolidated income for the 2007 financial year a provision for the total cost of the unauthorized activities. This treatment has been submitted to the banking supervisory body (Secrétariat général de la Commission bancaire) and to the market authority (Autorité des Marchés Financiers) to confirm its acceptability regarding the regulatory framework. The consequences of the accounting treatment so applied are disclosed in the Note 40.

The consolidated financial statements are presented in euros.

IFRS AND IFRIC INTERPRETATIONS APPLIED BY THE GROUP AS OF JANUARY 1, 2007

- **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 had consequently 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 had no impact on net income or shareholders' equity when applied by the Group as of January 1, 2007.

Two interpretations issued by the IFRIC and adopted by the European Union have been applied retrospectively by the Group as of January 1, 2007

- **IFRIC 10 "Interim financial Reporting and Impairment"**

This interpretation published by the IASB on July 20, 2006 and adopted by the European Union on June 1, 2007 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 application by the Group of this interpretation has no impact on its financial statements.

- **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 and adopted by the European Union on June 1, 2007 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 early application by the Group has no impact on its financial statements.

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 2006 and 2007.

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 Note 3 to the financial statements disclosing notably a description of the methods used for the fair value of financial instruments based on assumptions that are not supported by prices from observable current market transactions. Actual future results may differ from these estimates.

1. Consolidation principles

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

CONSOLIDATION METHODS

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

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

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

The following consolidation methods are used:

- **Full consolidation**

This method is applied to companies over which Societe Generale exercises 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 Societe Generale being represented on the board of directors or supervisory board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of a subsidiary when it holds directly or indirectly at least 20% of the voting rights in this subsidiary.

SPECIFIC TREATMENT FOR SPECIAL PURPOSE VEHICLES (SPV)

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

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

- the SPV's activities are being conducted 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 writebacks 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.

In case of increase 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*. Also, 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.

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.

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*.

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 subdivision, 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 subdivision'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 five core business lines:

- The French Networks which include retail banking in France (the domestic networks of Societe Generale and those of Crédit du Nord);
- International Retail Banking (BHFM);
- Financial Services Divison (DSFS) which includes vendor finance, leasing, consumer credit, life and non-life insurance;
- Global Investment Management and Services (GIMS) 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 (SG CIB) 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 five 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

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

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

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.

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

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 disbursed.

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

  The Group also books at fair value through profit or loss the financial assets held to guarantee unit-linked policies of its life insurance subsidiaries to ensure their 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 these 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 debt 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 interest 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 measured at fair value through profit or loss are initially recognized at cost, measured as the fair value of the amount borrowed net of transaction fees. At the balance sheet date, these liabilities are valued 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

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 the remaining life of the previously hedged item. 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

- **Financial assets valued at amortized cost**

At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially 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. Notwithstanding the existence of guarantees, the assessment criteria for objective evidence of credit risk include the existence of unpaid installments overdue by over three months (over six months for real estate loans and over nine months for loans to local authorities) or, independently of the existence of any unpaid amount, the existence of objective evidence of an incurred credit risk or when the counterparty is subject to judiciary proceedings.

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 defaults and losses 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 prolonged impairment to a financial asset that is available for sale, an impairment loss is recognized through profit or loss.

For listed equity instruments, the need to book a prolonged impairment is analysed as soon as there is a significant decrease (over 20%) in the average price over 12 months compared to the acquisition cost of the security and that this reduction is still relevant on the balance sheet date.

For unlisted equity instruments, a qualitative analysis of their prolonged impairment is carried out using the valuation methods described in Note 3.

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

When a decline in the fair value of an available-for-sale financial asset has been 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 instruments.

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 an equity instrument has been recognized as impaired, any further decline in the 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 properties, 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 declined and, for intangible assets, at least once a year. Evidence of impaiment 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 properties 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 an existing 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)

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).

LOAN COMMITMENTS

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

FINANCIAL GUARANTEES ISSUED

When considered as non-derivative financial instrument, 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 issued is booked to balance sheet liabilities.

LIABILITIES/SHAREHOLDERS' EQUITY DISTINCTION

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

- **Perpetual subordinated notes (TSDI)**

Given their 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*.

On the contrary, perpetual subordinated notes (TSDI) issued by the Group and that do not include any discretionary features governing the payment of interest are classified under *Subordinated debt.*

On March 27, 2007, the Group issued GBP 350 million of perpetual subordinated notes classified as equity and recognized under *Equity instruments and associated reserves* and paying 5.75% annually and then, from March 27, 2012, 3-month GBP Libor +1.1% annually.

- **Preferred shares**

In the second half of 1997, Societe Generale 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. They have been repaid during 2007.

In the first half of 2000, Societe Generale 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, Societe Generale 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, Societe Generale 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.

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.

- **Deeply subordinated notes**

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.

On April 5, 2007, the Group issued USD 200 million of deeply subordinated notes, paying 3-month USD Libor + 0.75% annually and then, from April 5, 2017, 3-month USD Libor +1.75% annually.

On April 5, 2007, the Group issued USD 1,100 million of deeply subordinated notes, paying 5.922% semi annually and then, from April 5, 2017, 3-month USD Libor +1.75% annually.

On December 19, 2007, the Group issued EUR 600 million of deeply subordinated notes paying 6.999% annually and then, from 2018, 3-month Euribor +3.35% 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

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

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

INTEREST INCOME AND EXPENSES

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 cash transfers, 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 syndicated share of the issue 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.

• 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 the Group bears 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 SOCIETE GENERALE SHARES OR SHARES ISSUED BY A CONSOLIDATED ENTITY

Share-based payments include:

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

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

• Global Employee Share Ownership Plan

Every year the Group carries out a capital increase reserved for current and former employees as part of the Global Employee Share Ownership Plan. New shares are offered at a discount with an obligatory five-year holding period. The resultant benefit to the employees is booked by the Group as an expense for the year under *Personnel expenses – Employee profit-sharing and incentives.* This benefit is measured as the difference between the fair value of each security acquired and the acquisition price paid by the employee, multiplied by the number of shares 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 cost for recovery of free disposal ability.

• Other share based payments

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

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, 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 or Monte Carlo model are used. Valuations are performed by independent actuaries.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these options, measured at the assignment date, is spread over the vesting period and booked to *Equity instruments and associated reserves* under shareholders’ equity. At each accounting date, the number of options expected to be exercised is revised and the overall cost of the plan as originally determined is adjusted. Expenses booked to *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock options granted by unlisted companies or compensation indexed on Societe Generale shares), the fair value of the 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.

COST OF RISK

The *Cost of risk* caption in the consolidated income statement 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 captions in the income statement.

INCOME TAX

- **Current taxes**

In France, the normal corporate income tax rate is 33.33%. Since January 1, 2007, long-term capital gains on equity investments are exempted in return for taxation of a share of expenses of 1.66%. 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 Societe Generale's interest is at least 5% are tax exempt.

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 2007 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

- **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**

Underwriting reserves correspond to the commitments of insurance companies with respect to insured persons and the beneficiaries of policies. In accordance with IFRS 4 on insurance contracts, life and non-life underwriting reserves continue to be measured under the same local regulations.

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.

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.

In order to provide more relevant information for understanding the financial performance of the Group in 2007, the total net loss related to the unwinding of the directional positions pursuant to the unauthorized and concealed activities uncovered on January 19 and 20 is presented under a separate caption of the consolidated income statement entitled "*Net loss on unauthorized and concealed trading activities*".

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.

The Group 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.

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

Some accounting standards and interpretations have been published by the IASB as of December 31, 2007. Some have been adopted and others have not been yet adopted by the European Union. These accounting standards and interpretations are required to be applied from January 1, 2009 or from their future adoption by the Europeen Union. Therefore, they are not applied by the Group as of December 31, 2007.

ACCOUNTING STANDARDS OR AMENDMENTS ADOPTED BY THE EUROPEAN UNION

• IFRS 8 "Operating Segment"

The European Union adopted IFRS 8 on November 21, 2007. Applicable as of January 1, 2009, this standard modifies segment reporting definition and disclosure of information.

INTERPRETATIONS NOT YET ADOPTED BY THE EUROPEAN UNION ON DECEMBER 31, 2007

• Revising IAS 1 "Presentation of financial statements"

This revised standard, published by the IASB on September 6, 2007, is required to be applied from January 1, 2009. This standard sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

• Amendment to IAS 23 "Borrowing costs"

This amendment, published by the IASB on March 29, 2007, is required to be applied from January 1, 2009. It eliminates the option to expense immediately borrowing costs and mandatory requiring their capitalization when they are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of this amendment by the Group will consequently have no effect on its net income or shareholders' equity. The Group already used this alternative treatment that is made mandatory by this amendment.

• IFRIC 12 "Service concession arrangements"

This interpretation, published by the IASB on November 30, 2006 is required to be applied from January 1, 2008. It explains the concession accounting treatment. This interpretation does not apply to Group operations and will consequently have no effect on its net income or shareholders' equity .

• **IFRIC 13 "Customer loyalty programmes"**

This interpretation published by the IASB on June 28, 2007, shall only be mandatory for financial years beginning after July 1, 2008. It explains the accounting treatment for loyalty programmes. The current accounting treatment is similar to this interpretation. In the future, it will consequently have no effect on net income or shareholders' equity of the Group.

• **IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction"**

This interpretation published by the IASB on July 4, 2007, shall only be mandatory for financial years beginning after January 1, 2008. It clarifies the accounting treatment for the effect of any statutory or contractual funding requirements when a surplus in a pension plan can be recognized. In the future, it should consequently have no effect on Group net income or shareholders' equity.

Note 2

Changes in consolidation scope and business combinations

1. Consolidation scope

As at December 31, 2007, the Group's consolidation scope includes 854 companies:

- ***739*** fully consolidated companies;
- ***79*** proportionately consolidated companies;
- ***36*** companies accounted for by the equity method.

The consolidation scope includes entities that have a significant impact on the Group's consolidated financial statements. It means companies whose balance sheet exceeds 0.02% of the Group's one, for full or proportionate consolidation, or companies in which the equity held by the Group exceeds 0.10% of the consolidated Group's total equity. These criteria do not apply to sub-consolidated subsidiaries.

The main changes to the consolidation scope at December 31, 2007, compared with the scope applicable for the accounts at December 31, 2006 were as follows:

- In the first half of 2007:
  - Bank Republic, which is 60%-owned by the Group, was fully consolidated. Societe Generale made a commitment to acquire 30% of the remaining shares through sales of put options. In accordance with IAS 32, the Group booked this options commitment as a liability,
  - SG Banque Burkina, which is 42.28%-owned by the Group, was fully consolidated considering the exclusive control by the Group,
  - The stake in TCW was increased to 98.40%, *i.e.* a 3.34% increase compared to December 31, 2006. 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 holding SGCF Hellas Finance (wholly-owned by SG Consumer Finance) has fully consolidated SFS HF Lease & Trade (ex.Chrofin) and SFS HF Consumer (ex. Cofidis Hellas);
- During the second half of 2007:
  - Banco Pecunia, which is 70%-owned by the Group, was fully consolidated through the holding GALO SA,
  - Fimat Japan acquired Himawari CX Inc's wholesale commodities business, a Japanese commodity futures commission merchant,
  - At the end of September 2007, the Group acquired a further 50% of Locatrent, bringing its stake to 100%. At the end of December, Locatrent and Axus Italiana have merged,
  - The Group consolidated ALD USA (ex. Ultea), using the equity method,
  - SG Group increased its stake in the capital of Fortune Fund Management to 49%. Fortune Fund Management is now proportionately consolidated,
  - Buchanan Street Advisors, 49.89%-owned by the Group, was fully consolidated,
  - Banka Popullore, which is 75%-owned by the Group, was fully consolidated,
  - Banco Cacique SA was fully consolidated by the holding Trancoso Participaçoes Ltda (wholly-owned by Banco SG Brasil),
  - PACE, (Premier Asset Collateralised Entity), *Structured Investment Vehicle*, was fully consolidated (100%) further to its refinancing,
  - On Vista AG, which is 46.01%-owned by the Group, was fully consolidated,
  - Societe Generale took, through EuroVL, 100% stake in the capital of Pioneer Investments Funds Services, which was fully consolidated,

- The Group's stake in Compagnie Financière de Bourbon was increased from 49% to 100% at the end of December 2007. Compagnie Financière de Bourbon is now fully consolidated,
- Societe Generale, through SG Hambros, acquired the London-based private banking business ABN AMRO Bank N.V.;
- Following the acquisition of 20% less one share in Rosbank, Societe Generale has exercised its call option on Rosbank. Societe Generale has increased its stake to 50%+1 share as at February 13, 2008 and has taken control of Rosbank. At December 31, 2007, Rosbank is consolidated using the equity method, and will be fully consolidated as of March 31, 2008. This business combination is fully detailed in § 2,
- Seven SGAM funds were fully consolidated as they were refinanced by the Group.

In application of IFRS 5 "Non-current assets held for sale and discontinued operations" and following the creation of Newedge at January 2, 2008, entity resulting from the merger of the brokerage activities currently carried out by Fimat and Calyon Financial, 50% of all Fimat's assets and liabilities were reclassified in non-current assets and liabilities held for sale.

Also, in application of IFRS 5 "Non-current receivables held for sale and discontinued operations" and following the signing of a bank insurance partnership in Morocco with the Banque Populaire Group, 43.53% of the held for sale assets and liabilities of La Marocaine Vie were reclassified in non-current assets and liabilities.

2. Business combinations

• Control of Rosbank

Following the acquisition of 20% less one share in Rosbank for USD 634 million in 2006, and after having received all the necessary regulatory approvals from the Central Bank of Russia and the Federal Antitrust service, Societe Generale has decided to exercise its call option on 30% plus two shares on Rosbank at the price of USD 1,700 million as at December 20, 2007. Societe Generale will thereby increase its stake to 50% plus one share by mid-February 2008 hence taking control of Rosbank.

The exercise of the option will trigger a mandatory offer to current minority shareholders which will lead to the increase of Societe Generale's stake in Rosbank up to 57.8 % by the end of the first half of 2008.

The Group intends to continue its successful relationship with Interros which should remain a significant minority shareholder of Rosbank in the medium term.

Rosbank is one of the leading players in the Russian banking market with 3 million individual customers, 60,000 SME and 7,000 corporate clients. The bank operates through around 600 branches which make it the largest private bank branch network in the country. Its network covers more than 80% of the Russian territory with a presence in all the large urban centers as well as in the fast growing regions of Siberia and the Far East. Since 2004, Rosbank has grown faster than the market, with loans and assets increasing by 40% per year and 26% per year respectively.

This acquisition confirms the position of Societe Generale as one of the main banking players in Russia, a market which experiences strong growth (loans +37% in 9 months 2007, deposits +24% in 9 months 2007).

The identifiable assets and liabilities of Rosbank as at June 30, 2007 are:

Assets	*(In millions of euros)*
Current assets	1,206
Customer loans	4,971
Due from banks	658
Property, plant and equipment	278
Other	56
Total Assets	**7,169**

Liabilities	*(In millions of euros)*
Customer deposits	4,575
Due to banks	519
Debt securities issued	901
Other	175
Subordinated debt	86
Equity	913
Total Liabilities	**7,169**

Rosbank's contribution to 2007 net income from companies consolidated by equity method was EUR 33 million.

Note 3

Fair Value of Financial Instruments

In a first part, this section specifies the valuation methods used by the Group 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 10 "Due from banks", note 11 "Customer loans", note 12 "Lease financing and similar agreements", note 13 "Held-to-maturity financial assets" note 18 "Due to banks", note 19 "Customer deposits" and note 20 "Securitized debt payables".

In a second part, this section details the valuation methods used by the Group to establish the fair value of the financial instruments linked to US residential mortgage exposure (subprime crisis).

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

1. Valuation methods

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

For financial instruments recognized at fair value through profit and loss, fair value is determined primarily on the basis of the prices quoted in an active market which are adjusted if no quoted prices are available on the balance sheet date or if the clearing value does not reflect transaction prices.

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

For these products, fair value is determined using valuation models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options and using valuation parameters that reflect current market conditions as at the balance sheet closing date. Before being used, these valuation models are validated independently by the experts from the market risk department of the Group's Risk Division, who also carry out subsequent consistency checks (back-testing).

For information purposes, in the notes to the consolidated financial statements, financial instruments carried at fair value through profit and loss are differentiated by the valuation technique applied:

- instruments *valued on the basis of prices quoted in an active market:* financial instruments that are quoted in an active market,
- instruments *valued using valuation techniques based on observable market data:* financial instruments that are not directly quoted but which are valued using parameters that are quoted in an active market,
- instruments whose *valuation is not based on market data*: financial instruments which are not directly quoted and for which a large part of the data used in their valuation is not observable or is not listed on an active market.

Observable data must be independent from the bank (non-proprietary data), available, publicized, and based on a narrow consensus.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. Consensus data that are confirmed by broker prices are considered observable parameters.

In the event of particular market tensions, leading to a lack of the usual reference data used in the valuation of a financial instrument, the Risk Division may be led to implement a new model in accordance with relevant available data, similar to methods used by other market participants. This was the case, for example, with the super senior CDO (Collateralized Debt Obligations) tranches of American RMBS (Residential Mortgage Backed Securities).

Complex valuation methods applied to positions that are likely to have a material impact on performance are submitted to the Board of Directors' Audit Committee.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are subject to exhaustive monthly checks by specialists from the market risk department of the Group's Risk Division, and if necessary are supplemented by the necessary reserves, (like bid-ask spreads and liquidity).

• Shares and other variable income securities

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

- share of adjusted net asset value held;

- valuation based on a recent transaction involving the company (third-party buying into the company's capital, appraisal by professional 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 closing date or prices provided by brokers on the same date, where available. For unlisted financial instruments, fair value is determined using valuation techniques (described in note 1 "Significant accounting principles"). Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in Societe Generale's own credit risk.

Other debt

For listed financial instruments, fair value is taken as their quoted price on the balance sheet closing date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates.

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

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 interest rates (benchmark maturity yield published by Banque de France and zero-coupon yield) on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted according to 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 closing date for similar type of loan and similar maturities.

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 Societe Generale Group, fair value is taken to be the same as book value.

• 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

2. Financial instruments linked to US residential mortgage exposure (subprime crisis)

2.1. RMBS *(RESIDENTIAL MORTGAGE BACKED SECURITIES)*

For positions relative to bonds whose underlyings are subprime risks on US residential mortgage exposure, in the second half of 2007 it became difficult to establish reliable prices on all securities individually.

In these conditions, the valuation technique was based on using observable prices on benchmark indices, in particular the ABX Index (valuation based on observable market data). A weighted-average life was determined for the various ABX Indices and RMBS investments held in portfolio, including default, recovery, and pre-payment scenarios. The implied credit spread of the indices was subsequently determined based on their prices.

Each RMBS bond was valued using the credit spread of its reference index (same vintage, same rating). The consistency of the average credit quality of bonds with the credit quality of bonds making up the ABX Index was also monitored to legitimate the use of ABX levels to value positions.

The subprime RMBS portfolio has been widely hedged through acquisition of protection on ABX indexes or sold. On December 31, 2007, exposure to RMBS, net of unhedged exposure and write-downs totalised EUR 184 million (EUR 49 million of nominal exposure, sensitivity hedged and EUR 135 million covered by monoline insurance). The RMBS trading portfolio has generated a loss of EUR 325 million recorded in *Net banking income.*

2.2. CDO *(COLLATERALIZED DEBT OBLIGATIONS)* TRANCHES OF RMBS

The valuation of super senior CDO tranches of RMBS was not based on observable transactions but was carried out using parameters that were neither observable nor listed on an active market.

Societe Generale's approach focuses on the valuation of individual mortgage pools underlying structured bonds to estimate the fundamental value of RMBS bonds, and consequently of CDO tranches, using a credit stress testing prospective scenario, as opposed to a mark-to-market approach.

Four key variables are used to value mortgage pools: the probability of default, the loss in given default, the pre-payment speed and the timing of default. These key variables were adjusted over the fourth quarter of 2007 to reflect changes in the economic environment, such as the delinquency and default rates home price appreciation, and observed losses experience.

The calculation's compliance to the so-defined methodology was reviewed by Group's General Inspection department.

To complete the valuation of CDO tranches, all non-RMBS positions were written down as follows: 100% for junior CDO tranches and 30% for other non-CDO assets. All losses calculated using this methodology were all taken upfront. The input of this calculation was then compared to the implied write-downs from the ABX index.

Additional write downs were taken so as to reflect the illiquidity of the relevant tranches.

On the whole, the valuations obtained at December 31, 2007 were consistent with the valuation levels of benchmark ABX indices for this type of exposure where the comparison was appropriate (2006 and 2007 subprime vintage).

On December 31, 2007, the gross exposure to AAA super senior CDO tranches amounted to EUR 4.85 billion. Concerning this position, write-downs recorded in 2007 amounted to EUR -1.25 billion and negatively affected bonds and other debt instruments at fair value through profit and loss booked on the assets side of the consolidated balance sheet. On December 31, 2007, the net exposure to CDO tranches was EUR 3.6 billion.

CUMULATIVE LOSSES ON CDO SUBPRIME ASSETS AND SENSITIVITY ANALYSIS

	2005	2006	2007	Impact on NBI
Assumptions on cumulative losses for Q3 07	9.1%	14.6%	14.5%	EUR -167 m for 9M 2007
Assumptions on cumulative losses for Q4 07	9.0%	23.0%	25.0%	EUR -1,250 m for FY 2007

Sensitivity	Impact on NBI
+10% cumulative losses for each year of production	EUR -431 m (1)

(1) Impact at average Q4 07 exchange rate.

Total US residential real estate loss assumptions : approximately USD 350bn

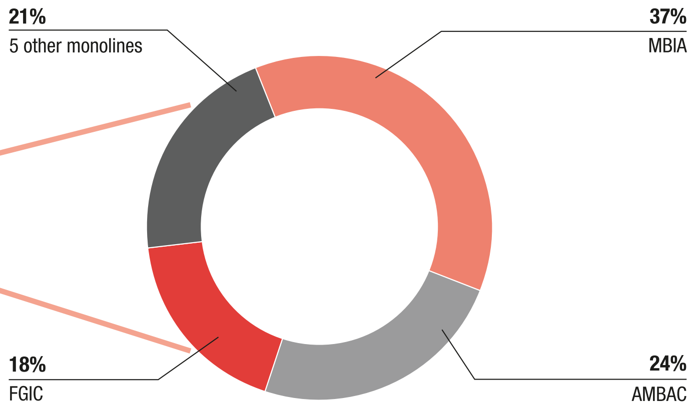
2.3. COUNTERPARTY RISK EXPOSURE TO US MONOLINE INSURERS

The relevant exposures are included under *financial assets at fair value through profit or loss*. The fair value of the Group's exposures to monoline insurers that have granted credit enhancements on assets notably including underlying US real estate takes account of the deterioration in the estimated counterparty risk on these players.

These factors led the Group to book write-downs in 2007 totaling EUR -900 million recorded in the income statement under *Net banking income*. This adjustment of the valuation of credit derivatives is recorded in the balance sheet under *financial instruments at fair value through profit and loss*. The amount of these write-downs has been based on an analysis of each of the insured assets (under the assumption of immediate default by all monoline insurers that insure these assets), notably consistent with our risk valuation models used for the underlying assets of unhedged CDO portfolios with an underlying US real estate, and was set on the basis of the management's best estimates.

COUNTERPARTY RISK EXPOSURE TO "MONOLINES" (DEFAULT SCENARIO FOR ALL SOCIETE GENERALE GROUP COUNTERPARTY MONOLINE INSURERS)

	In EUR Bn
Gross counterparty exposure [1 & 2]	1.9
CDS purchased from banking counterparties	-0.6
Net counterparty exposure	1.3
Write-downs	-0.9
Net residual exposure	0.4



(1) Based on valuation methodologies consistent with those applied for uninsured assets and excluding ACA.

(2) Including EUR 1.5 billion gross counterparty exposure related to a EUR 7.9 billion US mortgage related nominal exposure, of which EUR 4.2 billion subprime (vintages : 3% 2007, 21% 2006 and 76% 2005 and earlier).

The Group has also hedged its entire exposure to the ACA company for an amount of EUR -47 million.

3. Sensitivity of fair value

Unobservable parameters are assessed carefully and conservatively. However, by their very nature, unobservable parameters imply a degree of uncertainty in their valuation.

At December 31, 2007, the sensitivity of fair value to a standardized [1] variation of unobservable parameters was plus or minus EUR 194.5 million over the entire valuation scope of financial instruments measured at fair value using unobservable parameters (*financial instruments whose valuation is not based on market data)*, excluding the super senior CDO tranches of US RMBS. The Equities business line was the main contributor to this scope, with the variation calibrated to a typical spread of consensus or historic data.

For super senior CDO tranches of US RMBS, the sensitivity to a 10% variation in loss rates, estimated by year of production of the underlying assets, was as follows:

- for a 10% rise (*e.g.* from 25% to 27.5%): depreciation increased by EUR 431 million
- for a 10% drop: depreciation decreased by EUR 635 million

(1) Meaning:
– either the standard deviation of consensus prices used to assess the parameter; or
– the standard deviation of historical data used to assess the parameter.

Note 4

Risk management linked to financial instruments

This note describes the main risks linked to financial instruments and the way they are managed by the Group according to the IFRS 7 requirements.

The main risks incurred on banking activities are the following:

- credit risks (including country risk): risk of loss arising from the inability of the bank's clients, sovereign issuers and other counterparties to meet their 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 risks: risk of the Group not being able to meet its commitments at their maturities.

1. 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, Societe Generale's Risk Division is an independent division of the commercial entities. 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 risk monitoring at the Group level.

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 credit risks, country risks and market risk;
- conducting a critical review of sales strategies for high-risk areas and permanently seeking to improve the forecasting and management of all such risks;
- contributing to the independent assessment of credit risks by validating and commenting on transactions proposed by sales managers and monitoring them from the beginning to the end;
- identifying all Group risks and monitoring the adequacy and consistency of risk management information systems.

Structural interest and exchange rate risks are incurred in commercial and proprietary activities (transactions involving shareholders' equity, investments, bond issues).

Structural interest and exchange rate risks and liquidity risks, as well as the Group's long-term refinancing, capital requirements and capital structure are managed by the Financial Division's Capital, Assets and Liabilities and Regulations Department.

A systematic review of the bank's key management issues relating to credit and market risks is carried out during the monthly Risk Committee meetings (CORISQ), 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, assessment methods, material and human resources, portfolios and the cost of risk analyses (by product, country, sector, region, etc.), 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. The New Product Committee aims to ensure that, prior to the launch of a new activity or product, all associated risks are fully understood, assessed, approved and subjected to adequate procedures and controls, using the appropriate information systems and processing chains.

2. Credit risks

2.1. RISK-TAKING: GENERAL PRINCIPLES

Approval of a credit risk must be based on sound knowledge of the client, 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 sales division. The centralizing division is designated on a case-by-case basis in order to ensure a consistent risk management approach and the permanent control of the Group's potential exposure to major clients;
- systematic recourse to internal counterparty 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 further develop the Group's expertise in this client segment by centralizing the analysis of the quality of counterparties and the approval of exposure limits allocated to all entities and business.

The definition of country risk limits is intended to assign an appropriate exposure limit to each emerging country, on the basis of the risk incurred and the expected return on transactions in each country. The allocation of limits is subject to the final approval by the Group's General Management and is based on a process that takes due account of the Operating Divisions and the Risk Division.

The Group also has specific procedures to manage any credit crisis that may arise with respect to a counterparty, industry, country or region.

2.2. RISK MEASUREMENT AND INTERNAL RATINGS

In order to provide the credit function with the necessary tools for deciding on, structuring and pricing transactions, Societe Generale Group undertook to create internal models for quantitative risk measurement and risk-adjusted return on capital in the mid-1990s.

These models have 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 the early 2000s, the Group has progressively developed its credit risk management policy, with ratings now forming an integral part of its day-to-day operations.

2007 proved to be a particularly important year in terms of preparing the Group for IRBA accreditation.

To this end, much work has been done to enhance the main credit portfolios risk monitoring system, both in terms of auditing and improvements, resulting in operational models capable of meeting the "use test" criteria and the technical conditions required by regulations. The IRBA accreditation was given by the Commission Bancaire on December 20, 2007

Modeling carried out for credit risk purposes was accompanied by the implementation of permanent procedures in the Group enabling required data gathering for modeling and back testing. The Group rating system is now permanently operational for exposures in France, and it is used regularly for risk monitoring purposes. Accordingly, the Risk Division defined a body of procedures detailing the rating conditions for counterparties and transactions, which was then deployed in each Operating Division. A portfolio analysis governance system was also established, both globally and at the sector and regional levels. Conclusions from these analyses are periodically presented to the Group's governing bodies.

The systems for measuring Default and Loss given default probabilities are now in the optimisation phase for all of the credit portfolios under the scope of the IRBA.

2.3. CREDIT RISK EXPOSURE

The table below outlines the maximum credit risk exposure of the Group's financial assets, net of depreciation and before any bilateral netting agreements and collateral (notably any cash, financial or non-financial assets received as collateral and any guarantees received from corporates), excluding revaluation differences on items hedged or listed at fair value on the balance sheet.

(In millions of euros)	Dec. 31, 2007	Dec. 31, 2006
Financial assets at fair value through profit and loss (excluding variable income securities)	373,925	337,193
Derivative hedging instruments	3,709	3,668
Available-for-sale financial assets (excluding variable income securities)	76,497	68,400
Due from banks	73,065	68,157
Customer loans	305,173	263,547
Lease financing and similar agreements	27,038	25,027
Held-to-maturity financial assets	1,624	1,459
Exposure to balance sheet commitments, net of depreciation	**861,031**	**767,451**
Loan commitments granted	162,595	167,299
Guarantee commitments granted	68,039	56,125
Provisions for commitments granted and endorsements	(105)	(128)
Exposure to off-balance sheet commitments, net of depreciation *	**230,529**	**223,296**
Total net exposure	**1,091,560**	**990,747**

** The unused portion of the loans are withheld in their entirety.*

2.4. 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 until its final payment.

- **Guarantees and collaterals**

Guarantees and collaterals are used by the bank to partially or fully protect against the risk of debtor insolvency (e.g. mortgage or cover through a Crédit Logement mortgage for 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.

In preparing for the implementation of Basel II, Societe Generale Group has reinforced its policies on taking guarantees and collaterals and on updating their valuation (guarantee collection database, establishment of operational procedures).

Societe Generale Group therefore proactively manages its guarantees with the aim of reducing the risks it takes. It does this primarily by diversifying guarantees: physical collaterals, guarantees (including CDS).

- **Credit derivatives**

The Group uses credit derivatives in the management of its corporate loan portfolio. They not only serve to reduce individual, sector and geographic exposure but also allow dynamic risk and capital management.

Our overconcentration management policy leads us to take important individual hedging positions. For example, the ten most-hedged names account for EUR 6.4 billion in protection (*i.e.* 27% of the total amount of individual protections), of which EUR 0.8 billion for the most-hedged name.

In 2007, total credit derivatives outstanding increased by EUR 24.1 billion, reaching a total of EUR 50.5 billion at end-December: EUR 24.0 billion in the form of Credit Default Swaps (CDS) and EUR 26.5 billion in the form of synthetic Collateralized Debt Obligations (CDOs). The increase in the portfolio's size was generated by individual-name CDS and structured transactions hedging against pools of exposure.

All new transactions were protection purchases, with no sale of protection in 2007.

Almost all protection purchases were carried out with banking counterparties with ratings of A or above, the average being between AA and AA-.

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: those activities are measured in VaR.

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

- **Impairment**

Decisions to book individual provisions on certain counterparties are taken where there is objective evidence of default. 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 Division heads, the Risk Division draws up 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.

2.5. CREDIT PORTFOLIO ANALYSIS

- **2.5.1. Breakdown of on-balance sheet credit portfolio.**

Outstanding loans in the on-balance sheet credit portfolio before impairement (customer loans, due from banks, lease financing and similar agreements) break down as follows at December 31, 2007:

	Dec. 31, 2007		
Outstanding (in billions of euros)	**Non-banking customers ***	**Banks**	**Total**
Performing loans without any past due amount	309,33	46,88	356,21
Performing loans including past due amounts	5,09	0,01	5,10
Impaired	11,36	0,04	11,40
Total gross outstanding loans	**325,78**	**46,93**	**372,71**
Other (impairment, repos, etc.)	6,43	26,14	32,57
Total	**332,21**	**73,07**	**405,28**

** Including Lease financing and similar agreements.*

Performing loans including past due amounts account for 1.4% of unimpaired on-balance sheet assets and include loans that are past due for technical reasons.

At December 31, 2006, these outstanding loans (different consolidation scope from 2007, accounting for 95% of total gross outstanding loans in 2006) broke down as follows:

	Dec. 31, 2006		
Gross outstanding (In billions of euros)	**Non-banking customers ***	**Banks**	**Total**
Performing loans without any past due amount	251,59	36,07	287,66
Performing loans including past due amounts	3,72	0,01	3,73
Impaired	9,78	0,05	9,83
Total gross outstanding loans	**265,09**	**36,13**	**301,22**

** Including lease financing and similar agreements.*

At December 31, 2006, performing loans without any past due amount accounted for 1.3% of unimpaired on-balance sheet assets.

At December 31, 2007, data gathering had benefited from the gradual improvement during the year of the central information system supplying relating to work on Basel II. In addition, the gathering scope at December 31, 2007 covers the entire Group. The unimpaired outstandings with past due amounts relating to entities not included in the scope at December 31, 2006 stood at EUR 0.6 billion at December 31, 2007.

2.5.2. Information on risk concentration

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

Individual concentration is a parameter managed when granting the loan. The counterparties representing the highest exposures for the bank are regularly reviewed by the General Management .

At December 31, 2007, the Group's commitments on its ten largest industrial counterparties accounted for 5% of this portfolio.

A portfolio analysis governance system was also established, globally and also in terms of geographic regions and industry sectors. The conclusions of these analyses are periodically presented to the General Management.

At December 31, 2007, only one sector accounts for more than 11% of total Group outstanding loans on and off-balance sheet assets, excluding retail and banks (standing at EUR 356 billion at the end of 2007 including a EUR 220 billion on-balance sheet outstanding). This sector, Financial activities – excluding banks, is characterized by a moderate cost of risk.

At December 31, 2007, the five main sectors were Financial Activities (16%), Public Administration (10%), Real Estate activities (7%), Business Services (7%) and Transport, Postal Services and Logistics (6%), expressed as a percentage of Corporate on-and off-balance sheet assets, excluding repo agreements.

At December 31, 2006, the five main sectors were Financial Activities (16%), Public Administration (10%), Real Estate (6%), Wholesale Trade (6%) and Transport, Postal Services and Logistics (6%), expressed as a percentage of Corporate on-and off-balance sheet assets, excluding repo agreements.

At December 31, 2007, on-balance sheet commitments on non-banking clients were divided between the following four main geographic regions: France, Western Europe, Eastern Europe and Africa/Near Middle East, representing 56%, 22%, 11% and 4%, respectively, of on-balance sheet commitments on non-banking clients totaling EUR 326 billion.

At December 31, 2006, the four main regions were France, Western Europe, Eastern Europe and Africa/Near Middle East, representing 59%, 20%, 10% and 4%, respectively, of on-balance sheet commitments on non-banking clients totaling EUR 279 billion.

2.5.3. Impairment analysis

At December 31, 2007, impaired outstanding loans stood at EUR 11.4 billion (EUR 10.6 billion at December 31, 2006).

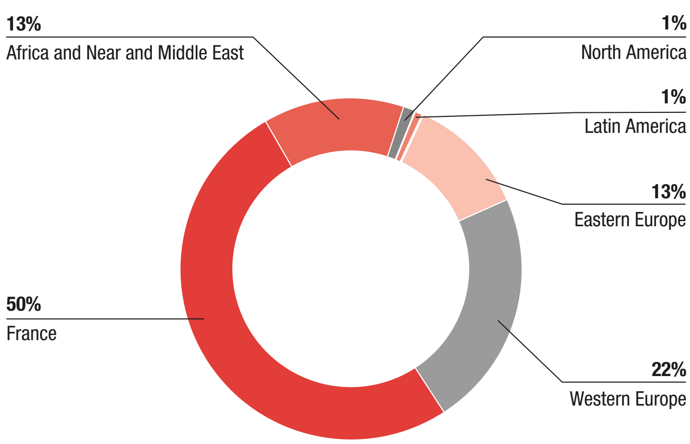
A counterparty is deemed to be in default when any of the following takes place:

- a significant deterioration of the financial situation of the borrower resulting in a high probability of said counterparty not being able to honor his overall commitments, thus generating a risk of loss for the bank; and/or
- one or several past due of more than 90 days are recorded and/or an out of court settlement procedure has been initiated, (with the exception of certain asset categories, such as housing loans and loans to local authorities); and/or
- a legal proceeding such as a bankruptcy, legal settlement or compulsory liquidation is in progress.

Sovereign issuers are deemed to be in default where the debt service is no longer paid or where an exchange offer is proposed, involving a loss in value for the creditors.

At December 31, 2007, impaired outstanding assets broke down as follows:

IMPAIRED LOANS



Impairement on assets breaks down as follows:

(In millions of euros)	Amount at Dec. 31, 2006	Net allocations to provisions for impairment	Reversals used	Currency and scope effects	Amount at Dec. 31, 2007
Specific impairments (Bank loan + Customer loan + lease financing)	6,477	886	(789)	(2)	6,576
Impairments on groups of similar assets	1,025	(110)		(14)	901
Others*	870	98	(30)		938
Total	**8,372**	**874**	**(819)**	**(12)**	**8,415**

(*) Includes impairments on the available-for-sale assets described in Note 8.

• 2.5.4. Breakdown of unimpaired past due loans

At December 31, 2007, unimpaired past due loans accounted for 1.4% of the on-balance sheet portfolio of performing loans

	Dec. 31, 2007		
Gross outstanding (In billions of euros)	Customers	Banks	% of Gross outstanding loans
Past due amounts less than 90 days old	4.64	0.01	91%
Included less than 29 days old	*3.23*	*0.01*	*63%*
Past due amounts between 90 and 179 days old	0.23	NM	5%
Past due amounts over 180 days old	0.22	NM	4%
Total	**5.09**	**0.01**	**100%**

For the sake of comparison, unimpaired past due loans stood at EUR 3.73 billion at December 31, 2006 and broke down as follows: 90.8% less than 90 days old, 7.8% 90-179 days old and 1.4% over 180 days old.

The amounts presented in the table above include past due loans for technical reasons, with past due loans mainly belonging to the category “less than 29 days old”. Loans past due for technical reasons are loans that are classified as past due due to a delay between the value date and the payment value date.

Total declared unimpaired past due loans are all receivables (outstanding balance, interest and past due amount) with at least one recognized past due, regardless of its size (an outstanding debt with a past due of one euro would thus be included). These outstanding loans are monitored as soon as the first payment is missed and may be placed on a watch list at that moment.

Once an installment has been past due for 90 days, the counterparty is deemed to be in default (with the exception of certain categories of outstanding loans, particularly those relating to Public Sector entities).

• 2.5.5. Renegotiated outstanding loans

Within Societe Generale Group, renegotiated outstanding loans relate to loans made to any type of clientele (retail clients and legal entities). These loans have been restructured (in terms of principal and/or interest rates and/or maturities) due to the probability that the counterparty will be unlikly to pay in the absence of such a restructuring.

These amounts do not include any renegotiation of the sales terms pertaining to adjustments of conditions on interest rates and/or repayment periods granted by the bank for the purpose of maintaining the quality of the bank’s relations with a client.

Societe Generale Group’s banking practices call for most clients whose loans have been renegotiated to be maintained in the category “impaired”, as long as the bank remains uncertain of their ability to meet their future commitments (definition of default under Basel II).

This approach explains the low number of unimpaired renegotiated loans and the volatility of this asset class.

The renegotiated outstanding loans presented below apply to the corporate clients of the Corporate and Investment Banking and of French retail banking loans (loans exceeding EUR 150,000 in the Societe Generale network) and for the main subsidaries of International Retail Banking and the retail clients for the other divisions.

Renegotiated outstanding loans during the year 2007 amounted to EUR 46 million (EUR 83 million in 2006).

• 2.5.6. Fair value of guarantees and collateral for impaired outstanding loans and non-doubtful outstanding loans with past due installments.

At December 31, 2007, guarantees and collaterals relating to past due, unimpaired outstanding loans and impaired outstanding loans broke down as follows:

	Dec. 31, 2007			
	guarantees and collaterals related to past due, unimpaired outstanding loans		guarantees and collaterals related to impaired outstanding loans	
(In millions of euros)	non-retail	retail	non-retail	retail
Total	**755**	**183**	**1,120**	**164**

The amounts of the guarantees and collaterals presented in the table above correspond to the amounts of the Basel-II eligible guarantees and collaterals, limited to the amounts remaining due. Some guarantees and collaterals, among which personal guarantees provided by a business owner, pledge over unlisted securities, for instance, are not included in these amounts. Some guarantees and collaterals to outstanding loans with intrinsic guarantees are also excluded (for example financial leasing).

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

3. Market risks

3.1.MARKET RISK MANAGEMENT STRUCTURE

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 valuation methods used to calculate risks and results and setting of the provisions for market risks (reserves and adjustments to earnings);
- definition of the functionalities of the databases and systems used to measure 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 Risk Committee sets the levels of authorized risk by type of activity and makes 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.

Since the uncovering in January 2008 of unauthorized and concealed trading activities such as described in Note 40, the monitoring of the limits set on gross nominal amounts will be extended to all the activites .

In the major trading rooms in France and abroad, these specialized market risk managers report directly to the Risk Division.

3.2. METHODS OF MEASURING MARKET RISK AND DEFINING EXPOSURE LIMITS

Societe Generale Group's market risk assessment and the sensitivity analysis of this risk is based on three main indicators, which are used to define exposure limits:

- the 99% Value-at-Risk (VaR) method: in accordance with the regulatory 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;
- 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, holding period, etc.), which ensure consistency 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.

BREAKDOWN OF TRADING VAR BY TYPE OF RISK – CHANGE BETWEEN 2006 AND 2007

	Year-end		Average		Minimum		Maximum	
1-day, 99%	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Equity price risk	(26)	(25)	(36)	(21)	(11)	(7)	(53)	(38)
Interest rate risk	(13)	(9)	(13)	(15)	(7)	(9)	(20)	(20)
Credit risk	(57)	(18)	(30)	(14)	(12)	(9)	(69)	(24)
Exchange rate risk	(4)	(3)	(3)	(2)	(1)	(1)	(6)	(5)
Commodity price risk	(2)	(2)	(3)	(2)	(1)	(1)	(6)	(5)
Compensation effect	57	35	43	29	NM *	NM *	NM *	NM *
Total	**(44)**	**(22)**	**(43)**	**(25)**	**(27)**	**(11)**	**(66)**	**(44)**

The figures for 2007 do not take into account the unauthorized and concealed trading activities (cf. Note 40).

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, exchange rate, 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 (in 2007, for example, the VaR calculation was refined to better reflect the range of variation between equity volatilities and index volatilities). 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 retail banking and private banking activities outside France.

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

- the creation of a database containing risk factors which are representative of Societe Generale'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 2007, the VaR limit for all trading activities was increased to EUR 70 million (EUR 10 million more than in 2006) to reflect the aforementioned change in the VaR calculation method.

• 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; the 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 indices 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.

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 the 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.

Alongside the internal VaR model, Societe Generale 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 historic scenarios and 8 hypothetical scenarios, including the "Societe Generale Hypothetical Scenario", which has been used since the early 1990s. 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 combined), using the 18 historic 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, firstly, the maximum acceptable loss under the Societe Generale Hypothetical Scenario and the hypothetical scenario of a stock market crash such as that of October 1987, and, secondly, the maximum acceptable loss under the 24 remaining historic and 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 2007. No scenarios were either added or withdrawn subsequent to this review.

• Historic stress tests

This method consists in an analysis of the major economic crises that have affected the financial markets since 1990: the 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, Societe Generale has established 18 historic scenarios.

• Hypothetical stress tests

The hypothetical scenarios are defined by the bank's economists and 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. Societe Generale has adopted 7 hypothetical scenarios, in addition to the Societe Generale Hypothetical Scenario.

4. 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 Societe Generale 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.

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 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.

4.1. 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 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;
  - validates the limits for each entity based on recommendations by the Group's Asset and Liability Management Department;
  - examines the reports on these risks provided by the ALM Department;
  - validates the asset and liability management policy of the French Networks;
  - validates the hedging programs implemented by Societe Generale Metropole (excluding the French networks).
- The Group ALM Department, which comes under the authority of the Group Finance Department:
  - defines the standards for the management of structural risks (organization, monitoring methods);
  - centralizes, consolidates and reports on structural risk exposure, and carries out second level controls (independently of the operating divisions supervising the entities);
  - validates the models used by the entities.
- The operating entities are responsible for controlling structural risks.

The operating entities are required to follow the 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.

4.2. STRUCTURAL INTEREST RATE RISK

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.

To this end, any residual structural interest rate risk exposure must comply with the sensitivity limits set for each entity and for the overall Group as validated by the Finance Committee. Said sensitivity is defined as the variation in the net present value of future (maturities of up to 20 years) residual fixed-rate positions (surplus or deficits 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 transactions 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 historic 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 2007, 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 5 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 scenarios) has been kept to a minimum. At end-December 2007, the sensitivity of French networks (Societe Generale and Crédit du Nord) based on their euro-denominated assets and liabilities stood at less than EUR 160 million;
- transactions with large companies 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. These entities may have problems optimally hedging their fixed-income positions due to poor development in the financial markets of certain countries;
- 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.

Sensitivity to interest rate fluctuations at the Group's main entities, CDN, SG Metropole, KB and BRD represented EUR 247 million overall at December 31, 2007. These entities accounted for 63% of the Group's outstanding client transactions based on figures taken at September 30, 2007.

4.3. STRUCTURAL EXCHANGE RATE RISK

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 by some subsidiaries in a currency other than that used for their equity funding for regulatory reasons.

• 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 client and proprietary transactions.

As client 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 2007, 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 very limited.

4.4. HEDGING INTEREST RATE AND EXCHANGE RATE RISK

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

In order to qualify these transactions as accounting hedges, the Group documents said hedge transactions in detail, specifying the risk covered, the risk management strategy and the method used to measure the effectiveness of the hedge from its inception. This effectiveness is verified when changes in the fair value or cash flow of the hedged instrument are almost entirely offset by changes in the fair value or cash flow of the hedging instrument – the expected ratio between the two changes in fair value being within the range of 80%-125%. Effectiveness is measured each quarter on a prospective (discounted over future periods) and retrospective (booked in past periods) basis. Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

• Fair value hedging

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

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

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

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

- **Cash flow hedging**

Cash flow hedges on interest rates are used to hedge against the risk that the future cash flow of a floating-rate financial instrument fluctuate in line with market interest rates.

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

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

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

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

At December 31, 2006 Remaining term *(In millions of euros)*	**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, 2007 Remaining term *(In millions of euros)*	**Up to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Floating cash flow hedged	162	148	666	633	**1,609**
Highly probable forecast transactions	160	233	155	13	**561**
Total	**322**	**381**	**821**	**646**	**2,170**

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

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

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

5. Liquidity Risk

Liquidity risk management covers all areas of Societe Generale's business, from market transactions to structural transactions (client 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 LIQUIDITY RISK MANAGEMENT

The principles and standards applicable to liquidity risk management are defined at the Group level. The operating entities are responsible for managing their own liquidity and for respecting applicable regulatory constraints, while the 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 liquidity risk management;
  - 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 and Investment 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, Tokyo, Hong Kong, Singapore, etc.);
- diversification of sources of funding, both in terms of geographic regions and activity sectors; to this end, in 2007 Societe Generale created a mortgage company and increased its use of financing provided by the Caisse de Refinancement Hypothécaire;
- limitation of the number of issuers within the Group (Societe Generale, Societe Generale Acceptance N.V., Societe Generale 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:

- 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.

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 historic client behavior patterns (special savings accounts, early repayments, etc.), as well as conventional assumptions relating to certain aggregates (principally shareholders' equity and sight deposits). The breakdown of assets and liabilities by term to maturity is disclosed in Note 29 .

In 2007, the Group continued to maintain a surplus of long-term liquidity. Indeed, through its retail banking activities, Societe Generale has a large and diversified deposits base which serves as a permanent financing resource.

After the liquidity crisis affecting all financial instruments related to the US residential mortgage market, the Group reduced its short-term refinancing positions while at the same time increasing the available stock of assets eligible for refinancing by central banks. In addition, in 2007, Societe Generale Group completed an issue program for medium- and long-term senior and subordinated debts. Despite the liquidity crisis in the second half, it was possible to complete the initially scheduled program by partially substituting private placements and securitised issues for public issues.

The regulatory one-month liquidity coefficient is calculated on a monthly basis, and concerns Societe Generale Metropole (which comprises the head office in mainland France and all French branches and activities). In 2007, Societe Generale systematically maintained a coefficient above the required regulatory minimum.

6. Capital management and compliance with regulatory ratios

6.1. QUALITATIVE INFORMATION

• Description of the approach to capital management

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

To this end, Societe Generale establishes a capital objective based on a combination of factors specific to the Group (target rating, business mix, risk profile and Group strategy) and external factors (competitors' level of shareholders' equity, market expectations, minimum capitalization expected by the market authorities).

Financial planning is used to maintain this objective in that it simulates the balance of resources in relation to requirements in terms of shareholders' equity and capital transactions (share issues, buybacks) within the framework of the Group budget and strategic plan.

• Compliance with ratios

The solvency ratio complies with the calculation methods established by the French Banking Commission (Cooke ratio). This ratio is based on the Group's consolidated banking activities, thus eliminating the contributions of the insurance entities. Societe Generale also applies CRBF Regulation No. 2000-03 relating to "additional monitoring of financial conglomerates", which also includes the solvency margin of the insurance companies.

The Cooke ratio represents the margin available to face an increase in both credit and/or market risks. The minimum capital requirement is comprised of requirements for credit risks set forth in the 1988 Basel Agreement and requirements for market risks. Tier 1 and Tier 2 capital, established on a consolidated basis, must be at least 8% of the sum of the risk-weighted credit equivalents and market risk equivalents multiplied by 12.5.

Tier 2 capital is taken into account only within the limit of 100% of Tier 1 capital. Furthermore lower,Tier 2 capital may not exceed the limit of 50% of Tier 1 capital. Hybrid equity instruments (both innovative and non innovative) are limited to 25% of the bank's consolidated Tier 1 capital, innovative hybrid equity instruments being subject to stringent conditions and limited to a maximum of 15% of this Tier 1 capital.

In 2007, Societe Generale complied with prudential solvency ratios mentioned herebefore without taking into account the potential impact of the transactions linked to unauthorized and concealed trading activities .

• Basel II reform

The transposition of the European Directive into French law led to the publication of the Ministerial Order of February 20, 2007 on capital requirements applicable to credit institutions and investment firms. In June 2007, Societe Generale filed a request with the French Banking Commission for authorization to use advanced methods for calculating capital requirements (IRBA and AMA) as from January 1, 2008. The application was then submitted to the foreign regulators for review and the approval of the regulators was given in December 2007.

6.2. QUANTITATIVE DATA

In accordance with Regulation 90-02 relating to capital, prudential capital is comprised of the following: Tier 1 capital, upper Tier 2 capital and lower Tier 2 capital.

Societe Generale's prudential capital	12.31.2007	12.31.2006
Group shareholders' equity	27,241	29,054
Estimated and forecast dividends	(473)	(2,323)
Minority interests including preferred shares	4,034	4,378
Estimated and forecast minority interest dividends	(264)	(259)
Prudential adjustments	(8,922)	(8,523)
Total Tier-1 capital	**21,616**	**22,327**
Total Tier- 2 capital	**12,936**	**11,987**
Deductions	**(5,608)**	**(2,602)**
Total risk based capital	**28,944**	**31,712**

As a reminder, Regulation 97-02 relating to prudential monitoring of market risks allows for another type of additional capital in the form of subordinated securities with an initial maturity greater than or equal to two years. Societe General does not use this option.

In 2007, the level of Tier 1 capital decreased by 3.1% from EUR 22,327 million at December 31, 2006.

7. US residential mortgage exposure

The second half of 2007 was affected by a crisis involving all financial instruments related to the residential mortgage market in the United States.

An ad hoc structure was created in the Risk Department to indentify and assess the positions and transactions at risk to this market. Relatively unaffected through its direct exposures to this market (limited direct exposure to US originators of commercial real estate loans, no direct origination activity for individual real estate loans in the United States), following the gradual deterioration in the market environment, Societe Generale Group was impacted mainly on:

- its RMBS (Residential Mortgage Backed Securities) trading positions;
- its positions on super senior tranches of RMBS CDOs (Collateralised Debt Obligations);
- its exposure to the counterparty risk on monoline insurers;
- its involvement in a SIV (Structured Investment Vehicle), a financial securitisation vehicle.

A specific valuation model was designed to appropriately measure the risks relating to RMBS CDOs (*cf.* Note 3), using the economic research, quantitative research and market risk management teams. The model was used for the valuation of write-downs on the CDO portfolio and on counterparty risks relating to monoline insurers.

The Group's revenues were impacted by the effects of this crisis for a total of EUR -2.6 billion, with:

- EUR 1,250 million on the portfolio of unhedged CDOs (Collateralised Debt Obligations);
- EUR 947 million on counterparty risks relating to monoline insurers;
- EUR 325 million on the RMBS (Residential Mortgage Backed Securities) trading portfolio.

Moreover, the Group, which is present in the SIV (Structured Investment Vehicles) market as the sponsor of a single conduit, PACE (Premier Asset Collateralised Entity), decided on December 10, 2007 to ensure the refinancing of the latter. The decision to consolidate the SIV PACE on December 31, 2007 resulted in the recording of EUR -49 million under net banking income (and EUR -12 million under net allocation to provisions) and the increase of financial assets for an amount of EUR 1.6 billion.

This financial crisis has also affected Asset Management activities which suffered from net outflows on some products during the second half of 2007. Against this backdrop, the Group was obliged to ensure the liquidity of some dynamic money market funds for the benefit of its clients, particularly by purchasing assets or funds' units. At December 31, 2007, seven funds have been fully consolidated, involving an increase of total Group assets for an amount of EUR 5.6 billion.

Note 5

Cash, Due from Central Banks

(In millions of euros)	**December 31, 2007**	**December 31, 2006**
Cash	2,104	2,111
Due from central banks	9,198	7,247
Total	**11,302**	**9,358**

Note 6

Financial assets and liabilities at fair value through profit and loss

ASSETS

(In millions of euros)	December 31, 2007 Valuation established using prices published in an active market	Valuation technique based on observable market date	Valuation not based on market data [2]	Total	December 31, 2006 Total
Trading portfolio					
Treasury notes and similar securities	37,903	1,551	-	39,454	38,422
Bonds and other debt securities	45,446	65,389	1,860	112,695	88,807
Shares and other equity securities [1]	93,830	1,071	3	94,904	96,104
Other financial assets	9,971	48,930	-	58,901	81,823
Sub-total trading assets	**187,150**	**116,941**	**1,863**	**305,954**	**305,156**
o/w securities on loan				*14,811*	*14,386*
Financial assets measured using fair value option through P&L					
Treasury notes and similar securities	52	659	-	711	1,843
Bonds and other debt securities	8,941	278	3	9,222	9,853
Shares and other equity securities [1]	19,173	1,957	-	21,130	19,910
Other financial assets	45	2,549	733	3,327	2,416
Sub-total of financial assets measured using fair value option through P&L	**28,211**	**5,443**	**736**	**34,390**	**34,022**
o/w securities on loan	-	-	-	-	-
Sub-total of separate assets relating to employee benefits	**-**	**-**	**-**	**-**	**-**
Interest rate instruments	**589**	**61,066**	**668**	**62,323**	**54,223**
Firm instruments					
Swaps				49,782	45,128
FRA (Forward and Rate Agreements)				229	120
Options					
Options on organized markets				360	158
OTC options				8,112	5,792
Caps, floors, collars				3,840	3,025
Foreign exchange instruments	**55**	**16,031**	**28**	**16,114**	**10,867**
Firm instruments				*14,448*	*9,363*
Options				*1,666*	*1,504*
Equity and index instruments	**749**	**31,390**	**961**	**33,100**	**26,904**
Firm instruments				*2,970*	*1,031*
Options				*30,130*	*25,873*
Commodity instruments	**2,761**	**14,254**	**546**	**17,561**	**15,259**
Firm instruments-Futures				*11,829*	*10,196*
Options				*5,732*	*5,063*
Credit derivatives		**18,400**	**1,210**	**19,610**	**5,829**
Other forward financial instruments	**131**	**118**	**658**	**907**	**947**
On organized markets				*323*	*366*
OTC				*584*	*581*
Sub-total trading derivatives	**4,285**	**141,259**	**4,071**	**149,615**	**114,029**
Financial assets measured using fair value option through P&L	**219,646**	**263,643**	**6,670**	**489,959**	**453,207**
Total financial instruments measured at fair value through P&L as at December 31, 2006	**242,783**	**207,541**	**2,883**	**453,207**	

(1) Including UCITS.

(2) The P&L impact of the change in fair value determined using valuation not based on market data is disclosed in Note 34.

LIABILITIES

(In millions of euros)	December 31, 2007 Valuation established using prices published in an active market	Valuation technique based on observable market date	Valuation not based on market data [2]	Total	December 31, 2006 Total
Trading portfolio					
Securitized debt payable	-	25,025	24,546	49,571	39,902
Amounts payable on borrowed securities	1,726	41,116	2,034	44,876	20,528
Bonds and other debt instruments sold short	3,637	405	-	4,042	38,752
Shares and other equity instruments sold short	6,790	112	-	6,902	15,219
Other financial liabilities	6,316	49,986	388	56,690	44,498
Sub-total trading liabilities [3]	**18,469**	**116,644**	**26,968**	**162,081**	**158,899**
Interest rate instruments	**417**	**61,881**	**7,338**	**69,636**	**58,139**
Firm instruments					
Swaps				56,034	48,495
FRA				186	114
Options					
Options on organized markets				391	100
OTC options				7,929	5,679
Caps, floors, collars				5,096	3,751
Foreign exchange instruments	**247**	**14,287**	**10**	**14,544**	**9,203**
Firm instruments				*12,967*	*8,381*
Options				*1,577*	*822*
Equity and index instruments	**10,420**	**24,397**	**3,473**	**38,290**	**34,009**
Firm instruments				*2,118*	*787*
Options				*36,172*	*33,222*
Commodity instruments	**1,138**	**15,860**	**1**	**16,999**	**14,914**
Firm instruments-Futures				*11,599*	*10,043*
Options				*5,400*	*4,871*
Credit derivatives	**-**	**16,669**	**1,778**	**18,447**	**5,888**
Other forward financial instruments	**27**	**72**		**99**	**801**
On organized markets				32	221
OTC				67	580
Sub-total trading derivatives	**12,249**	**133,166**	**12,600**	**158,015**	**122,954**
Sub-total of financial liabilities measured using fair value option through P&L [3] [4]	**380**	**18,189**	**2,086**	**20,655**	**16,840**
Total financial instruments measured at fair value through P&L	**31,098**	**267,999**	**41,654**	**340,751**	**298,693**
Total financial instruments measured at fair value through P&L as at December 31, 2006	**59,516**	**205,460**	**33,717**	**298,693**	

(2) The P&L impact of the change in fair value determined using valuation not based on market data is disclosed in Note 34.

(3) The change in fair value attributable to the Group's own credit risk is EUR 242 million.

(4) Mainly indexed EMTNs.

Financial Liabilities measured using fair value option through P&L

(In millions of euros)	December 31, 2007 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 (3) (4)	**20,655**	**21,374**	**(719)**
Total of financial liabilities measured using fair value option through P&L at 12.31.2006 (4)	**16,840**	**17,103**	**(263)**

(3) The change in fair value attributable to the Group's own credit risk is EUR 242 million.

(4) Mainly indexed EMTNs.

Note 7

Hedging derivatives

	December 31, 2007		December 31, 2006	
(In millions of euros)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
FAIR VALUE HEDGE				
Interest rate instruments				
Firm instruments				
Swaps	2,789	3,413	2,468	2,323
Forward Rate Agreements (FRA)	-	-	-	-
Options				
Options on organized markets	-	-	-	-
OTC options	82	-	158	-
Caps, floors, collars	256	-	170	-
Foreign exchange instruments				
Firm instruments				
Currency financing swaps	93	56	96	42
Forward foreign exchange contracts	76	75	92	87
Equity and index instruments				
Equity and stock index options	7	19	71	1
CASH-FLOW HEDGE				
Interest rate instruments				
Firm instruments				
Swaps	401	293	611	371
Foreign exchange instruments				
Firm instruments				
Currency financing swaps	-	-	2	-
Forward foreign exchange contracts	5	2	-	2
Total	**3,709**	**3,858**	**3,668**	**2,826**

Note 8

Available-for-sale financial assets

(In millions of euros)	December 31, 2007 Valuation established using prices published in an active market	Valuation technique based on observable market date	Valuation not based on market data	Total	December 31, 2006 * Valuation established using prices published in an active market	Valuation technique based on observable market date	Valuation not based on market data	Total
Current assets								
Treasury notes and similar securities	7,716	1,525	71	**9,312**	9,521	1,022	974	**11,517**
o/w related receivables				**155**				**288**
o/w provisions for impairment				**(25)**				**(25)**
Bonds and other debt securities	58,195	8,086	904	**67,185**	43,431	11,430	2,022	**56,883**
o/w related receivables				**862**				**763**
o/w provisions for impairment				**(57)**				**(8)**
Shares and other equity securities (1)	5,290	494	1,013	**6,797**	3,569	271	738	**4,578**
o/w related receivables				**1**				**1**
o/w impairment losses				**(121)**				**(69)**
Sub-total	**71,201**	**10,105**	**1,988**	**83,294**	**56,521**	**12,723**	**3,734**	**72,978**
Long-term equity investments	**2,135**	**222**	**2,157**	**4,514**	**3,243**	**404**	**2,129**	**5,776**
o/w related receivables				**5**				**4**
o/w impairment losses				**(475)**				**(520)**
Total available for sale financial assets	**73,336**	**10,327**	**4,145**	**87,808**	**59,764**	**13,127**	**5,863**	**78,754**
o/w securities on loan				*5*				*32*

(1) Including UCITS.

Changes in available-for-sale financial assets

(In millions of euros)	2007	2006
Balance at January 1	**78,754**	**73,028**
Acquisitions	188,796	168,571
Disposals/redemptions **	(177,569)	(162,442)
Reclassification and change in scope	2,468	2,144
Gains and losses on changes in fair value	(2,472)	(830)
Change in impairment on fixed income securities	(50)	50
o/w increase	*(29)*	*(24)*
write-backs	*3*	*51*
others	*(24)*	*22*
Impairment losses on variable income securities	(6)	250
Change in related receivables	(33)	14
Translation differences	(2,080)	(2,031)
Balance at December 31	**87,808**	**78,754**

** Amounts adjusted with respect to the published financial statements.*
*** Disposals are valued according to the weighted average cost method.*

Note 9

Non-current assets and liabilities held for sale

(In millions of euros)	December 31, 2007	December 31, 2006
ASSETS	**14,229**	**34**
Fixed asset and Goodwill	65	25
Financial assets	3,011	-
Due from banks and others	11,145	-
Other assets	8	9
LIABILITIES	**15,080**	**-**
Allowances	107	-
Amounts due	9,434	-
Other liabilities	5,539	-

The increases of EUR 14,195 million and EUR 15,080 million in non-current assets and liabilities classified as held-for-sale is mainly due to the disposal of 50% of Fimat as part of the Newedge transaction (see post-closing event: Note 46). The Group applied IFRS 5 and consequently isolated in non-current assets and liabilities classified as held-for-sale 50% of Fimat's assets and liabilities and 43.53% of those of La Marocaine Vie as at December 31 2007.

Note 10

Due from banks

(In millions of euros)	December 31, 2007	December 31, 2006
Deposits and loans		
Demand and overnights		
Current accounts	19,165	14,690
Overnight deposits and loans and others	4,038	2,780
Loans secured by overnight notes	26	11
Term		
Term deposits and loans [(1)]	22,613	18,809
Subordinated and participating loans	693	650
Loans secured by notes and securities	55	221
Related receivables	340	343
Gross amount	**46,930**	**37,504**
Depreciation		
– Depreciation for individually impaired loans	(35)	(45)
– Depreciation for groups of homogenous receivables	(116)	(161)
Revaluation of hedged items	(1)	(10)
Net amount [(2)]	**46,778**	**37,288**
Securities purchased under resale agreements	26,287	30,869
Total	**73,065**	**68,157**
Fair value of amounts due from banks	**73,052**	**68,151**

(1) At December 31, 2007, the amount of receivables with incurred credit risk is EUR 43 million compared with EUR 46 million at December 31, 2006.

(2) The entities acquired in 2007 have a total impact of EUR 1,591 million on amounts due from banks.

Note 11

Customer loans

(In millions of euros)	December 31, 2007	December 31, 2006
Customer loans		
Trade notes	11,437	12,224
Other customer loans [(1)(2)]		
– Short-term loans	88,531	64,406
– Export loans	5,712	4,429
– Equipment loans	51,586	45,956
– Housing loans	77,477	67,363
– Other loans	43,556	41,891
Sub-total	**266,862**	**224,045**
Overdrafts	18,704	15,808
Related receivables	1,467	1,495
Gross amount	**298,470**	**253,572**
Depreciation		
– Depreciation for individually impaired loans	(6,272)	(6,197)
– Depreciation for groups of homogenous receivables	(785)	(864)
Revaluation of hedged items	(6)	2
Net amount [(3)]	**291,407**	**246,513**
Loans secured by notes and securities	309	1,124
Securities purchased under resale agreements	13,457	15,910
Total amount of customer loans	**305,173**	**263,547**
Fair value of customer loans	**303,097**	**263,548**

(1) ***Breakdown of other customer loans by customer type:***

(In millions of euros)	December 31, 2007	December 31, 2006
Non-financial customers		
– Corporate	118,441	100,704
– Individual Customers	101,648	87,645
– Local authorities	9,642	9,240
– Self-employed professionals	9,659	8,904
– Governments and central administrations	3,904	3,029
– Others	5,096	3,985
Financial customers	18,472	10,538
Total	**266,862**	**224,045**

(2) At December 31, 2007, the amount of receivables with incurred credit risk is EUR 10,713 million compared with EUR 9,888 million at December 31, 2006.

(3) Entities acquired in 2007 had a EUR 2,554 million impact on net customer loans.

Note 12

Lease financing and similar agreements

(In millions of euros)	December 31, 2007	December 31, 2006
Real estate lease financing agreements	6,519	6,177
Non-real estate lease financing agreements	20,713	18,998
Related receivables	76	86
Gross amount (1)	**27,308**	**25,261**
Depreciation for individually impaired loans	(269)	(235)
Revaluation of hedged items	(1)	1
Net amount	**27,038**	**25,027**
Fair value of receivables on lease financing and similar agreements	**26,898**	**24,863**

(1) At December 31, 2007, the amount of receivables with incurred credit risk is EUR 645 million compared with EUR 668 million at December 31, 2006.

(In millions of euros)	December 31, 2007	December 31, 2006
Gross investments	**30,190**	**27,851**
- less than one year	7,417	6,665
- 1-5 years	16,760	15,073
- more than five years	6,013	6,113
Present value of minimum payments receivable	**26,374**	**24,320**
- less than one year	6,656	5,977
- 1-5 years	14,508	13,002
- more than five years	5,210	5,341
Unearned financial income	**2,882**	**2,590**
Unguaranteed residual values receivable by the lessor	**934**	**941**

Note 13

Held-to-maturity financial assets

(In millions of euros)	December 31, 2007	December 31, 2006
Treasury notes and similar securities	**1,443**	**1,404**
Listed	1,406	1,377
Unlisted	10	-
Related receivables	27	27
Bonds and other debt securities	**181**	**55**
Listed	177	54
Related receivables	4	1
Total held-to-maturity financial assets	**1,624**	**1,459**
Fair value of held-to-maturity financial assets	**1,627**	**1,476**

Note 14

Tax assets and liabilities

(In millions of euros)	December 31, 2007	December 31, 2006
Current tax assets	801	863
Deferred tax assets	3,132	640
– o/w on balance sheet items (1)	3,239	726
– o/w on items credited or charged to shareholders' equity for unrealized gains or losses	(107)	(86)
Total	**3,933**	**1,503**

(In millions of euros)	December 31, 2007	December 31, 2006
Current tax liabilities (2)	1,770	1,497
Deferred tax liabilities	630	462
– o/w on balance sheet items	577	293
– o/w on items credited or charged to shareholders' equity for unrealized gains or losses	53	169
Total	**2,400**	**1,959**

(1) Includes EUR 2,197 millions linked to the consideration of a deferred tax asset on unauthorized and concealed trading activities of EUR 6, 382 million (see Note 40).

(2) Includes EUR 507 millions linked to the consideration of an income on unauthorized and concealed trading activities of EUR 1,471 million (see Note 40).

Note 15

Other assets

(In millions of euros)	December 31, 2007	December 31, 2006
Guarantee deposits paid	13,808	11,482
Settlement accounts on securities transactions	3,950	3,537
Prepaid expenses	961	1,136
Miscellaneous receivables	16,408	18,498
Gross amount	**35,127**	**34,653**
Depreciation	(127)	(139)
Net amount	**35,000**	**34,514**

Note 16

Tangible and intangible fixed assets

(In millions of euros)	Gross book value at December 31, 2006	Acquisitions	Disposals	Changes in consolidation scope and reclassifications (1)	Gross value at December 31, 2007	Accumulated depreciation and amortization of assets at December 31, 2006	Allocations to amortization in 2007	Impairment of assets 2007	Write-backs from amortization in 2007	Changes in consolidation scope and reclassifications (1)	Net book value at December 31, 2007	Net book value at December 31, 2006
Intangible assets												
Software, EDP development costs	1,195	113	(14)	2	1,296	(898)	(142)	-	14	56	326	297
Internally generated assets	1,183	16	-	137	1,336	(863)	(139)	-	-	(6)	328	320
Assets under development	228	299	(2)	(189)	336	-	-	-	-	-	336	228
Others	408	47	(3)	(6)	446	(124)	(34)	-	1	42	331	284
Sub-total	**3,014**	**475**	**(19)**	**(56)**	**3,414**	**(1,885)**	**(315)**	**-**	**15**	**92**	**1,321**	**1,129**
Operating tangible assets												
Land and buildings	3,181	55	(48)	-	3,188	(963)	(86)	2	17	13	2,171	2,218
Assets under development	188	350	(1)	155	692	-	-	-	-	-	692	188
Lease assets of specialised financing companies	9,066	3,722	(2,878)	(32)	9,878	(2,277)	(1,585)	(6)	1,260	(63)	7,207	6,789
Others	4,277	409	(108)	(102)	4,476	(3,009)	(379)	(3)	71	179	1,335	1,268
Sub-total	**16,712**	**4,536**	**(3,035)**	**21**	**18,234**	**(6,249)**	**(2,050)**	**(7)**	**1,348**	**129**	**11,405**	**10,463**
Investment property												
Land and buildings	572	3	(11)	(13)	551	(102)	(18)	1	4	8	444	470
Assets under development	10	7	-	(1)	16	-	-	-	-	-	16	10
Sub-total	**582**	**10**	**(11)**	**(14)**	**567**	**(102)**	**(18)**	**1**	**4**	**8**	**460**	**480**
Total tangible and intangible fixed assets	**20,308**	**5,021**	**(3,065)**	**(49)**	**22,215**	**(8,236)**	**(2,383)**	**(6)**	**1,367**	**229**	**13,186**	**12,072**

(1) Including translation differences arising from the conversion of financial statements denominated in foreign currencies: gross amount: EUR 145 million, amortization: EUR 65 million.

Leasing activities

(In millions of euros)	December 31, 2007	December 31, 2006
Breakdown of minimum payments receivable		
– due in less than one year	1,172	1,146
– due in 1-5 years	2,176	1,683
– due in more than five years	6	6
Total minimum future payments receivable	**3,354**	**2,835**

Note 17

Goodwill affected by business unit

(In millions of euros)	FRENCH NETWORKS	INTER-NATIONAL RETAIL BANKING	FINANCIAL SERVICES	CORPORATE AND INVESTMENT BANKING	GLOBAL INVESTMENT MANAGEMENT AND SERVICES			CORPORATE CENTER	GROUP TOTAL
					Asset Management	Private Banking	SGSS and Online Savings		
Gross book value at December 31, 2006	**53**	**2,326**	**860**	**69**	**478**	**261**	**603**	**293**	**4,943**
Acquisitions and other increases	-	88	325	-	45	19	124	-	601
Disposals and other decreases	-	-	-	-	-	-	-	(293)	(293)
Change	-	(6)	15	(5)	(53)	(9)	(2)	-	(60)
Gross value at December 31, 2007	**53**	**2,408**	**1,200**	**64**	**470**	**271**	**725**	**-**	**5,191**
Impairment of goodwill at December 31, 2006	-	-	-	-	-	-	-	(28)	(28)
Impairment losses	-	-	-	-	-	-	-	28	28
Impairment of goodwill at December 31, 2007	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net goodwill at December 31, 2006	53	2,326	860	69	478	261	603	265	4,915
Net goodwill at December 31, 2007	**53**	**2,408**	**1,200**	**64**	**470**	**271**	**725**	**-**	**5,191**

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 12 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, 2007.

As at December 31, 2007, the Group retained the following Cash-generating units (CGU):

CGU	Business unit
International Retail Banking - European Union and Pre-European Union	International Retail Banking
Other International Retail Banking	International Retail Banking
Crédit du Nord	French Networks
Societe Generale Network	French Networks
Insurance Financial Services	Financial Services
Individual Financial Services	Financial Services
Company Financial Services	Financial Services
Car renting Financial Services	Financial Services
Corporate and Investment Banking	Corporate and Investment Banking
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)

	Goodwill (net book value at 12.31.2007)	Allocation (CGU)
Komercni Banka	843	International Retail Banking - European Union and Pre-European Union
Splitska Banka	769	International Retail Banking - European Union and Pre-European Union
TCW Group Inc.	394	Asset management
2S Banka	395	SGSS and Online Savings
MIBank *	351	Other International Retail Banking
Trancoso Participaçoes Ltda. (Banco Cacique)	243	Individual Financial Services
Eurobank	182	Individual Financial Services
SG Private Banking (Suisse) SA	169	Private Banking
Gefa Bank	155	Company Financial Services
Hanseatic Bank	131	Individual Financial Services
Modra Pyramida	127	International Retail Banking - European Union and Pre-European Union
On Vista	88	SGSS and Online Savings

** Goodwill booked in NSGB since the merger.*

Note 18

Due to banks

(In millions of euros)	December 31, 2007	December 31, 2006
Demand and overnight deposits		
Demand deposits and current accounts	13,828	11,001
Overnight deposits and borrowings and others	16,274	21,972
Sub-total	**30,102**	**32,973**
Term deposits		
Term deposits and borrowings	75,757	82,937
Borrowings secured by notes and securities	9,211	686
Sub-total	**84,968**	**83,623**
Related payables	705	751
Revaluation of hedged items	(83)	(11)
Securities sold under repurchase agreements	16,185	12,499
Total (1)	**131,877**	**129,835**
Fair value of amounts due to banks	**131,798**	**129,675**

(1) Entities acquired in 2007 had a EUR 881 million impact on amounts due to banks.

Note 19

Customer deposits

(In millions of euros)	December 31, 2007	December 31, 2006
Regulated savings accounts		
Demand	32,234	29,423
Term	18,211	20,128
Sub-total	**50,445**	**49,551**
Other demand deposits		
Businesses and sole proprietors	44,549	42,093
Individual customers	34,696	32,588
Financial customers	24,556	29,087
Others	10,696	12,218
Sub-total	**114,497**	**115,986**
Other term deposits		
Businesses and sole proprietors	27,546	24,753
Individual customers	22,252	17,272
Financial customers	14,820	15,872
Others	11,498	15,827
Sub-total	**76,116**	**73,724**
Related payables	1,278	1,144
Revaluation of hedged items	4	11
Total customer deposits (1)	**242,340**	**240,416**
Borrowings secured by notes and securities	338	196
Securities sold to customers under repurchase agreements	27,984	26,785
Total	**270,662**	**267,397**
Fair value of customer deposits	**270,712**	**267,411**

(1) Entities acquired since December 31, 2007 accounted for EUR 638 million in customer deposits.

Note 20

Securitized debt payables

(In millions of euros)	December 31, 2007	December 31, 2006
Term savings certificates	2,607	2,715
Bond borrowings	4,302	4,611
Interbank certificates and negotiable debt instruments	130,061	92,126
Related payables	1,099	966
Sub-total	**138,069**	**100,418**
Revaluation of hedged items	-	(46)
Total	**138,069**	**100,372**
– o/w floating rate securities	54,813	14,997
Fair value of securitized debt payables	**137,871**	**100,341**

Note 21

Other liabilities

(In millions of euros)	December 31, 2007	December 31, 2006
Guarantee deposits received	20,198	13,389
Settlement accounts on securities transactions	5,610	3,914
Other securities transactions	69	36
Accrued social charges	2,560	3,071
Deferred income	1,591	1,928
Miscellaneous payables	16,024	16,988
Total	**46,052**	**39,326**

Note 22

PEL/CEL mortgage saving accounts

Outstanding deposits in PEL/CEL accounts

(In millions of euros)	December 31, 2007	December 31, 2006
PEL accounts		
less than 4 years old	1,658	1,227
between 4 and 10 years old	5,840	7,024
more than 10 years old	5,775	7,025
Sub-total	**13,273**	**15,276**
CEL accounts	2,294	2,334
Total	**15,567**	**17,610**

Outstanding housing loans granted with respect to PEL/CEL accounts

(In millions of euros)	December 31, 2007	December 31, 2006
less than 4 years old	203	201
between 4 and 10 years old	184	235
more than 10 years old	66	83
Total	**453**	**519**

Provisions for commitments linked to PEL/CEL accounts

(In millions of euros)	December 31, 2006	Allocations	Reversals	December 31, 2007
PEL accounts				
less than 4 years old	7	22	-	29
between 4 and 10 years old	-	2	-	2
more than 10 years old	94	-	80	14
Sub-total	**101**	**24**	**80**	**45**
CEL accounts	35	5	1	39
Total	**136**	**29**	**81**	**84**

The “Plans d’Épargne Logement” (PEL or housing savings plans) entail two types of commitment that have the negative effect of generating a PEL/CEL provision for the Group: a commitment to lend at an interest rate fixed on the plan opening date and a commitment to remunerate the savings at an interest rate also fixed on the plan opening date. The current level of interest rates is relatively high compared to the interest rates paid on “Epargne Logement” deposits of Societe Generale Group. Consequently, it is mainly the commitment to lend at the interest rate fixed on the plan opening date based on recent generations of “PEL” plans which triggers the PEL/CEL provision.

As interest rates rose during 2007, the proportion of the provision linked to the commitment to remunerate the deposits at a fixed interest rate decreased during 2007 while the provision for the risks attached to the commitment to lend at a fixed interest rate has risen. Provisioning for PEL/CEL savings amounted to 0.54% of total outstandings at December 31, 2007.

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 long periods (more than 10 years). The values of these parameters can be adjusted whenever changes are made to regulations that may undermine the effectiveness of past datas 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 datas 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 on valuation date, averaged over a 12-month period.

Note 23

Provisions and depreciation

Assets depreciations

(In millions of euros)	December 31, 2007	December 31, 2006
Banks	35	45
Customer loans	6,272	6,197
Lease financing and similar agreements	269	235
Groups of homogenous receivables	901	1,025
Available-for-sale assets	678	622
Others	260	248
Total	**8,415**	**8,372**

The change in assets' depreciations can be analysed as follows:

(In millions of euros)	Assets depreciations at December 31, 2006	Impairment losses	Reversals available	Net impairment losses	Reversals used	Currency and scope effects	Assets depreciations at December 31, 2007
Banks	45	-	(12)	**(12)**	(1)	3	**35**
Customer loans	6,197	2,147	(1,315)	**832**	(751)	(6)	**6,272**
Lease financing and similar agreements	235	136	(70)	**66**	(37)	5	**269**
Groups of homogenous receivables	1,025	253	(363)	**(110)**	-	(14)	**901**
Available-for-sale assets [(1)]	622	168	(106)	**62**	-	(6)	**678**
Others [(1)]	248	108	(72)	**36**	(30)	6	**260**
Total	**8,372**	**2,812**	**(1,938)**	**874**	**(819)**	**(12)**	**8,415**

(1) Including a EUR 48 million net allocation for identified risks.

Provisions

(In millions of euros)	December 31, 2007	December 31, 2006
Provisions for off-balance sheet commitments to customers	105	128
Provisions for employee benefits	836	1,172
Provisions for tax adjustments	674	497
Other provisions	7,069	782
Total	**8,684**	**2,579**

The change in provisions can be analysed as follows:

(In millions of euros)	Provisions at December 31, 2006	Allocations	Write-backs available	Net allocation	Write-backs used	Effect of discounting	Currency and scope effects	Provisions at December 31, 2007
Provisions for off-balance sheet commitments to customers	128	49	(65)	**(16)**	-	-	(7)	**105**
Provisions for employee benefits	1,172	121	(255)	**(134)**	(170)	-	(32)	**836**
Provisions for tax adjustments	497	365	(264)	**101**	(3)	2	77	**674**
Other provisions (2) (3)	782	6,499	(79)	**6,420**	(106)	3	(30)	**7,069**
o/w provision for loss on unauthorized and concealed trading activities (see Note 40)	-	*6,382*	-	***6,382***	-	-	-	***6,382***
Total	**2,579**	**7,034**	**(663)**	**6,371**	**(279)**	**5**	**8**	**8,684**

(2) Including a EUR 9 million net allocation for net cost of risk.

(3) The Group's other provisions include EUR 136 million of PEL/CEL provisions at December 31, 2006 and EUR 84 million at December 31, 2007 i.e. a combined net allocation of EUR 52 million over 2007 for Societe Generale France network and for Crédit du Nord.

The consequences, as assessed on December 31, 2007, of those disputes and tax risks that are liable to have or have recently had a significant impact on the financial position of the Group, its activities or results have been taken into account in the Group's financial statements.

Note 24

Employee benefits

1. 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.

The 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 539 million in 2007.

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

2.1. RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	December 31, 2007				December 31, 2006			
	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
Reminder of gross liabilities	2,377	55	272	**2,704**	2,448	215	351	**3,014**
Reminder of assets	(1,979)	-	(74)	**(2,053)**	(1,985)	-	(78)	**(2,063)**
Deficit in the plan	**398**	**55**	**198**	**651**	**463**	**215**	**273**	**951**
Breakdown of the deficit in the plan								
Present value of defined benefit obligations	2,069	-	80	**2,149**	2,236	-	78	**2,314**
Fair value of plan assets	(2,071)	-	(74)	**(2,145)**	(2,075)	-	(78)	**(2,153)**
Actuarial deficit (net balance) (A)	(2)	-	6	**4**	161	-	-	**161**
Present value of unfunded obligations (B)	276	55	192	**523**	276	216	273	**765**
Other items recognized in balance sheet (C)								
Unrecognized items								
Unrecognized Past Service Cost	48	-	-	**48**	58	-	-	**58**
Unrecognized Net Actuarial (Gain)/Loss	(80)	-	-	**(80)**	6	1	-	**7**
Separate assets	(1)	-	-	**(1)**	(1)	-	-	**(1)**
Plan assets impacted by change in Asset Celling	(91)	-	-	**(91)**	(89)	-	-	**(89)**
Total unrecognized items (D)	(124)	-	-	**(124)**	(26)	1	-	**(25)**
Deficit in the plan (Net balance) (A) + (B) + (C) - (D)	**398**	**55**	**198**	**651**	**463**	**215**	**273**	**951**

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 the option of IAS 19 (corridor).*
2. *Pension plans include pension benefit as annuities and end of career payments. Pension benefit annuities are paid additionally to pensions state plans.*
   The Group grants 130 pension plans located in 39 countries. 10 pension plans located in France, the UK, Germany, the US and Switzerland represent 80% of gross liabilities of these pension plans.
   Other post employment benefit plans are healthcare plans. These 10 plans are located in 7 countries among which France represents 50% of gross liabilities.
   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 22 countries. 75% of gross liabilities of these benefits are located in France.
3. *The present values of defined benefit obligations have been valued by independant qualified actuaries.*
4. *Information regarding plan assets:*
   The breakdown of the fair value of plan assets is as follows: 34% bonds, 54% equities, 6% monetary instruments and 6% others.
   For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 154 million, including EUR 91 million unrecognized.
5. *Employer contributions to be paid to post-employment benefit plans for 2008 are estimated at EUR 55 million.*
6. *Generally, expected return rates of plan assets are calculated by weighting expected anticipated returns on each category of assets with their respected weights in the asset's fair value.*
7. *In France, the Social Security funding act for 2007 forbade the retirement at the employer's volition before 65 after 2014. Its impact on the retirement indemnity schemes is valued at December 31, 2006 and treated as a past service cost. Consequently, the 2007 expense of the retirement indemnity schemes is restated.*
   The residual impact of the Social Security funding act for 2008 is mainly due to a new social tax that amounts to 25% in 2008 and 50% after 2009 and applied to the indemnities paid when an employee retires at the employer's volition. This impact is valued at December 31, 2007, treated as actuarial gains and losses and does not modify the 2007 expense of the retirement indemnity schemes.

The actual return on plan and separate assets were, in million of euros:

	Post employment benefits							
	Pension plans		Others		Other long term benefits		Total	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Plan assets	52	175	-	-	3	5	**55**	**180**

2.2. AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

	Post employment benefits							
	Pension plans		Others		Other long term benefits		Total	
(In millions of euros)	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Current Service Cost including Social Charges	77	70	6	8	36	50	119	128
Employee contributions	(3)	(3)	-	-	-	-	(3)	(3)
Interest Cost	116	106	2	6	5	5	123	117
Expected Return on Plan Assets	(120)	(107)	-	-	(4)	(3)	(124)	(110)
Expected Return on Separate Assets	-	-	-	-	-	-	-	-
Amortisation of Past Service Cost	5	5	-	-	-	-	5	5
Amortisation of Losses (Gains)	1	5	-	2	3	(7)	4	-
Settlement, Curtailment	5	-	-	60	-	(1)	5	59
Change in asset ceiling	(5)	6	-	-	-	-	(5)	6
Transfert from non recognized assets	-	-	-	-	-	-	-	-
Total Charges	**76**	**82**	**8**	**76**	**40**	**44**	**124**	**202**

• 2.3.a. Movements in the present value of defined benefit obligations

	2007			2006		
	Post employment benefits			Post employment benefits		
(In millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total
At January 1	**2,512**	**216**	**2,728**	**2,483**	**159**	**2,642**
Current Service Cost including Social Charges	77	6	**83**	70	8	**78**
Interest Cost	116	2	**118**	106	6	**112**
Employee contributions	-	-	**-**	(3)	-	**(3)**
Actuarial Gain/loss	(154)	(1)	**(155)**	(32)	(1)	**(33)**
Foreign Exchange adjustment	(80)	(2)	**(82)**	(6)	(2)	**(8)**
Benefit payments	(124)	(1)	**(125)**	(96)	(10)	**(106)**
Past Service Cost	(5)	-	**(5)**	9	-	**9**
Acquisition of subsidiaries	1	-	**1**	(4)	(2)	**(6)**
Transferts and others	1	(165)	**(164)**	(15)	58	**43**
At December 31	**2,344**	**55**	**2,399**	**2,512**	**216**	**2,728**

• 2.3.b. Movements in fair value of plan assets

	2007			2006		
	Post employment benefits			Post employment benefits		
(In millions of euros)	Pension plans	Others	Total	Pension plans	Others	Total
At January 1	**2,075**	**-**	**2,075**	**1,924**	**-**	**1,924**
Expected Return on Plan Assets	120	-	**120**	107	-	**107**
Expected Return on Separate Assets	-	-	**-**	-	-	**-**
Actuarial Gain/loss	(68)	-	**(68)**	72	-	**72**
Foreign Exchange adjustment	(62)	-	**(62)**	(2)	-	**(2)**
Employee contributions	3	-	**3**	3	-	**3**
Employer Contributions to plan assets	108	-	**108**	132	-	**132**
Benefit payments	(95)	-	**(95)**	(78)	-	**(78)**
Acquisition of subsidiaries	-	-	**-**	-	-	**-**
Transferts and others	(10)	-	**(10)**	(83)	-	**(83)**
At December 31	**2,071**	**-**	**2,071**	**2,075**	**-**	**2,075**

2.4. MAIN ASSUMPTIONS

	December 31, 2007	December 31, 2006
Discount rate		
Europe	5.16%	4.50%
Americas	6.27%	5.20%
Asia-Oceania-Africa	4.90%	4.30%
Expected return on plan assets (separate and plan assets)		
Europe	5.31%	5.87%
Americas	6.50%	6.50%
Asia-Oceania-Africa	4.06%	2.50%
Future salary increase net of inflation		
Europe	1.58%	1.00%
Americas	2.00%	2.00%
Asia-Oceania-Africa	2.05%	1.80%
Healthcare cost increase rate		
Europe	5.59%	4.63%
Americas	NA	NA
Asia-Oceania-Africa	4.15%	3.50%
Average and remaining lifetime of employees (in years)		
Europe	13.6	11.5
Americas	7.5	9.5
Asia-Oceania-Africa	13.5	11

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 geographic area like Europe and Asia.*
2. *The range of expected return on plan assets is due to current plan assets allocation.*
3. *Average and remaining lifetime of employees is calculated taking into account turnover assumptions.*

2.5. SENSITIVITIES ANALYSIS OF POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS COMPARED TO MAIN ASSUMPTIONS RANGES

	2007			2006		
(Measured element percentage)	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	- 11%	- 15%	- 7%	- 14%	- 14%	- 6%
Impact on total Expenses	- 10%	- 10%	- 51%	- 19%	- 8%	- 34%
Variation from +1% in Expected return on plan assets						
Impact on Plan Assets at December 31	1%	1%	1%	1%	1%	1%
Impact on total Expenses	- 3%	NA	- 1%	- 21%	NA	- 3%
Variation from +1% in Future salary increases						
Impact on Defined Benefit Obligations at December 31	11%	NA	7%	5%	NA	5%
Impact on total Expenses	13%	NA	49%	17%	NA	39%
Variation from +1% in Healthcare cost increase rate						
Impact on Defined Benefit Obligations at December 31		9%			15%	
Impact on total Expenses		4%			19%	

2.6. EXPERIENCE ADJUSTMENTS ON POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS

(In millions of euros)	December 31, 2007	December 31, 2006
Defined Benefit Obligations	2,344	2,512
Fair value of plan assets	2,071	2,075
Deficit/(surplus)	273	437
Adjustments of Plan Liabilities due to experience (negative: gain)	49	(11)
Adjustments of Plan Assets due to experience (negative: gain)	68	(67)

Note 25

Subordinated debt

(In millions of euros)

Currency issue	2008	2009	2010	2011	2012	Other	Outstanding at December 31, 2007	Outstanding at December 31, 2006
Subordinated Capital notes								
EUR	121	313	649	439	920	6,271	8,713	8,004
USD	-	-	-	-	-	1,459	1,459	1,935
GBP	-	-	-	-	-	818	818	893
Other currencies	54	-	-	-	-	97	151	148
Sub-total	**175**	**313**	**649**	**439**	**920**	**8,645**	**11,141**	**10,980**
Dated subordinated debt								
EUR	-	-	-	4	-	29	33	37
Sub-total	**-**	**-**	**-**	**4**	**-**	**29**	**33**	**37**
Related payables	233	-	-	-	-	-	233	274
Total excluding revaluation of hedged items	**408**	**313**	**649**	**443**	**920**	**8,674**	**11,407**	**11,291**
Revaluation of hedged items							52	222
Total							**11,459**	**11,513**

The fair value of subordinated debt securities amounts to EUR 12,692 million at December 31, 2007 (EUR 11,751 million at December 31, 2006).

Note 26

Societe Generale ordinary shares, treasury shares, shares held by employees

(Number of shares)	December 31, 2007	December 31, 2006
Ordinary shares	466,582,593	461,424,562
– Including treasury shares with voting rights [(1)]	30,311,822	22,939,831
– Including shares held by employees	33,458,863	32,424,638

(1) Does not include Societe Generale shares held for trading.

Note 27

Commitments

Commitments granted and received

COMMITMENTS GRANTED

(In millions of euros)	December 31, 2007	December 31, 2006
Loan commitments		
To banks	23,430	19,279
To customers [(1)]		
Issuance facilities	38	100
Confirmed credit lines	136,667	146,194
Others	2,460	1,726
Guarantee commitments		
On behalf of banks	7,407	11,011 *
On behalf of customers [(1) (2)]	60,632	45,114 *
Securities commitments		
Securities to deliver	41,031	28,663

COMMITMENTS RECEIVED

(In millions of euros)	December 31, 2007	December 31, 2006
Loan commitments		
From banks	24,254	17,526
Guarantee commitments		
From banks	53,677	58,352
Other commitments [(3)]	60,133	49,854
Securities commitments		
Securities to be received	42,400	32,783

(1) As at December 31, 2007, credit lines and guarantee commitments granted to securization vehicles and other special purpose vehicles amounted to EUR 27.7 billion and EUR 0.6 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 34.1 billion as at December 31, 2007 and EUR 28.3 billion as at December 31, 2006. The remaining balance mainly corresponds to securities and assets assigned as guarantee.

** Amounts adjusted with respect to the published financial statements.*

Forward financial instrument commitments (notional amounts)

	December 31, 2007		December 31, 2006	
(In millions of euros)	Trading transactions	Hedging transactions	Trading transactions	Hedging transactions
Interest rate instruments				
Firm transactions				
Swaps	6,345,931	202,337	5,566,581	216,633
Interest rate futures	1,244,166	-	1,454,300	20
Options	3,473,469	12,682	2,397,826	16,357
Foreign exchange instruments				
Firm transactions	834,864	24,900	685,824	37,514
Options	354,186	-	205,201	-
Equity and index instruments				
Firm transactions	275,766	-	231,930	-
Options	842,302	207	646,448	148
Commodity instruments				
Firm transactions	165,919	-	155,635	-
Options	122,445	-	154,586	-
Credit derivatives	**2,175,336**	-	**991,383**	-
Other forward financial instruments	**19,301**	**-**	**16,826**	**-**

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, 2007	December 31, 2006
OECD member governments and central banks	2,276	993
OECD member banks and local authorities	32,115	23,176
Customers	19,316	15,407
Non-OECD member banks and central banks	849	657
Total (after netting agreements)	**54,556**	**40,233**

Netting agreements reduced the credit risk equivalent by EUR 136,950 million at December 31, 2007 compared with a reduction of EUR 102,921 million at December 31, 2006.

Securitization transactions

The Societe Generale 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 at December 31, 2007, 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 19,260 million at this date (EUR 19,815 million as at December 31, 2006).

The non-controlling situation of the Group over these vehicles is regularly assessed using the consolidation criteria applicable to special purpose entities (cf. Note 1). As at December 31, 2007, none of these vehicles is consolidated as far as the Group does not control them and is neither exposed to the majority of the related risks and rewards.

The default risk on the assets held by these vehicles is borne by the transferors of the underlying receivables or by third parties. Societe Generale Group provides an additional guarantee as a credit enhancement through the issuance of letters of credit in the amount of EUR 600 million (EUR 731 million as at December 31, 2006). Furthermore, the Group has granted these vehicles short-term loan facilities in the amount of EUR 27,738 million at this date (EUR 29,237 million as at December 31, 2006).

Note 28

Assets pledged as security

(In millions of euros)	December 31, 2007	December 31, 2006*
Assets pledged as security		
Book value of assets pledged as security for liabilities	42,779	27,649
Book value of assets pledged as security for transactions in financial instruments	13,716	10,687
Book value of assets pledged as security for off-balance sheet commitments	407	385
Total	**56,902**	**38,721**
Assets received as security and available for the entity		
Fair value of reverse repos	**39,783**	**46,831**

** Amounts adjusted with respect to the published financial statements.*

Assets pledged as security for liabilities mainly include securities given as guarantees in repo transactions, and loans given as guarantees for refinancing transactions granted by the Banque de France and the Caisse de Refinancement Hypothécaire.

Assets pledged as security for transactions in financial instruments correspond mainly to surety deposits paid on organized markets.

Note 29

Breakdown of assets and liabilities by term to maturity

Maturities of financial assets and liabilities

(in millions of euros at December 31, 2007)	Less than 3 months [1]	3 months to 1 year	1-5 years	More than 5 years	Total
ASSETS					
Cash, due from central banks	11,302	-	-	-	**11,302**
Financial assets measured at fair value through profit and loss	317,500	143,924	13,993	14,542	**489,959**
Hedging derivatives	3,709	-	-	-	**3,709**
Available for sale financial assets	19,078	7,828	20,914	39,988	**87,808**
Due from banks	47,770	8,163	14,639	2,493	**73,065**
Customer loans	76,104	50,215	103,380	75,474	**305,173**
Lease financing and similar agreements	3,110	5,079	13,399	5,450	**27,038**
Revaluation differences on portfolios hedged against interest rate risk	(202)	-	-	-	**(202)**
Held to maturity financial assets	136	139	580	769	**1,624**
Total Assets	**478,507**	**215,348**	**166,905**	**138,716**	**999,476**
LIABILITIES					
Due to central banks	3,004	-	-	-	**3,004**
Financial liabilities measured at fair value through profit and loss	260,203	29,121	30,388	21,039	**340,751**
Hedging derivatives	3,858	-	-	-	**3,858**
Due to banks	117,004	7,285	4,016	3,572	**131,877**
Customer deposits	218,822	11,726	26,658	13,456	**270,662**
Securitized debt payables	95,816	22,780	14,397	5,076	**138,069**
Revaluation differences on portfolios hedged against interest rate risk	(337)	-	-	-	**(337)**
Total Liabilities	**698,370**	**70,912**	**75,459**	**43,143**	**887,884**

(1) As a rule, derivatives are classified as having a maturity of less than three months.

Notional maturities of commitments on financial derivatives (2)

(in millions of euros at December 31, 2007)	ASSETS Less than 1 year	1-5 years	More than 5 years	Total	LIABILITIES Less than 1 year	1-5 years	More than 5 years	Total
Interest rate instruments								
Firm instruments								
Swaps	2,328,414	2,321,254	1,898,599	6,548,267	-	-	-	-
Interest rate futures	506,904	78,012	180	585,096	500,370	158,700	-	659,070
Options	*666,610*	*533,381*	*377,293*	*1,577,284*	*947,045*	*534,786*	*427,036*	*1,908,867*
Forex instruments								
Firm instruments	*600,959*	*164,937*	*93,868*	*859,764*	-	-	-	-
Options	*101,850*	*71,979*	*2,863*	*176,692*	*102,077*	*72,419*	*2,998*	*177,494*
Equity and index instruments								
Firm instruments	*103,069*	*34,970*	*1,954*	*139,993*	*104,224*	*27,191*	*4,357*	*135,772*
Options	*244,032*	*120,811*	*19,792*	*384,635*	*278,611*	*155,577*	*23,685*	*457,873*
Commodity instruments								
Firm instruments	*59,849*	*23,400*	*926*	*84,175*	*58,467*	*22,243*	*1,034*	*81,744*
Options	*41,154*	*19,515*	*338*	*61,007*	*41,613*	*19,744*	*81*	*61,438*
Credit derivatives	**25,032**	**688,051**	**329,393**	**1,042,476**	**28,776**	**710,944**	**393,140**	**1,132,860**
Other forward financial instruments	**8,583**	**286**	**2**	**8,871**	**9,997**	**424**	**10**	**10,431**

(2) These items are presented according to the accounting maturity of the financial instruments.

Note 30

Foreign exchange transactions

(In millions of euros)	December 31, 2007 Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	December 31, 2006 Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	592,147	599,332	21,538	19,305	533,154	530,927	13,151	10,223
USD	282,285	295,430	26,060	33,709	249,846	265,322	19,242	22,147
GBP	34,125	31,919	7,770	7,002	29,532	30,722	6,306	3,811
JPY	28,358	27,567	8,387	7,403	37,244	35,237	2,743	4,674
AUD	21,322	19,641	-	3	14,669	11,683	60	42
CZK	20,930	21,905	68	135	18,520	19,153	88	308
Other currencies	92,595	75,968	20,943	17,375	73,876	63,797	7,829	8,556
Total	**1,071,762**	**1,071,762**	**84,766**	**84,932**	**956,841**	**956,841**	**49,419**	**49,761**

Note 31

Insurance Activities

Underwriting reserves of insurance companies

(In millions of euros)	December 31, 2007	December 31, 2006
Underwriting reserves for unit-linked policies	21,789	21,010
Life insurance underwriting reserves	46,869	43,341
- o/w provisions for deferred profit sharing	*857*	*2,170*
Non-life insurance underwriting reserves	270	232
Total	**68,928**	**64,583**
Attributable to reinsurers	303	295
Underwriting reserves of insurance companies net of the part attributable to reinsurers	**68,625**	**64,288**

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, 2007	**21,010**	**43,341**	**232**
Allocation to insurance reserves	1,215	3,006	39
Revaluation of policies	(93)	30	-
Charges deducted from policies	(147)	-	-
Transfers and arbitrage	(524)	525	-
New customers	255	(254)	-
Profit sharing	83	367	-
Others	(10)	(146)	(1)
Reserves at December 31, 2007	**21,789**	**46,869**	**270**

Net investments of insurance companies

(In millions of euros)	December 31, 2007	December 31, 2006
Financial assets measured at fair value through P&L	**27,579**	**28,014**
Treasury notes and similar securities	1	332
Bonds and other debt securities	8,107	8,986
Shares and other equity securities	19,471	18,696
Available-for-sale financial assets	**43,435**	**39,312**
Treasury notes and similar securities	916	45
Bonds and other debt securities	37,488	36,085
Shares and other equity securities	5,031	3,182
Investment property	**392**	**400**
Total	**71,406**	**67,726**

Technical income from insurance companies

(In millions of euros)	December 31, 2007	December 31, 2006
Earned premiums	9,673	10,458
Cost of benefits (including changes in reserves)	(8,904)	(11,146)
Net income from investments	252	1,497
Other net technical income (expense)	(614)	(444)
Contribution to operating income before elimination of intercompany transactions	**407**	**365**
Elimination of intercompany transactions (1)	348	329
Contribution to operating income after elimination of intercompany transactions	**755**	**694**

(1) 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 (2)

(In millions of euros)	December 31, 2007	December 31, 2006
Fees received		
– Acquisition fees	197	200
– Management fees	467	491
– Others	151	48
Fees paid		
– Acquisition fees	(182)	(172)
– Management fees	(240)	(198)
– Others	(10)	(9)
Total fees	**383**	**360**

(2) Fees are presented in this table before elimination of intercompany transactions.

Management of insurance risks

There are two main types of insurance risk:

- pricing risks and risks of discrepancies in total fluctuations in claim experience: in non-life insurance and individual personal protection alike, benefits are exposed to risks of deterioration in the claim rate observed compared to the claim rate anticipated at the time the price schedule is established. Discrepancies can be linked to multiple complex factors such as changes in the behavior of the policyholders, changes in the macroeconomic environment, pandemics, natural disasters, etc.;
- risks linked to the financial markets: 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.

Managing 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.

In the area of **pricing risks and risks of discrepancies in total loss experience,** there are a number of guidelines which are applied:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile from the very beginning. Proper application of these procedures is verified via Quality Audits and multi-annual Internal Audits. These processes have been ISO-certified;
- monitoring of claim/premium ratios on a regular basis, based on statistics developed per year of occurence. This analysis (expansion of the portfolio, level of provisions for claims filed or IBNRs) allows pricing adjustments to be made, where applicable, for the subsequent financial years;
- implementation of a reinsurance plan to protect the Group from major/serial claims.

Management of risks linked to the financial markets is just as much an integral part of the investment strategy as the 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 major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analyzed by the Finance and Risk Department of the life insurance business line. Societe Generale's overall asset and liability management policy is validated by the Group's General Management at the ALM Committee meetings held every six months.

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

- Asset/liability risk management:
  - monitoring of long-term cash flows: matching the term of a liability against the term 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.
- Financial risk management via the establishment of limits:
  - counterparty limits (e.g. limits according to the issuer's country of domiciliation, distinction between sovereign issuers and private issuers);
  - rating limits (e.g. AAA: min. 50%, of which 20% in government bonds and government-backed bonds);
  - limits per type of asset (e.g. equities, private equity).

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

Note 32

Interest income and expense

(In millions of euros)	2007	2006
Transactions with banks	**6,897**	**5,372**
Demand deposits and interbank loans	3,231	2,844
Securities purchased under resale agreements and loans secured by notes and securities	3,666	2,528
Transactions with customers	**17,414**	**13,758**
Trade notes	719	1,038
Other customer loans (1)	14,509	10,819
Overdrafts	1,122	862
Securities purchased under resale agreements and loans secured by notes and securities	1,064	1,039
Other income	-	-
Transactions in financial instruments	**12,121**	**9,584**
Available for sale financial assets	3,686	2,492
Held to maturity financial assets	106	110
Securities lending	33	244
Hedging derivatives	8,296	6,738
Finance leases	**1,661**	**1,342**
Real estate finance leases	375	315
Non-real estate finance leases	1,286	1,027
Total interest income	**38,093**	**30,056**
Transactions with banks	**(10,072)**	**(7,401)**
Interbank borrowings	(7,218)	(6,011)
Securities sold under resale agreements and borrowings secured by notes and securities	(2,854)	(1,390)
Transactions with customers	**(11,976)**	**(9,197)**
Regulated savings accounts	(1,234)	(1,024)
Other customer deposits	(8,813)	(6,825)
Securities sold under resale agreements and borrowings secured by notes and securities	(1,929)	(1,348)
Transactions in financial instruments	**(13,538)**	**(10,341)**
Securitized debt payables	(4,965)	(3,426)
Subordinated and convertible debt	(603)	(615)
Securities borrowing	(121)	(36)
Hedging derivatives	(7,849)	(6,264)
Other interest expense	**(5)**	**(5)**
Total interest expense (2)	**(35,591)**	**(26,944)**
Including interest income from impaired financial assets	263	233

(1) ***Breakdown of "Other customer loans"*** *(In millions of euros)*

– Short-term loans	5,772	3,873
– Export loans	396	255
– Equipment loans	2,334	1,840
– Housing loans	3,398	2,753
– Other customer loans	2,609	2,098
Total	**14,509**	**10,819**

(2) These expenses include the refinancing cost of financial instruments measured at fair value through P&L, which is classified in net gain or loss (Note 34). Insofar as income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by the activities on financial instruments measured at fair value through P&L must be assessed as a whole.

Note 33

Fee income and expense

(In millions of euros)	2007	2006
Fee income from		
Transactions with banks	122	133
Transactions with customers	2,610	2,237
Securities transactions	815	816
Primary market transactions	177	246
Foreign exchange transactions and financial derivatives	1,406	822
Loan and guarantee commitments	521	505
Services	4,902	4,299
Others	192	184
Total fee income	**10,745**	**9,242**
Fee expense on		
Transactions with banks	(239)	(189)
Securities transactions	(523)	(418)
Foreign exchange transactions and financial derivatives	(1,083)	(618)
Loan and guarantee commitments	(219)	(202)
Others	(1,153)	(962)
Total fee expense	**(3,217)**	**(2,389)**

These commission income and expense include:

(In millions of euros)	2007	2006
Commission income excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	3,557	3,280
Commission income linked to trust activities or similar	3,507	2,902
Commission expense excluding the effective interest rate linked to financial instruments which are not booked at fair value through profit or loss	(219)	(226)
Commission expense linked to trust activities or similar	(856)	(597)

Note 34

Net gains or losses on financial instruments at fair value through P&L

(In millions of euros)	2007	2006
Net gain/loss on non-derivative financial assets held for trading	16,331	22,056
Net gain/loss on financial assets measured using fair value option	419	557
Net gain/loss on non-derivative financial liabilities held for trading	(12,103)	(10,799)
Net gain/loss on financial liabilities measured using fair value option	(259)	(177)
Net gain/loss on derivative instruments	4,439	(2,268)
Net income from hedging instruments/fair value hedge	(443)	(559)
Revaluation of hedged items attributable to hedged risks	470	949
Ineffective portion of cash flow hedge	2	-
Net gain/loss on foreign exchange transactions	451	601
Total (1)	**9,307**	**10,360**

(1) Insofar as income and expenses booked in the income statement are classified by type of instrument rather than by purpose, the net income generated by 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 the refinancing cost of these financial instruments, which is shown among interest expense and interest income.

The change in fair value in net gains or losses on financial instruments at fair value calculated using valuation parameters which are not based on market data stood at EUR 1,481 million for the financial year. Assets and liabilities at fair value through profit and loss for which valuation is not based on market data are disclosed in Note 6.

Amount remaining to be booked in profit and loss relative to financial assets and liabilities at fair value through profit or loss whose fair value is determined using valuation techniques which are not based on market data.

The remaining amount to be registered in the income statement resulting from the difference between the transaction price and the amount which would be established at this date using valuation techniques, minus the amount registered in the income statement after initial recognition in the accounts, breaks down as follows:

(In millions of euros)	2007	2006
Remaining amount to be registered in the income statement as at January 1	**1,069**	**1,091**
Amount generated by new transactions within the period	978	709
Amount registered in the income statement within the period	(999)	(731)
Amortization	*(738)*	*(519)*
Switch to observable parameters	*(86)*	*(39)*
Expired or terminated	*(153)*	*(137)*
Translation differences	*(22)*	*(36)*
Remaining amount to be registered in the income statement as at December 31	**1,048**	**1,069**

Note 35

Net gains or losses on available-for-sale financial assets

(In millions of euros)	2007	2006
Current activities		
Gains on sale	201	150
Losses on sale	(177)	(22)
Impairment losses on variable income securities	(70)	(8)
Capital gain on the disposal of available-for-sale financial assets, after payment of profit-sharing to policy holders (insurance business)	62	9
Sub-total	**16**	**129**
Long-term equity investments		
Gains on sale [1]	1,030	532
Losses on sale [1]	(51)	(17)
Impairment losses on variable income securities	(50)	(20)
Sub-total	**929**	**495**
Total	**945**	**624**

(1) The net capital gain from the exchange of Euronext for NYSE shares and subsequent sale of shares in the new merged company was EUR 235 million.

Note 36

Income and expenses from other activities

(In millions of euros)	2007	2006
Income from other activities		
Real estate development	71	64
Real estate leasing	104	90
Equipment leasing	5,116	3,576
Other activities (including income from insurance activity)	10,793	13,033
Sub-total	**16,084**	**16,763**
Expenses from other activities		
Real estate development	(3)	-
Real estate leasing	(28)	(44)
Equipment leasing	(3,589)	(3,072)
Other activities (including expenses from insurance activity)	(11,223)	(12,472)
Sub-total	**(14,843)**	**(15,588)**
Net total	**1,241**	**1,175**

Note 37

Personnel expenses

(In millions of euros)	2007	2006
Employee compensation [1]	(5,813)	(5,948)
Social security charges and payroll taxes [1]	(989)	(1,147)
Retirement expenses - defined contribution plans	(539)	(502)
Retirement expenses - defined benefit plans	(58)	(77)
Other social security charges and taxes	(361)	(329)
Employee profit sharing and incentives	(412)	(347)
Total	**(8,172)**	**(8,350)**

(1) o/w variable remuneration of EUR (1,503) million as of December 31, 2007 against EUR (2,156) million as of December 31, 2006. This decrease is mainly due to the diminution of investment banking revenue.

	2007	2006
Average headcount		
- France	57,922	54,718
- Outside France	72,178	60,416
Total	**130,100**	**115,134**

Note 38

Share-based payment plans

Expenses recorded in the income statement

	December 31, 2007			December 31, 2006		
(In millions of euros)	Cash settled plans	Equity settled plans	Total plans	Cash settled plans	Equity settled plans	Total plans
Net expenses from stock purchase plans	-	73.8	**73.8**	-	31.9	**31.9**
Net expenses from stock option plans	105.2	119.2	**224.4**	147.9	91.9	**239.8**

The charge described above relates to equity-settled plans attributed after November 7, 2002 and to all cash settled plans.

Main characteristics of Societe Generale stock-option plans and free Shares Plans

EQUITY-SETTLED STOCK-OPTION PLANS FOR GROUP EMPLOYEES FOR THE YEAR ENDED DECEMBER 31, 2007 ARE BRIEFLY DESCRIBED BELOW

- Stock-options

Issuer	Societe Generale	Societe Generale	Societe Generale	Societe Generale	Societe Generale	Societe Generale for TCW	Societe Generale	Societe Generale for TCW
Year of attribution	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**	**2007**
Type of plan	**stock option**	**stock option**	**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	05.30.2006	05.30.2006
Board of Directors decision	01.16.2002	04.22.2003	01.14.2004	01.13.2005	01.18.2006	04.25.2006	01.19.2007	09.18.2007
Number of stock-options granted (1)	3,553,549	3,910,662	3,814,026	4,067,716	1,548,218	138,503	1,260,956	121,037
Contractual life of the options granted	7 years	7 years	7 years	7 years	7 years	7 years	7 years	7 years
Settlement	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares
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	01.19.2007 - 01.19.2010	09.18.2007 - 09.18.2010
Performance conditions	no	no	no	no	no	no	no except for directors (3)	no
Resignation from the Group	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited
Redundancy	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited	forfeited
Retirement	maintained	maintained	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	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	130.3	117.41
Discount	0%	0%	0%	0%	0%	0%	0%	0%
Exercise price (in EUR) (1)	62.08	51.65	69.53	74.50	104.85	121.52	130.3	117.41
Options authorized but not attributed	-	-	-	-	-	-	-	-
Options exercised at December 31, 2007	2,537,445	2,313,272	668,150	4,000	2,174	-	-	-
Options forfeited at December 31, 2007	283,693	186,374	99,078	130,137	40,156	6,033	13,934	235
Options outstanding at December 31, 2007	732,411	1,411,016	3,046,798	3,933,579	1,505,888	132,470	1,247,022	120,802
Number of shares reserved at December 31, 2007	732,411	1,411,016	3,046,798	(2)	(2)	132,470	1,247,022	120,802
Share price of shares reserved (in EUR)	63.18	51.03	50.35	(2)	(2)	124.1	126.69	119.55
Total value of shares reserved (in EUR million)	46	72	153	(2)	(2)	16	158	14
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	01.19.2011	09.18.2010
Delay for selling after vesting period	1 year	1 year	1 year	1 year	1 year	-	1 year	-
Fair value *(% of the share price at grant date)*	28%	25%	21%	17%	16%	17%	18%	17%
Valuation method used to determine the fair value	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo	Monte-Carlo

(1) In accordance with IAS33, as a result of the detachment of the Societe Generale share preferential subscription right, 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 Societe Generale shares.

(3) There are conditions of performance for chief executive officiers which are described in the coporate governance section.

- Free Shares

Issuer	Societe Generale	Societe Generale
Year of grant	**2006**	**2007**
Type of plan	**free shares**	**free shares**
Shareholders agreement	05.09.2005	05.30.2006
Board of Directors decision	01.18.2006	01.19.2007
Number of free shares granted	726,666	824,406
Settlement	Societe Generale shares	Societe Generale shares
Vesting period	01.18.2006 - 03.31.2008 01.18.2006 - 03.31.2009	01.19.2007 - 03.31.2009 01.19.2007 - 03.31.2010
Performance conditions	conditions on ROE for certain recipients	conditions on ROE for certain recipients
Resignation from the Group	forfeited	forfeited
Redundancy	forfeited	forfeited
Retirement	maintained	maintained
Death	maintained for 6 months	maintained for 6 months
Share price at grant date	103.6	131.4
Shares exercised at December 31, 2007	240	470
Shares forfeited at December 31, 2007	33,432	16,376
Shares outstanding at December 31, 2007	692,994	807,560
Number of shares reserved at December 31, 2007	692,994	807,560
Share price of shares reserved (in EUR)	90.62	126.69
Total value of shares reserved (in EUR million)	63	102
First authorized date for selling the shares	03.31.2010 03.31.2011	03.31.2011 03.31.2012
Delay for selling after vesting period	2 years	2 years
Fair value (% of the share price at grant date)	vesting period 2 years: 86% vesting period 3 years: 81%	vesting period 2 years: 86% vesting period 3 years: 81%
Valuation method used to determine the fair value	Arbitrage	Arbitrage

STATISTICS CONCERNING SOCIETE GENERALE STOCK-OPTION PLANS

Main figures concerning Societe Generale stock-option plans, for the year ended December 31, 2007:

	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	Options granted in 2007	TCW Options granted in 2007	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 01.01.2007	1,183,753	2,665,453	3,720,156	3,971,183	1,524,007	137,823	-	-				
Options granted in 2007	-	-	-	-	-	-	1,260,956	121,037				
Options forfeited in 2007	119	228	7,208	37,604	18,119	5,353	13,934	235				
Options exercised in 2007	451,223	1,254,209	666,150	-	-	-	-	-			139.95	51.65 130.30
Options expired in 2007	-	-	-	-	-	-	-	-				
Outstanding options on 12.31.2007	732,411	1,411,016	3,046,798	3,933,579	1,505,888	132,470	1,247,022	120,802	45 months	15.62		
Exercisable options on 12.31.2007	732,411	1,411,016	3,046,798	-	-	-	-	-				

Notes

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

	2002-2004	2005	2006	2007
Risk-free interest rate	3.8%	3.3%	3.3%	4.2%
Implicit share volatility	27%	21%	22%	21%
Forfeited rights rate	0%	0%	0%	0%
Expected dividend (yield)	4.3%	4.3%	4.2%	4.8%
Expected life (after grant date)	5 years	5 years	5 years	5 years

2. The implicit volatility used is that of Societe Generale 5-year share options traded OTC, which was 21% in 2007. 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, 2007 ARE BRIEFLY DESCRIBED BELOW

Issuer	**TCW**	**TCW**	**TCW**	**TCW**	**TCW**	**TCW**
Year of attribution	**2001**	**2002**	**2003**	**2005**	**2006**	**2007**
Type of plan	**stock option**	**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	09.30.2007
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	09.30.2007
Number of stock-options granted	1,343,320	1,417,980	1,268,350	2,753,708	2,385,515	2,468,849
Contractual life of the options granted	10 years	10 years	10 years	7 years	7 years	7 years
Settlement	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares	Societe Generale shares
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	09.30.2007 - 09.29.2012
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	forfeited	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	partially maintained and accelerated vesting
Share price at grant date (in EUR)	22.23	18.14	15.50	41.35	36.95	33.32
Discount (in EUR)	3.29	2.69	2.30	13.48	5.64	5.12
Exercise price (in EUR)	18.93	15.45	13.21	27.87	31.31	28.20
Options authorized but not attributed	-	-	-	-	-	-
Options exercised at December 31, 2007	1,343,320	1,119,452	477,488	323,333	2,824	-
Options forfeited at December 31, 2007	-	59,728	552,142	242,065	146,384	9,070
Options outstanding at December 31, 2007	-	238,800	238,720	2,188,311	2,236,307	2,459,779
First authorized date for selling the shares	08.07.2003	02.01.2003	03.18.2005	08.01.2007	11.01.2008	11.01.2009
Delay for selling after vesting period	no delay	no delay	no delay	no delay	no delay	no delay
Fair value (% of the share price at grant date)	42%	56%	51%	66%	41%	38%
Valuation method used to determine the fair value	black & scholes	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, 2007:

	Total no. of options	Options granted in 2001	Options granted in 2002	Options granted in 2003	Options granted in 2005	Options granted in 2006	Options granted in 2007	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 01.01.2007	5,904,552	29,864	492,532	358,080	2,655,035	2,369,041	-				
Options granted in 2007	2,468,849	-	-	-	-	-	2,468,849				
Options forfeited in 2007	282,372	-	-	-	143,392	129,910	9,070				
Options exercised in 2007	729,113	29,864	253,732	119,360	323,333	2,824	-			125.62	32.09-34.52
Options expired in 2007	-	-	-	-	-	-	-				
Options outstanding on 12.31.2007	7,361,917	-	238,800	238,720	2,188,311	2,236,307	2,459,779	52 months	13.48		
Exercisable options in 2007	197,393	-	-	-	197,393	-	-				

Notes

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

	Plans 2001 to 2003	Plan 2005	Plan 2006	Plan 2007
Risk-free interest rate	4%	4%	5%	5%
Implicit share volatility	39%	31%	28%	22%
Forfeited rights rate	0%	5%	0%	0%
Expected dividend (yield)	0%	0%	0%	0%
Expected life (after grant date)	5 years	5 years	5 years	5 years

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 Societe Generale shares, no shares have been specifically allocated.*

Information on other plans

The other Shares-based payment plans granted to Group employees during 2007 are as follows:

ALLOCATION OF SOCIETE GENERALE SHARES WITH A DISCOUNT

• Global employee share-Ownership plan

As part of the Group employee shareholding policy, Societe Generale offered on the April 26, 2007 to employees of the Group to subscribe to a reserved increase capital at a share price of EUR 108.90, with a discount of 20% on the average of the 20 Societe Genetale share prices before this date.

For 4,578,835 shares subscribed, the Group recorded a EUR 73.8 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 valued as the net cost of the SG shares cash purchase financed by a non allocated and non-revolving five-year credit facility and by a forward sale of these same shares with a five-year maturity.

The main market parameters to value this 5-year holding period cost, determined at the subscription date are:

- Societe Generale cash share price: EUR 151.29;
- risk-free interest rate: 4.39%;
- interest rate of a non-allocated five-year credit facility applicable to market players benefiting from the non-transferable securities: 7.57%.

This notional 5-year holding period cost is valued at 17.4% of the reference price before discount.

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 2007.

When the shares are sold, they are generally bought by another subsidiary of the Group, in accordance with the global equity-control policy of Societe Generale Group.

The related impact on the 2007 income statement is a net expense of EUR 5.06 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 AND FREE SHARES PLANS

The 2007 expense of the 2004 plan is EUR 0.48 million. In 2007, 45,000 options were forfeited.

The 2007 expense of the 2006 stock-option and free shares plans is EUR 1.7 million. In 2007, 24,996 options and 22,000 free shares were forfeited.

OTHER COMPENSATION INDEXED ON SOCIETE GENERALE SHARES

During 2007, several business lines in the Group have granted performance compensation indexed on Societe Generale shares, to be settled in cash.

Note 39

Cost of Risk

(In millions of euros)	2007	2006
Counterparty risk		
Net allocation to impairment losses	(808)	(681)
Losses not covered	**(231)**	**(215)**
- losses on bad loans	(126)	(191)
- losses on other risks	(105)	(24)
Amounts recovered	**143**	**184**
- amounts recovered on provisioned loans	136	183
- amounts recovered on other risks	7	1
Other risks		
Net allocation to other provisions	(9)	33
Total	**(905)**	**(679)**

Note 40

Net loss on unauthorized and concealed trading activities

On January 19 and 20, 2008, the Group uncovered unauthorized and concealed trading activities of an exceptional scale involving directional positions taken during 2007 and at the beginning of 2008 by a trader responsible for trading on plain vanilla derivative instruments based on European stock market indices. The identification and analysis of these positions on January 19 and 20, 2008 prompted the Group to close them as quickly as possible while respecting market integrity. The analysis of these unauthorized activities established, before the closing of the accounts for the financial year ended December 31, 2007, that the mechanisms of concealment used throughout the 2007 financial year continued until their discovery in January 2008. At the balance sheet date, Corporate and Investment Banking's activities are still the subject of various investigations both internally and externally and any new fact will be taken into consideration.

The application of the provisions of IAS 10 *"Events after the balance sheet date"* and IAS 39 *"Financial instruments: Recognition and Measurement"*, for the accounting of transactions relating to these unauthorized activities and their unwinding would have led to recognizing a pre-tax gain of EUR 1,471 million in consolidated income for the 2007 financial year and only presenting the pre-tax loss of EUR 6,382 million ultimately incurred by the Group in January 2008 in the note to the 2007 consolidated financial statements.

For the information of its shareholders and the public, the Group considered that this presentation was inconsistent with the objective of the financial statements described in the framework of IFRS standards and that for the purpose of a fair presentation of its financial situation at December 31, 2007, it was more appropriate to record all the financial consequences of the unwinding of these unauthorized activities under a separate caption in consolidated income for the 2007 financial year. To this end and in accordance with the provisions of paragraphs 17 and 18 of IAS 1 *"Presentation of Financial Statements"* the Group decided to depart from the provisions of IAS10 *"Events After the Balance Sheet Date"* and IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"*, by booking in estimated consolidated income for the 2007 financial year a provision for the total cost of the unauthorized activities.

In order to provide more relevant information for understanding the financial performance of the Group in 2007, the total net loss related to the unwinding of the directional positions pursuant to these unauthorized and concealed activities is presented under a separate caption of the consolidated income statement entitled *"Net loss on unauthorized and concealed trading activities":*

(In millions of euros)	**December 31, 2007**
Net gains on financial instruments at fair value through profit and loss and entered on unauthorized and concealed trading activities	1,471
Allowance expense on provision for the total cost of the unauthorized and concealed trading activities	(6,382)
Total	**(4,911)**

The loss thus recognized has been considered as tax deductible. However, the loss covered by the provision mentioned in the previous paragrah will be deducted in the 2008 financial year tax return. This tax position is based on both tax law and relevant jurisprudence and has been supported by the advice received from tax lawyers.

As a result, the impact on 2007 income tax is the following:

- Net gains on financial instruments at fair value through profit and loss and entered on unauthorized and concealed trading activities create current tax expense of EUR 507 million.
- Allowance expense on provision for the total cost of the unauthorized and concealed trading activities create deferred income tax of EUR 2,197 million (recorded in deferred tax assets in the balance sheet).

Note 41

Income tax

(In millions of euros)	2007	2006
Current taxes	(2,501)	(2,099)
Deferred taxes	2,219	(194)
Total taxes (1)	**(282)**	**(2,293)**

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

	2007	2006
Income before tax and net income from companies accounted for by the equity method	1,886	8,078
Normal tax rate applicable to French companies (including 3.3% tax contributions)	34.43%	34.43%
Permanent differences	15.82%	-0.94%
Differential on items taxed at reduced rate	-13.03%	-1.10%
Tax rate differential on profits taxed outside France	-8.86%	-1.31%
Impact of non-deductible losses and use of tax loss carry-forwards	-13.04%	-2.70%
Group effective tax rate	**15.32%**	**28.38%**

Note 42

Earnings per share

(In millions of euros)	2007	2006
Net income	947	5,221
Net attributable income to shareholders (1)	864	5,180
Weighted average number of shares outstanding (2)	435,775,951	420,156,535
Earnings per share (in EUR)	**1.98**	**12.33**

(In millions of euros)	2007	2006
Net income	947	5,221
Net attributable income to shareholders (1)	864	5,180
Weighted average number of shares outstanding (2)	435,775,951	420,156,535
Average number of shares used to calculate dilution	5,860,094	5,723,992
Weighted average number of shares used to calculate diluted net earnings per share	441,636,045	425,880,527
Diluted earnings per share (in EUR)	**1.96**	**12.16**

For information, below are the net earnings per share without the net loss on unauthorized and concealed trading activities:

(In millions of euros)	2007	2006
Net income	4,167	5,221
Net attributable income to shareholders (1)	4,084	5,180
Weighted average number of shares outstanding (2)	435,775,951	420,156,535
Earnings per share without the net loss on unauthorized and concealed trading activities (in EUR)	**9.37**	**12.33**

(In millions of euros)	2007	2006
Net income	4,167	5,221
Net attributable income to shareholders (1)	4,084	5,180
Weighted average number of shares outstanding (2)	435,775,951	420,156,535
Average number of shares used to calculate dilution	5,860,094	5,723,992
Weighted average number of shares used to calculate diluted net earnings per share	441,636,045	425,880,527
Diluted earnings per share without the net loss on unauthorized and concealed trading activities (in EUR)	**9.25**	**12.16**

(1) The variation reflects interest after tax paid to holders of deeply subordinated notes and undated subordinated notes.

(2) Excluding treasury shares.

Note 43

Transactions with related parties

Definition

In accordance with the definitions provided under IAS 24, the Group's related parties include the following: the directors, the Chairman and Chief Executive Officer and the two Chief Executive 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 Societe Generale 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, 2007	December 31, 2006
Short-term benefits	12.5	11.9
Post-employment benefits	0.1	2.9
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	4.2	2.9
Total	**16.8**	**17.7**

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

RELATED PARTY TRANSACTIONS

The transactions with directors, chief executive officers and members of their families included in this note comprise loans and guarantees outstanding at December 31, 2007, totaling amount EUR 4.1 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY SOCIETE GENERALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by Societe Generale Group at December 31, 2007 under IAS 19 for the payment of pensions and other benefits to Societe Generale's chief executive officers and directors (Messrs. Bouton, Citerne, Alix and the 2 staff-elected directors) was EUR 32.1 million.

Principal subsidiaries and affiliates (1)

OUTSTANDING ASSETS WITH RELATED PARTIES

(In millions of euros)	December 31, 2007	December 31, 2006 *
Financial assets at fair value through profit and loss	126	45
Other assets	296	77
Total outstanding assets	**422**	**122**

OUTSTANDING LIABILITIES WITH RELATED PARTIES

(In millions of euros)	December 31, 2007	December 31, 2006 *
Liabilities at fair value through profit and loss	141	79
Customer deposits	-	-
Other liabilities	16	13
Total outstanding liabilities	**157**	**92**

NET BANKING INCOME FROM RELATED PARTIES

(In millions of euros)	December 31, 2007	December 31, 2006 *
Interest and similar income	-	2
Commissions	1	1
Net income from financial transactions	18	(23)
Net income from other activities	-	-
Net banking income	**19**	**(20)**

COMMITMENTS TO RELATED PARTIES

(In millions of euros)	December 31, 2007	December 31, 2006 *
Loan commitments granted	73	73
Guarantee commitments granted	1,132	1,245
Forward financial instrument commitments	623	641

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

** Amounts adjusted with respect to the published financial statements.*

Note 44

Companies included in the consolidation scope

	COUNTRY	METHOD *	Group ownership interest December 2007	Group ownership interest December 2006	Group voting interest December 2007	Group voting interest December 2006
FRANCE						
BANKS						
Banque de Polynésie [(1)]	France	Full	72.10	72.10	72.10	72.10
Barep [(9)]	France	Full	-	100.00	-	100.00
BFCOI	France	Full	50.00	50.00	50.00	50.00
Calif	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	France	Equity	20.00	20.00	20.00	20.00
SG Calédonienne de Banque [(1)]	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 Court Terme [(2) (11)]	France	Full	-	-	-	-
Barep Assets Management	France	Full	100.00	100.00	100.00	100.00
Barep Opportunités Stratégie [(2) (11)]	France	Full	-	-	-	-
Barep Performance Plus [(2) (11)]	France	Full	-	-	-	-
Euro VL [(1)]	France	Full	98.25	100.00	98.25	100.00
FCP Morgan Stanley Aktien [(4)]	France	Full	-	100.00	-	98.30
IEC	France	Full	100.00	100.00	100.00	100.00
Interga SAS	France	Full	100.00	100.00	100.00	100.00
JS Credit Fund	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
Primafair SAS	France	Full	100.00	100.00	100.00	100.00
SAS Orbeo	France	Prop	50.00	50.00	50.00	50.00
SGAM Index	France	Full	100.00	100.00	100.00	100.00
SG Asset Management [(1)]	France	Full	100.00	100.00	100.00	100.00
SG Energie Usa Corp	France	Full	100.00	100.00	100.00	100.00
SG European Mortgage Investments [(2)]	France	Full	100.00	-	100.00	-
SGAM AI	France	Full	100.00	100.00	100.00	100.00
SGAM AI Crédit Plus [(2)]	France	Full	100.00	-	100.00	-
SGAM AI Crédit Plus Opportunités [(2)]	France	Full	100.00	-	100.00	-
SGAM AI Euro Garanti 3 M [(2) (11)]	France	Full	-	-	-	-
SGAM AI Euro Garanti 12 M [(2) (11)]	France	Full	-	-	-	-
SGAM Banque [(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 2007	December 2006	December 2007	December 2006
SGAM RTO	France	Full	100.00	100.00	100.00	100.00
SPECIALIST 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
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	99.88	99.89	98.88	99.89
Dalarec	France	Full	100.00	100.00	100.00	100.00
Disponis	France	Full	99.94	99.94	100.00	100.00
Evalparts	France	Full	100.00	100.00	100.00	100.00
FCC Ouranos (2)	France	Full	100.00	-	100.00	-
FCC Ouréa (2)	France	Full	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	53.84	60.65	53.84	60.65
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 (3)	France	Full	-	100.00	-	100.00
SCP Clémence (8)	France	Full	-	100.00	-	100.00
SCP Salomé (8)	France	Full	-	100.00	-	100.00
SG Équipement Finance SA	France	Full	100.00	100.00	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 (3)	France	Full	-	100.00	-	100.00

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest December 2007	Group ownership interest December 2006	Group voting interest December 2007	Group voting interest December 2006
Sofom	France	Full	100.00	100.00	100.00	100.00
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 (6)	France	Full	-	100.00	-	100.00
FCC Albatros	France	Full	100.00	100.00	51.00	51.00
FCP Lyxor Obligatium (1) (11)	France	Full	-	-	-	-
Fimat Americas SAS	France	Full	100.00	100.00	100.00	100.00
Finareg	France	Full	100.00	100.00	100.00	100.00
Finecorp (6)	France	Full	-	100.00	-	100.00
Fonvalor2 (6)	France	Full	-	100.00	-	100.00
Geforpat (6)	France	Full	-	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 (7)	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 (4)	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	France	Full	100.00	100.00	100.00	100.00
Sivalparts (6)	France	Full	-	100.00	-	100.00
Sogéfim	France	Full	100.00	100.00	100.00	100.00
Sogénal Participation	France	Full	100.00	100.00	100.00	100.00
SG de Participations	France	Full	100.00	100.00	100.00	100.00
Sogéparticipations (ex-Sogenal) (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 2007	December 2006	December 2007	December 2006
Sogéplus	France	Full	100.00	100.00	100.00	100.00
Societe Generale Capital Partenaire	France	Full	100.00	100.00	100.00	100.00
Sté Rue Édouard-VII	France	Full	99.91	99.91	99.91	99.91
The Emerald Fund Limited	France	Full	100.00	100.00	100.00	100.00
Vouric	France	Full	100.00	100.00	100.00	100.00
BROKERS						
Boursorama [1]	France	Full	55.93	56.57	55.93	56.57
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 Option 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	France	Full	100.00	100.00	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
SAS SOCADQUATORZE [2]	France	Full	100.00	-	100.00	-
SAS SOCADSEIZE [2]	France	Full	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

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2007	December 2006	December 2007	December 2006
SCI Opéra 72	France	Full	99.99	99.99	100.00	100.00
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
S.T.I.P	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
Banka Popullore (2)	Albania	Full	75.00	-	75.00	-
Bank Republic (1) (2)	Georgia	Full	60.00	-	60.00	-
General Bank of Greece (1)	Geece	Full	52.32	52.32	52.32	52.32
Komercni Banka (1)	Czech Republic	Full	60.35	60.35	60.35	60.35
SG Bank Nederland NV	Netherlands	Full	100.00	100.00	100.00	100.00
SG Express Bank (1)	Bulgaria	Full	97.95	97.95	97.95	97.95
SG Hambros Bank Ltd. (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
Societe Generale SRBIJA	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
SG Private Banking (Monaco)	Monaco	Full	100.00	100.00	100.00	100.00
SKB Banka (1)	Slovenia	Full	99.68	99.58	99.68	99.58
Societe Generale Cyprus Ltd.	Cyprus	Full	51.00	51.00	51.00	51.00
Sogéparticipations Belgique (1)	Belgium	Full	100.00	100.00	100.00	100.00
Splitska Banka	Croatia	Full	99.76	99.76	99.76	99.76
2S Banca	Italy	Full	100.00	100.00	100.00	100.00
Rosbank	Russia	Equity	20.00	20.00	20.00	20.00
FINANCIAL COMPANIES						

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2007	December 2006	December 2007	December 2006
Amber	Great Britain	Full	100.00	100.00	100.00	100.00
BRD Finance Credite Consum SRL	Romania	Full	79.58	79.58	100.00	100.00
Brigantia BV [1]	Great Britain	Full	100.00	100.00	80.00	80.00
Claris 4 [11]	Jersey	Full	-	-	-	-
Co-Invest LBO Master Fund LLP [2]	Great Britain	Full	100.00	-	51.00	-
Euro-VL Luxembourg	Luxembourg	Full	99.21	100.00	100.00	100.00
Halysa SA	Luxembourg	Full	100.00	100.00	100.00	100.00
Iris II [2] [11]	Ireland	Full	-	-	-	-
IVEFI	Luxembourg	Full	100.00	100.00	100.00	100.00
Lightning Finance Company Ltd. [3]	Ireland	Full	-	51.00	-	51.00
LFL Asset Finance Ltd.	Ireland	Full	51.00	51.00	51.00	51.00
Lyxor Master Fund	Jersey	Full	100.00	100.00	100.00	100.00
Orion Shared Liquidity Assets Fund BV	Netherlands	Full	100.00	100.00	95.00	95.00
Parsifal Ltd. [11]	Jersey	Full	-	-	-	-
Red & Black Consummer 2006-1 plc. [11]	Ireland	Full	-	-	-	-
SGA Societe Generale Acceptance NV	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
SGAM Irlande [2]	Ireland	Full	100.00	-	100.00	-
SGAP Luxembourg [2]	Luxembourg	Full	100.00	-	100.00	-
SGBF	Belgium	Full	100.00	100.00	100.00	100.00
SGCF Holding Hellas SA [1] [2]	Geece	Full	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 Immobel [1] [2]	Belgium	Full	100.00	-	100.00	-
SG Investment UK Ltd. [1]	Great Britain	Full	100.00	100.00	100.00	100.00
SG Russel	Ireland	Prop	50.00	50.00	50.00	50.00
SG Securities London Ltd.	Great Britain	Full	100.00	100.00	100.00	100.00
SG Wertpapierhandelsgesellschaft Mbh	Germany	Full	100.00	100.00	100.00	100.00
Société Européenne de Financement et d'Investissement [2]	Luxembourg	Full	100.00	-	100.00	-
Verifonds	Germany	Full	100.00	100.00	100.00	100.00
SPECIALIST FINANCING						
ALD Belgium [1]	Belgium	Full	100.00	100.00	100.00	100.00
ALD Denmark [1]	Denmark	Full	100.00	100.00	100.00	100.00
ALD Finland [1]	Finland	Full	100.00	100.00	100.00	100.00
Axus Italiana SRL	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

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2007	December 2006	December 2007	December 2006
ALD Sweden (1)	Sweden	Full	100.00	100.00	100.00	100.00
Adria Leasing Spa	Italy	Full	100.00	100.00	100.00	100.00
ALD Germany (1)	Germany	Full	100.00	100.00	100.00	100.00
ALD UK (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
ALD International SAS & Co (1)	Germany	Full	100.00	100.00	100.00	100.00
ALD International SA	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
Eiffel (2)	Great Britain	Full	100.00	-	100.00	-
Essox s.r.o	Czech Republic	Full	79.81	79.81	100.00	100.00
Eurobank	Poland	Full	99.36	99.26	99.36	99.26
Fiditalia Spa	Italy	Full	100.00	100.00	100.00	100.00
Fraer Leasing Spa	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	Italy	Full	100.00	100.00	100.00	100.00
SGEF Polska	Poland	Full	100.00	100.00	100.00	100.00
Gefa Bank	Germany	Full	100.00	100.00	100.00	100.00
Gefa Leasing GmbH	Germany	Full	100.00	100.00	100.00	100.00
Hanseatic Bank	Germany	Full	75.00	75.00	75.00	75.00
LocatRent Spa (10)	Italy	Prop	-	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 (7)	Great Britain	Full	-	46.94	-	46.94
SGEF Benelux	Netherlands	Full	100.00	100.00	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
SG Finans (1)	Norway	Full	100.00	100.00	100.00	100.00
SG Holding de Valores y Participationes	Spain	Full	100.00	100.00	100.00	100.00
SG Leasing XII (1) (2)	Great Britain	Full	100.00	-	100.00	-
Societe Generale Italia holding Spa	Italy	Full	100.00	100.00	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

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2007	December 2006	December 2007	December 2006
BROKERS						
Cube Financial	Great Britain	Full	100.00	100.00	100.00	100.00
Gaselys UK Ltd. (2)	Great Britain	Full	100.00	-	100.00	-
Squaregain	Great Britain	Full	100.00	100.00	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
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
AFRICA AND THE MIDDLE-EAST						
BANKS						
BFV - SG (Madagascar)	Madagascar	Full	70.00	70.00	70.00	70.00
SG Banque Burkina (2)	Burkina Faso	Full	42.28	-	43.87	-
SGB Guinée Équatoriale	Equatorial Guinea	Full	52.44	52.44	57.24	57.24
National SG Bank SAE	Egypt	Full	77.17	77.17	77.17	77.17
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)	Lebanon	Equity	19.00	19.00	19.00	19.00
SG Banques au Sénégal	Senegal	Full	58.78	57.72	59.28	57.72
SG Marocaine de Banques (1)	Morocco	Full	53.02	53.02	53.02	53.02
SSB Bank Ghana	Ghana	Full	51.00	51.00	51.00	51.00
Union Internationale de Banque	Tunisia	Full	52.34	52.34	52.34	52.34
SPECIALIST FINANCING						
ALD Marocco	Morocco	Full	42.95	42.95	50.00	50.00
Eqdom	Morocco	Full	45.16	44.84	54.21	53.61
Sogelease Egypt	Egypt	Full	70.87	70.87	80.00	80.00
Sogelease Maroc	Morocco	Full	71.81	71.81	100.00	100.00
INSURANCE						
La Marocaine Vie	Morocco	Full	73.75	73.75	87.07	87.07
THE AMERICAS						
BANKS						
Banco SG Brasil (ex-Banco Societe Generale Brasil SA) (1)	Brazil	Full	100.00	100.00	100.00	100.00
Galo SA (1) (2) (12)	Brazil	Full	70.00	-	70.00	-

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

	COUNTRY	METHOD *	Group ownership interest		Group voting interest	
			December 2007	December 2006	December 2007	December 2006
SG Canada [(1)]	Canada	Full	100.00	100.00	100.00	100.00
Trancoso Participaçoes Ltda. [(1) (2) (13)]	Brazil	Full	100.00	-	100.00	-
SPECIALIST FINANCING						
Andromede Fund	Cayman Islands	Full	100.00	100.00	100.00	100.00
GIC LTO [(2)]	United States	Full	100.00	-	100.00	-
Lyxor Ivory Fund [(2)]	Cayman Islands	Full	100.00	-	100.00	-
Raeburn Overseas Partners Ltd.	United States	Full	100.00	100.00	100.00	100.00
Ruby Fund Limited [(2)]	Cayman Islands	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	100.00	100.00
SG Warrants Ltd.	United States	Full	100.00	100.00	100.00	100.00
SocGen Real Estate Company LLC	United States	Full	100.00	100.00	100.00	100.00
TCW Group [(1)]	United States	Full	98.40	95.06	99.40	98.15
TOBP [(11)]	United States	Full	-	-	-	-
TOPAZ Fund	Cayman Islands	Full	100.00	100.00	100.00	100.00
Turquoise	Cayman Islands	Full	100.00	100.00	100.00	100.00
BROKERS						
Fimat Alternative 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 [(4)]	United States	Full	-	100.00	-	100.00
SERVICES						
Fimat Facilities Management	United States	Full	100.00	100.00	100.00	100.00
SPECIALIST FINANCING						
Cousto Investments LP	United States	Full	100.00	100.00	55.00	55.00
PACE [(2) (11)]	United States	Full	-	-	-	-
Makatea JV Inc	United States	Full	100.00	100.00	66.67	66.67
Mehetia Inc. [(7)]	United States	Full	-	100.00	-	51.00
Rexus LLC	United States	Full	100.00	100.00	70.83	70.83
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	65.00	60.00
PORTOFOLIO MANAGEMENT						
SG Commodities Product	United States	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 2007	December 2006	December 2007	December 2006
SG Investissement Management Holding Corp. (1)	United States	Full	100.00	100.00	100.00	100.00
SG Tandem (5)	United States	Full	-	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						
Fortune Fund Management Co (FFMC) (2)	China	Prop	49.00	-	49.00	-
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
SG Asia (Hong Kong) Ltd.	Hong Kong	Full	100.00	100.00	100.00	100.00
PORTFOLIO MANAGEMENT						
SGAM North Pacific	Japan	Full	100.00	100.00	100.00	100.00
BROKERS						
Fimat Singapour	Singapore	Full	100.00	100.00	100.00	100.00
Fimat HK	Hong Kong	Full	100.00	100.00	100.00	100.00
Fimat Japan (2)	Japan	Full	100.00	-	100.00	-
Fimat International Banque Hong Kong	Hong Kong	Full	100.00	100.00	100.00	100.00
Fimat Taiwan	Taiwan	Full	100.00	100.00	100.00	100.00
SG Securities Asia Int. Holdings (1)	Singapore	Full	100.00	100.00	100.00	100.00
Succursale Fimat Sydney	Australia	Full	100.00	100.00	100.00	100.00

** Full: full consolidation – Prop: proportionate consolidation – Equity: equity method*

(1) Companies carrying out sub-consolidation.
(2) Consolidated for the first time in 2007.
(3) Entities deconsolidated during 2007.
(4) Entities wound up in 2007.
(5) Entity now sub-consolidated.
(6) Dissolution by a merger of assets with Généval.
(7) Entities sold in 2007.
(8) Dissolution by a merger of assets with Calif.
(9) Barep and SGAM Banque have merged.
(10) LocatRent S.P.A. and Axus Italiana have merged.
(11) Special purpose Vehicle substantially controlled by the Group.
(12) Holding which purchased Banco Pecunia.
(13) Holding which purchased Banco Cacique.

Note 45

Sector information by business line

(In millions of euros)	French Network		International Retail Banking		Financial Services	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Net banking income	7,058	6,833	3,444	2,786	2,838	2,404
Operating Expenses [1]	(4,566)	(4,450)	(1,986)	(1,644)	(1,526)	(1,290)
Gross operating income	**2,492**	**2,383**	**1,458**	**1,142**	**1,312**	**1,114**
Cost of risk	(329)	(275)	(204)	(215)	(374)	(273)
Operating income excluding net loss on unauthorized and concealed trading activities	**2,163**	**2,108**	**1,254**	**927**	**938**	**841**
Net loss on unauthorized and concealed trading activities						
Operating income including net loss on unauthorized and concealed trading activities	**2,163**	**2,108**	**1,254**	**927**	**938**	**841**
Net income from companies accounted for by the equity method	2	2	36	11	(7)	(14)
Net income/expense from other assets	4	5	28	7	1	(1)
Impairment of goodwill	-	-	-	-	-	-
Earnings before tax	**2,169**	**2,115**	**1,318**	**945**	**932**	**826**
Income tax	(736)	(719)	(320)	(242)	(315)	(291)
Net income before minority interests	**1,433**	**1,396**	**998**	**703**	**617**	**535**
Minority interests	58	52	312	232	17	14
Net income, Group share	**1,375**	**1,344**	**686**	**471**	**600**	**521**

(1) Including depreciation and amortization.

(In millions of euros)	Global Investment Management and Services					
	Asset Management		Private Banking		SGSS and Online Savings	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Net banking income	1,119	1,281	823	658	1,799	1,256
Operating Expenses [1]	(841)	(805)	(531)	(434)	(1,336)	(1,059)
Gross operating income	**278**	**476**	**292**	**224**	**463**	**197**
Cost of risk	(4)	1	(1)	(4)	(36)	(5)
Operating income excluding net loss on unauthorized and concealed trading activities	**274**	**477**	**291**	**220**	**427**	**192**
Net loss on unauthorized and concealed trading activities						
Operating income including net loss on unauthorized and concealed trading activities	**274**	**477**	**291**	**220**	**427**	**192**
Net income from companies accounted for by the equity method	-	-	-	-	-	-
Net income/expense from other assets	(6)	(1)	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-
Earnings before tax	**268**	**476**	**291**	**220**	**427**	**192**
Income tax	(91)	(162)	(63)	(49)	(141)	(62)
Net income before minority interests	**177**	**314**	**228**	**171**	**286**	**130**
Minority interests	8	16	13	12	18	10
Net income, Group share	**169**	**298**	**215**	**159**	**268**	**120**

(1) Including depreciation and amortization.

(In millions of euros)	Corporate and Investment Banking December 31, 2007	Corporate and Investment Banking December 31, 2006	Corporate Center December 31, 2007	Corporate Center December 31, 2006	Societe Generale Group December 31, 2007	Societe Generale Group December 31, 2006
Net banking income [2]	4,522	6,998	320	201	21,923	22,417
Operating Expenses [1]	(3,425)	(3,890)	(94)	(131)	(14,305)	(13,703)
Gross operating income	**1,097**	**3,108**	**226**	**70**	**7,618**	**8,714**
Cost of risk	56	93	(13)	(1)	(905)	(679)
Operating income excluding net loss on unauthorized and concealed trading activities	**1,153**	**3,201**	**213**	**69**	**6,713**	**8,035**
Net loss on unauthorized and concealed trading activities	(4,911)	-			(4,911)	
Operating income including net loss on unauthoried and concealed trading activities	**(3,758)**	**3,201**	**213**	**69**	**1,802**	**8,035**
Net income from companies accounted for by the equity method	19	24	(6)	(5)	44	18
Net income/expense from other assets	26	30	(13)	3	40	43
Impairment of goodwill	-	-	-	(18)	-	(18)
Earnings before tax	**(3,713)**	**3,255**	**194**	**49**	**1,886**	**8,078**
Income tax	1,501	(902)	(117)	134	(282)	(2,293)
Net income before minority interests	**(2,212)**	**2,353**	**77**	**183**	**1,604**	**5,785**
Minority interests	9	13	222	215	657	564
Net income, Group share	**(2,221)**	**2,340**	**(145)**	**(32)**	**947**	**5,221**

(1) Including depreciation and amortization.

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

Financing and Advisory	1,859	1,559
Fixed Income, Currencies and Commodities	(885)	2,252
Equities	3,548	3,049
Others	-	138
Total Net Banking Income	**4,522**	**6,998**

The amounts as at December 31, 2006 have been adjusted with respect to the published financial statements in order to take into account the new organization of the Group and the changes performed as at December 31, 2006 and described in the Registration document for the year 2006.

(In millions of euros)	French Networks December 31, 2007	French Networks December 31, 2006	International Retail Banking December 31, 2007	International Retail Banking December 31, 2006	Financial services December 31, 2007	Financial services December 31, 2006	Corporate and Investment Banking December 31, 2007	Corporate and Investment Banking December 31, 2006
Sector assets	160,987	144,556	64,156	53,606	115,949	108,445	614,278	560,935
Sector liabilities [3]	118,063	112,469	58,007	49,335	76,941	74,055	650,144	581,325

	Global Investment Management and Services											
	Asset Management		Private Banking		SGSS and Online Savings		Division Total		Corporate Center		Societe Generale Group	
(In millions of euros)	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Sector assets	30,403	21,708	18,943	18,908	45,249	32,237	94,595	72,853	21,797	16,446	1,071,762	956,841
Sector liabilities [3]	21,332	12,675	27,899	23,764	68,805	53,029	118,036	89,468	19,296	16,757	1,040,487	923,409

(3) Sector liabilities correspond to total liabilities except equity.

Sector information by geographic region

GEOGRAPHIC BREAKDOWN OF NET BANKING INCOME

	France		Europe		Americas	
(In millions of euros)	2007	2006	2007	2006	2007	2006
Net interest and similar income	733	1,102	2,862	2,235	(1,150)	(260)
Net fee income	4,186	4,012	1,854	1,447	1,011	965
Net income/(expense) from financial transactions	7,361	6,353	859	1,630	1,085	2,174
Other net operating income	628	619	740	676	(136)	(124)
Net banking income	**12,908**	**12,086**	**6,315**	**5,988**	**810**	**2,755**

	Asia		Africa		Oceania		Total	
(In millions of euros)	2007	2006	2007	2006	2007	2006	2007	2006
Net interest and similar income	(156)	(192)	633	557	(20)	(37)	2,902	3,405
Net fee income	194	160	259	239	24	30	7,528	6,853
Net income/(expense) from financial transactions	734	638	56	32	157	157	10,252	10,984
Other net operating income	5	-	5	4	(1)	-	1,241	1,175
Net banking income	**777**	**606**	**953**	**832**	**160**	**150**	**21,923**	**22,417**

GEOGRAPHIC BREAKDOWN OF BALANCE SHEET ITEMS

	France		Europe		Americas		Asia	
(In millions of euros)	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Sector assets	673,182	598,559	191,886	174,749	140,941	128,581	25,357	25,570
Sector liabilities [1]	648,140	572,717	187,217	170,391	141,049	126,684	24,976	25,272

	Africa		Oceania		Total	
(In millions of euros)	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Sector assets	16,570	14,450	23,826	14,932	1,071,762	956,841
Sector liabilities [1]	15,446	13,570	23,659	14,775	1,040,487	923,409

(1) Sector liabilities correspond to total liabilities except equity.

Note 46

Post-closing events

Creation of Newedge, a 50/50 brokerage joint-venture between Societe Generale and Calyon

On January 2, 2008, Societe Generale and Calyon completed the merger of the brokerage activities of their respective subsidaries Fimat and Calyon Financial.

Newedge, the new company created by the merger, ranks among the top 5 global players in clearing and execution of listed derivative products on all of the top 10 exchanges.

From January 2, 2008, the 50/50 joint-venture between Societe Generale and Calyon, Newedge will be consolidated by the proportionate method in the Societe Generale Group financial statements.

In application of IFRS 5 “non-current assets held for sale and discontinued operations”, assets and liabilities of Fimat companies on December 31, 2007 have been reclassified as *Non current assets held for sale* in Societe Generale Group consolidated balance sheet.

Launch of partnership between La Banque Postale and Societe Generale in electronic payment systems

On January 10, 2008, La Banque Postale and Societe Generale signed a memorandum of understanding bringing together the development and operational use of their electronic payment systems. By mutualising investments, maintenance and operating costs, they aim to share their expertise while reducing costs.

Current and future IT processing will be centralized by a joint-venture led equally by La Banque Postale and Societe Generale. The operational launch is scheduled for April 1, 2008. This company, over which La Banque Postale and Societe Generale exercise joint control, will be consolidated by the proportionate method in the Societe Generale Group financial statements.

EUR 5.5 billion capital increase

On February 10, 2008, Societe Generale Group announced the launch of a EUR 5.5 billion capital increase with preferential subscription rights. Its main objective is to strenghten the company’s equity and give Societe Generale the means to continue its sustained and balanced growth.

This issue of new shares is underwritten on an unconditional firm basis *(garantie de bonne fin)* under Article L. 225-145 of the French Commercial Code (*“Code de Commerce”*) and will result in the issuance of 116,654,168 new shares, that will carry rights to dividends as of January 1, 2008. These new shares will be listed for trading on Eurolist of NYSE Euronext Paris as of March 13, 2008.

Rosbank takeover

Following its decision to exercise its call option on December 20, 2007, Societe Generale has finalized the acquisition of 30% + 2 shares in Rosbank at the price of USD 1,700 million. On February 13, 2008, Societe Generale has thereby increased its stake to 50% + 1 share hence taking control of Rosbank.

This business combination is disclosed in Note 2.

Asset management

The repurchase of assets originating from SGAM funds invested in credit-type underlyings could continue in the first quarter of 2008 and, given the situation in the credit markets, lead to further write-downs.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2007

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

This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

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, 2007.

These consolidated financial statements have been approved by the Board of Directors on February 20, 2008. 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, financial position and results of the consolidated group in accordance with IFRS as adopted by the European Union.

Without qualifying the opinion expressed above, we draw your attention to:

- notes 1 and 40 to the consolidated financial statements that describe the accounting and tax treatments of the net loss on unauthorized and concealed trading activities and the reasons which led the Group to make use of the exception provided for under IAS 1 in order to present fairly its financial position as at December 31, 2007;
- note 40 to the consolidated financial statements that indicates that, on the date the accompanying financial statements are authorized for issue, Corporate and Investment Banking operations are currently the subject of various internal and external investigations as a result of which new facts, unknown to date, may emerge.

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:

BACKGROUND OF THE FINANCIAL STATEMENTS CLOSING PROCESS

Following the uncovering of unauthorized and concealed activities described in note 40, we have reconsidered and extended our audit procedures to be in a position to issue an opinion on the consolidated financial statements taken as a whole, keeping in mind that the purpose of these procedures is not to issue an opinion on the effectiveness of internal control over financial reporting. Accordingly, we have:

- extended the scope and nature of the audit procedures performed on Corporate and Investment Banking trading activities;

- considered the General Inspection's intermediary conclusions and work performed following its assignment of January 24, 2008 which was primarily intended to check that all unauthorized positions and related losses have been comprehensively identified and which conclusions have been endorsed by the Special Committee after receiving the comments of its advisor;
- reviewed the documentation supporting the amount of the recorded loss.

ACCOUNTING POLICIES

Note 1 to the financial statements describes the reasons that led the Group to depart from the application of IAS 10 and IAS 37 on the basis of the exception provided under IAS 1 for purpose of providing with a fair presentation of its financial position as at December 31, 2007 by recording a provision for the loss resulting from the unwinding on January 23, 2008 of the unauthorized and concealed activities. As part of our assessment of accounting principles applied, we have assessed the basis for applying these provisions of IAS 1 as well as whether appropriate disclosure is included in the notes.

ACCOUNTING ESTIMATES

- As detailed in note 1 to the financial statements, the Group 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 designed models, to assess the data and assumptions used as well as the inclusion of the risks and results related to these instruments.
- In the specific context of the current credit crisis, the Group discusses in note 3 its direct and indirect exposure to the US residential real estate market, the procedures implemented to assess this exposure as well as the process for measuring related financial instruments. We have reviewed the control procedures implemented to identify and measure such exposure, as well as whether appropriate disclosure is included in the notes with respect thereto.
- As mentioned in note 3, the Group assessed the impact relating to changes in its own credit risk on the measurement of certain financial liabilities measured at fair value through profit and loss. We have reviewed that appropriate data have been used for that purpose.
- For purpose of preparing the financial statements, the Group records impairments to cover the credit risks inherent to its activities and performs significant accounting estimates, 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 these processes, the underlying assumptions and valuation parameters and assessed whether these accounting estimates rely on documented procedures consistent with the accounting policies disclosed in note 1.

These assessments were performed as part of our audit approach for purpose of expressing the audit opinion on the consolidated financial statements taken as a whole that is stated above 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 conformity with the consolidated financial statements.

Paris – La Défense and Neuilly-sur-Seine, February 29, 2008

The Statutory Auditors

French original signed by

ERNST & YOUNG AUDIT	**DELOITTE & ASSOCIÉS**
Philippe PEUCH-LESTRADE	José-Luis GARCIA

PARTIES

REGISTERED OFFICE OF THE ISSUER
SGA Société Générale Acceptance N.V.
Landhuis Joonchi, Kaya Richard J. Beaujon z/n
Curaçao
Netherlands Antilles

REGISTERED OFFICE OF THE GUARANTOR
Société Générale
29, boulevard Haussmann
75009 Paris
France

THE HONG KONG BRANCH OF
THE GUARANTOR'S PRINCIPAL PLACE
OF BUSINESS IN HONG KONG
Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

ISSUER'S AUDITORS
Ernst & Young et Autres
41, rue Ybry
92576 Neuilly-sur-Seine Cedex
France

GUARANTOR'S AUDITORS
Ernst & Young Audit
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris, La Défense
France

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
France

SPONSOR, LIQUIDITY PROVIDER & PLACING AGENT
SG Securities (HK) Limited
Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW
Mallesons Stephen Jaques
37th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong