Financial Statements and Legal Information

2002

Société Générale Group

GROUP

RETAIL BANKING ■ ASSET MANAGEMENT & PRIVATE BANKING ■ CORPORATE & INVESTMENT BANKING

Financial Statements

2002

Consolidated financial statements

2 Group Management report
17 Risk Management
32 Regulatory ratios
34 Consolidated financial statements
38 Notes to the consolidated financial statements
78 Report of the Statutory Auditors

This brochure, together with the document called Review 2002 is a full translation of the original French text. Both original documents, which were filed with the French Securities and Exchange Commission (Commission des Opérations de Bourse) on March 20, 2003 in accordance with Regulation No. 98-01, represent the French document de référence *of the Société Général Group. As such, they may be used in support of a financial transaction when accompanied by a prospectus duly approved by the French Securities and Exchange Commission.*

79 Parent company financial statements

79 Summary balance sheet of Société Générale
80 Summary income statement of Société Générale
81 Financial statements
83 Five-year financial summary
84 List of subsidiaries and affiliates
91 Report of the Statutory Auditors
92 Information on common stock
96 Major changes in the investment portfolio in 2002
97 Remuneration and fees
98 Activities of principal subsidiaries and affiliates

102 **Legal information** 2002

129 **Cross-reference index**

Consolidated financial statements

Group management report

Group activity and results

2002 was marked by extremely bearish conditions on the global equity markets, with the collapse in stock market indices being accompanied by a severe contraction in primary and secondary market volumes. In contrast, the interest rate markets evolved favorably, in particular in the United States on the back of the Federal Reserve's monetary easing bias.

The economic environment deteriorated sharply in relation to 2001, notably in Germany and the United States, where a marked increase was seen in corporate bankruptcies.

Against this harsh backdrop, the Société Générale Group held up well, registering a 7% increase in gross operating income and a 2% rise in operating income over the 2002 financial year.

These robust performances were achieved thanks to a well-balanced business mix, sustained development of the Group's franchises through a combination of organic growth and acquisitions, and a stepping up of productivity enhancement initiatives. These performances were nevertheless weighed on by an increase in the cost of risk and significant provisioning on the industrial equity portfolio, reflecting the prevailing economic and market conditions in 2002.

Consequently, attributable net income for the period came out at EUR 1.4 billion, down by 35% on the previous financial year, for a Group return on equity after tax of 9.4% in 2002 compared with 15.5% in 2001.

Summary of consolidated income statement

(in millions of euros)	2002	2001	Change (%)
Net banking income	**14,454**	**13,874**	**4**
Operating expenses	(10,407)	(10,104)	3
Gross operating income	**4,047**	**3,770**	**7**
Net allocation to provisions	(1,301)	(1,067)	22
Operating income	**2,746**	**2,703**	**2**
Net income from long-term investments	(299)	474	NM
Net income from companies accounted for by the equity method	48	(18)	NM
Exceptional items	(11)	(17)	–35
Amortization of goodwill	(184)	(76)	NM
Income tax	(649)	(739)	–12
Net income before minority interests	1,651	2,327	–29
Minority interests	(254)	(173)	47
Net income	**1,397**	**2,154**	**–35**
Annualized ROE after tax (%)	**9.4**	**15.5**	

Consolidated net banking income amounted to EUR 14.5 billion for the period, representing an increase of 4% in absolute terms, with this performance being primarily driven by growth in the Group's retail banking activities and by the contribution over the full year of acquisitions made in 2001 (retail banking in Central Europe, asset management in the United States, specialized financing in Europe). When adjusted for changes in Group structure and at constant exchange rates, net banking income showed a limited drop of 3%.

At the end of the year, the Group signed agreements to acquire the European multi-marque operational leasing and fleet management activities of Hertz Lease, and the e-brokerage business Self trade. It also finalized the acquisition of the Tunisian bank UIB (Union Internationale de Banques). These acquisitions will have an impact on the Group's results as of 2003.

Operating expenses came out at EUR 10.4 billion, down by 2% when adjusted for changes in Group structure and at constant exchange rates. This trend reflects the positive impact of the major productivity enhancement programs launched three years ago (in particular, centralization of purchasing function and rationalization of European back offices) and the rightsizing of the global Cash Equity and M&A platform, which was begun in the second half of 2001 and was stepped up in 2002. The first cost synergies with the acquisitions made in 2001 were also harnessed.

Through these various initiatives, the Group succeeded in lowering its breakeven in 2002 and brought down its cost/income ratio from 72.8% to 72%.

Gross operating income rose by 7% between 2001 and 2002 to stand at EUR 4.0 billion. When adjusted for changes in Group structure and at constant exchange rates, it was down by 6%.

The net allocation to provisions increased sharply (+22% in absolute terms, +15% when adjusted for changes in Group structure and at constant exchange rates). This produced a rise in the net cost of risk from 57 basis points of risk-weighted assets in 2001 to 70 basis points in 2002. This level, which was higher than the Group's assumption of the cost of risk under average economic and market conditions, reflected the persistence of economic difficulties in the United States and in certain sectors (notably telecommunications and energy). In contrast, the Group's portfolio of European corporate counter-parties did not weigh on the cost of risk. The cost of risk of the French Networks, which came out at 36 bp versus 32 bp in 2001, was slightly below the Group's assumption under average economic and market conditions.

Against this backdrop, operating income climbed by 2% between 2001 and 2002; when adjusted for changes in Group structure and at constant exchange rates, it was down by 14%.

Net income from long-term investments showed a loss of EUR 299 million in 2002 compared with a profit of EUR 474 million in 2001. This change essentially reflects, on the one hand, a drop in realized capital gains (EUR 422 million in 2002 compared with EUR 677 million in 2001) and, on the other hand, the significant level of provisioning booked on the Group's industrial equity portfolio (EUR 772 million) in light of the steady decline in the Paris Bourse over the period (CAC 40: –34%). At December 31, 2002, the market value of the portfolio stood at EUR 3 billion, representing a net capital gain of EUR 0.1 billion.

Goodwill amortization expenses totaled EUR 184 million versus EUR 76 million in 2001, reflecting the acquisitions made in 2001 and 2002, as well as an exceptional amortization expense of EUR 23 million over the period.

Corporate income tax came out at EUR 649 million, corresponding to an effective tax rate of 26.6% versus 23.4% in 2001.

Overall, net income stood at EUR 1,397 million in 2002 compared with EUR 2,154 million in 2001, for a return on equity after tax of 9.4% (with average shareholders' equity of EUR 14.9 billion) compared with 15.5% in 2001 (with average shareholders' equity of EUR 13.9 billion).

For the business lines, the ROE after tax came out at 18.7% (with average allocated capital of EUR 10.8 billion), down slightly on 2001 (19.9% with average allocated capital of EUR 10.3 billion).

Activity and results of 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 businesses disclosed correspond disclosed to the three key axes of the Group's development strategy:

- **Retail Banking,** which groups the Société Générale and Crédit du Nord networks in France, specialized financing subsidiaries (vendor finance, computer leasing, operational leasing and fleet management), consumer credit, securities and banking services (means of payment, correspondent banking, custody services), and life and non-life insurance activities, as well as the retail banking network outside France;
- **Asset Management and Private Banking;**
- **Corporate and Investment Banking,** which covers two types of activity:

– Corporate Banking and Fixed Income, including:
  - the Debt Finance platform, which groups the value-added financing (export finance, project finance, acquisition finance, property finance, financial engineering), debt, currency and treasury activities;
  - brokerage on the financial futures and commodities markets through the Group's subsidiary FIMA;
  - commodity finance and trading;
  - commercial banking (notably, plain vanilla corporate loans).

– Equity and Advisory activities comprising:
  - equity activities (primary market, brokerage, derivatives, trading);
  - advisory (M&A);
  - private equity.

In addition, the Corporate Center acts as the central funding department of the Group's three core businesses. As such, it

recognizes the cost of carry of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's asset/liability management (ALM) and the amortization of goodwill. Furthermore, income from the Group's industrial equity and real estate portfolios, as well as from its equity investments in banks, is allocated to the Corporate Center, as are income and expenses that do not relate directly to the activity of the core businesses (activities in the process of being developed: for example, online brokerage, Groupama Banque).

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 current 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).
- Consequently:

– in Retail Banking, capital is allocated on the basis of weighted risks. In the case of life insurance, the specific regulations governing this business are also taken into account;

– in Asset Management and Private Banking, the amount of capital allocated corresponds to the larger of either the capital requirement calculated on the basis of weighted risks or the amount representing operating expenses for a three-month period, the latter being the regulatory standard in this business;

– in Corporate and Investment Banking, capital is allocated on the basis of weighted risks and the value at risk in capital market activities. For the majority of transactions, market risk is calculated using an in-house model validated by the French Banking Commission;

– capital allocated to the Corporate Center corresponds to the sum of the regulatory requirement with respect to its assets (essentially the equity and real estate portfolios), and the surplus (or lack) of capital available at the Group level (the difference between the combined capital requirements of the core businesses, as defined above, and average Group capital after payment of the dividend).

Net banking income

Net banking income for each core business includes:

- revenues generated by its activity;
- the yield on normative capital allocated to the core business, 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 difference between the core business's book capital and its normative capital is reassigned to the Corporate Center.

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 Center only books costs relating to its activity, to projects involving different businesses or to exceptional events.

Provisions

The provisions are charged to each core business so as to reflect the cost of risk inherent in its activity during each financial year.

Provisions concerning the whole Group and country risk reserves are booked by the Corporate Center.

Net income from long-term investments

Net income from long-term investments principally comprises capital gains realized by the core businesses on the disposal of securities, when these gains do not correspond to a recurrent activity, as well as income from management of the Group's industrial equity portfolio and its equity investments in banks.

Amortization of goodwill

Goodwill amortization expenses are booked by the Corporate Center.

Income tax

The Group's tax position is managed centrally, with a view to optimizing the consolidated tax 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 business and the nature of its revenues.

Summary of results and profitability by core business

Income statement by core business

(in millions of euros)	Retail Banking		Asset Management & Private Banking		Corporate & Investment Banking		Corporate Centre and other		Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net banking income	**8,692**	**7,810**	**1,296**	**1,097**	**4,650**	**5,037**	**(184)**	**(70)**	**14,454**	**13,874**
Operating expenses	(5,878)	(5,322)	(900)	(687)	(3,368)	(3,721)	(261)	(374)	(10,407)	(10,104)
Gross operating income	**2,814**	**2,488**	**396**	**410**	**1,282**	**1,316**	**(445)**	**(444)**	**4,047**	**3,770**
Net allocation to provisions	(653)	(511)	(14)	(1)	(717)	(543)	83	(12)	(1,301)	(1,067)
Operating income	**2,161**	**1,977**	**382**	**409**	**565**	**773**	**(362)**	**(456)**	**2,746**	**2,703**
Net income from long-term investments	21	13	(10)	(5)	24	11	(334)	455	(299)	474
Net income from companies accounted for by the equity method	14	(16)	0	0	18	12	16	(14)	48	(18)
Exceptional items	0	0	0	0	0	0	(11)	(17)	(11)	(17)
Income tax	0	0	0	0	0	0	(184)	(76)	(184)	(76)
Amortization of goodwill	(741)	(704)	(120)	(137)	(78)	(131)	290	233	(649)	(739)
Net income before minority interests	1,455	1,270	252	267	529	665	(585)	125	1,651	2,327
Minority interests	(175)	(131)	(15)	(12)	(20)	(11)	(44)	(19)	(254)	(173)
Net income	**1,280**	**1,139**	**237**	**255**	**509**	**654**	**(629)**	**106**	**1,397**	**2,154**
Allocated capital	**6,863**	**6,231**	**351**	**310**	**3,593**	**3,733**	**4,085**	**3,616**	**14,892**	**13,891**
ROE after tax (%)	**18.7**	**18.3**			**14.2**	**17.5**			**9.4**	**15.5**

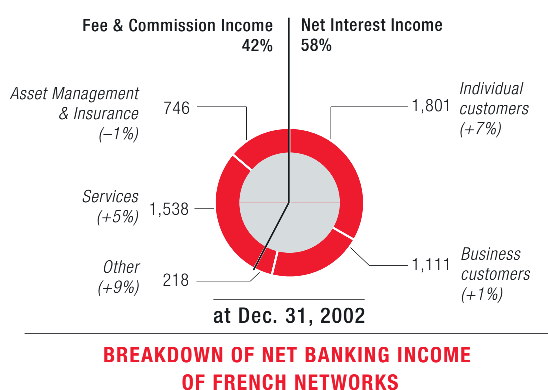
In 2002, the Group's Retail Banking activities turned in robust performances, while the Asset Management and Private Banking businesses held up well in the face of difficult stock market conditions. Thanks to a well-balanced business mix, the cost-cutting initiatives implemented and an optimized capital allocation policy, the profitability of the Corporate and Investment Banking arm remained satisfactory over the year. The solid performances of the Corporate Banking and Fixed Income activities helped offset the marked downturn registered by the Equity and Advisory business, which suffered under the sluggishness of equity markets over the period.

Retail Banking

(in millions of euros)	2002	2001	Change (%)
Net banking income	**8,692**	**7,810**	**11**
Operating expenses	(5,878)	(5,322)	10
Gross operating income	**2,814**	**2,488**	**13**
Net allocation to provisions	(653)	(511)	28
Operating income	**2,161**	**1,977**	**9**
Net income from long-term investments	21	13	62
Net income from companies accounted for by the equity method	14	(16)	NM
Income tax	(741)	(704)	5
Net income before minority interests	1,455	1,270	15
Minority interests	(175)	(131)	34
Net income	**1,280**	**1,139**	**12**
Of which:			
Société Générale Network	*706*	*683*	*3*
Crédit du Nord Network	*121*	*110*	*10*
Specialized Financial Services	*263*	*261*	*1*
Retail Banking outside France	*190*	*85*	*NM*
Average allocated capital	**6,863**	**6,231**	**10**
ROE after tax (%)	**18.7**	**18.3**	

Retail Banking saw net income rise by 12% for an ROE after tax of 18.7%, compared with 18.3% in 2001. These results reflected the excellent commercial and financial performances achieved in 2002, in particular by the Société Générale and Crédit du Nord networks.

French Networks: remarkable commercial and financial performances



BREAKDOWN OF NET BANKING INCOME OF FRENCH NETWORKS

2002 was marked by further dynamism on the sales front and continued investment in the multi-channel banking platform.

The excellent commercial performances of the Société Générale and Crédit du Nord networks were reflected in growth in both franchises and customer loans and deposits, which enabled the networks to consolidate their position as the leading non-mutual retail banking group in France.

The networks continued to register growth in their franchises, with a 2.1% increase in the number of current accounts (+126,000 accounts in relation to December 31, 2001).

Total customers deposits and savings increased by 2% over the year:

– customer deposits rose on the back of sharp increases in special savings account deposits (+5%) and demand deposits (+7%),

– the decline in assets held in mutual funds (–3%) is linked primarily to the fall in equity prices.

New loans to individual customers rose by 8.5%, driven by the mortgage loan segment (+11%).

Outstanding loans were up by 7%, due to mortgage loans (+11%), consumer credits (+5%) and growth in loans to business customers (+ 4%).

The deployment of the multi-channel banking platform of the Société Générale network continued in 2002, with the gradual roll-out of the Customer Relationship Management (CRM) application and the launch of the project to organize the distribution network around three types of entity:

- the Sales Divisions (DEC), which are responsible for managing the branches and the multi-channel relationship, and whose Sales Units are dedicated to an advisory and sales role. Some twenty DEC are currently in the process of being created;
- the mCRC (multimedia Customer Relations Centers), which function alongside the branch network to support the development of remote banking: after opening mCRC in Lyons in 2001 and Nanterre at the start of the year, a third center was opened in Lille in September. The centers handle calls routed from the voice servers or filtered from the branches, as well as e-mails and the follow-up of marketing campaigns. At the end of 2002, the mCRC were responsible for filtering traffic for over 400 outlets and some one million current accounts;
- the Customer Service departments, which group the after-sales activities previously carried out within the branch groups. Two departments are currently being set up in the Paris region.

A first version of the CRM application was delivered to over 2,000 users, with its industrial deployment on the workstations of all people involved in the customer relationship being planned for the first half of 2003.

Against this backdrop, the development of remote banking channels continued: in 2002, remote banking contacts (internet, Minitel, voice servers and SMS on mobile telephones) increased by 30% in relation to 2001. At the same time, the number of customers effectively using the internet banking service rose from 522,000 to 753,000 (+44%).

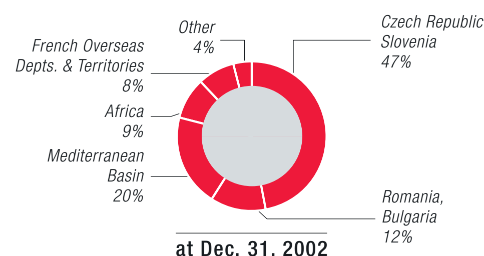
Net banking income grew by 4% in 2002, while fee and commission income rose by 3% on the back of growth in service fees (+5%). The rise in net interest income (+5%) was essentially driven by the increase in deposit and loan volumes.

This growth in activity and revenues was accompanied in 2002 by a further improvement in profitability, which came out at a high level. ROE after tax stood at 19.3% for the period, compared with 19.1% in 2001. The increase in operating expenses was limited to 3.5%, reflecting, on the one hand, the continued investment in the integrated multi-channel banking platform and, on the other, the increase in staff costs linked to the implementation of early retirement schemes. Over the full year, the cost/income ratio fell to 70.3% from 70.7% in 2001.

This combination of growth in net banking income and tight cost control produced a 5% rise in gross operating income.

With the cost of risk up slightly in 2002 at 36 bp (from 32 bp in 2001), the net income of the French Networks came out at EUR 827 million, up 4% on 2001.

Retail Banking outside France: profitable growth



BREAKDOWN OF NET BANKING INCOME BY REGION

The profitable development of the international retail banking business continued in 2002, with an ROE after tax of 30% over the year, compared with 17.5% in 2001. This high level of profitability was underpinned by strong organic growth and the successful integration of acquisitions made in 2001 in the Czech Republic (Komercni Banka) and in Slovenia (SKB).

Retail Banking outside France registered sustained growth in its franchise (+480,000 customers in relation to end-2001, up 12%), in particular in Romania, Egypt and Morocco, which registered strong growth in the customer base. At the end of December 2002, the Group served 4.8 million retail banking customers outside France.

Furthermore, the development of synergies with other Group business lines was stepped up in 2002, with growth in life insurance, consumer credit, asset management and leasing activities in Eastern Europe and North Africa.

At the same time, total deposits rose by 19%, essentially on the back of growth in customer deposits at Komercni Banka (+33%, +21% at a constant exchange rate), and totaled almost EUR 23 billion at end-December 2002.

These solid performances produced an increase in net banking income of 3.5% when adjusted for changes in Group structure and at constant exchange rates.

Operating expenses were up by 4.5% when adjusted for changes in Group structure and at constant exchange rates, essentially resulting from the impact of monetary adjustments and IT investments in Romania.

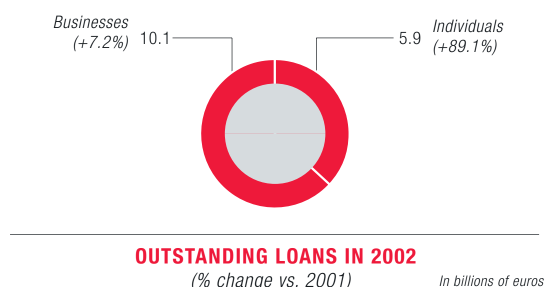
Moreover, the restructuring plans in the Czech Republic continued in line with the timetable announced at the time of KB acquisition: the headcount fell by 700 people year-on-year (–8%), in line with the target for staff cuts between 2001 and 2004 of 25%.

The cost/income ratio fell to 60%, compared with 61.7% in 2001.

The net allocation to provisions amounted to EUR 217 million in 2002 (representing a cost of risk of 122 bp) versus EUR 202 million in 2001 (127 bp), representing an increase of 7%. When adjusted for changes in Group structure and at constant exchange rates, risk provisioning fell by 9.5%, due notably to the impact on the 2001 accounts of the EUR 98 million provision for Argentine risk.

In line with its development strategy in Eastern Europe and the Mediterranean basin, Société Générale pursued its policy of selective acquisitions in 2002: the Group extended its platform in North Africa by acquiring a 52% stake in Union Internationale de Banques (UIB) in Tunisia. The consolidation of UIB will have an impact on the Group's results as of 2003.

Specialized Financial Services: a European player



OUTSTANDING LOANS IN 2002
(% change vs. 2001)
In billions of euros

Specialized Financing

In 2002, the Group's Specialized Financing arm continued to develop through external growth. The Group acquired the leading consumer credit company in Morocco, Eqdom, which holds a local market share of 22%.

In addition, the Group bolstered its European operational leasing, fleet management and vehicle financing platform by signing a memorandum of agreement to acquire the European activities of Hertz Lease. This acquisition will take the number of vehicles managed by the Group to nearly 500,000, ranking it second in Europe with a presence in 16 countries. It will be consolidated in the Group's accounts as of 2003.

The specialized financing activities registered sharp revenue growth driven, on the one hand, by the improvement in margins on new loans against a backdrop of cuts in interest rates and, on the other, by the marked increase in the loan outstanding (up 27% in relation to 2001, +7% when adjusted for changes in Group structure).

At the same time, the activities reaped the rewards of the cost-cutting plans (optimization of production processes, overhaul of supply management and information systems) implemented from the end of 2001, with the increase in operating expenses being limited to 1% in relation to 2001 when adjusted for changes in Group structure and at constant exchange rates. Consequently, these activities generated an ROE after tax of 14.9% over the full year 2002, up sharply on 2001 (+4.6 points).

Life Insurance

The life insurance activities held up well in a bearish stock market environment, which notably affected the value of equity assets. Shares represent 5% of the assets backing euro-denominated unit-linked policies. Gross premium income was up by +11%. Sogecap increased its bancassurance market share as measured by net new money in 2002 to 14.8% (versus 13.5% in 2001) and retained the number three spot among bancassurance companies in France. In order to cover risks linked to the fall in the market value of its non-bond assets, the Group booked a provision for redemption risk in the amount of EUR 44 million in 2002, charged against net banking income.

Overall, net income booked by Specialized Financial Services rose by 1% for an ROE after tax of 13.5% over the year. The ROE would have stood at 15% excluding the impact of the provision for redemption risk booked by the life insurance business.

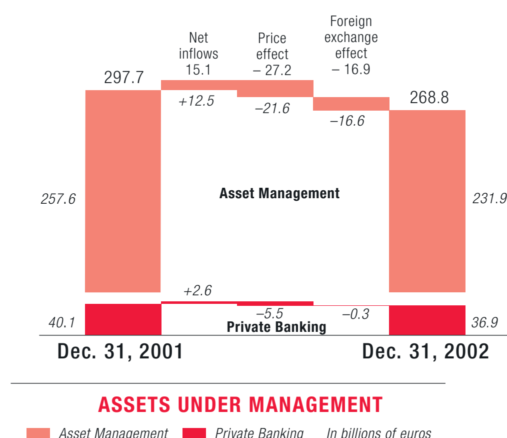
Asset Management and Private Banking:

Resilience in the face of bearish equity markets

(in millions of euros)	2002	2001	Change %
Net banking income	**1,296**	**1,097**	**18**
Operating expenses	(900)	(687)	31
Gross operating income	**396**	**410**	**–3**
Net allocation to provisions	(14)	(1)	NM
Operating income	**382**	**409**	**–7**
Net income from long-term investments	(10)	(5)	NM
Income tax	(120)	(137)	–12
Net income before minority interests	252	267	–6
Minority interests	(15)	(12)	25
Net income	**237**	**255**	**–7**
Of which:			
Asset Management	*201*	*200*	*1*
Private Banking	*36*	*55*	*–35*

In a difficult stock market environment (collapse of indices in 2002 – CAC 40: –34%, EuroStoxx Bank: –27%), the Group's Asset Management and Private Banking arm turned in a resilient performance, with revenues totaling EUR 1,296 million, up 1% when adjusted for changes in Group structure and at constant exchange rates.

Assets under management amounted to EUR 268.8 billion at end-December 2002, compared with EUR 297.7 billion at end-December 2001, with net new money of EUR 15.1 billion not offsetting the extremely negative price and exchange rate effects seen over the year.



ASSETS UNDER MANAGEMENT

Asset Management *Private Banking* *In billions of euros*

Asset Management

The Asset Management business line registered EUR 12.5 billion of net new money in 2002, representing 5% of assets under management at end-December 2001. Inflows into alternative management products accounted for over 40% of total net new money in 2002. After price and exchange rate effects (EUR –38.2 billion), assets under management stood at EUR 231.9 billion at end-December 2002.

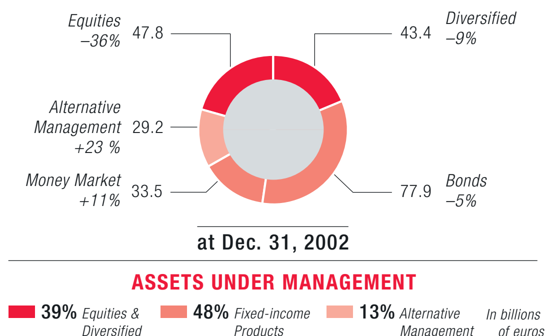
The strategy of cross-selling between the Group's four platforms (France, United States, Japan, United Kingdom) generated inflows of EUR 5.1 billion over the period, above the target of EUR 4 billion set for 2002. This related in particular to the sale of nearly EUR 2 billion of Mortgage Backed Securities (MBS) funds managed by TCW in Continental Europe and Asia.

SG Asset Management received awards in 2002 for both its product innovation and the performance of its funds: three products were awarded five stars by Standard & Poor's and six products were given five-star ratings by Morningstar at end-December 2002. At the annual fund management awards organized by the French financial daily, *La Tribune,* the Asia Fund won the award for best Japanese equity management over 10 years and the *Déclic Actions Françaises* fund the award for best performance over one year.

Commercial innovation at SG Asset Management was reflected in the diversification of the product offer in the fixed-income, alternative management, guaranteed products and employee savings plan segments, with over 80 new products launched in 2002.

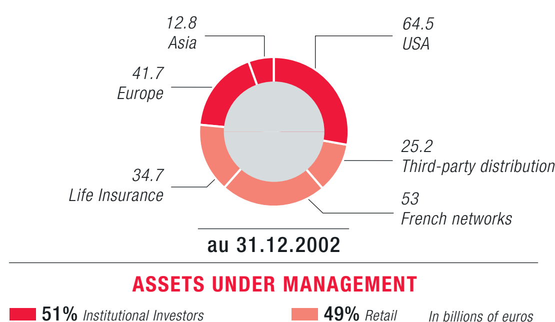
Furthermore, SG Asset Management continued to expand its distribution network through the creation of a joint venture in China with Baosteel, one of the leading Chinese industrial companies, and the signing of new distribution agreements in Japan and Europe. In total, 152 new third-party distribution agreements were signed in 2002.

The asset mix at December 31, 2002 and the change in this mix in relation to 2001 were as follows (in EUR billion):



The equity component fell to 39%, while the share of assets invested in alternative management products rose from 9% to 13%. Total assets invested in alternative management products amounted to over EUR 29 billion at end-2002.

The breakdown of assets under management by client segment and geographic region was as follows:



The breakdown of assets between institutional investors and retail clients remained well balanced. Assets managed for institutional investors totaled EUR 119 billion, representing 51% of total assets under management. Moreover, the geographic diversification of assets (USA 33%, Europe 61%, Asia 6%) ensures a strong capacity to weather crises on local markets.

In 2002, Asset Management revenues rose by 23% in absolute terms (+2% when adjusted for changes in Group structure and at constant exchange rates). The gross margin (net banking income/average assets under management) was stable over the period at 40 bp.

At the same time, the business line continued to rationalize its operations in 2002: the asset management and distribution platform of TCW London was integrated into SG Asset Management UK, and SG Cowen Asset Management was integrated into TCW. The plan launched in 2001 to reduce TCW's fixed costs produced savings of over EUR 13 million at end-December 2002 and will be continued in 2003.

Against this backdrop, Fitch AMR confirmed its aa+ rating of SG Asset Management, including TCW, reflecting the speed and success of the integration process begun in 2001.

At the same time, the 4.5% growth in operating expenses when adjusted for changes in Group structure and at constant exchange rates notably reflected the investments made in developing the alternative management business and strengthening the support functions. SG Asset Management implemented a new technical platform shared by the different asset management centers in order to have an integrated, secure operational management process and facilitate cross-selling.

Overall, net income from Asset Management rose by 1% in relation to 2001.

Private Banking

2002 saw the Group's Private Banking arm reinforce its geographical platform and enhance its product/service offer. The business line continued to develop its onshore network with, on the one hand, the acquisition of the activities and licenses of Chase Trust Bank in Japan and, on the other, the extension of the sales platform in Belgium (Banque de Maertelaere). Moreover, the development of the structured products and alternative management segments was stepped up over the year.

Thanks to a sustained inflow of new money in the amount of EUR 2.6 billion, assets managed by the Private Banking business line fell by only 8% between 2001 and 2002, due to extremely negative price and exchange rate effects (EUR –5.8 billion, –14.5% in relation to assets under management at December 31, 2001). Inflows were particularly sizeable in Asia (EUR +1.4 billion) and Belgium (EUR +0.7 billion).

When adjusted for changes in Group structure and at constant exchange rates, net banking income showed a limited drop of 1% due to the decline in brokerage fees (decrease in volumes and a shift towards fixed-income transactions) and the drop in interest rates. Operating expenses were up by 10% when adjusted for changes in Group structure and at constant exchange rates, due to the increased investment in Japan and Belgium. Overall, net income totaled EUR 36 million, down by 35% on 2001.

Corporate and Investment Banking:

Robust operating performances in a difficult environment

(in millions of euros)	2002	2001	Change (%)
Net banking income	**4,650**	**5,037**	**–8**
Operating expenses	(3,368)	(3,721)	–9
Gross operating income	**1,282**	**1,316**	**–3**
Net allocation to provisions	(717)	(543)	32
Operating income	**565**	**773**	**–27**
Net income from long-term investments	24	11	NM
Net income from companies accounted for by the equity method	18	12	50
Income tax	(78)	(131)	–40
Net income before minority interests	529	665	–20
Minority interests	(20)	(11)	82
Net income	**509**	**654**	**–22**
Average allocated capital	**3,593**	**3,733**	**–4**
ROE after tax (%)	**14.2**	**17.5**	

In 2002, the revenues of Corporate and Investment Banking were affected by the difficult economic environment and harsh conditions on both the equity and credit markets. The Corporate Banking and Fixed Income business line held up well, while the Equity and Advisory businesses registered weak activity over the year, reflecting equity market volumes and levels. As a result, net banking income was down by 8%.

Against this backdrop, the Group nevertheless registered strong improvements in its competitive positions on the euro capital and derivatives markets, achieving its aim of ranking among the top 10 financial institutions on these markets.

Thanks to vigorous cost-cutting measures and despite the high level of restructuring costs (EUR 119 million in 2002), operating expenses were down by 9%. The cost/income ratio fell to 72.4% in 2002 (69.9% excluding restructuring costs) compared with 73.9% in 2001. The compensation ratio (total compensation/net banking income net of provisions) stood at 49.3% for the period, versus 48.7% in 2001 (excluding severance costs).

Risk provisioning was up by 32% on 2001 in absolute terms. This increase was due to the provisions booked on a few telecom and energy counterparties, a slight increase in risk provisioning on the US portfolio and the cost of the Argentine crisis, which had previously been booked by the Corporate Center in the fourth quarter of 2001. Consequently, expressed as a proportion of the total outstanding, the cost of risk rose to 135 bp in 2002 versus 98 bp in 2001. Risk-weighted assets showed a slight rise of 2% between January 31, 2001 and January 31, 2002, reflecting the increase in loans, which was partially offset by the dollar’s depreciation.

In this difficult environment, the Corporate and Investment Banking activities generated a net income of EUR 509 million and an ROE after tax of 14.2% (compared with 17.5% in 2001).

Corporate Banking and Fixed Income

(in millions of euros)	2002	2001	Change (%)
Net banking income	**3,068**	**3,083**	**NM**
Operating expenses	(1,850)	(1,884)	–2
Gross operating income	**1,218**	**1,199**	**2**
Net allocation to provisions	(699)	(538)	30
Operating income	**519**	**661**	**–21**
Net income from long-term investments	40	13	NM
Net income from companies accounted for by the equity method	18	12	50
Income tax	(111)	(116)	–4
Net income before minority interests	466	570	–18
Minority interests	(20)	(11)	82
Net income	**446**	**559**	**–20**
Average allocated capital	**3,150**	**3,204**	**–2**
ROE after tax (%)	**14.2**	**17.4**	

2002 was marked by historically low long-term interest rates in Europe and the United States, by significant volatility on the credit markets and by the slowdown in business investment.

Against this backdrop, revenues from Corporate Banking and Fixed Income were stable in relation to 2001. The treasury and fixed income activities of the Debt Finance arm showed a high level of resilience, while the financing activities felt the effect of the global economic slowdown, which essentially affected the project finance and asset finance activities.

Fixed Income

SG ranked no. 7 at the end of 2002 for all euro bond issues (source: Thomson Financial, January 2003) compared with no. 13 at end-2001. Over the period, the Group won several mandates from French issuers including France Télécom, Renault, Sodexho and Vinci, as well as from a growing number of European issuers, such as Volkswagen, BBVA and Deutsche Telekom.

Moreover, the Group consolidated its top-tier positions in interest rate derivatives. It was ranked no. 5 worldwide for euro-denominated short-term interest rate swaps and was recognized for its technological leadership in exotic interest rate and credit derivatives (source: Risk Magazine, September 2002). In the foreign exchange and treasury activity, the Group ranked no. 9 for corporates worldwide and no. 8 for investors (source: FX Week, November 2002).

Financing

The Group figured among the top three worldwide for export finance and commodity finance. Ranked no. 1 worldwide in 2002 (source: Trade Finance, June 2002), the Export Finance business line once again turned in a strong performance. Société Générale was also ranked no. 2 in the world for structured commodity finance (source: Trade Finance, June 2002) for the second year in succession. On a difficult project finance market, the Group consolidated its position among the global leaders, ranking no. 2 in 2002 (source: Project Finance Magazine League Tables 2002). In this area, the Group was co-lead manager of the EUR 2.4 billion financing package for the international consortium tendering for the privatization of Sydney airport in Australia. In acquisition finance, several major deals were concluded, including the acquisition of Eurogen by Edipower in Italy.

FIMAT (financial instruments and commodities brokerage)

Fimat produced an exceptional performance in 2002, notably thanks to its bond brokerage activity in the United States. Fimat capitalized on the high levels of market volatility to once again improve its positioning, consolidating its place as one of the leading global clearers with sharp growth in volumes: no. 1 on the Chicago Board of Trade (CBOT) for execution, no. 3 on EUREX for settlement.

The operating expenses of the Group's Corporate Banking and Fixed Income arm fell by 2%, notably thanks to tight control of front-office recruitment and a reduction in back-office and coverage costs.

The net allocation to provisions rose by 30% in 2002. This increase reflected the provisions booked on a few counter-parties from the telecom and energy sectors, the slight increase in the cost of risk on the US portfolio, and the reallocation to the business line of the costs of the Argentine crisis, which had previously been booked by the Corporate Center in the fourth quarter of 2001.

Overall, net income was down by 20% and the ROE after tax came out at 14.2% versus 17.4% in 2001.

Equity and Advisory

(in millions of euros)	2002	2001	Change %
Net banking income	**1,582**	**1,954**	**–19**
Operating expenses	(1,518)	(1,837)	–17
Gross operating income	**64**	**117**	**–45**
Net allocation to provisions	(18)	(5)	NM
Operating income	**46**	**112**	**–59**
Net income from long-term investments	(16)	(2)	NM
Net income from companies accounted for by the equity method	0	0	NM
Income tax	33	(15)	NM
Net income	**63**	**95**	**–34**
Average allocated capital	**443**	**529**	**–16**
ROE after tax (%)	**14.2**	**18**	

The Equity and Advisory activities registered a 19% drop in net banking income in relation to 2001. This performance reflected the strong volatility seen on the global equity markets in 2002: collapse of volumes, fall in share prices and sluggishness of M&A market. Consequently, the Cash Equity (primary market, distribution and trading, research) and M&A Advisory businesses were particularly affected, recording a 30% decline in revenues. In contrast, the Equity Derivatives business line turned in a solid performance, showing a dip of only 5% in net banking income.

Client-related margins accounted for 48% of the business line's revenues in 2002, compared with 41% in 2001, while trading and arbitrage revenues were stable at 23%. Lastly, the share of net banking income generated by commissions, brokerage and Private Equity fell from 36% in 2001 to 29% in 2002, notably due to the significant depreciation of the US Private Equity funds.

Primary Equity

In a primary market down by 34% in Europe, the Group maintained a strong positioning thanks to its expertise on the European convertible bond market. Ranked no. 2 for convertible issues in Europe (EMEA) (source: Thomson Financial) versus no. 9 in 2001, the Group managed 11 convertible issues in Europe (EMEA) representing a total volume of USD 2.9 billion and a market share of 13.5%, compared with 5.7% in 2001. The main deals managed by the Group in 2002 included: Holcim (Switzerland), Arcelor (Luxembourg), Aegis (United Kingdom), Financière Agache/LVMH, Thomson (formerly Thomson Multimédia) and Accor (France). In the United States, the Group maintained its position on a depressed market.

Secondary Equity

Over twelve months, the European MSCI index and the CAC 40 shed 31% and 34% respectively. Against this backdrop, SG retained its position as the number one broker on the French market (Euronext Paris) with a market share of 10.7%.

Equity Derivatives

The broad range of structured products on offer (Mountain range, Emerald, Saphir, etc.) enabled the Group to register a level of sales activity comparable to 2001, in terms of both inflows of new money and results, despite the difficult market conditions seen in 2002.

Moreover, in a poor market environment, the Group regained the position of global leader on the warrants market (worldwide market share of 15.1% – source: Reuters, Bloomberg and Bourses) and confirmed its position as European leader on the Exchange Traded Funds (ETF) market: no.1 in Europe by volume of transactions, no.2 by outstanding (source: Reuters, Bloomberg and stock markets).

Despite the difficult market conditions, the results of the arbitrage and volatility trading activities were satisfactory thanks to rigorous risk management.

Private Equity

The significant depreciation of, and capital losses realized on, US funds and – to a lesser extent – UK funds had a negative impact of EUR 135 million on revenues generated by Private Equity. As at December 31, 2002, the net book value of the Group's private equity portfolio had been brought down to around EUR 500 million.

In this poor environment and in view of the lack of near-term recovery prospects, the Group carried out a significant restructuring of its Cash Equity and M&A platform in Europe and Asia. The European Cash Equity sales and distribution activities were concentrated in Paris and London, while the sales and research activities in Asia were closed down. To this end, restructuring costs booked over the period amounted to EUR 97 million, representing 6% of the cost base of the Group's Equity and Advisory arm in 2002. The headcount (excluding support functions and management) was reduced by 24% between end-December 2001 and end-December 2002.

Overall, the business line's net income came out at EUR 63 million in 2002 for an ROE after tax of 14.2%.

Corporate Center

(in millions of euros)	2002	2001
Net banking income	**(184)**	**(70)**
Operating expenses	(261)	(374)
Gross operating income	**(445)**	**(444)**
Net allocation to provisions	83	(12)
Operating income	**(362)**	**(456)**
Net income from long-term investments	(334)	455
Net income from companies accounted for by the equity method	16	(14)
Exceptional items	(11)	(17)
Amortization of goodwill	(184)	(76)
Income tax	290	233
Net income before minority interests	(585)	125
Minority interests	(44)	(19)
Net income	**(629)**	**106**

The Corporate Center showed a loss of EUR 629 million over the period, compared with a profit of EUR 106 million in 2001.

This loss was principally due to the following factors:

- an operating loss stable at EUR –445 million. This item covers activities in the course of development (online brokerage and Groupama Banque), the cost of carry of the Group's industrial equity interests and bank holdings net of dividends received, the cost of Group-wide projects not linked to the operating activities of the businesses, and ALM.

  In 2001, the Group realized an exceptional capital gain on the disposal of a real estate asset. At the same time, the e-brokerage activities, which were restructured at the end of 2001, had virtually no negative impact on operating income in 2002 (EUR –19 million in 2002 compared with EUR –187 million in 2001);
- a significant drop in the contribution made by the industrial equity portfolio: EUR –350 million compared with a profit of EUR 483 million in 2001. On the one hand, realized capital gains fell from EUR 677 million in 2001 to EUR 422 million in 2002. On the other, in light of the Group's conservative provisioning methods (provisioning on the basis of the quarterly average share price for two-thirds of the portfolio and on the basis of the earning value for the rest), provisions for depreciation of EUR 772 million were booked in 2002 compared with EUR 194 million in 2001.

At December 31, 2002, the market value of the portfolio stood at EUR 3 billion and unrealized capital gains after provisions amounted to EUR 0.1 billion:

- a net reversal of provisions in the amount of EUR 83 million, principally linked to the write-back of the general reserve booked to cover Argentine risk in 2001 and assigned to the business lines concerned in 2002;
- a EUR 108 million increase in goodwill amortization expenses, corresponding to the impact of acquisitions made in 2001 and 2002, and an exceptional amortization expense of EUR 23 million.

Recent developments and future prospects

In the climate of uncertainty that marked the banking sector in 2002, the guiding principles of Société Générale's 2004 strategic plan – namely, continued commercial development, reduction in the Group's breakeven point and improvement of its risk profile – as communicated to the market on April 19, 2002, proved particularly relevant, even if adjustments to the assumptions of average economic and market conditions are necessary.

The Group will continue to develop its franchises, both quantitatively and qualitatively, either through organic or external growth. To this end, the Group possesses strong growth drivers, notably its leading positions in France on growth segments such as young graduates or "mass affluent" customers, its presence in regions where the banking market offers strong growth potential such as Eastern Europe, and the top-tier position it has built up in alternative management. Moreover, the Group will continue to invest in order to complete its platform, while respecting the criteria of selectivity and shareholder value, and to implement more innovative growth solutions, such as partnerships: the creation of a multichannel bank in partnership with Groupama is a good illustration of this approach.

The aim of lowering the breakeven point remains a priority for the Group. In order to achieve this, it has significant means at its disposal, notably: the continued implementation of the major productivity enhancement programs (both within the core businesses, such as the optimization of the retail banking distribution network – the "4D" project" – and at a Group level, such as purchasing) and the harnessing of synergies linked to the integration of recent acquisitions. The full rewards of these efforts will be reaped as of 2004. The rightsizing begun in 2001, and continued in 2002, of the Group's investment banking platform will contribute significantly to achieving this goal.

Lastly, the Group will continue to improve its risk profile by complying with its general guidelines in this area: well-balanced business mix, tougher criteria for selecting deals and separating risks, sophisticated risk management and monitoring tools at all levels of the company, and continued implementation of a conservative provisioning policy.

These principles are applied at the level of each of the Group's three core businesses, which represent the cornerstone of Société Générale's strategy.

Retail Banking will pursue its growth strategy focused along three axes: French Networks, Specialized Financial Services and Retail Banking outside France. The acquisitions made in 2002 in these businesses are fully in line with this strategy.

The Group's Asset Management and Private Banking arm will consolidate and develop – notably through acquisitions and partnerships – those positions it has built up in the world's major investment pools: Europe, the United States and Japan.

Corporate and Investment Banking is adopting an approach based on selective and profitable development: first, by having leading positions in those areas where it has chosen to develop, notably the euro bond market, which showed strong growth in 2002, value-added financing activities, derivatives and fixed-income businesses; secondly, by continually adapting its operations to the changes in the business environment.

In terms of capital allocation, the aim is to keep the capital allocated to investment banking to one-third of total allocated capital.

This strategy will be followed while maintaining a Tier-one ratio above the target of 7.5%.

Activity at the start of 2003 is in line with that seen at the end of 2002.

Consolidated financial statements

Analysis of consolidated balance sheet

(in billions of euros at December 31)	2002	2001	Change %
Assets			
Interbank and money market assets	28.4	29.7	–4.4
Customer loans	174.1	166.3 [4]	4.7
Securities [1]	193.6	209.0	–7.4
of which: securities purchased under resale agreements	*59.0*	*73.9*	*–20.2*
Net investments of insurance companies	37.3	35.4	5.4
Other assets	59.5	63.2	–6.0
of which: option premiums	*21.5*	*25.8*	*–16.7*
Long-term assets	8.5	8.9	–4.5
Total assets	**501.3**	**512.5**	**–2.2**
Liabilities and shareholders' equity			
Interbank and money market liabilities [2]	125.0	122.3	2.2
Customer deposits	152.8	150.5	1.5
Bonds and subordinated debt [3]	18.2	19.5	–6.7
Securities	90.8	103.6	–12.4
of which: securities sold under repurchase agreements	*59.8*	*68.4*	*–12.6*
Other liabilities and provisions	59.2	62.5	–5.3
of which: option premiums	*21.7*	*24.9*	*–12.9*
Underwriting reserves of insurance companies	35.8	34.1	5.0
Equity and General reserve for banking risks	19.5	19.9	–2.0
General reserve for banking risks	*0.2*	*0.4*	*–50.0*
Minority interests	*1.9*	*1.9*	*NM*
Preferred shares	*1.7*	*1.9*	*–10.5*
Shareholders' equity	*15.7*	*15.8*	*–0.6*
Total liabilities and shareholders' equity	**501.3**	**512.5**	**–2.2**

(1) Including securities purchased under resale agreements previously booked under interbank assets.
(2) Including negotiable debt instruments previously booked under "Securitized debt payables".
(3) Including undated subordinated capital notes.
(4) Amounts restated in relation to those given in 2001.

The principal changes in the consolidated balance sheet are as follows:

- Customer loans at December 31, 2002 amounted to EUR 174.1 billion, up 4.7% in relation to end-December 2001 (of which 1% linked to acquisitions). This increase reflects:

– growth in individual customer loans of 10%, essentially driven by the mortgage loan segment;

– stability in loans to businesses.

- Customer deposits totaled EUR 152.8 billion at December 31, 2002, up 1.5% (+3.9% when adjusted for changes in Group structure and at constant exchange rates). This performance was primarily linked to growth in individual customer demand deposits and special savings account deposits in France, which produced a concomitant drop in term deposits, on the back of lower interest rates.

- The securities portfolio amounted to EUR 193.6 billion, down 7.4%. This change was linked to the reduction in the portfolio of securities purchased under resale agreements (–20.2%), which was offset in part by an increase in the bond and treasury note portfolio (+2.5%).

Group shareholders' equity stood at EUR 15.7 billion at December 31, 2002, stable in relation to December 31, 2001. This stability essentially reflected the following:

– net income for the period: EUR 1.4 billion;

– the dividend paid during the 2002 financial year: EUR –0.9 billion;

– translation differences linked to the dollar's depreciation: EUR –0.5 billion.

A reversal in the amount of EUR 159 million was made from the general reserve for banking risks to cover the consequences of a fraud suffered by SG Cowen between 1987 and 2000.

After recognizing the general reserve for banking risks (EUR 0.2 billion), minority interests (EUR 1.9 billion) and preferred shares (EUR 1.7 billion), total equity amounted to EUR 19.5 billion.

This represented a BIS ratio of 11.1% at December 31, 2002. The Tier-one ratio stood at 8.1% of risk-weighted assets (EUR 187.4 billion), compared with 8.4% at December 31, 2001.

Risk Management

The mains risks incurred on banking activities are the following:

• **credit risks** (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 risks:** risk of loss resulting from changes in market prices, interest rates, correlations between these elements and their volatility;

• **structural risks:** risk of loss arising from an inability to refinance the bank's balance sheet at reasonable interest rates for the appropriate maturities;

• **operational risks** (including legal and environmental risks, among others): risk of loss resulting from inadequate or failed procedures, persons or internal systems, or caused by external events.

Société Générale permanently invests in significant means to continue improving its risk management framework so as to reflect the diversification of its activities. These changes were implemented in compliance with two fundamental principles of banking risk management, as stipulated in regulations 97-02 and 2001-01 of the French Banking and Financial Regulation Committee *(Comité de la Réglementation Bancaire et Financière):*

• risk assessment departments are strictly independent of operating divisions,

• a consistent approach to risk assessment and monitoring is applied at Group level.

The Risk Division, which reports directly to the Bank's General Management, aims to underpin the Group's development and profitability by ensuring that risk management framework is solid and effective. The Risk Division also includes risk modeling teams, information system project teams, industry experts and economic research teams, and is responsible for:

• defining and validating the methods and procedures used to analyze, assess, approve and monitor credit risks, country risks, market risks and operational risks;

• helping to draw up sales strategies for high-risk areas and permanently seeking to improve the forecasting and management of cross-business risks;

• contributing to the independent assessment of credit risks by commenting on transactions proposed by sales managers;

• identifying all Group risks and monitoring the adequacy and consistency of risk information systems.

A systematic review of the main issues concerning the bank's risk management is carried out during monthly risk committee meetings (Corisq), which bring together members of the Executive Committee and managers from the Risk Division.

Where appropriate, this committee considers strategic decisions with respect to risk-taking policies, risk assessment methods, material and human resources, analysis of portfolios and the cost of risk, market limits and credit concentration limits (by product, country, sector, region, etc.), and crisis management.

Each department (commercial banking or business line) is responsible for submitting all new activities, products or products under development to the New Product Committee of the relevant division. This New Product Committee aims to ensure that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subjected to adequate procedures and controls, using the appropriate information systems and processing chains.

Credit risks

Risk approval

Approval of a credit risk must be based on having a good knowledge of the customer, the Group's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment. It assumes that the return on the transaction sufficiently reflects the risk of loss in the event of default.

The risk approval process is based on four 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 customer or customer group must be centralized at the level of 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;

• responsibility for analyzing and approving risk is delegated to the business lines and credit risk units, ensuring that this is carried out at the most appropriate level;

• risk assessment departments are fully independent at each decision-making level.

The Risk Division has a specialized department for financial institutions, which aims to increase the Group's expertise on this client segment by centralizing, in Paris and New York, the departments in charge of analyzing the quality of the Group's counterparties and approving the exposure limits allocated to all locations and business lines.

The Risk Committee regularly carries out a cross-business line assessment of existing or potential concentrations within the Group portfolio and the key features of such concentrations. The management of the Group's concentration risks is based on a set of procedures that includes limits on large exposures by risk category, as well as stress-test models and correlation studies.

The Risk Division recommends the concentration limits that it deems are needed, at any given moment, to reduce cross-business line risks with strong correlations, to the Risk Committee, broken down by country, geographic area, sector, product and type of customer, etc.

The definition of country risks 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 General Management and is based on a process that takes due account of those business lines exposed to risk and the Risk Division.

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

Risk Management and Audit

All Group operating units, including 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 by Société Générale in recent years. This system is used to centralize in a single database almost all the commitments borne by all operating divisions, to consolidate exposure by counterparty and to reconcile this exposure with the corresponding authorizations. This system is also used to provide 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, at least once a quarter, so as to assess the classification of "watch names", as well as to determine the level of provisioning required. These reviews are based on concurrent analyses performed by the operating divisions and the Risk Division. Furthermore, the Risk Division also carries out file reviews or risk audits at the level of all the Group's operating divisions. In addition, the Group's Internal Auditors also perform regular risk audits and report their findings to Group General Management.

The Audit Committee attached to the Group's Board of Directors is periodically informed of major changes in risk management methods and procedures, as well as in provisioning requirements. It examines the risk audit, which is drawn up under article 43 of regulations 97-02 and 2001-01 of the French Banking and Financial Regulation Committee, before the said audit is submitted to the Board of Directors.

Risk Measurement

In response to the rapid growth in the Group's trading activities since the end of the 1980s, Société Générale decided to invest heavily in the development and implementation of high-performance systems for assessing and monitoring counterparty risks which arise from capital market activities. To this end, a specific measurement of risk was developed for derivative products, known as the "current average risk". This indicator enables the assessment of exposure in terms of commitments, and provides a good means of integrating counterparty risk in pricing. This indicator is itself complemented by a "stress-test" measurement in the case of illiquid markets or transactions involving a link between the underlying and the counterparty.

More recently, the bank launched a major project to quantify all its risks using a "RAROC" (Risk Adjusted Return On Capital) approach.

One of the principal aims is to estimate expected losses on credit transactions during the business cycle, on the basis of both qualitative and quantitative methods. An internal rating scale takes into account the probability of default, the value of the collateral, the expected recovery rate, the level of guarantees and the country risk to provide an estimate of the average loss per client and per transaction.

Internal rating

The Group's rating methodologies comprise a series tools, adapted to each client type and specific transaction (maturity, guarantees, type of transaction). Risk ratings are determined on the inception of a relationship or a transaction, then regularly reviewed and/or modified whenever considered necessary in view of a particular event.

As regards legal entities, the Group has developed a ratings tool that expresses an internal opinion on the average loss expected on a counterparty or a given transaction and reflects this in a homogenous scale of increasing risks.

The Société Générale ratings scale is comparable to those of external agencies and includes 22 levels, three of which concern defaulting counterparties.

The rating enables the bank to analyze the degree of risk of various credit transactions, to determine the appropriate level of delegation and analyze the overall characteristics of the portfolio. It forms the basis for the RAROC analysis (credit pricing, return on the transaction and the relationship, allocation of economic capital).

A methodology for allocating capital based on risk measurement, which takes into account the correlation between geographical regions, industrial sectors and counter-party credit ratings, has been developed with a view to estimating the potential losses on the basis of a pre-defined confidence interval. These techniques enable the Group to assess the extraordinary losses in the event of a significant deterioration in economic conditions.

This model is currently used by customer relationship managers and risk managers to determine the various risk factors, set exposure limits and calculate the risk-adjusted return.

At the Group level, these tools are currently used for analyzing client profitability and for active portfolio management. They are used directly by the Finance and Corporate Planning Department to forecast provisioning and capital allocation requirements.

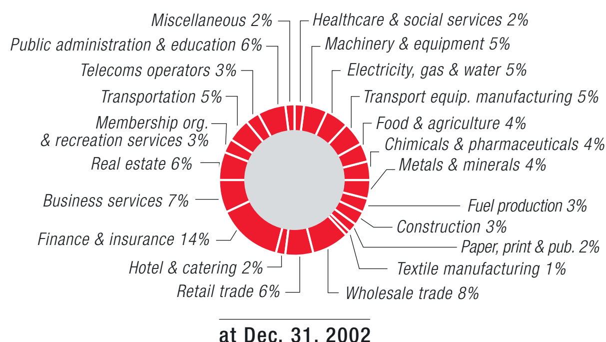
When considering consumer loans granted to individual customers or self-employed professionals, the bank uses marketing expert or scoring methods.

Corporate and Investment Banking counterparties and all French SMEs are awarded an internal rating.

Credit Portfolio Analysis

Outstanding on individual and business customers

At December 31, 2002, on- and off-balance sheet loans gross of provisions granted by the Société Générale Group to its non-banking clients totalled EUR 258 billion (including EUR 181 billion of outstanding balance sheet loans). The Group's commitments on its ten largest industrial counterparties account for 5% of this portfolio.



BREAKDOWN OF SOCIÉTÉ GÉNÉRALE GROUP COMMERCIAL OUTSTANDING BY INDUSTRY (excluding individual customers)

Total on-and off-balance sheet commitments: EUR 210 billion

The Group's loan portfolio is highly diversified in terms of sectors, and generally matches the structure of world GDP. Only one sector accounts for more than 10% of total Group outstanding (finance & insurance excluding banks: 14% of which 1% is on insurance counterparties), and is characterized by a moderate cost of risk.

Telecoms operators

The Group's exposure, net of purchased credit protection, amounts to EUR 6.1 billion (EUR 3.2 billion of which is on balance-sheet). Commitments are on European counterparties (76% focused on incumbent domestic operators) and US counterparties (7%). 60% of exposure consists of investment grade counterparties. The share of doubtful commitments is 5%.

In view of the restructuring measures taken and the provisioning booked on this portfolio, its risk profile improved significantly during the second half of 2002.

Telecoms equipment manufacturers

Exposure on this sector, net of purchased credit protection, is decreasing and amounts to EUR 1.2 billion (of which

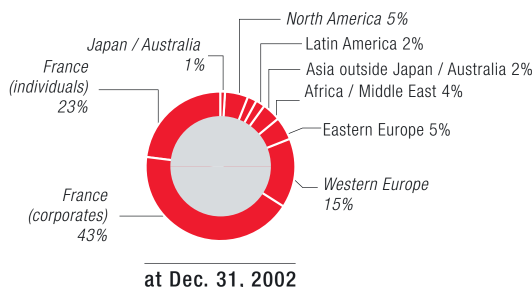
EUR 0.2 billion on balance-sheet). Commitments are focused on Europe (79%) and North America (15%).

Most of companies of this sector implement measures to adjust their industrial and financial capacities to face up to the reduction in equipment orders and turnover.

Airlines

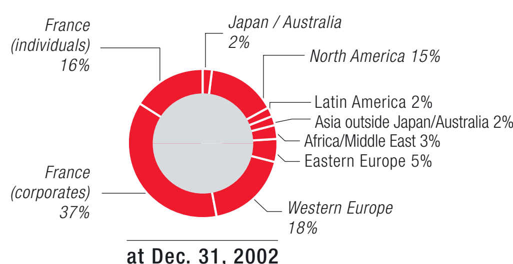
The Group's commitments, net of guarantees, amount to EUR 1.4 billion at December 31, 2002, of which EUR 1.0 billion for highly secured aircraft financing, and EUR 0.4 billion of corporate financing concentrated on the best European and Asian counterparties.

The Group's exposure has held up well in the face of the crisis that affected the sector since 2001.



BREAKDOWN OF SOCIÉTÉ GÉNÉRALE GROUP LOANS TO NON-BANKING CUSTOMERS BY GEOGRAPHICAL REGION (including individual customers)

Total balance sheet commitments: EUR 181 billion



BREAKDOWN OF SOCIÉTÉ GÉNÉRALE GROUP LOANS TO NON-BANKING CUSTOMERS BY GEOGRAPHICAL REGION (including individual customers)

Total on-and off-balance sheet commitments: EUR 258 billion

At December 31, 2002, 88% of the Société Générale Group's on-and off-balance sheet outstanding was concentrated on the major industrialized countries. Over 50% of loans are to French customers (37% to corporates and 16% to individual customers).

1. Outstanding on US corporates

When adjusted for changes in the Group's structure, exposure to US counterparties amounted to USD 50.2 billion, stable against year-end 2001 in dollar terms, and down 15% in euros.

This exposure comprising on-and off-balance sheet commitments, breaks down as follows:

- USD 8.3 billion in balance sheet commitments,
- USD 19.8 billion in off-balance sheet commitments corresponding to commercial banking activities,
- USD 11.7 billion in refinancing lines for securitization programs with AA-rated underlying assets.

To which are added the amounts classified under the securities portfolio (see notes 1, 2 and 6 of the financial statements):

- USD 5.1 billion of municipal bonds (previously in refinancing lines),
- EUR 5.3 billion of securities (previously in refinancing lines for securitization programs with AA-rated underlying assets).

2. Outstanding on emerging markets

The Group's outstanding on corporates and individual customers in emerging markets is subject to limits validated on an annual basis by General Management and represents 12% of Société Générale's loan portfolio.

At December 31, 2002, nearly three-quarters (EUR 14 billion) of the outstanding not covered by guarantees concerned Retail Banking activities, with the remaining quarter relating to Corporate and Investment Banking.

In view of the measures already taken in 2001, the ongoing crisis in Argentina did not necessitate any significant additional provisioning. The prudential risk reserve booked by the Corporate Center in 2001 was partially reallocated to the Retail Banking and Corporate and Investment Banking businesses, in order to cover risks that have now been identified by the various activities in question. As at the end of 2002, this reserve amounted to EUR 305 million and ensured a coverage ratio for Argentine risk (excluding statutory reserves) of 55%.

• Retail Banking

In Retail Banking, the outstanding on emerging markets stood at EUR 14 billion at December 31, 2002, compared with EUR 11.7 billion at year-end 2001. This amount includes off balance-sheet commitments and takes into account the integration in 2002 of Union Internationale de Banques (impact: EUR 0.8 billion) and Eqdom (impact: EUR 0.3 billion).

Furthermore, commitments in the amount of EUR 1.8 billion are covered by specific provisions. This portfolio covers 14 countries in four geographical regions (Eastern Europe, the Mediterranean basin, French speaking Africa and Latin America). The majority of the corresponding commitments is denominated in the local currency and refinanced locally.

*Change in non-banking exposure on emerging markets**
(including recent acquisitions)

(In billions of euros)	Dec. 31, 2001	Dec. 31, 2002
Individual customers	2.0	2.0
Corporates	9.7	12.0
Total	**11.7**	**14.0**

* On- and off-balance sheet, net of specific provisions for identified risks.

• 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 5.1 billion on December 31, 2002, (of which 50% was on Investment Grade countries), down slightly against December 31, 2001 (EUR 5.7 billion).

*Change in non-banking exposure on emerging markets**

(In billions of euros)	Dec. 31, 2001	Dec. 31, 2002
Mitigated country risk**	1.8	2.0
Standard country risk	3.9	3.1
Total	**5.7**	**5.1**

* On- and off-balance sheet, net of specific provisions for identified risks and guarantees (ECA, cash collateral).
** Transactions for which the structure of the transaction reduces the risk, though without eliminating it (export prefinancing with offshore payment, political risk insurance, participation in financing extended by International Financial Institutions).

Furthermore, outstanding covered by specific provisions amounted to EUR 0.5 billion.

Commitments on Banking Counterparties

Authorizations relating to banking and similar counterparties are defined using an internal method for evaluating financial institutions and a table of maximum limits (broken down by credit rating and maturity) approved by General Management.

At December 31, 2002, balance sheet banking commitments (excluding securities purchased under resale agreements) and off-balance sheet commitments amounted to EUR 28 billion (excluding delivery and replacement risk). The large majority of these risks (more than 90%) relates to banks rated "Investment Grade" by the rating agencies, while the Group's exposure is highly diversified and exclusively short-term in the case of banks with lower ratings.

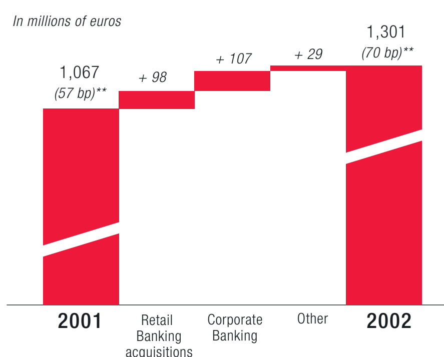
Consequently, Société Générale's cost of risk on its banking counterparties remains structurally very low.

Credit risk coverage, provisions and provisioning policy

Provisioning for credit risks at December 31, 2002

The net allocation to provisions for credit risk in 2002 amounted to EUR 1,268 million, compared with EUR 991 million at December 31, 2001.

The Group's cost of risk in 2002 therefore rose to 70 basis points, compared with 57 basis points a year earlier.



CHANGE IN GROUP PROVISIONING IN 2002

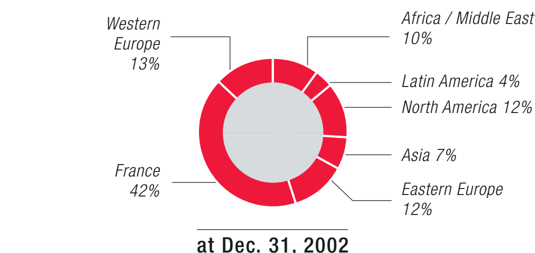
* Excluding Argentina
** Cost of credit risk

Over the year, the Group's net allocation to provisions (including disputes) increased by 22%. This rise is explained, on the one hand, by the integration of the provisioning requirements of recently consolidated subsidiaries in Retail Banking (Fiditalia, KB, GEFA, ALD, Eqdom and SKB) and, on the other, by the high level of allocation to provisions in Corporate Banking, reflecting the unfavorable impact of the telecoms portfolio.

Consolidated financial statements

Provisioning for credit risks

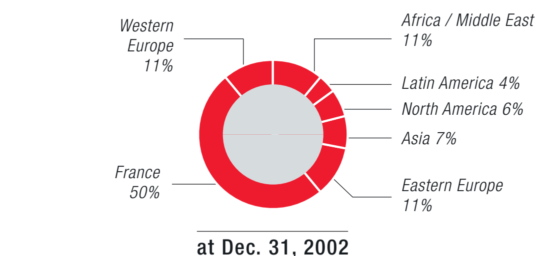
Provisioning for credit risks principally covers doubtful and disputed loans. These loans totalled EUR 10.1 billion at December 31, 2002.



BREAKDOWN OF DOUBTFUL LOANS BY GEOGRAPHICAL REGION

Total doubtful and disputed loans: EUR 10.1 billion

These loans are covered by specific provisions amounting to EUR 8.1 billion at December 31, 2002.



BREAKDOWN OF PROVISIONS BY GEOGRAPHICAL REGION

Total provisions: EUR 8.1 billion

In view of the specific provisions for identified risks and of the general country risk reserve (totalling EUR 8.5 billion), the coverage ratio for the Group's doubtful and disputed loans is very high at 84%.

Country risk reserve

Over and above the usual provisions covering credit risks, the bank books a general "country risk" reserve, intended to cover its risk on emerging markets. This reserve is not assigned to any identified risk and is calculated by rating each country according to its economic and financial environment and estimating average losses that would arise in the event of a major crisis.

At December 31, 2002, this provision totalled EUR 465 million.

Market risks

Organization

The organization of market risk management has been continually adjusted with a view to harmonizing existing procedures within the Group and guaranteeing that risk management teams remain independent from the operating divisions.

Although the front-office managers are responsible in the first instance for risk management, the ultimate responsibility lies with an independent structure: the Market Risk unit of the Risk Division. This unit is responsible for:

- daily monitoring (independently from the front office) of the exposure and risks incurred by all the Group's market activities and comparison of these exposure and risks with the limits set;
- defining the methods for measuring risk, as well as control procedures, approving the valuation of models used to calculate risks and results and validating reserves;
- developing the databases and systems used to assess market risks;
- preparing the limit applications based on the requests of the operating divisions, within the global limits set by General Management, and monitoring their use;
- centralizing, consolidating and reporting the Group's market risks.

On the proposal of this department, the Group's Risk Committee sets the levels of authorized risk by type of activity and takes the main decisions concerning Group risk management. Within each entity that incurs market risk, risk managers are designated to implement the first level of risk control. The main tasks of these managers, who are independent of the front offices, include:

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

In the case of the major trading rooms in France and abroad, these specialized market risk managers report directly to the Risk Division.

Methods of measuring market risk and defining exposure limits

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

- the 99% "Value at Risk" (VaR) method, approved for regulatory requirement calculations, a composite indicator for day-to-day monitoring of the market risks incurred by the bank, in particular in 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, influence or holding period, etc.), which ensure consistency between the total risk limits and the operational limits used by the front office. These limits also enable risks only partially captured by VaR or stress-test measurements to be controlled.

The 99% Value at Risk (VaR) Method

This method was introduced at the end of 1996. It is constantly being improved with the addition of new risk factors and the extension of the scope covered by the VaR. Following the regulator's approval of the last extension requested in 2002 by Société Générale, almost all the Group's market risks are monitored using the VaR method, in particular those relating to more complex activities and products. Only a few entities have not been included within the VaR process, and the market risks incurred by these entities are residual.

Interest rate or currency risks incurred on retail or commercial banking activities are included within the VaR scope when these risks are transferred to departments responsible for capital market activities.

The method used is the "historical simulation" method, which implicitly takes into account the correlation between all markets and the fact that all market parameters are not normally distributed. It is based on the following principles:

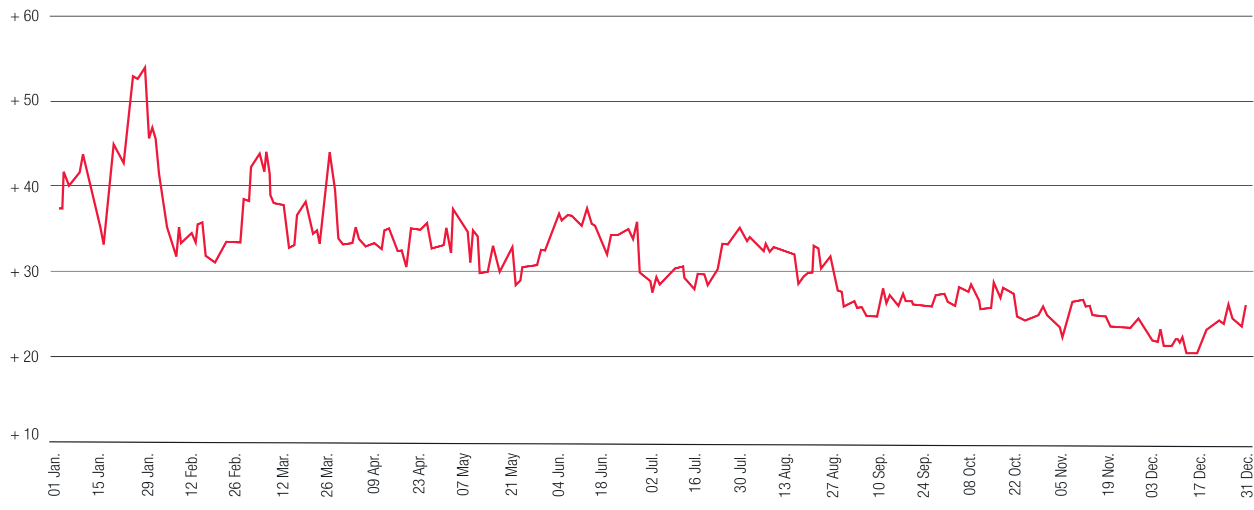
- the creation of a database containing risk factors which are representative of Société Générale's positions (i.e. interest rates, share price, exchange rates, commodity prices, volatility, credit spreads, etc.). The VaR is calculated using a database of some 10,000 risk factors;
- the definition of 250 scenarios, corresponding to one-day variations in these market parameters observed over a sliding one year period;

- the application of these 250 scenarios to the daily market parameters;
- the revaluation of daily positions, on the basis of the 250 adjusted daily market conditions and on the basis of a revaluation taking into account the non-linearity of these positions.

The 99% Value at Risk is the largest 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 2002, the VaR limit for all trading activities was set at EUR 60 million.

The value at risk in the Group's trading activities, across the full scope of activities, evolved as follows in 2002:



EVOLUTION OF THE TRADING VALUE (TRADING MARKET ACTIVITIES PORTFOLIO) AT RISK DURING 2002 (1 DAY, 99%)

In millions of euros

By type of risk, the evolution of the trading Value at Risk was as follows:

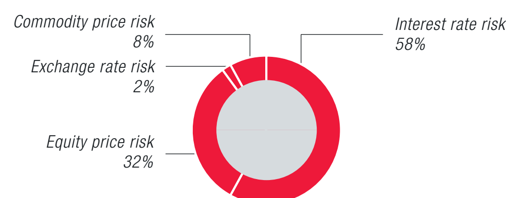
Breakdown of Trading VaR by type of risk – Change between 2001 and 2002

(in millions of euros)

1-day, 99%	Year-end		Average		Minimum		Maximum	
	2002	2001	2002	2001	2002	2001	2002	2001
Interest rate risk	(27)	(26)	(30)	(30)	(23)	(13)	(43)	(50)
Equity price risk	(12)	(21)	(17)	(24)	(8)	(16)	(30)	(39)
Exchange rate risk	(1)	(1)	(1)	(2)	(1)	(1)	(3)	(3)
Commodity price risk	(2)	(4)	(4)	(2)	(1)	(1)	(6)	(5)
Compensation effect	16	13	20	20	NM*	NM*	NM*	NM*
Total	**(26)**	**(39)**	**(32)**	**(38)**	**(20)**	**(22)**	**(56)**	**(56)**

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

The average VaR fell from EUR 38 million in 2001 to EUR 32 million in 2002, largely due to the reduction in exposure to equities. Compensation remained high, reflecting the bank's high degree of risk diversification.



BREAKDOWN OF TRADING VaR BY TYPE OF RISK

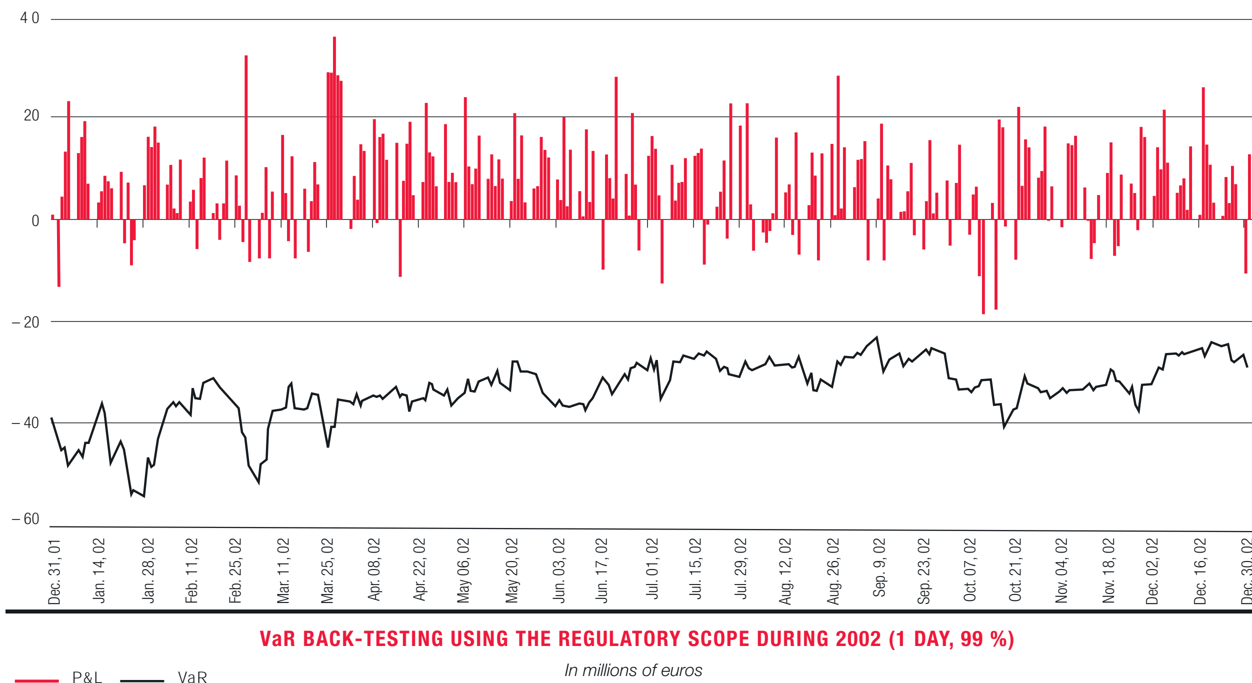
Methodological limits to VaR assessment

The VaR assessment is based on a model and hypotheses that have their limits. The main shortcomings of the model are:

- the use of "1 day" shocks assumes that all positions can be unwound or hedged within one day, which is not always 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 exceptional changes;
- VaR is calculated using closing prices, so intra-day fluctuations are not taken into account;

The Group manages this methodological risk by:

- systematically assessing the relevance of the model by back-testing to verify that the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval, which has been the case since the VaR system was introduced. This back-testing is carried out on each of the scopes for which a VaR is calculated, enabling the process to be validated at both a global and sub-activity level. The chart on the following page shows the VaR back-testing on the regulatory scopes. The daily total never exceeded the amount of the VaR in 2002. Statistically, the 99% confidence interval would still be valid if the VaR is exceeded two or three times per year;
- complementing the VaR system with stress-test measurements.



VaR BACK-TESTING USING THE REGULATORY SCOPE DURING 2002 (1 DAY, 99 %)

In millions of euros

The Stress Test model

Alongside the internal VaR model, Société Générale monitors its exposure using the "stress test" method based on decennial risk, so as to take exceptional market occurrences into account.

The "stress test" risk assessment methodology adopts the following principles:

- risks are calculated separately every day for each business and for each market, with all products considered together, but without taking into account the correlation between markets;
- the risk represents the worst possible impact of sudden and extraordinary changes in market conditions, or of any less extreme changes that enable the non-linear nature of certain positions to be taken into account;
- these extreme changes are adapted to each underlying asset (see below) and are determined on the basis of a historical analysis of movements over long periods of time and are constantly updated according to changes in the markets (in particular taking into account the scenarios of August and September 1998, the Asian crisis of 1997, the 1987 stock market crash);
- stress-test limits are established for some individual activities and for the Group's activity as a whole.

The following pages include a table of the scenarios used as a basis for the stress-tests for each of the main risk factors and their amount at December 31, 2002 (these risks are not aggregated for measuring decennial risk as the probability of them occurring simultaneously is very low).

For each activity, the risk is the aggregate of the worst cases, without taking into account correlation between markets or between currencies. For example, for the equity and index businesses, total risk is equal to the sum of the largest potential losses on each market, with certain risks corresponding to a rise in the market, and others to a fall. This hypothesis of non-correlation is highly improbable and reflects a conservative approach to the total risk of each activity.

The various stress-test scenarios are regularly revised and updated in consultation with the Group's economists and a number of specialists, supervised by the Risk Division.

Ten-year stress-test risk: exposure at December 31, 2002 and underlying assumptions

Stress-test scenarios	Exposure at December 31, 2002 and hypotheses
Exchange rate risk:	**Exposure at December 31, 2002: EUR –9 million**
Foreign exchange position	Risk measured by currency, on the basis of a +/–6% variation in the exchange rate for non-emerging market currencies, a +10/–15% variation for free-floating emerging market currencies and a +10/-20% variation for emerging market currencies floating within a predefined band.
Currency position	Risk measured by pair of currencies, on the basis of a simultaneous variation in the spot price (see above) and in volatility (a relative variation of –30/+60% for one-week maturities, down to –7/+10% for 10-year maturities).
Interest rate risk:	**Exposure at December 31, 2002: EUR –203 million**
Directional interest rate risk	Scenarios defined by currency category. With category-A currencies (EUR and USD), a relative variation in interest rates ranging from 60% up and 30% down for 1-week positions to +/–8% for maturities over 10 years.
Pivot risk	Scenarios defined by currency category. Deformation in the yield curve on the basis of fluctuations on the curve at 2 years, 5 years and 10 years.
Swap spread risk	Scenarios defined by currency category. A 10-100 bp widening of the swap spread according to the currency.
Specific risk/IG fixed-income securities	Doubling of spreads.
Interest rate options	Risk measured on the basis of a simultaneous variation in interest rates (see above) and volatility: upward movement, downward movement, 2 scenarios of fluctuations on the curve according to maturity of the option, 2 scenarios of fluctuations on the curve according to maturity of the underlying.
Equity/index price risk:	**Exposure at December 31, 2002: EUR –298 million**
Cash equity positions	A fall in market prices of 15% for non-emerging markets or 30% for emerging markets. These variations increase in the case of illiquid securities.
Equity and stock market index derivatives	A simultaneous variation in market prices (variation of +10/–15% for non-emerging markets and +15/–30% for emerging markets) with a rise in volatility (a rise of 40 points for 3-month maturity to 9 points for 5-year maturity), and a scenario of falling volatility (–20% for 3-months to –5% for 5-years) with spot price unchanged.
Commodity price risk:	**Exposure at December 31, 2002: EUR –26 million**
Energy – Commodities	A simultaneous variation in commodity prices (+20/-30% for oil products, +/–15% for gold, +30%/–20% for silver, etc.) and volatility (relative variation according to the product and maturity).
Emerging market risk:	**Exposure at December 31, 2002: EUR –27 million**
	The worst of two scenarios (variation in country spreads of between +100% and –50%, variation in price of +20/–45%) is used for each country.

Structural risks

The application of regulations 97-02 and 2001-01 of the French Banking and Financial Regulation Committee on internal audits provided the Group with the opportunity to define the principles for monitoring the Group's exposure to interest rate, exchange rate and liquidity risks, principles which had been in force for several years.

The general principle is to concentrate these risks within capital market activities, where they are monitored and controlled using the methods described above. These methods ensure that risks related to commercial transactions and proprietary transactions (transactions involving shareholders' equity, investments, bond issues) are covered as fully as possible, either individually or globally.

Consequently, "structural" risks only arise from the residual positions attached to these operations, after hedging.

Organization

Monitoring structural risks is the responsibility of the head of each of the Group's operating divisions. Each of these division heads is assisted by a "structural risks officer", responsible for analyzing exposure and drawing up the reports (first-level control). Entities use a common system for reporting structural risks.

The Asset and Liability Management department of the Finance and Corporate Planning Division is responsible for directly monitoring domestic activities, as well as consolidating the risks taken by each Group entity. This department also assists in preparing and validating the models used by the different divisions (second-level control).

The department works in liaison with each division finance departments, which are responsible for the quality of information reported by the Group entities. These quarterly reportings on structural risk are of an accounting nature.

Lastly, the Finance Committee, which meets at General Management level, validates the methods for analyzing and assessing risks, sets exposure limits for each Group entity. The Finance Committee periodically examines the analysis of interest rate, foreign exchange and liquidity risks drawn up by the Asset and Liability Management department. The Finance Committee also examines the main issues relating to structural risk management.

Structural interest rate risks

Structural interest rate risks arise from residual surpluses or deficits on fixed-rate outstanding positions with future maturities – after hedging.

Structural interest rate risks are analyzed according to a global assessment of the evolution of the outstanding positions, for both fixed and floating-rate products.

Assets and liabilities are analyzed independently, without any allocation of funds to assets. The maturity of the outstanding positions takes account of models of historical client behavior patterns (special savings accounts, early repayment, etc.), as well as assumptions relating to some aggregates (such as shareholders' equity and sight deposits). Options are analyzed through their delta equivalent, in order to ensure that they can be added to the underlying assets. The determination of gaps enables the position's sensitivity to changes in interest rates to be calculated.

The current stress-test corresponds to an immediate parallel shift of 1% in the yield curve. The impact of this scenario on the current net value of the portfolio of assets and liabilities is compared with the defined limits.

Deposits produced by retail banking activities in France are mostly considered to be fixed-rate funds, and their total exceeds the assets of a similar nature. Due to macro-hedging operations, essentially carried out through fixed-rate swaps, and on the basis of the assumptions used, Société Générale and Crédit du Nord retail banking activities sensitivity is low. Overall the retail banking sensitivity in France is less than EUR 100 million.

Transactions with large corporates are match-funded, and therefore present no interest rate risk.

Consequently, the majority of the Group's residual position is linked, on the one hand, to that part of equity reinvested in fixed-income instruments and, on the other, to foreign currency deposits held in subsidiaries or branches based in countries with weak currencies, where these deposits are not reinvested over a sufficiently long investment horizon, often due to the absence of appropriate long-dated fixed-rate instruments or hedging products such as swaps.

Société Générale's total exposure continued to represent a very small portion of the Group's equity, below the overall limit of 2.5% set by General Management.

Structural foreign exchange risks

Structural foreign exchange risks essentially arise from:

- foreign currency denominated investments in shareholdings of subsidiaries or branches financed through a purchase of the foreign currency,
- retained earnings in foreign entities,
- investments made by some entities for regulatory reasons in a currency other than one used for its funding.

Société Générale chooses to take up these positions, since Group policy is to purchase strong currencies (USD, CZK, GBP, JPY) to finance investments in shareholdings of subsidiaries or branches.

For accounting purposes, the result of these positions is booked under translation differences, which are included in shareholders' equity and therefore contribute to hedge the Group's solvency ratio against exchange rate fluctuations. The Group's aim is to render its solvency ratio insensitive to exchange rate fluctuations.

Liquidity risk

Through its retail banking activities, Société Générale has a large and diversified deposits base, which provides permanent resources to finance domestic activities, and which produces surplus liquidity. Credit transactions with international customers are financed on the large, extremely liquid deposit certificates market in the United States and on the interbank market. Securities activities mainly involve liquid securities, financed through repurchase agreements.

Due to the stability of Group resources, Société Générale has not needed to issue bonds in recent years, apart from subordinated loans or structured issues intended to meet specific commercial requirements. Similarly, use of the overnight market is deliberately restricted within limits, in order to protect the Group from very short-term risks.

Operational risks

General description

Operational risk is defined as the risk of losses resulting from unsuitable or failed internal processes, persons or systems, or caused by external events (disasters, fire, physical attacks, etc.). It includes general operational risks linked to security of IT systems, legal risks, regulatory risks and environmental risks. It incorporates risks relating to banking activities as well as strategic and reputation risks.

Traditionally, operational risk is considered as being inherent in banking activities. Its management is based on the existence of detailed procedures and ongoing monitoring by commercial and support divisions, in addition to the work carried out by the internal audit and General Inspection departments.

General Management decided to adopt a thorough and coherent approach designed to reinforce operational risk management within the Group.

This new approach corresponds to the recommendations of the Basel Committee on Banking Supervision and falls within the new regulatory requirements covering the solvency ratio to be implemented in 2006.

While relying on existing expertise, the new approach involves specific identification and evaluation of operational risk, accompanied by standardized monitoring and control procedures as well as the implementation of appropriate risk reduction measures, as necessary.

This approach lies within the context of standardized procedures, tools and methods that are defined and developed under the responsibilty of the Risk Division, but whose practical implementation is the resposibility of the commercial and support divisions.

The commercial and support divisions remain fully responsible for monitoring and controlling the operational risks they incur and for any financial consequences of these risks.

Operational risk management

So as to allow a standardized and effective approach to management of operational risks, the Group has drawn up a precise and exhaustive classification of all banking operational risks, broken down into 8 event types, as follows:

- commercial disputes,
- disputes with the authorities,
- errors in pricing or risk evaluation,
- execution errors,
- fraud and other criminal acts,
- rogue trading,
- loss of operating environment or capability,
- systems interruptions.

In addition, the Group has decided to implement tools to enable the quantitative and qualitative assessment of operational risks, including the following elements:

- a database of internal operational losses, fed by the whole Group and enabling each division to analyze the major errors or losses (profiles and trends) incurred by its activity, and to take the necessary corrective action;
- a database of external operational losses (extreme losses suffered by other banks active in the same businesses as the Group), in order to complement historical internal data;
- a qualitative method for assessing the Group's vulnerability to actual or potential residual operational risks, starting with an analysis of the intrinsic risks of each activity, complemented by a self-assessment scoring of the effectiveness of the controls over these risks;
- key indicators of operational risks, enabling potential sources of losses to be identified for each activity.

Operational risk measurement

The Group is developing operational risk measurement methodologies to put it in a position to apply the most advanced approaches when the regulatory requirements that are currently being drawn up are finalized.

Within the category of operational risks, legal risks, regulatory risks and industrial risks linked to the environment are analyzed individually below.

Legal risks

Dependency

Société Générale is not dependent on any patent or licence, nor on any industrial, commercial or financial provision contract.

Risks and litigation

At the present time, there are no extraordinary circumstances or disputes that are liable to materially affect the Group's results and financial position, and whose consequences, estimated at December 31, 2002, have not been taken into account in the Group's Financial Statements.

Adequate provision was set up at the closing of the 2002 Group's financial statement for the consequences of the notifications of tax adjustments which could affect until December 31, 2002 the results of both Société Générale and its subsidiaries included in the consolidated financial statements. Adequate provision was set up as well for the tax adjustments concerning VAT which were notified in December 2002.

On January 19, 2000, High Risk Opportunities Hub Fund Ltd, a hedge fund in receivership, represented by its receivers, brought legal action against Société Générale (and another bank), before the Supreme Court of the State of New York. This fund claimed compensation up to an amount of USD 1 billion for direct and indirect damages resulting from its liquidation alleging that the liquidation was caused by the non-execution of undelivered forward USD/RUR contracts. Société Générale considered this allegation to be unjustified. An agreement in principle on a settlement, which remains to be approved by the Court, has been entered into. A prudential provision, which had already been booked in the Group's previous financial statements, covers this amount.

On November 27, 2000, a lawsuit was filed against SG Cowen before the United States Court for the district of Massachusetts by the New England Teamsters and Trucking Industry Pension Fund. The lawsuit, which is seeking compensation in the amount of EUR 232 million for the fall in value of securities managed by SG Cowen on behalf of the Pension Fund, is currently being examined. A prudential provision has been booked in the Group's financial statements. SG Cowen has solid arguments with which to contest this charge, notably because the action is based on grievances that fall outside its contractual obligations. An insurance policy covers the risk of the court's decision possibly going against SG Cowen.

At the end of 2001 and in the early 2002, a number of Société Générale managers and executives and the company itself, were placed under investigation in relation to a money laundering case under investigation in Paris.

Like other banks working in France, Société Générale is implicated either because some checks drawn on Société Générale and considered by investigators as corresponding to money laundering transactions were paid by the bank or because they were presented by Société Générale for payment to other French banks, in its capacity as correspondent bank for some foreign banks.

The investigators contest the absence of systematic verification of checks processed, as they have done for other banks previously placed under investigation. However, no evidence suggests that a Société Générale employee or department was knowingly involved in money laundering.

Moreover, no civil action for damages has been brought against either Société Générale or its employees.

The question of the duties of banks with respect to verifying checks concerns all banking institutions in France, as well as the regulatory authorities. At the request of the French Banking Federation, a new regulation was adopted on April 26, 2002 by the Banking and Financial Regulation Committee. This regulation now imposes diligence duties to the banks regarding checks to fight against money laundering and anti-terrorism financing.

In January 2002, Société Générale was informed of a fraud committed by a former employee of the retail brokerage business of SG Cowen Securities, which was sold in October 2000. The employee was subsequently sentenced for having misappropriated assets that he managed for his successive employers over a number of years. Within this framework, a number of former SG Cowen clients have taken legal action against the different parties involved, including SG Cowen.

Société Générale is co-operating fully with the different legal and regulatory authorities involved in the matter. The necessary steps have been taken vis-à-vis the Group's insurance companies, and a provision of EUR 159 million has been booked by way of precaution, in 2002, to cover the various consequences of this affair.

Environmental risks

See page 79 of " Review 2002".

Insurance for operational risks

I – Description of insurance policies: general policy

Société Générale has a global insurance policy that consists in seeking the broadest and most comprehensive guarantees available with respect to the 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 threshold, or particular guarantees applicable to specific activities.

The contraction of the insurance market since 2001 made it more difficult to set up insurance programs adapted to the Group's requirements in 2002, a problem shared by all major companies.

While it was possible to renew most of the policies providing traditional guarantees, the difficulties experienced by insurers made it impossible to retain the level of guarantees that existed in the past, in particular those relating to financial activities.

However, in spite of insurers' reluctance to cover these risks, the Group was able to set up insurance policies that considerably exceeded the level of losses realized.

II – Description of coverage

a) General risks:

1. Buildings and their contents, including IT equipment, are insured at their replacement value. In France, the budget amounted to EUR 2.9 million.
2. Liability other than professional liability (i.e. relating to operations, senior officers, vehicles, etc.) is covered by insurance policies around the world. The amounts insured vary from country to country, but correspond to operating requirements. The budget in France amounted to EUR 1.6 million.

b) Risks arising from activity:

Insurance is only one of the ways of offsetting the consequences of the risks inherent in the Group's activity, and as such it complements the Group's risk management policy.

1. Mortgage loans:

90% of mortgage loans granted by the bank are accompanied by life insurance policies covering the borrower.

2. Theft/fraud:

These risks are included in a "global banking" policy that insures all the bank's activities around the world.

3. Professional liability:

The consequences of any lawsuits are insured under a global policy. The level of cover is the best available on the market.

4. Operating losses

The consequences of an accidental interruption in activity are insured by a global policy. This policy complements plans made with respect to continuing operations. 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 limited to counterparty risks. Since January 1998, it has been extended to cover also market risks (interest rate, exchange rate, equity price and commodity price risks).

The regulatory framework for monitoring market risk exposure allows banks to calculate their regulatory capital requirements using internal models, provided that these models meet certain criteria and reflect an adequate risk management strategy, and that the model itself has been approved by the banks' supervisory authorities. Société Générale's internal VaR model has been approved by the French Banking Commission (see section on " Market Risk Valuation Method", p.23).

Since December 31, 1998, the market risks for the majority of transactions have been calculated using this method, while the standard method is used for all other operations.

The Group's B.I.S. ratio stood at 11.13% at December 31, 2002, not including Tier-3 capital, compared with 11.49% at end-December, 2001 and 12.51% in December 2000.

Risk-based capital, risk-weighted assets and solvency ratios

(in millions of euros at December 31)	2002	2001
Risk-based capital		
Group shareholders' equity	15,734	15,750
Dividends	(853)	(850)
General reserve for banking risks	207	366
Minority interests after appropriation of net income	1,768	1,704
Preferred shares	1,668	1,890
Prudential deductions (1)	(3,265)	(3,524)
Total Tier-1 capital	**15,259**	**15,337**
Total Tier-2 capital	**9,219**	**9,178**
Other deductions (2)	**(3,621)**	**(3,446)**
Total risk-based capital	**20,857**	**21,069**
Risk-weighted assets	**187,834**	**183,431**
International solvency ratio (B.I.S. ratio)	**11.13%**	**11.49%**
Tier-1 ratio	**8.14%**	**8.36%**

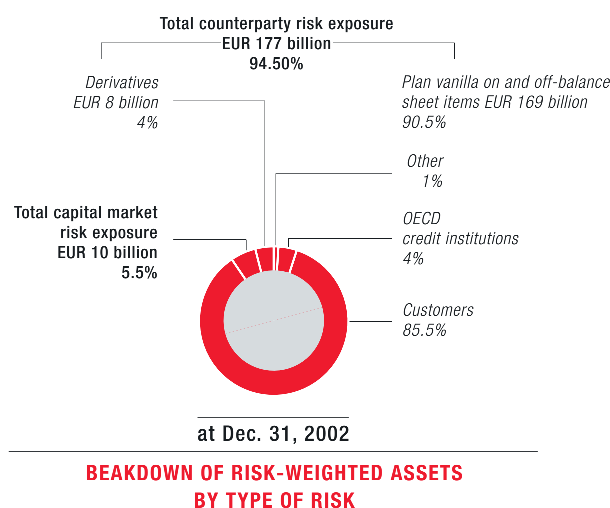
(1) Essentially goodwill and intangible assets.
(2) Holdings in non-consolidated financial companies or those accounted for by the equity method.

Group shareholders' equity at end-December 2002 totalled EUR 15.7 billion (compared with EUR 15.8 billion in 2001). After taking into account minority interests, preferred shares, the general reserve for banking risks, and prudential deductions, total Tier-1 capital stood at EUR 15.3 billion, giving a Tier-1 ratio of 8.14% at December 31, 2002 (compared with 8.36% at December 31, 2001).

Risk-weighted assets by type of activity break down as follows:

- the increase (+ EUR 4 billion) in risk-weighted assets over 2002 resulted from the rise in counterparty risk. These latter accounted for 94.5% of risk-weighted assets amounting to EUR 177 billion at December 31, 2002 (94% at December 31, 2001);
- Risk-weighted assets relating to market risk accounted for 5.5% of the total, relatively stable compared with 2001 (6%).

The credit risk on derivatives essentially relates to instruments with maturities under five years (a detailed analysis of these instruments is included in the notes to the consolidated financial statements on page 61, note 21).



BEAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK

Capital adequacy ratio
(CAD ratio)

This ratio replaced the European solvency ratio in 1996, and sets out the minimum capital required to cover counterparty and market risks.

At December 31, 2002, these risks were 154.3% covered by Group equity, excluding any Tier-3 capital (compared with 156.8% at December 31, 2001).

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

Ratio of large exposures

The ratio of large exposures is calculated on a quarterly basis, but Société Générale respects this ratio on an on-going basis:

- the total risk incurred by Société Générale in respect of any debtor taken individually does not exceed 25% of consolidated net equity;
- the total risk incurred by Société Générale in respect of all debtors which, taken individually, represent risks of over 10% of consolidated net equity, does not exceed eight times consolidated net equity.

Liquidity ratio

Société Générale's one-month liquidity ratio, which is used to monitor short-term liquidity, averaged 120% over 2002. At the end of each month in 2002, it was above the minimum regulatory requirement of 100%.

Prudential long-term
(funding ratio)

The prudential long-term ratio, which is used to determine long-term liquidity, measures receivables due in more than five years against funds with a remaining maturity of more than five years. At December 31, 2002, this ratio stood at 99.3%, above the minimum regulatory standard of 60%.

FINANCIAL STATEMENTS

Consolidated balance sheet at December 31, 2002

Assets

(in millions of euros at December 31)	2002	2001	2000
Cash, due from central banks and post office accounts	5,090	6,979	3,276
Due from banks *(Note 3)*	54,354	63,548	54,174
Customer loans (*Note 4)* *	184,642	182,738*	163,464*
Lease financing and similar agreements (*Note 5)* *	17,351	16,634*	11,369*
Treasury notes and similar securities (*Note 6)*	28,010	38,648	27,657
Bonds and other debt securities *(Note 6)*	65,295	52,361	51,568
Shares and other equity securities *(Note 6)*	35,019	37,588	41,994
Investments of insurance companies (*Note 7)*	37,257	35,361	32,618
Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments *(Note 8)*	6,267	6,479	6,291
Investments in subsidiaries and affiliates accounted for by the equity method	591	701	837
Tangible and intangible fixed assets *(Note 9)* *	5,740	5,781*	4,208*
Goodwill (*Note 10)*	2,154	2,462	400
Accruals, other accounts receivable and other assets (*Note 11)*	59,495	63,219	58,025
Total	**501,265**	**512,499**	**455,881**

Off-balance sheet items

	2002	2001	2000
Loan commitments granted *(Note 19)*	82,154	99,603	98,519
Guarantee commitments granted *(Note 19)*	48,046	35,439	38,282
Commitments granted on securities	7,206	6,359	11,649
Foreign exchange transactions *(Note 20)*	349,409	342,685	289,063
Forward financial instrument commitments *(Note 21)*	5,187,753	5,290,456	4,999,529
Insurance commitments granted	342	348	356

(The accompanying notes are an integral part of the consolidated financial statements).

* Amounts restated in relation to those given in 2000 and 2001 annual reports.

Liabilities and shareholders' equity

(in millions of euros at December 31)	2002	2001	2000
Due to central banks and post office accounts	1,478	1,847	2,890
Due to banks *(Note 12)*	69,239	85,124	83,369
Customer deposits *(Note 13)*	196,085	200,316	164,717
Securitized debt payable *(Note 14)*	77,877	62,974	50,479
Underwriting reserves of insurance companies *(Note 15)*	35,760	34,134	32,022
Accruals, other accounts payable and other liabilities *(Note 16)*	87,767	95,280	93,441
Negative goodwill *(Note 10)*	–	7	36
Provisions for general risks and commitments *(Note 17)*	2,347	2,396	2,320
Subordinated debt *(Note 18)*	11,199	10,483	9,671
General reserve for banking risks	207	366	366
Preferred shares	1,668	1,890	1,360
Minority interests	1,904	1,932	1,523
Shareholders' equity			
Common stock	538	539	529
Additional paid-in capital	3,819	3,980	3,526
Treasury stock	(924)	(1,162)	(1,064)
Retained earnings	10,904	10,239	7,998
Net income	1,397	2,154	2,698
Sub-total	**15,734**	**15,750**	**13,687**
Total	**501,265**	**512,499**	**455,881**

Off-balance sheet items

	2002	2001	2000
Loan commitments received	3,739	3,765	6,795
Guarantee commitments received	33,723	33,029	31,148
Commitments received on securities	7,185	8,279	11,021
Foreign exchange transactions *(Note 20)*	351,801	344,428	289,499
Insurance commitments received	140	117	98

(The accompanying notes are an integral part of the consolidated financial statements).

Consolidated financial statements

Consolidated income statement

(in millions of euros at December 31)	2002	2001	2000
Net interest income from:			
Transactions with banks *(Note 24)*	(1,224)	(1,318)	(1,934)
Transactions with customers (*Note 25)*	4,224	3,073	3,712
Bonds and other debt securities	1,291	1,545	798
Other interest and similar revenues	102	552	661
Net income from lease financing and similar agreements *(Note 26)*	1,374	1,234	854
Sub-total	**5,767**	**5,086**	**4,091**
Dividend income *(Note 27)*	291	211	291
Dividends paid on preferred shares *(Note 1)*	(131)	(109)	(100)
Net interest and similar income	**5,927**	**5,188**	**4,282**
Net fee income *(Note 28)*	**4,874**	**4,916**	**4,900**
Net income from financial transactions *(Note 29)*	**3,263**	**3,258**	**4,223**
Other net operating income	**390**	**512**	**394**
Gross margin of insurance business (Note 30)	*51*	*136*	*45*
Net income from other activities (Note 31)	*99*	*146*	*149*
Net banking income	**14,454**	**13,874**	**13,799**
Personnel expenses *(Note 32)*	(6,060)	(5,805)	(5,893)
Other operating expenses	(3,669)	(3,698)	(3,273)
Depreciation and amortization	(678)	(601)	(488)
Total operating expenses	**(10,407)**	**(10,104)**	**(9,654)**
Gross operating income	**4,047**	**3,770**	**4,145**
Cost of risk *(Note 33)*	(1,301)	(1,067)	(753)
Operating income	**2,746**	**2,703**	**3,392**
Net income from companies accounted for by the equity method (*Note 34)*	48	(18)	31
Net income from long-term investments *(Note 35)*	(299)	474	941
Earnings before exceptional items and tax	**2,495**	**3,159**	**4,364**
Exceptional items *(Note 36)*	(170)	(17)	(70)
Income tax *(Note 37)*	(649)	(739)	(1,357)
Amortization of goodwill	(184)	(76)	(60)
Reversal from the General Reserve for Banking Risks	159	–	–
Net income before minority interests	**1,651**	**2,327**	**2,877**
Minority interests	(254)	(173)	(179)
Net income	**1,397**	**2,154**	**2,698**
Earnings per share in euros *	**3,41**	**5,35**	**6,78**
Diluted earning per share in euros *	**3,41**	**5,35**	**6,74**

(The accompanying notes are an integral part of consolidated financial statements).

* Earnings per share (EPS) are calculated on the basis of the average number of outstanding shares over the financial year, after deducting treasury stock from shareholders' equity.
Diluted EPS also takes into account the existence of stock options that have been awarded but not yet exercised, and excludes Société Générale shares held on an escrow account to be used to make possible adjustments to the acquisition price paid for TCW.

Changes in shareholders' equity

(in millions of euros)	Common stock and additional paid-in capital (1)	Treasury stock & assimilated(2)	Retained earnings	Revaluation and reassessment reserves	Shareholders' equity
Balance at December 31, 2000	**4,055**	**(1,064)**	**10,281**	**415**	**13,687**
Increase in common stock (1)	460				460
Net income for the period			2,154		2,154
Dividends paid			(847)		(847)
Revaluation and reassessment reserves				(18)	(18)
Treasury stock (2)		35	121		156
Société Générale shares in escrow account (2)		(133)			(133)
Translation differences and other (4)			44		44
Restatement of underwriting reserves of insurance companies (5)			243		243
Goodwill charged	4				4
Balance at December 31, 2001	**4,519**	**(1,162)**	**11,996**	**397**	**15,750**
Increase in common stock (1)	(163)				(163)
Net income for the period			1,397		1,397
Dividends paid			(871)		(871)
Revaluation and reassessment reserves				(15)	(15)
Treasury stock (2)		222	17		239
Société Générale shares in escrow account (2)		16			16
Translation differences and other (4)			(558)		(558)
Restatement of underwriting reserves of insurance companies (5)			(61)		(61)
Goodwill charged					–
Balance at December 31, 2002	**4,356**	**(924)**	**11,920**	**382**	**15,734**

(in millions of euros)	Shareholders' equity	General reserve for banking risks (6)	Minority interests	Preferred shares (3)	Total equity
Balance at December 31, 2000	**13,687**	**366**	**1,523**	**1,360**	**16,936**
Increase in common stock	460				460
Net income for the period	2,154		173		2,327
Dividends paid	(847)		(123)		(970)
Revaluation and reassessment reserves	(18)				(18)
Treasury stock	156				156
Société Générale shares in escrow account (2)	(133)				(133)
Translation differences and other (4)	44		359	530	933
Restatement of underwriting reserves of insurance companies (5)	243				243
Goodwill charged	4				4
Balance at December 31, 2001	**15,750**	**366**	**1,932**	**1,890**	**19,938**
Increase in common stock (1)	(163)				(163)
Net income for the period	1,397		254		1,651
Dividends paid	(871)		(133)		(1,004)
Revaluation and reassessment reserves	(15)				(15)
Treasury stock (2)	239				239
Société Générale shares in escrow account (3)	16				16
Translation differences and other (4)	(558)	(159)	(149)	(222)	(1,088)
Restatement of underwriting reserves of insurance companies (5)	(61)				(61)
Goodwill charged	–				–
Balance at December 31, 2002	**15,734**	**207**	**1,904**	**1,668**	**19,513**

(1) At December 31, 2002, Société Générale's fully paid-up capital stock amounted to EUR 537,712,831 and was made up of 430,170,265 shares with a nominal value of EUR 1.25.
During the first half of 2002, Société Générale reduced its capital stock by EUR 9 million through the cancellation of 7,200,000 shares, together with EUR 429.4 million of additional paid-in capital.
Furthermore, Société Générale carried out capital increases for a total amount of EUR 7.3 million, with EUR 268.2 million of additional paid-in capital, as follows :
- EUR 6.1 million, with EUR 252.7 million of additional paid-in capital, was the result of employees subscribing for shares under the Employee Share Ownership Plan;
- EUR 1.2 million, with EUR 15.5 million of additional paid-in capital, resulted from the exercise by employees of options granted by the Board of Directors.

Goodwill on acquisitions that were financed by the conversion into shares of the convertible bonds issued in May 1993 were charged in 1998 against the additional capital arising on this capital increase, in proportion to the part of the total acquisition cost covered by the capital increase.
If the goodwill relating to these transactions had not been charged against shareholders' equity, it would have given rise to an amortization expense of EUR 35.3 million for the 2002 financial year and an exceptional amortization expense of EUR 23.1 million. It would have been booked on the assets side of the consolidated balance sheet for a net amount of EUR 178 million at December 31, 2002.

(2) Treasury stock held by Group companies at December 31, 2002 (20,416,951 shares; EUR 807.5 million) represented 4.75% of Société Générale's capital stock. The change in treasury stock breaks down as follows:
- 7,200,000 shares were cancelled for a total amount of EUR 438.4 million;
- Société Générale bought back its own shares for a net amount (after deduction of disposals) of EUR 216.3 million.

Net capital losses on treasury stock have been charged against the shareholders' equity for an amount of EUR 2 million. Dividend income on these shares (EUR 18.9 million) has been eliminated from consolidated income.
Moreover, the 2,116,427 Société Générale shares deposited in an escrow account to enable possible adjustments to the acquisition price paid for TCW were deducted from shareholders' equity for an amount of EUR 117.4 million at December 31, 2002. The percentage of treasury stock does not take into account these shares.

(3) In 1997, Société Générale issued USD 800 million of preferred shares in the United States through its subsidiary SocGen Real Estate Company LLC.
Société Générale repeated this operation in 2000 by issuing EUR 500 million of preferred shares through its subsidiary SG Capital Trust, and in 2001 by issuing USD 425 million through SG Americas.
These preferred shares are included in Tier-one capital for the purpose of determining Société Générale's prudential ratios.

(4) In accordance with the new accounting standards applicable to insurance companies, a significant part of the capitalization and equalization reserves of the Group's two insurance subsidiaries, Sogécap and Généras, were restated in 2001 for a total amount of EUR 243 million. The balance of the capitalization reserves not assigned to the provision for deferred policy owner benefits was reincorporated into shareholders' equity.
In 2002, drawing on stochastic models available since the end of the financial year, the recalculation of the capitalization reserve draw-down probabilities over a 4-year period led to an adjustment in the amount of EUR 60.6 million being made to the provisioning requirement initially calculated with respect to deferred policy owner benefits.
The correction of this error was booked under shareholders' equity, in the same way as the reclassification carried out on January 1, 2001.

(5) At December 31, 2002 currency translation differences related to foreign branches of Group banks and consolidated companies within the euro zone amounted to EUR –4 million.

(6) A reversal of EUR 159 million was made from the General Reserve for Banking Risks to cover charges and allowances linked to a fraud affecting Cowen's former private client brokerage division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Significant accounting principles

The consolidated financial statements of the Société Générale Group for the 2002 financial year have been drawn up in accordance with the provisions of Regulation 99-07 of the French Accounting Regulation Committee *(Comité de la réglementation comptable)* on the consolidation rules applicable to companies that come under the French Banking and Financial Regulation Committee *(Comité de la réglementation bancaire et financière).*

The presentation of the financial statements complies with the provisions of Regulation 2000-04 of the French Accounting Regulation Committee concerning consolidated financial statements produced by companies that come under the French Banking and Financial Regulation Committee.

Income and expenses booked on the income statement are classified by type of instrument rather than by purpose.

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

Consolidation principles

Consolidation methods

The consolidated financial statements are established on the basis of the financial statements of Société Générale and of all significant subsidiaries over which Société Générale exercises control. Companies with a fiscal year ending more than three months before or after that of Société Générale prepare pro-forma statements for a twelve-month period ended December 31.

The following consolidation methods are used:

Full consolidation

This method of consolidation applies to companies over which Société Générale exercises sole control and which are involved in banking and finance activities, or activities directly linked to the same (insurance, property development, computer equipment leasing, vehicle leasing, oil trading).

Sole control over a subsidiary is defined as the power to dictate the financial and operating policies of the said subsidiary. It is achieved:

- either by directly or indirectly holding the majority of voting rights in the subsidiary;
- or by appointing for two successive financial years the majority of the members of the board of directors, executive committee or supervisory board of the subsidiary; the Group is assumed to have appointed the said majority when it has held directly or indirectly during this period over 40% of the voting rights in the said subsidiary and no other partner or shareholder has held directly or indirectly a proportion of the voting rights greater than its own;
- or by the ability to exercise a controlling influence over a subsidiary under the terms of a contract or in accordance with the subsidiary's by-laws, when the applicable law allows the same and the Group is a shareholder in or partner of the said subsidiary; controlling influence is understood to exist as soon as the Group has the possibility to draw on or decide on the use of the assets, liabilities and off-balance sheet items of the said subsidiary in the same way that it can make use of these items in subsidiaries under its sole control. In the absence of such contracts or by-laws, controlling influence over a credit institution or investment company is also assumed to exist when the Group holds at least 20% of the voting rights and no other shareholder or group of shareholders holds a proportion of the voting rights greater than its own.

However, only companies that make a significant contribution to the Group accounts, and in particular those companies with total assets in excess of 0.02% of total Group assets or in which the shareholders' equity held by the Group is in excess of 0.10% of Group shareholders' equity, are fully consolidated.

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 partners or shareholders for exercising control over the economic activity of the said subsidiary and taking any strategic decisions.

Equity Method

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

However, only companies in which Société Générale's share of the net worth exceeds 0.10% of Group shareholders'equity, are consolidated by the equity method.

Specific treatment for special purpose vehicles

The independent legal entities ("special purpose vehicles") that are controlled in substance by the Group are consolidated even in cases where the Group holds none of the capital in the entities.

Regulation 99-07 of the French Accounting Regulation Committee defines three criteria that must be considered in order to determine the existence of such control, but states that each of them taken independently is not sufficient to prove the control. These three criteria are:

– the management and decision-making power over the ordinary activities of the entity;

– the ability to receive the majority or all of the entity's earnings;

– the exposure to the majority of the risks related to the entity.

The existence of an "autopilot" mechanism does not presuppose effective control. For special purpose vehicles involved in securitization transactions carried out under the provisions of the law No.88-1201 of December 23, 1988 related to mutual funds and securitization vehicles *(fonds communs de créances)*, or under the provisions of an equivalent foreign regulation, the only criterion to be considered for assessing the control is that relating to management and decision-making power.

The French Securities and Exchange Commission *(Commission des Opérations de Bourse)* and the French Banking Commission *(Commission Bancaire)* issued a joint opinion at the end of 2002 setting out their interpretation of the aforementioned regulatory provisions. Pursuant to this opinion, two special purpose vehicles dedicated to arbitrage transactions were consolidated in the Group's accounts as of the fourth quarter of 2002, even though they only meet one of the three criteria given in Regulation 99-07.

Translation of foreign currency financial statements

The on- and off-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 average exchange rates for the year. Gains and losses arising from the translation of capital, reserves, retained earnings and income are included in shareholders' equity under *Translation differences.* Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in shareholders' equity under the same heading.

In accordance with Recommendation 98-01 of the French National Accounting Standards Board *(Conseil national de la comptabilité)*, translation differences relating to subsidiaries and branches in the euro zone are retained in shareholders' equity, and are only recognized on the income statement in the event that the said entities are sold.

The financial statements of companies operating in countries with high inflation are restated to reflect the value of their currency at year-end. The corresponding gain or loss on the net monetary assets of these companies is included in the determination of net income, while gains or losses on net non-monetary assets are included in shareholders' equity. Balance sheet, off-balance sheet and income statement items,

restated as described above, are translated at the official exchange rate at closing of the accounts.

Significant adjustments made for consolidation

The main restatements made in drawing up the consolidated accounts are as follows:

Treatment of acquisitions and goodwill

The difference between the purchase price and the share of net assets acquired is allocated in the first instance to identified on- and off-balance sheet items. The analyses and appraisals required to establish the initial valuation of these items, together with any subsequent adjustments made in the light of new information, can be carried out at any time up to the closing of the first full financial year following the acquisition. Any changes made to the book values of the identified items are charged against the gross goodwill and the corresponding accrued amortization expenses are adjusted accordingly.

Goodwill, which is carried on the assets or liabilities side of the consolidated balance sheet, represents the balance of non-allocated differences. Goodwill is recorded in the local currency of the acquired entity, and translated at the official exchange rate at closing of the accounts. Goodwill is amortized according to a predefined plan over a set period according to the assumptions used and objectives set at the time of the acquisition, and which cannot in any event exceed 20 years. In the event of significant unfavorable changes to the items used to determine the amortization plan, either the said plan is amended accordingly or an exceptional amortization expense is booked.

The goodwill booked on acquisitions made before January 1, 2000 and financed through capital increases are charged against the additional paid-in capital, in proportion to the part of the total purchase price covered by the capital increase. Regulation 99-07 no longer permits this method to be applied as of January 1, 2000 but does not oblige a retroactive restatement of transactions concluded before this date.

In the event of the full or partial disposal of companies acquired in this way, the corresponding goodwill, which was originally charged against capital, is used to adjust the capital gain or loss on disposal on the consolidated income statement, after deducting any amortization that should have been booked up to the date of disposal if this goodwill had been kept on the assets side of the consolidated balance sheet.

Revaluation reserves

This caption includes differences which arise from:

- the statutory asset revaluations carried out in France in 1977 and 1978,
- restructuring operations and intercompany transfers of assets carried out up to December 31, 1991.

On January 1, 1987, following a series of mergers and spin-offs benefiting from preferential taxation treatment under article 210 A of the French Tax Code, Société Générale reorganized its major shareholdings into four holding companies (Généval, Généfitec, Généfimmo and Généfinance).

Securities held by these companies are valued using the methods described below in the *"Securities Portfolio"* section. Any necessary provisions are first deducted from the related revaluation reserve in the amount of the capital gain realized on the transfer. The net allocation for the year is therefore calculated in relation to the original cost of the securities.

Revaluation reserves resulting from intercompany profits on transfers of fixed assets subject to depreciation are recognized on the income statement in proportion to the additional depreciation booked by the company acquiring the asset.

Similarly, when such assets are sold to third parties, the corresponding share of the revaluation reserve is credited to income. The profit or loss on disposal is determined by reference to the historical cost of the assets (less depreciation and allowances, which are themselves determined by reference to historical cost).

Reassessment reserves

Intercompany transfers involving most of Société Générale's offices and other premises took place during 1992. These assets, which were previously held by the Parent Company and certain real estate subsidiaries, were transferred to wholly-owned subsidiaries, which are included in the tax consolidation.

Capital gains recorded by the contributing companies in their non-consolidated financial statements were eliminated when determining consolidated net income. These gains, net of the related deferred taxation, are included in Reassessment reserves in accordance with Directive 91-06 of the French Banking Commission.

The reassessment reserve is recorded in accordance with the same principles as those described above for revaluation

reserves. Société Générale's proprietary real estate assets were written down in line with current market values, and the provisions were first charged against reassessment reserves, reversing the accounting treatment used in 1992. Deferred taxes relating to these residual reserves were adjusted accordingly.

Deferred taxes

Deferred taxes resulting from consolidation adjustments are determined separately for each taxable entity, by reference to its own tax position.

Full consolidation of insurance companies

The accounting principles specific to insurance activities have been maintained in the Group's consolidated accounts, with the exception of the valuation method used to assess the provision for early redemption risk, as described hereafter.

Regulation No. 2000-05 of the French Accounting Regulation Committee on the consolidation rules applicable to companies governed by the Insurance Code has been in force as of January 1, 2001. The principal change introduced by this regulation has been the reclassification of the majority of capitalization and equalization reserves recognized in the individual accounts of insurance subsidiaries, amounting to EUR 243 million, under shareholders' equity. The residual amount of the capitalization reserve has been reclassified under the provision for deferred policy owner benefits. In 2002, using stochastic valuation models available at year-end and based on the parameters determined at the end of 2000, the recalculation of the capitalization reserves draw-down probabilities over a 4-year period has led to an adjustment of EUR 60.6 million in the provision for deferred policy owner benefits. This correction has been recorded under shareholders' equity, in the same way as the reclassification made on January 1, 2001.

The constituent items of insurance companies that are consolidated by either the full or proportionate method are presented under the same heading on the consolidated balance sheet, off-balance sheet and income statement, with the exception of the following items, which are posted in distinct rows in the consolidated financial statements:

Net investments of insurance companies

The investments of insurance companies include investments held to guarantee unit-linked policies, as well as other investments made to back life insurance policies and other insurance policies. Investments in the form of securities issued by companies consolidated in the Group accounts are eliminated.

Investments held to guarantee unit-linked policies are marked to market; the total value of these securities corresponds to the total insurance liabilities.

Property investments are recorded at their purchase price, less acquisition costs and taxes, and inclusive of the cost of any building or renovation work; buildings are depreciated using the straight-line method over their estimated economic life. A provision for depreciation is booked in the event of a lasting and significant fall in the value of the buildings.

Bonds and other debt securities are stated at cost, exclusive of accrued interest and acquisition costs. If the redemption value of the security differs from the purchase price, the difference for each line of securities is amortized to income using an actuarial method over the term to maturity of these securities. A provision for depreciation is booked if there is a risk that the debtors will be unable to repay the principal or honor the interest payments.

Shares and other equity securities are booked at their purchase price, exclusive of costs. A provision for depreciation is booked in the event of a sustained fall in the value of the securities as determined on the basis of the estimated recoverable value.

Provisions for early redemption risk are intended to cover the risk of insufficient investment liquidity in the event of a change in the claims experience. They serve to cover the risk of realizing capital losses on securities that come under Article R332-20 of the Insurance Code (principally shares, units in undertakings for collective investment in transferable securities and buildings). The economic valuation of this risk is based on forward-looking simulations of forced sales of securities by the insurance subsidiaries in a worst-case scenario where the policies are closed to new business and conservative estimates of buyback rates. The provisions are booked for the discounted amount of forecast capital gains or losses, to which an additional safety margin is applied.

Underwriting reserves of insurance companies

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

Underwriting reserves for unit-linked policies are valued at the end of the financial year on the basis of the market value of the assets underlying these policies.

Life insurance underwriting reserves principally comprise mathematical reserves, which correspond to the difference between the current value of commitments respectively made 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.

Gross margin of insurance businesses

The banking account classification by type of income and expense item is used in place of the insurance companies' classification by destination. The item *Gross margin of insurance businesses* is made up of the following technical income and expense items, after reclassification by type of other technical income and expense items and elimination of intercompany items: premiums or contributions that are earned, paid or accrued, cost of benefits, net of disposals and retrocessions, including fluctuations in reserves, and net income from allocated investments.

Accounting principles and valuation methods

In accordance with the accounting principles applicable to French banks, the majority of transactions are recorded using valuation methods that take into account the purpose for which they were made.

In financial intermediation transactions, assets and liabilities are carried at historical cost, and provisions are booked where counterparty risks arise. Revenues and expenses arising from these transactions are recorded over the life of the transaction in accordance with the time period concept. Transactions on financial futures carried out for hedging purposes or to manage the bank's overall interest rate risk are accounted for using the same principles.

Trading transactions are generally marked to market at year-end, except for loans, borrowings and short-term investment securities, which are recorded at their face value (see below). When instruments are traded on illiquid markets, the market value used is reduced for reasons of prudence. Moreover, a provision for risks is booked to cover valuations established on the basis of in-house models (Reserve Policy), which is determined according to the complexity of the model used and the life of the financial instrument.

Amounts due from banks, customer loans, guarantees and endorsements

Amounts due from banks and customer loans are classified according to their initial duration and type into: demand deposits (current accounts and overnight transactions) and term deposits in the case of banks; and commercial loans, overdrafts and other loans in the case of customers. They also include securities purchased from banks and customers under resale agreements and loans secured by notes and securities.

Only amounts due and customer loans which meet the following criteria are offset on the balance sheet: those with the same counterparty, due date, currency, and accounting entity, and those for which an agreement exists with the counterparty allowing the Group to combine the accounts and exercise the right of offset.

Interest accrued on these receivables is recorded with these assets as *Related receivables.*

Guarantees and endorsements booked off-balance sheet represent transactions that have not yet given rise to cash movements, such as irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

Where there is a risk that borrowers may not be able to honor a part or all of their liabilities or commitments, a provision for doubtful loans or for risks is charged against income. In accordance with the recommendations of the French Banking Commission, loans and commitments for which a payment is more than three months overdue (six months in the case of real estate loans) are reclassified as doubtful or contested, and a provision is booked to cover the depreciation. Furthermore, interest on doubtful loans is fully provisioned for. Provisions, write-backs of provisions, losses on bad debts and recovery of depreciated debts are recorded under the heading *Cost of risk*, with the exception of net provisions for interest on doubtful loans, which are recognized with the doubtful loans in *Net banking income.*

The provisions booked on loans made to the real estate industry (and all real estate assets) are valued on the basis of the type of program involved as follows:

Real estate development and major renovation projects

Provisions are made based on regularly revised estimates of losses on completion, which take into account market prices and the time necessary for constructing and/or selling the property, as observed in the market for new property.

Completed buildings

Completed buildings are valued based on the rental yield, or their market value, determined if necessary on the basis of expert appraisals.

Lease financing and similar agreements

This item includes financing leases, lease-purchase agreements, and similar agreements under which lessor does not intend to keep the asset at the end of the lease.

Fixed assets under pure rental agreements are booked with non-operating assets in the account *Tangible and intangible fixed assets.*

Assets subject to financing leases, lease-purchase agreements or similar agreements are carried on the consolidated balance sheet at their financial value, that is, total future lease payments receivable, less the interest included in these payments. These amounts are substituted for those determined for tax purposes, and the difference, net of deferred taxes, is included in the consolidated reserves.

Interest accrued included in lease payments not yet due is recorded with the underlying assets as *related receivables.* Provisions are booked for doubtful financing leases and similar agreements in the same manner as amounts due from banks and customer loans.

In order to harmonize the accounting principles applied to operational leasing transactions, following recent acquisitions made by the Group, the following changes have been applied as of January 1, 2002: the acquisition cost of leased vehicles is now amortized on a straight-line basis over the life of the contract and no longer over the estimated useful life of the vehicles; similarly, all rebates granted by car manufacturers on the purchase price of the leased vehicles (volume discount) are spread out over the life of the contracts, whereas previously they could be booked immediately under income. The impact of these changes in methodology on the consolidated net worth at January 1, 2002 was recorded under shareholders' equity in the amount of EUR 16.2 million, net of tax effects.

Securities portfolio

Securities are classified according to:

- their type: public notes (Treasury notes and similar securities), bonds and other debt securities (negotiable debt instruments, interbank certificates), shares and other equity securities;
- the purpose for which they were acquired: trading, short-term investment or long-term investment.

All securities in each category are accounted for using similar methods, as follows:

Trading securities

Trading securities are securities for which there exists a liquid market and which are acquired with a view to rapid resale (within a maximum period of six months). They also include securities that are held for a period of over six months in the context of market-making activities or in relation to a hedging or arbitrage transaction. They are valued at market price at year-end. Net unrealized gains or losses, together with net gains or losses on disposals, are recognized on the income statement under *Net income from financial transactions.* Coupon payments received on fixed-income securities in the trading portfolio are recorded on the income statement in the account *Net interest income from bonds and other debt securities.*

Short-term investment securities

Short-term investment securities are all those intended to be held for more than six months, except for those classified as long-term investment securities (see below).

Shares and other equity securities

Equity securities are carried on the balance sheet at cost excluding acquisition expenses, or at contribution value. At year-end, cost is compared to realizable value. For listed securities, realizable value is defined as the most recent market price. Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, without the said provision being set off against any unrealized capital gains. Income from these securities is recorded in *Dividend income.*

Bonds and other debt securities

These securities are carried at cost excluding acquisition expenses and, in the case of bonds, excluding interest accrued and not yet due at the date of purchase. The positive or negative difference between cost and redemption value is amortized to income over the life of the securities concerned. Accrued interest receivable on these securities is recorded

with the underlying assets as *Related receivables*. Income from these securities is included in *Net interest income from bonds and other debt securities.*

At year-end, cost is compared to realizable value or, in the case of listed securities, to the most recent market price. Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, after recognizing gains made on any related hedging transactions.

Allocations to and reversals of provisions for losses on short-term investment securities, together with capital gains and losses on sales of these securities, are recorded under *Net income from financial transactions* on the consolidated income statement.

Long-term investment securities

Long-term investment securities are debt securities that the Group intends to hold on a long-term basis, in principle until maturity, and where the Group has the necessary means to:

– either permanently hedge its position against a possible depreciation in the securities due to interest rate fluctuations, using interest rate futures;

– or hold the securities on a long-term basis by obtaining funds, including available capital, which are matched and used to finance these securities.

When the interest rate or liquidity matching no longer complies with the regulations set by the French Banking Commission, the securities are reclassified as short-term investment securities.

Long-term investment securities are booked following the same principles as those applied to short-term investment securities, except that no provision is made for unrealized losses at the closing of the financial year, unless there is a strong probability that the securities will be sold in the short term, or unless there is a risk that the issuer will be unable to redeem them.

Allocations to and reversals of provisions for losses on long-term investment securities, together with capital gains and losses on sales of these securities, are recorded under *Net income from long-term investments* on the consolidated income statement.

Shares intended for portfolio activity

This category of securities covers investments made on a regular basis with the sole aim of realizing a capital gain in the medium term and without the intention of making a long-term investment in the development of the issuing company's business, nor of participating actively in its operational management. The profitability of these investments results principally from the capital gains realized on disposal. This activity is carried out on a significant and ongoing basis through ad hoc subsidiaries or structures. This category notably includes shares held in the context of a venture capital activity.

These securities are recognized on the balance sheet at their purchase price, less acquisition costs. At the closing of the financial year, they are valued at their value in use determined on the basis of the issuing company's general development prospects and the remainder of the investment horizon (for listed companies, the average share price over the last three months is considered as representative of the value in use). Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, without the said provision being set off against any unrealized capital gains. Allocations to and reversals of provisions for depreciation, as well as any capital gains or losses realized on the disposal of these securities, including any profit or loss from tendering these securities to public share exchange offers, are booked under *Net income from financial transactions.*

Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments

This category of securities covers shares held in non-consolidated subsidiaries and affiliates, when it is deemed useful to the business of the company to hold the said shares in the long term. This notably covers investments that meet the following criteria:

– shares in companies that share directors or senior managers with the holding company, under circumstances where an influence can be exercised over the company in which the shares are held;

– shares in companies that belong to the same group controlled by individuals or legal entities, where the said persons or entities exercise control over the Group and ensure that decisions are taken in unison;

– shares representing more than 10% of the voting rights in the capital issued by a credit institution or a company whose business is directly linked to that of the Group.

This category also includes other long-term equity investments, comprising equity investments made by the Group with the aim of developing ongoing professional relations by creating a privileged link with the issuing company but without exercising any influence on the management of the company due to the low proportion of voting rights attached to the shares held.

Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments are recorded at their purchase price exclusive of acquisition costs or, in the case of securities subject to a revaluation as described above under *Revaluation reserves,* at their new value. Dividend income earned on these securities is booked on the income statement under *Dividend income.*

At closing of the financial year, investments in non-consolidated subsidiaries and affiliates are valued at their value in use, representing the price the company would accept to pay to obtain the said securities if it had to acquire them in view of its investment objective. This value is estimated on the basis of various criteria, such as shareholders' equity, profitability, and the average share price over the last three months. The three-month average share price is the dominant criterion for holdings in the Group's industrial equity portfolio. Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses. Allocations to and reversals of provisions for depreciation, as well as any capital gains or losses realized on the disposal of these securities, including any profit or loss from tendering such securities to public share exchange offers, are booked under *Net income from long-term investments.*

Premises, equipment and other fixed assets

Premises, equipment and other fixed assets are carried at their purchase price or, in the case of investments which have been revalued as described above under *Revaluation reserves*, at the revalued amounts.

In general, depreciation is calculated using the straight-line or diminishing balance method over the estimated useful life of the asset, as follows:

Buildings	20-35 years
Improvements	10 years
Office equipment and furniture	10 years
Other equipment and vehicles	4 or 5 years
Purchased software	3 to 5 years

This item includes assets leased under pure rental agreements.

Amounts due to banks, customer deposits

Amounts due to banks and customer deposits are classified according to their initial duration and type into: demand (demand deposits and current accounts) and term deposits and borrowings in the case of banks; and into special 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 deposits is recorded with these liabilities as *Related payables.*

Securitized debt payables

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

Interest accrued is recorded with the underlying liabilities as *Related payables.* Bond issuance and redemption premiums are amortized using the straight-line or actuarial method over the life of the related borrowings. The resulting expense is recorded in *Net interest income from bonds and other debt securities.*

Bond issuance costs are deferred and amortized on a straight-line basis over the life of the bonds. The corresponding amortization expense is booked on the income statement under *Net interest income from other interest and similar revenues.*

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 shown with the underlying liabilities as *Related payables.*

Provisions for general risks and commitments

These provisions include:

– provisions for country risks, which are made on a lump-sum basis based on estimates by Société Générale of its risks on the related countries and on debtors located in these countries at the balance sheet date, using criteria such as estimates of the country's economic, financial, social and political situation, or the discount rate on the secondary market,

– provisions for guarantees and endorsements,

– provisions for contingencies and disputes.

A description of contingencies and disputes is provided in the Risk Management Report.

Regulation 2000-06 of the French Accounting Regulation Committee on liabilities is applicable to financial statements covering periods beginning on or after January 1, 2002. In accordance with this regulation, provisions for general risks and commitments are now defined as liabilities without a precisely defined amount or due date; a liability represents an obligation of the entity towards a third party that will probably or necessarily lead to a transfer of funds to the third party, without compensation for at least an equivalent amount being expected from this third party. This new definition had no impact on the amount of provisions for general risks and commitments booked on the liabilities side of the consolidated balance sheet at the beginning of 2002.

A provision had been booked on December 31, 1999 for the costs relating to the second stage of the introduction of the euro in 2002 and had been readjusted on December 31, 2000 and December 31, 2001. In accordance with the recommendation made by the French National Accounting Standards Board, this charge related to additional expenses to be incurred as a result of this change over the period 2001 through 2002. On December 31, 2002, this provision was fully reversed.

Regulation 99-06 of the French Banking Regulation Committee defines the funds necessary for the deposit guarantee fund. These resources comprise certificates of association acquired by each entity, together with annual subscription fees. Regulation 99-08 of the same Committee set the total amount of these subscription fees, which were payable over the period 1999 through 2002 in order to endow the fund. Half of the said fees were paid in the form of guarantee deposits. Certificates of association and guarantee deposits are booked on the balance sheet under other receivables. The annual fees are recorded under exceptional items, and a provision was booked at the end of 1999 for all fees to be paid by Group companies over the 2000-2002 period.

A provision was booked in 2002 in relation to the agreement on early retirement signed by Société Générale, which came into force on January 1, 2002. The cost attached to employees taking early retirement, as calculated using an actuarial cost method, is averaged over the remaining service life of the employees in question, until March 31, 2006, when the agreement expires.

General reserve for banking risks

In accordance with Regulations 90-02 and 92-05 of the French Banking Regulation Committee, a General reserve for banking risks was set up in 1993 via a transfer from the general reserve for country risks, net of related deferred taxes. An additional allocation was made to this fund in 1996.

During the 2002 financial year, SG Cowen recorded a charge and an exceptional provision intended to cover the various consequences of a fraud committed over a period of ten years, which affected the former private client brokerage division of this company. This activity was acquired with Cowen & Company in 1998 and was subsequently sold in 2000. Insofar as this fraud does not relate to the day-to-day management of one of the Group's operating activities but instead to a business that has since been sold and essentially concerns a period prior to the Group's acquisition of the business, these charges were booked under exceptional items. In light of the nature of these charges, a reversal was made from the General reserve for banking risks in the same amount.

Preferred shares

In the second half of 1997, Société Générale issued USD 800 million in preferred shares through a wholly-owned US subsidiary. These non-voting securities are entitled to a fixed non-cumulative dividend equal to 7.64% of nominal value. This dividend is payable semi-annually by decision of the subsidiary's Board of Directors.

In the first half of 2000, Société Générale issued EUR 500 million in preferred shares through a wholly-owned US subsidiary. These securities are entitled to a fixed non-cumulative dividend equal to 7.875% of nominal value payable annually, with a step-up clause that comes into effect after 10 years.

In the fourth quarter of 2001, Société Générale issued USD 425 million in preferred shares through a wholly-owned US subsidiary. These securities are entitled to a non-cumulative dividend payable quarterly (USD 335 million paying a fixed rate of 6.302% and USD 90 million paying a variable rate of Libor + 0.92%), with a step-up clause that comes into effect after 10 years.

Dividend income is charged to the item *Dividends paid on preferred shares*. Preferred shares are included in Tier-one capital for the purpose of determining Société Générale's prudential ratios.

Treasury stock

In accordance with the provisions of Recommendation No. 00-05 of the French National Accounting Standards Board relating to the recognition in the accounts of treasury stock held by companies governed by the French Banking and Financial Regulation Committee, Société Générale shares acquired by the Group with a view to allocating the same to employees are booked as short-term investment securities (treasury stock) on the assets side of the balance sheet.

Société Générale shares held with a view to underpinning the share price or as part of arbitrage transactions on the CAC 40 index are booked under trading securities.

Other Société Générale shares, and in particular those held by certain Group companies for purposes of control or cancellation, are deducted from capital and reserves when determining shareholders' equity.

Transactions denominated in foreign currencies

Gains and losses arising from ordinary activities in foreign currencies are booked on the income statement. In accordance with Regulation 89-01 of the French Banking Regulation Committee, outright forward foreign exchange transactions and those used to hedge other forward foreign exchange transactions are valued on the basis of the forward foreign exchange rate of the currency involved for the remaining maturity. Spot and other forward foreign exchange positions are revalued on a monthly basis using official month-end spot rates. Unrealized gains and losses are recognized on the income statement. Premiums and discounts resulting from hedged forward foreign exchange transactions, as defined by article 9 of the above-mentioned regulation, are amortized to income on a straight-line basis over the remaining term to maturity of these transactions.

Forward financial instruments

Forward financial instruments relating to interest rates, currencies or equities are used for trading and hedging purposes and are accounted for in compliance with Regulations 88-02 and 92-04 of the French Banking Regulation Committee and Directive 88-01 of the French Banking Commission. Nominal commitments on forward financial instruments are posted as a distinct off-balance sheet item. The nominal contract value represents the volume of outstanding transactions and reflects neither the market risk nor the counterparty risk on such transactions.

Accounting income or expense on these instruments depends on the purpose for which the transaction was concluded, as follows:

Hedging transactions

Revenues and expenses on forward financial instruments used as a hedge, and assigned from the outset to an identifiable item or group of similar items, are recognized in the income statement in the same manner as revenues and expenses on the hedged item. Revenues and expenses on interest rate instruments are booked as net interest income in the same interest income or expense account as the items hedged. Revenues and expenses on other instruments such as equity securities, stock market indices or currencies are booked as net income from financial transactions in the account *Net income from forward financial instruments.*

Revenues and expenses on forward financial instruments used to hedge or manage an overall interest rate risk are recognized in the income statement over the life of the instrument as net income from financial transactions in the account *Net income from forward financial instruments.*

Trading transactions

Trading transactions include instruments traded on organized or similar markets and other instruments, such as credit derivatives and composite option products, which are included in the trading portfolio although they are traded over-the-counter on less liquid markets, together with debt securities with a forward financial instrument component, as soon as this classification in the accounts most appropriately reflects the results and associated risks. Trading transactions are marked to market at year-end; in the absence of a liquid market, this value is generally determined on the basis of in-house models. Where necessary, these valuations are adjusted for reasons of

prudence by applying a discount (Reserve Policy). This discount is determined on the basis of the instruments concerned and the associated risks, and takes into account:

- a conservative valuation of all the instruments, regardless of the liquidity of the corresponding market,
- a reserve calculated according to the size of the position and intended to cover the risk that the Group will be unable to liquidate the investment in one go due to the size of the holding,
- an adjustment for the reduced liquidity of instruments and modeling risks in the case of complex products, as well as transactions on less liquid markets (less liquid since they have developed recently or are more specialized).

Furthermore, for over-the-counter transactions on forward interest rate instruments, the market value recognizes counterparty risks and the discounted value of future management costs.

The corresponding gains or losses are directly booked as income for the period, regardless of whether they are realized or unrealized. They are recognized on the income statement as *Net income from financial transactions.*

Gains or losses corresponding to contracts concluded within the scope of cash management activities managed by the trading room, in order to benefit from any interest rate fluctuations, are recorded when liquidated or over the life of the contract, depending on the type of instrument. A provision is made for unrealized losses at year-end and the corresponding amount is booked under *Net income from financial transactions.*

Personnel expenses

This item includes all expenses related to personnel, notably the cost of the legal employee profit sharing and incentive plans for the financial year, as well as the cost of internal restructuring operations.

A provision is booked to cover stock options or shares allocated to employees at year-end, for an amount determined on the basis of the value of the underlying securities.

Cost of risk

This item is limited to net provisions for counterparty risks, country risks and disputes. Net provisions for general risks and commitments are classified by type of risk in the corresponding accounts on the income statement.

Net income from long-term investments

This item covers capital gains or losses realized on disposals, as well as the net allocation to provisions for investments in non-consolidated subsidiaries and affiliates, other long-term equity investments, long-term investment securities, and offices and other premises. Income from real-estate holdings excluding offices (essentially assets held in the Group's real estate portfolio) is booked under *Net banking income.*

Income tax

Current taxes

In France, the normal corporate income tax rate is 33.3%. However, long-term capital gains on equity investments are taxed at 19%. Moreover, French companies are subject to a surcharge introduced in 1995 equal to 3% of the tax due before allocation of tax credits, and to a *Contribution sociale de solidarité* (national contribution payment based on pre-tax earnings) introduced in 2000 equal to 3.3% (after a deduction from basic taxable income of EUR 0.76 million). Dividends from companies in which Société Générale's interest is at least 5% are tax exempt.

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

Deferred taxes

Deferred taxes are booked when there is a timing difference between the restated book value and the tax value of balance sheet items. They are calculated using the liability method of tax allocation. Deferred taxes recorded in earlier years are adjusted for subsequent changes in the tax rate. The effect of such changes is included when determining the deferred tax expense for the period. Net deferred tax assets are not recorded unless it is probable that the subsidiary is set to recover the same within a fixed time frame.

For 2002 and following years, tax rates applicable to French companies to determine their deferred tax are 35.43% for the normal rate and 20.20% for the reduced rate.

Deferred taxes are determined by each tax entity within the Group and are not discounted when the corresponding effect is not significant or when a precise timetable has not been drawn up.

Exceptional items

This caption includes income earned and expenses incurred by the Group that are considered to be exceptional in view of either the amount involved or the manner in which they were generated. In most cases, the said income or expenses are produced by events that fall outside the Group's activity.

Pension and retirement costs

- In 1993, Société Générale and its French banking subsidiaries, together with the rest of the French banking industry, joined the national unfunded multi-employer retirement plans Agirc and Arrco. As a result, these companies' pension schemes have been closed and they are only liable for benefits in relation to employees who have already retired and payments relating to the past services of current employees. The actuarial present value of residual liabilities under these plans has been estimated, based on information currently available. The assets of the retirement plans and the provisions made are sufficient to cover the present value of liabilities. In case of shortage, this cost is recorded as an allowance over the average remaining service life of the employees in question.
- In addition, several Group companies pay retirement benefits based on the number of years of service to retiring employees, as well as long-service awards and supplementary pensions. The actuarial present value of Société Générale's liabilities under these plans amounted to EUR 970 million at December 31, 2002, which is provided for in full.

Note 2

Consolidation scope

The consolidation scope included 655 companies at December 31, 2002:

- 564 fully consolidated companies,
- 42 proportionately consolidated companies,
- 49 companies accounted for by the equity method.

In accordance with the consolidation rules defined in Regulation 99-07 of the French Accounting Regulation Committee, none of the special purpose vehicles created within the framework of Société Générale's securitization activities are controlled by the Group.

Any commitments granted to these entities, notably in the form of liquidity lines or letters of guarantee, are recognized and valued in accordance with the generally accepted accounting principles applicable to these instruments.

The main changes made to the consolidation scope at December 31, 2002 compared with the scope at December 31, 2001 are as follows:

- During the first half of 2002:

– the Group acquired the activities and licenses of Chase Trust Bank Japan. This transaction led to the creation of SG Private Banking (Japan) Limited, which is fully consolidated;

– the Group took a 53.43% stake in the capital of Eqdom, a consumer credit company in Morocco;

– Fimatex bought out Finance Net, the Boursorama holding company: this acquisition was paid partly in Fimatex shares and partly in cash. Following this acquisition, the Group's ownership interest in Fimatex was reduced from 77.50% to 66.69%;

– Lyxor Master Funds, the unincorporated mutual funds wholly owned by the Group, are fully consolidated.

- During the second half of 2002:

– the Group took a 52% stake in the capital of Union Internationale de Banques in Tunisia;

– the Group exchanged the whole of its equity interest in Sifa for 100% of the capital in Fonvalor 2, which is fully consolidated;

– Amber, a dedicated fund owned by the Group, is fully consolidated;

– Société Générale raised its stake in TCW to 59.75%, corresponding to an increase of 7.42% over the year.

As a reminder, the agreements signed at the time of the acquisition provide for deferred put and call options relating to 14.25% of TCW's capital, broken down into equal tranches of 4.75% over three years. The strike price of these options depends on the company's future performances.

Lastly, the balance of the shares held by employees are subject to deferred put and call options, exercisable from 2008, at strike prices dependent on future performances.

– Two arbitrage vehicles, Trident and Tobp in the United States, are fully consolidated.

Note 3

Due from banks

(in millions of euros at December 31)	2002	2001	2000
Deposits and loans			
Demand			
Current accounts	8,583	8,579	10,877
Overnight deposits and loans	267	301	367
Loans secured by overnight notes	385	–	–
Term			
Term deposits and loans (1)	12,928	12,881	12,232
Subordinated and participating loans	539	418	374
Loans secured by notes and securities	187	227	131
Related receivables	270	250	419
Gross amount	**23,159**	**22,656**	**24,400**
Provisions for possible losses	(114)	(118)	(114)
Net amount	**23,045**	**22,538**	**24,286**
Securities purchased under resale agreements.	31,309	41,010	29,888
Total	**54,354**	**63,548**	**54,174**

(1) Including doubtful loans of EUR 117 million at December 31, 2002, compared with EUR 149 million at December 31, 2001 and EUR 143 million at December 31, 2000.

Note 4

Customer loans

(in millions of euros at December 31)	2002	2001	2000
Trade notes	7,903	6,771	3,878
Other loans (1) (2):			
Short-term loans	43,610	42,763	48,380
Export loans	4,649	4,948	5,235
Equipment loans	27,506	25,502	19,161
Mortgage loans	35,233	32,182	29,732
Other loans	31,105	31,521	22,347
Sub-total	**142,103**	**136,916**	**124,855**
Overdrafts	12,361	11,358	12,399
Related receivables	1,386	1,356 *	1,333 *
Gross amount	**163,753**	**156,401**	**142,465**
Allowances for possible losses	(7,021)	(6,706)*	(5,756)*
Net amount	**156,732**	**149,695**	**136,709**
Loans secured by notes and securities	227	168	445
Securities purchased under resale agreements	27,683	32,875	26,310
Total	**184,642**	**182,738 ***	**163,464 ***

(1) Other loans by customer type:			
Non-financial customers			
– Corporates	70,724	71,832	63,414
– Individual customers	45,926	41,668	34,933
– Local authorities	6,762	5,201	4,528
– Self-employed professionals	6,455	6,135	4,937
– Governments and central administrations	2,116	1,977	7,023
– Other	1,755	2,715	5,729
Financial customers	8,365	7,388	4,291
Total	**142,103**	**136,916**	**124,855**

(2) Including doubtful loans of EUR 10,064 million at December 31, 2002, compared with EUR 9,066 million at December 31, 2001 and EUR 7,219 million at December 31, 2000.

*Amounts restated in relation to those given in 2001 and 2000 annual reports: related receivables and doubtful loans related to pure rental transactions have been reclassified under customer loans.

Note 5

Lease financing and similar agreements

(in millions of euros at December 31)	2002	2001	2000
Real estate lease financing agreements	5,452	5,222	4,532
Equipment lease financing agreements	7,224	6,531	4,231
Lease-purchase and similar agreements	4,669	4,826 *	2,671 *
Related receivables	188	255 *	116 *
Gross amount (1)	**17,533**	**16,834**	**11,550**
Provisions for possible losses	(182)	(200)*	(181)*
Net amount	**17,351**	**16,634**	**11,369**

(1) Including doubtful loans of EUR 284 million at December 31, 2002, compared with EUR 256 million at December 31, 2001 and EUR 199 million at December 31, 2000.

The acquisitions made in 2001 in the specialized financing business (GEFA and ALD Group) had an impact of EUR 5,232 million on the gross amount of lease financing and similar agreements.

* Amounts restated in relation to those given in 2001 and 2000 reports: pure rental transactions have been reclassified under fixed assets; related receivables and doubtful loans have been reclassified under customer loans.

Note 6

Treasury notes, bonds and other debt securities, shares and other equity securities

(in millions of euros at December 31)	2002				2001				2000
	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities	Total	Treasury notes and similar securities	Shares and other equity securities	Bonds and other debt securities	Total	Total
Trading securities	18,562	28,002	30,073	76,637	24,019	33,270	23,364	80,653	78,787
Short-term investment securities:									
Gross book value	3,363	7,244	13,926 (2)	24,533	3,921	4,539	12,096	20,556	19,385
Provisions	(23)	(316)	(191)	(530)	(27)	(226)	(207)	(460)	(289)
Net book value	3,340	6,928 (1)	13,735	24,003	3,894	4,313 (1)	11,889	20,096	19,096
Long-term investment securities:									
Gross book value	5,945	–	20,961 (2)	26,906	10,477	–	16,594	27,071	22,568
Provisions	–	–	–	–	–	–	(1)	(1)	(6)
Net book value	5,945	–	20,961	26,906	10,477	–	16,593	27,070	22,562
Related receivables	163	89	526	778	258	5	515	778	774
Total	**28,010**	**35,019**	**65,295**	**128,324**	**38,648**	**37,588**	**52,361**	**128,597**	**121,219**

(1) Of which Société Générale shares assigned to cover stock options awarded to employees: EUR 167.3 million (compared with EUR 167.9 million at December 31, 2001 and EUR 168.4 at December 31, 2000).

	2002	2001
Number of shares	3,469,650	3,482,800
Nominal value per share (in euros)	1.25	1.25
Market value per share (in euros)	55.50	62.85
Book value per share (in euros)	48.22	48.21

(2) Of which securities carried by newly consolidated special purpose vehicles:
- EUR 4.8 billion of municipal bonds intended to be held to maturity,
- EUR 5.0 billion of shares issued by debt securitization funds.

Continued on next page

Note 6 (continued from previous page)

Additional information on securities

(in millions of euros at December 31)	2002	2001	2000
Estimated market value of short-term investment securities:			
Unrealized capital gains*	178	92	215
Estimated value of long-term investment securities [(1)]	(64)	137	28
Premiums and discounts relating to short-term and long-term investment securities	(15)	70	(58)
Securities which changed category during the year:			
Trading securities reclassified as short-term investment securities	525	6	109
Securities reclassified as long-term investment securities	195	266	–
Long-term investment securities reclassified as short-term investment securities	778	46	2,656 [(2)]
Long-term investment securities sold before maturity	542	31	3,862 [(2)]
Investments in mutual funds:			
French mutual funds	8,747	5,844 [(3)]	2,993
Foreign mutual funds	2,751	1,736 [(3)]	1,348
Of which capital appreciation funds	675	80	118
Listed securities	112,641	109,590	97,573
Subordinated securities	357	263	275
Securities lent	4,027	3,848	6,156

* Not including unrealized gains or losses on any forward financial instruments used to hedge short-term investment securities.

(1) Including unrealized gain or loss on instruments used to hedge long-term investment securities.

(2) As part of its long-term investment management policy, the Group decided to transfer certain categories of securities from its long-term investment securities portfolio to its short-term investment securities portfolio. This reclassification led the Group on June 30, 2000 to book a provision in the amount of EUR 79 million for the US Mortgage Backed Securities (MBS) portfolio, charged against net banking income, and a provision of EUR 45 million on the Mexican Brady bonds portfolio, charged against net income from long-term investments.
Furthermore, in 2000 the Group realized capital losses of EUR 42 million on the Brady bonds and capital gains amounting to EUR 45 million on GICs (Guaranteed Investment Contracts) that were sold before maturity.

(3) Amounts amended in relation to those given in 2001 report.

Note 7

Investments of insurance companies

(in millions of euros at December 31)	2002	2001	2000
Real estate investments	223	170	125
Bonds and other debt securities	21,222	17,887	15,956
Investments held to guarantee unit-linked policies	13,384	15,294	15,168
Other investments	867	1,002	414
Shares and other equity securities	1,561	1,008	955
Total	**37,257**	**35,361**	**32,618**

Note 8

Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments

(in millions of euros at December 31)	2002	2001
Principal companies (1)		
0 to 5% Accor, Adecco Nom, Alcatel, Alstom, Altadis, Arcelor, Aviva, Business Objects, Cap Gemini Ernst & Young, Carrefour, Crédit Lyonnais, Danone, Dexia, Havas Advertising, Michelin, ONA, Orange, Pernod Ricard, Peugeot SA, Renault, Sanofi, SCH, Schneider Electric, Sodexho, Suez, TF1, Total Fina Elf, Vinci, Vivendi Environnement, Vivendi Universal, Zodiac	**5,213**	**4,597**
5 to 10% SFL, Cologne Re Managers, Hornby Lane	**605**	**478**
10 to 20% Crédit Logement, Sopra, SCI,Secovalde, Sommer SA	**367**	**301**
Sub-total	**6,185**	**5,376**
Other companies	**1,400**	**1,664**
Gross book value (2)	**7,585**	**7,040**
Provisions for possible losses	(1,332)	(572)
Advances to non-consolidated companies	14	11
Net book value (3)	**6,267**	**6,479**

(1) Only investments with a book value over EUR 30 million at December 31, 2002 are mentioned.
(2) Movements over the 2002 fiscal year: EUR 545.4 million, of which: acquisitions = EUR 1,558.7 million, disposals = EUR 926.1 million, changes in consolidation scope and other movements = EUR (87.2) million.
(3) Of which listed companies: net book value at December 31, 2002 = EUR 4,669 million; market value = EUR 4,356 million.

Note 9

Tangible and intangible fixed assets

(in millions of euros at December 31)	Gross book value 2001	Acquisitions	Disposals	Changes in consolidation scope and other movements	Gross book value 2002	Accumulated depreciation and amortization 2002	Net book value 2002
Operating assets							
Intangible assets							
Start-up costs	42	5	–	(20)	27	(20)	7
Software, EDP development costs	1,019	119	(23)	172	1,287	(832)	455
Other	443	174	(3)	(173)	441	(58)	383
Sub-total	**1,504**	**298**	**(26)**	**(21)**	**1,755**	**(910)**	**845**
Tangible assets							
Land and buildings	2,803	34	(60)	23	2,800	(745)	2,055
Other	3,476	427	(141)	(234)	3,528	(2,297)	1,231
Sub-total	**6,279**	**461**	**(201)**	**(211)**	**6,328**	**(3,042)**	**3,286**
Non-operating assets (1)							
Tangible assets							
Land and buildings	516	3	(121)	(9)	389	(113)	276
Pure rental transactions and other	2,072*	156	(117)	89	2,200	(867)	1,333
Sub-total	**2,588**	**159**	**(238)**	**80**	**2,589**	**(980)**	**1,609**
Total	**10,371**	**918**	**(465)**	**(152)**	**10,672**	**(4,932)**	**5,740**

* Amounts restated in relation to those given in 2001 and 2000 annual reports: pure rental transactions have been reclassified under fixed assets.

(1) Not including the proprietary real estate investment portfolio held by specialized financing companies.

Note 10

*Goodwill**

(in millions of euros at December 31)	2002			2001			2000
	Gross book value	Accumulated amortization	Net book value	Gross book value	Accumulated amortization	Net book value	Net book value
Goodwill							
Retail Banking	**1,526**	**(182)**	**1,344**	**1,552**	**(102)**	**1,450**	**133**
French networks	113	(57)	56	114	(52)	62	45
Retail Banking outside France [1]	1,064	(86)	978	1,121	(34)	1,087	88
Specialized subsidiaries and other [2]	349	(39)	310	317	(16)	301	–
Corporate and Investment Banking	**237**	**(161)**	**76**	**277**	**(149)**	**128**	**149**
Corporate Banking	54	(31)	23	61	(34)	27	33
Investment Banking	183	(130)	53	216	(115)	101	116
Asset Management & Private Banking	**840**	**(107)**	**733**	**940**	**(57)**	**883**	**116**
Asset Management	678	(69)	609	768	(27)	741	16
Private Banking	162	(38)	124	172	(30)	142	100
Corporate Center	**2**	**(1)**	**1**	**5**	**(4)**	**1**	**2**
Sub-total	**2,605**	**(451)**	**2,154**	**2,774**	**(312)**	**2,462**	**400**
Negative Goodwill							
Retail Banking							
Retail Banking outside France	–	–	–	(15)	15	–	(8)
Corporate and Investment Banking							
Corporate Banking	**(42)**	**42**	**–**	**(63)**	**56**	**(7)**	**(28)**
Sub-total	**(42)**	**42**	**–**	**(78)**	**71**	**(7)**	**(36)**
Net total	**2,563**	**(409)**	**2,154**	**2,696**	**(241)**	**2,455**	**364**

* Current and exceptional amortizations expenses are assigned to the Corporate Center.

(1) The change in 2002 is essentially due to:
– a downward adjustment of goodwill from companies acquired in 2001,
– the acquisition during the fourth quarter of 2002 of the Union Internationale de Banques in Tunisia.
(2) During the first half of 2002, the Group acquired the Moroccan company Eqdom.

Note 11

Accruals, other accounts receivable and other assets

(in millions of euros at December 31)	2002	2001	2000
Other assets			
Miscellaneous receivables	12,607	11,285	7,220
Premiums on options purchased	21,481	25,804	30,349
Settlement accounts on securities transactions	2,192	5,109	2,334
Other assets	1,148	786	485
Other insurance assets	212	190	134
Sub-total	**37,640**	**43,174**	**40,522**
Accruals and similar			
Prepaid expenses	400	517	379
Accrued income [1]	2,724	4,507	3,016
Other	18,952	15,241	14,296
Sub-total	**22,076**	**20,265**	**17,691**
Gross amount	**59,716**	**63,439**	**58,213**
Allowances for possible losses	(221)	(220)	(188)
Net amount	**59,495**	**63,219**	**58,025**

(1) This item includes the guarantee valued at EUR 181 million granted by the Czech government to cover non-performing loans.

Note 12

Due to banks

(in millions of euros at December 31)	2002	2001	2000
Demand deposits			
Demand deposits and current accounts	12,311	22,139	15,700
Borrowings secured by overnight notes	43	61	200
Sub-total	**12,354**	**22,200**	**15,900**
Term deposits			
Term deposits and borrowings	37,508	40,593	40,913
Borrowings secured by notes and securities	245	303	1,421
Sub-total	**37,753**	**40,896**	**42,334**
Related payables	395	481	846
Securities sold under repurchase agreements	18,737	21,547	24,289
Total	**69,239**	**85,124**	**83,369**

Note 13

Customer deposits

(in millions of euros at December 31)	2002	2001	2000
Special savings accounts			
Demand	18,287	16,250	15,053
Term	21,775	22,200	21,971
Sub-total	**40,062**	**38,450**	**37,024**
Other demand deposits			
Businesses and sole proprietors	24,866	24,291	20,616
Individual customers	21,594	20,894	17,669
Financial institutions	5,753	5,908	6,525
Other	5,303	3,692	2,867
Sub-total	**57,516**	**54,785**	**47,677**
Other term deposits			
Businesses and sole proprietors	25,051	20,283	16,896
Individual customers	10,988	12,687	9,322
Financial institutions	12,309	16,977	3,828
Other	5,902	6,478	8,063
Sub-total	**54,250**	**56,425**	**38,109**
Related payables	949	875	918
Total customer deposits	**152,777**	**150,535**	**123,728**
Borrowings secured by notes and securities	2,210	2,915	2,343
Securities sold to customers under repurchase agreements	41,098	46,866	38,646
Total	**196,085**	**200,316**	**164,717**

Note 14

Securitized debt payables

(in millions of euros at December 31)	2002	2001	2000
Term savings certificates	881	865	566
Bond borrowings	5,253	7,333	6,082
Related payables	185	215	235
Sub-total	**6,319**	**8,413**	**6,883**
Interbank certificates and negotiable debt instruments	71,104	53,706	43,006
Related payables	454	855	590
Total	**77,877**	**62,974**	**50,479**

Note 15

Underwriting reserves of insurance companies

(in millions of euros at December 31)	2002	2001	2000
Unit-linked policy underwriting reserves	13,400	15,317	15,206
Life insurance underwriting reserves	22,262	18,726	16,772
Non-life insurance underwriting reserves	98	91	37
Equalization reserves	–	–	7
Total	**35,760**	**34,134**	**32,022**

Note 16

Accruals, other accounts payable and other liabilities

(in millions of euros at December 31)	2002	2001	2000
Transactions on securities			
Amounts payable for borrowed securities	6,640	6,325	8,138
Other amounts due for securities	24,272	28,870	22,540
Sub-total	**30,912**	**35,195**	**30,678**
Other liabilities			
Miscellaneous payables	12,627	10,239	11,691
Premiums on sold options	21,700	24,916	30,615
Settlement accounts on securities transactions	2,975	7,683	2,787
Other securities transactions	51	60	67
Related payables	180	227	363
Other insurance liabilities	84	58	39
Sub-total	**37,617**	**43,183**	**45,562**
Accruals and similar			
Accrued expenses	4,148	4,226	5,111
Deferred taxes	89	324	456
Deferred income	2,358	1,533	752
Others	12,643	10,819	10,882
Sub-total	**19,238**	**16,902**	**17,201**
Total	**87,767**	**95,280**	**93,441**

Breakdown of deferred tax by categories

(in millions of euros at December 31, 2002)	Deferred income tax assets	Deferred income tax liabilities
Timing differences related to:		
Inner reserve arising from lease financing transactions	10	557
Results of partnerships	–	228
Reassessment reserves *(Note 1)*	–	34
Others (principally related to other reserves)	1,265	545
Total	**1,275**	**1,364**

Note 17

Provisions and reserves

(in millions of euros at December 31)	2002	2001	2000
Provisions for possible losses charged against assets			
Banks	114	118	114
Customer loans	7,021	6,706*	5,755*
Lease financing agreements	182	201*	181*
Other	263	283*	207*
Sub-total	**7,580**	**7,308**	**6,257**
Provisions for general risks and commitments booked as a liability			
Prudential general country risk reserve *(Note 1)*	465	599	600
Prudential Asian risk reserve	–	–	83
Commitments made to banks	4	4	4
Commitments made to customers	447	308	225
Other	1,431	1,485	1,408
Sub-total	**2,347**	**2,396**	**2,320**
Total provisions (excluding securities) (1)	**9,927**	**9,704**	**8,577**
Provisions on securities	1,862	1,032	607
Provisions on investments of insurance companies	10	4	1
Total provisions (2)	**11,799**	**10,740**	**9,185**

* Amounts restated in relation to those given in 2001 and 2000 annual reports.

(1) The change in risk reserves breaks down as follows:

(in millions of euros)	December 31, 2001	Net allocations	Others income statement balances (4)	Used provisions	Change in scope and exchange rates	December 31, 2002
Prudential country risk reserve	599	(61)	0	0	(73)	465
Provisions for identified risks	7,620	1,243	642	(1,369)	(105)	8,031
Provisions for general risks and commitments (3)	1,485	18	114	(92)	(94)	1,431
Total	**9,704**	**1,200**	**756**	**(1,461)**	**(272)**	**9,927**

As regards the Group's Argentine risk, total provisions booked at December 31, 2002 stood at EUR 305 million, including EUR 251 million of provisions for commercial risks and other assets, EUR 43 million in the form of the prudential country risk reserve, EUR 11 million of provisions for general risks and commitments.

(2) An analysis of risk provisioning is given in the Management Report and the principles for allocating provisions are set out in the "Risk management" section of the annual report.
The insurance underwriting reserves are presented in *Note 15.*

(3) Analysis of provisions for general risks and commitments

(in millions of euros)	December 31, 2001	Net allocations	Others income statement balances (4)	Used provisions	Change in scope and exchange rates	December 31, 2002
Provisions for pensions and other post-retirement benefits	246	0	13	0	2	261
Provisions for restructuring costs and litigation expenses	222	0	(3)	(11)	(26)	182
Provisions for tax adjustments	154	0	12	(28)	(7)	131
Provisions for forward financial instruments	103	0	(57)	(4)	(3)	39
Other provisions for risks and litigation	760	18	149	(49)	(60)	818
Total	**1,485**	**18**	**114**	**(92)**	**(94)**	**1,431**

(4) Provisions for unpaid interest income are charged against net banking income and the impact on earnings of provisions for general risks and commitments is recognized in the income statement balances.

Note 18

Subordinated debt

(in millions of euros at December 31) **Issuance currency**	Outstanding	2003	2004	2005	2006	2007	Beyond 2007	Undated
Subordinated capital notes								
EUR	7,420	334	471	567	274	547	4,909	318
USD	2,819	286	–	339	763	–	518	913
GBP	307	–	–	–	–	–	–	307
Other currencies	338	–	–	–	48	–	54	236
Sub-total	**10,884**	**620**	**471**	**906**	**1,085**	**547**	**5,481**	**1,774**
Dated subordinated debt								
EUR	7	–	–	–	–	–	–	7
USD	34						–	34
Other currencies	26	–	–	24	–	2	–	–
Sub-total	**67**	**–**	**–**	**24**	**–**	**2**	**–**	**41**
Related payables	248	–	–	–	–	–	–	248
Total	**11,199**	**620**	**471**	**930**	**1,085**	**549**	**5,481**	**2,063**

Note 19

Commitments granted

(in millions of euros at December 31)	2002	2001	2000
Loan commitments			
to banks	5,163	6,401	5,166
to customers [(1)]	76,991	93,202	93,353
Total	**82,154**	**99,603**	**98,519**
Guarantee commitments			
on behalf of banks	4,999	3,185	7,169
on behalf of customers [(1)]	43,047	32,254	31,113
Total	**48,046**	**35,439**	**38,282**

(1) As at December 31, 2002, credit lines and guarantee commitments granted to securitization vehicles and other special purpose vehicles amounted to EUR 16.8 billion and EUR 0.9 billion respectively.

Securitization transactions

The Société Générale Group carries out securitization transactions on behalf of customers or investors, and to this end provides credit enhancement and liquidity facilities to the securitization vehicles.

These vehicles are not consolidated in the Group's financial statements, in accordance with current accounting regulations.

As at December 31, 2002, there were six non-consolidated vehicles (Barton, Antalis, Asset One, Pace, Homes, ACE) structured by the Group on behalf of customers or investors. Total assets held by these vehicles and financed through the issuance of commercial paper amounted to EUR 14,996 million on this date.

The default risk on these assets is borne in the first place by the transferors of the underlying receivables or by third parties. The Société Générale Group provides an additional guarantee as a credit enhancement through the issuance of letters of credit in the amount of EUR 825 million, and also holds securities issued by a vehicle in the amount of EUR 67 million at December 31, 2002. Lastly, the Group has granted these vehicles liquidity lines in the amount of EUR 16,610 million on this date.

Note 20

Foreign exchange transactions

(in millions of euros at December 31)	2002				2001				2000			
	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered	Assets	Liabilities	Currencies bought, not yet received	Currencies sold, not yet delivered
EUR	302,868	288,076	60,921	86,421	283,285	265,761	66,123	85,287	242,314	231,333	66,904	77,917
USD	124,151	142,916	166,817	143,769	147,794	168,626	163,887	146,032	141,150	147,335	135,741	122,914
GBP	16,147	16,295	28,503	26,865	17,571	16,661	25,394	24,679	15,515	16,368	19,371	17,318
JPY	12,894	8,285	23,719	28,070	21,853	18,323	23,844	26,017	19,446	19,517	16,585	17,338
Other currencies	45,205	45,693	69,449	66,676	41,996	43,128	63,437	62,413	37,456	41,328	50,462	54,012
Total	**501,265**	**501,265**	**349,409**	**351,801**	**512,499**	**512,499**	**342,685**	**344,428**	**455,881**	**455,881**	**289,063**	**289,499**

Note 21

Forward financial instrument commitments

(in millions of euros at December 31)	Trading transactions	Hedging transactions	Total 2002	2001	2000
Firm transactions					
Transactions on organized markets					
– Interest rate futures	392,584	23,623	416,207	422,037	328,179
– Currency futures	1,225	1,941	3,166	4,199	2,613
– Other forward contracts	66,677	4,779	71,456	59,734	81,914
OTC agreements					
– Interest rate swaps	2,745,349	86,562	2,831,911	2,696,379	2,611,064
– Currency financing swaps	98,267	3,515	101,782	87,480	68,750
– Forward Rate Agreements (FRA)	302,167	979	303,146	331,763	262,491
– Other	17,203	24,522	41,725	17,547	18,557
Options					
– Interest rate options	1,016,747	4,326	1,021,073	1,024,197	797,585
– Currency options	94,292	132	94,424	130,835	86,057
– Options on stock market indices and equities	244,259	11,127	255,386	451,793	683,466
– Other	47,477	–	47,477	64,492	58,853
Total	**5,026,247**	**161,506**	**5,187,753**	**5,290,456**	**4,999,529**

Credit risk equivalent (in millions of euros at December 31)

At December 31, 2002, the credit risk equivalent on these transactions determined in accordance with the methods recommended by the Basle Committee for the calculation of the international solvency ratio, breaks down as follows:

	2002	2001	2000
– OECD member governments and central banks	369	443	338
– OECD member banks and local authorities	16,414	15,949	14,991
– Customers	8,535	8,816	7,653
– Non-OECD member banks and central banks	420	305	411
Total (including netting agreements)	**25,738**	**25,513**	**23,393**

Bilateral netting agreements reduced the credit risk equivalent by EUR 66,701 million at December 31, 2002, compared with EUR 50,903 million at December 31, 2001 and EUR 46,719 million at December 31, 2000.

Term to maturity (in millions of euros)

	2002		
	0-1 year	1-5 years	over 5 years
– Interest rate swaps	1,385,241	1,275,497	171,173
– Currency financing swaps	56,246	28,932	16,604
– Interest rate futures	670,355	39,793	9,205
– Currency futures	3,122	43	1
– Other firm instruments	75,465	22,486	15,230
– Interest rate options	326,019	651,105	43,949
– Currency options	82,436	11,892	96
– Other options	270,434	29,717	2,712
Total	**2,869,318**	**2,059,465**	**258,970**

Note 22

Breakdown of assets and liabilities by term to maturity

(in millions of euros at December 31, 2002)	0-3 months	3 months 1 year	1-5 years	Over 5 years	Inter-company eliminations	Total
Assets						
Transactions with banks						
Due from banks	140,692	22,534	36,056	30,702	(175,630)	**54,354**
Transactions with customers						
Customer loans	80,430	28,782	64,426	35,558	(24,554)	**184,642**
Lease financing and similar agreements	2,315	3,037	7,814	4,225	(40)	**17,351**
Bonds and other debt securities						
Trading securities	9,356	34,424	1,259	320	(15,285)	**30,074**
Short-term investment securities	1,097	7,140	10,837	7,942	(12,907)	**14,109**
Long-term investment securities	771	1,134	5,505	15,863	(2,161)	**21,112**
Liabilities						
Transactions with banks						
Due to banks	155,736	27,584	41,029	21,687	(176,797)	**69,239**
Transactions with customers						
Customer deposits	155,321	10,747	23,682	26,893	(20,558)	**196,085**
Securitized debt payables	48,268	13,248	27,649	18,264	(29,552)	**77,877**

Note 23

Consolidated cash flow statement

(in millions of euros at December 31, 2002)	Uses	Sources
Cash flow		4,070
Dividends paid	985	
Net Cash Flow (a)		**3,085**
Capital increase	438	276
Treasury stock decrease/increase	442	661
Subordinated debt decrease/increase	238	954
Capital transactions (b)		**772**
(I) - Long-term funds (a)+(b)		**3,857**
Cost of investment in newly consolidated affiliates	84	133*
Purchase/proceeds from sale of affiliates and other long-term investments	1,299	1,286
Purchase/proceeds from sale of fixed assets	837	191
(II) - Net cash inflow/(outflow) from investing activities	**610**	
(I) + (II) Change in working capital		**3,247**
Interbank activities and cash		5,029
Customer loans	9,340	
Customer deposits		2,188
Securities activities		2,442
Bond debt	2,148	
Forward financial instrument commitments		1,569
Lease financing activities	698	
(III) - Net cash inflow/(outflow) from banking activities	**958**	
Insurance investments	1,893	
Insurance deposits		1,557
(IV) - Cash inflow/(outflow) from non-banking activities	**336**	
(V) - Other	**1,953**	
(III) + (IV) + (V) Change in cash inflow/(outflow) from operating activities	**3,247**	

* Effect of a downward adjustment of goodwill on companies acquired in 2001.

The cash flow statement summarizes the cash flows resulting from transactions carried out by the Group that have an impact on its liquidity. Non-cash flows do not figure in this statement, notably the waiver of accounts receivable.

The investment of funds is recognized at the cost price.
The funds generated on the disposal of fixed assets are booked at the selling price (including capital gains or losses).

Translation adjustments relating to capital transactions are booked in the account "Other items". In contrast, translation adjustments concerning banking and non-banking activities are recognized in the corresponding accounts.

Note 24

Interest income and expenses from transactions with banks

(in millions of euros at December 31)	2002	2001	2000
Transactions with central banks, post office accounts and banks	2,090	2,973	2,852
Net premiums and discounts	77	52	(89)
Total interest income	**2,167**	**3,025**	**2,763**
Transactions with central banks, post office accounts and banks	(3,382)	(4,094)	(4,181)
Total interest expense	**(3,382)**	**(4,094)**	**(4,181)**
Securities purchased under resale agreements and loans secured by notes and securities	2,112	2,667	3,314
Securities sold under repurchase agreements and borrowings secured by notes and securities	(2,121)	(2,916)	(3,830)
Net interest income from transactions with banks	**(1,224)**	**(1,318)**	**(1,934)**

Note 25

Interest income and expenses from transactions with customers

(in millions of euros at December 31)	2002	2001	2000
Trade notes	693	619	464
Other customer loans			
– short-term loans	2,583	3,150	3,232
– export loans	524	647	607
– equipment loans	1,489	1,278	1,099
– mortgage loans	1,918	1,870	1,798
– other loans	1,079	921	1,100
Sub-total	**7,593**	**7,866**	**7,836**
Overdrafts	779	866	1,109
Net premiums and discounts	(22)	14	46
Total interest income	**9,043**	**9,365**	**9,455**
Special savings accounts	(1,298)	(1,311)	(1,342)
Other deposits	(2,510)	(3,374)	(3,302)
Total interest expense	**(3,808)**	**(4,685)**	**(4,644)**
Securities purchased under resale agreements and loans secured by notes and securities	1,593	1,561	1,397
Securities sold under repurchase agreements and borrowings secured by notes and securities	(2,604)	(3,168)	(2,496)
Net interest income from transactions with customers	**4,224**	**3,073**	**3,712**

Note 26

Net income from lease financing and similar agreements

(in millions of euros at December 31)	2002	2001	2000
Real estate lease financing agreements	305	336	257
Equipment lease financing agreements	421	329	266
Lease-purchase and similar agreements	648	569	331
Net total	**1,374**	**1,234**	**854**

Note 27

Dividend income

(in millions of euros at December 31)	2002	2001	2000
Dividends from shares and other equity securities	92	29	120
Dividends from investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments	199	182	171
Total (1)	**291**	**211**	**291**

(1) Dividends received from investments in the trading portfolio have been classified under "Net income from financial transactions".

Note 28

Net fee income

(in millions of euros at December 31)	2002	2001	2000
Fee income from:			
Transactions with banks	93	72	51
Transactions with customers	1,353	1,194	994
Securities transactions	2,513	2,370	2,454
Primary market transactions	171	270	278
Foreign exchange transactions and forward financial instruments	520	369	331
Loan and guarantee commitments	454	410	348
Services and other	1,374	1,280	1,314
Sub-total	**6,478**	**5,965**	**5,770**
Fee expense on:			
Transactions with banks	(153)	(132)	(108)
Securities transactions	(487)	(216)	(256)
Foreign exchange transactions and forward financial instruments	(411)	(360)	(244)
Loan and guarantee commitments	(125)	(88)	(63)
Other	(428)	(253)	(199)
Sub-total	**(1,604)**	**(1,049)**	**(870)**
Net total (1)	**4,874**	**4,916**	**4,900**

(1) Net fee income breaks down by type of service as follows:

	2002	2001	2000
– banking services and advisory	*2,078*	*1,964*	*1,774*
– guarantees and endorsements	*330*	*323*	*284*
– issuance	*171*	*270*	*279*
– asset management and life insurance	*1,770*	*1,545*	*1,283*
– brokerage and other	*525*	*814*	*1,280*

Note 29

Net income from financial transactions

(in millions of euros at December 31)	2002	2001	2000
Net income from the trading portfolio:			
Net income from transactions on trading securities	(4,959)	(1,881)	(630)
Net income from forward financial instruments	7,528	5,114	4,450
Net income from foreign exchange transactions	769	(28)	321
Sub-total (1)	**3,338**	**3,205**	**4,141**
Net income from short-term investment securities:			
Gains on sale	145	187	211
Losses on sale	(128)	(174)	(185)
Net reversal of provisions	26	84	(61)
Sub-total	**43**	**97**	**(35)**
Net income on shares intended for portfolio activity:			
Gains on shares intended for portfolio activity	(31)	63	131
Net allocation to provisions for portfolio activity	(87)	(107)	(14)
Sub-total	**(118)**	**(44)**	**117**
Net total	**3,263**	**3,258**	**4,223**

(1) As transactions are recognized on the basis of the type of instrument and not on the basis of the purpose for which they are used, the income generated by the same must be assessed as a whole.
It should be noted that this income does not include either the refinancing cost of financial transactions, or trading coupons.
However, it does include the sales margin generated on structured products integrating forward financial instruments or on the distribution of complex products.

Note 30

Gross margin of insurance business

(in millions of euros at December 31)	2002	2001	2000
Earned premiums	5,398	4,804	5,388
Cost of benefits (including change in reserves)	(5,150)	(4,474)	(5,252)
Net income from investments	172	135	210
Other technical income and expenses	(287)	(245)	(230)
Reclassification of operating expenses	(82)	(84)	(71)
Total	**51**	**136**	**45**

The gross margin of the insurance companies corresponds to the income generated on life and non-life insurance policies. In particular, it does not include front-end loads, management fees charged on the policy outstanding, commissions paid to the distribution networks, and financial income realized on capital investments, which are broken down in the other items making up net banking income.

The contribution of insurance companies to consolidated net banking income is as follows:

(in millions of euros at December 31)	2002	2001	2000
Contribution to NBI before elimination of intercompany transactions	284	358	274
Elimination of intercompany transactions*	165	140	94
Contribution to NBI after elimination of intercompany transactions	449	498	368

* 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.

Note 31

Net income from other activities

(in millions of euros at December 31)	2002	2001	2000
Net income from real estate development	45	29	27
Net income from real estate investments (1)	38	107	95
Net income from other activities	16	10	27
Total	**99**	**146**	**149**

(1) Net Income from real estate investments in 2001 essentially comprised the capital gain of EUR 61 million realized on the disposal of the Patriges Grace Church building. The income booked in 2000 principally included the capital gain realized on the transfer of the Group's real estate companies and assets to Sophia.

Note 32

Personnel expenses

(in millions of euros at December 31)	2002	2001	2000
Employee compensation (1)	4,309	4,202	4,260
Social security benefits and payroll taxes (1)	1,537	1,419	1,394
Employee profit sharing and incentives (2)	214	184	239
Total	**6,060**	**5,805**	**5,893**
Average staff *	**88,278**	**86,574**	**71,149**
In France	50,689	49,020	47,395
Outside France	37,589	37,554	23,754

The average headcount of the newly acquired subsidiaries is not adjusted in proportion to the length of time that the subsidiaries have been owned.

* Including temporary staff.
The companies acquired in 2002 contributed 1,820 employees.

(1) Of which EUR 1,310 million for bonuses at December 31, 2002 (EUR 1,309 million at December 31, 2001 and EUR 1,708 million at December 31, 2000).

(2) Analysis of personnel expenses over the last five years:

(in millions of euros at December 31)	2002	2001	2000	1999	1998
Société Générale *					
Profit sharing	(1)	1	52	5	2
Incentives	62	50	55	41	40
Employer contribution	74	67	62	54	56
Sub-total	**135**	**118**	**169**	**100**	**98**
Subsidiaries	79	66	70	54	31
Total	**214**	**184**	**239**	**154**	**129**

* Including Sogénal in 2001.

Remuneration of members of the Board of Directors and Senior Managers
Total attendance fees paid in February 2003 to the Company'directors for the 2002 financial year amounted to EUR 0.46 million.
The remuneration paid in 2002 to Senior management (*) totalled EUR 7.59 million.

*This comprises the nine members of the Executive Committee in 2002.

Note 33

Cost of risk

(in millions of euros at December 31)	2002	2001	2000
Net allocation to provisions for identified risks			
– Provisions for identified risks [1]	(1,243)	(960)	(512)
– Provisions for risks and charges	(18)	(66)	(139)
– Losses not covered by provisions and amounts recovered on write-offs	(101)	(51)	(92)
Sub-total	**(1,362)**	**(1,077)**	**(743)**
Net allocation to general country risk reserves [2]	61	10	(10)
Net allocation to provisions for receivables and commitments	**(1,301)**	**(1,067)**	**(753)**
(1) Of which provisions booked for identified Argentine risks.	(132)	(125)	(35)

(2) The provisions for identified Argentine risks are offset by a reversal from the country risk reserves in the amount of EUR 115 million.

Note 34

Companies accounted for by the equity method

(in millions of euros at December 31)	% voting interest	Activity	Société Générale's equity contribution *	Société Générale's share in net income (loss)		
				2002	2001	2000
Non-financial companies						
Chesapeake Holding (CHC)	36.35	Financing	(21)	12	12	13
Sifa [1]	47.07	Portfolio management	–	4	4	4
Géodis [2]	27.17	Industrial and commercial company	(34)	(13)	(36)	–
Property companies of the Sogéprom group [3]		Property companies	7	7		
Other			–	–	1	9
Sub-total			**(48)**	**10**	**(19)**	**26**
Financial companies						
ACL	36.05	Bank	(273)		–	(3)
Fiditalia Spa [4]	100.00	Specialized financing	–	–	(22)	–
Sophia	29.45	Property company	(22)	24	17	6
United Arab Bank	20.00	Bank	14	4	4	4
Other [5]			16	10	2	(2)
Sub-total			**(265)**	**38**	**1**	**5**
Total			**(313)**	**48**	**(18)**	**31**

(*) Including the Group's 2002 earnings.
(1) Exchange transaction during the second half of 2002 with the full stake exchanged for 100% of Fonvalor2's capital, which is now fully consolidated.
(2) Company consolidated in the second half of 2001. The contribution for the 2002 financial year corresponds to an adjustment to take account of the final earnings figures for the 2001 financial year and an estimate of Géodis six-monthly results for 2002.
(3) Widening of Sogeprom's consolidation's scope.
(4) Now fully consolidated.
(5) This item notably comprises subconsolidated entities of Komercni Banka (CAC Leasing and Vseobecna Stavebni Sporitelna) and of Crédit du Nord.

Note 35

Net income from long-term investments

(in millions of euros at December 31)	2002	2001	2000
Long-term investment securities			
Net capital gains (or losses) on sale	47	(12)	(37)
Net allocation to provisions	–	5	13
Sub-total	**47**	**(7)**	**(24)**
Investments in non-consolidated subsidiaries and affiliates			
Gains on sale	484	756	1,020
Losses on sale	(125)	(94)	(39)
Net allocation to provisions	(710)	(201)	(38)
Sub-total (1)	**(351)**	**461**	**943**
Operating fixed assets			
Gains on sale	33	34	33
Losses on sale	(27)	(11)	(9)
Net allocation to provisions	(1)	(3)	(2)
Sub-total	**5**	**20**	**22**
Net total	**(299)**	**474**	**941**

(1) Income from investments in non-consolidated subsidiaries and affiliates at December 31, 2002 includes EUR 376 million from the disposal of industrial equity holdings (versus EUR 677 million at December 31, 2001) and EUR 772 million of provisions on the industrial equity portfolio (EUR 194 million at December 31, 2001).

Note 36

Exceptional items

(in millions of euros at December 31)	2002	2001	2000
Exceptional income	13	31	17
Exceptional losses	(183)	(48)	(87)
Total net	**(170)**	**(17)**	**(70)**

Breakdown of exceptional items

	2002	2001	2000
– Provisions for costs linked to introduction of the single European currency and Y2K *(see Note 1)*	(9)	(9)	(51)
– Contribution by French banks to the Compensation Fund and to *"Fondation du Souvenir des victimes de la Shoah"*	(2)	(3)	(23)
– Provisions for contributions to the deposit and securities guarantee fund *(see Note 1)*	–	(5)	4
– Provisions booked to cover the fraud affecting Cowen's former private client brokerage division*	(159)	–	–

* See *Note 1*. A reversal for an equivalent amount from the General Reserve for Banking Risks was recognized in the accounts at December 31, 2002.

Note 37

Income tax

(in millions of euros at December 31)	2002	2001	2000
Current taxes	(767)	(764)	(1,529)
Deferred taxes	118	25	172
Total (1)	**(649)**	**(739)**	**(1,357)**

(1) *The reconciliation of the difference between the Group's normative tax rate and its effective tax rate breaks down as follows:*

Income before tax, amortization of goodwill and net income from companies accounted for by the equity method	*2.436*	*3.160*	*4.263*
Normal tax rate applicable to French companies (including 3% and 3.3% tax surcharges)	*35.4%*	*36.4%*	*37.8%*
Permanent differences	*– 5.6%*	*– 6.2%**	*– 2.0%*
Differential on items taxed at reduced rate	*2.7%*	*– 2.9%*	*– 4.6%*
Tax rate differential on profits taxed outside France	*– 5.2%*	*– 1.2%*	*– 0.5%*
Impact of non-deductible losses for the period and use of losses carried forward	*– 0.6%*	*– 2.9%**	*1.1%*
Effective tax rate	***26.7%***	***23.4%***	***31.8%***

* Amounts restated in relation to those given in 2001.

Note 38

Income statement by core business

(in millions of euros at December 31)	Retail Banking			Asset Management & Private Banking			Coporate & Investment Banking			Corporate Center and other			Group		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Net banking income	8,692	7,810	6,832	1,296	1,097	919	4,650	5,037	5,998	(184)	(70)	50	14,454	13,874	13,799
Operating expenses	(5,878)	(5,322)	(4,776)	(900)	(687)	(507)	(3,368)	(3,721)	(4,124)	(261)	(374)	(247)	(10,407)	(10,104)	(9,654)
Gross operating income	**2,814**	**2,488**	**2,056**	**396**	**410**	**412**	**1,282**	**1,316**	**1,874**	**(445)**	**(444)**	**(197)**	**4,047**	**3,770**	**4,145**
Cost of risk	(653)	(511)	(370)	(14)	(1)	(4)	(717)	(543)	(254)	83,	(12)	(125)	(1,301)	(1,067)	(753)
Net income from companies accounted for by the equity method	14	(16)	16	0	0	0	18	12	5	16	(14)	10	48	(18)	31
Net income from long-term investments	21	13	46	(10)	(5)	0	24	11	80	(334)	455	815	(299)	474	941
Earnings before exceptional items and tax	**2,196**	**1,974**	**1,748**	**372**	**404**	**408**	**607**	**796**	**1,705**	**(680)**	**(15)**	**503**	**2,495**	**3,159**	**4,364**
Exceptional items	0	0	0	0	0	0	0	0	0	(170)	(17)	(70)	(170)	(17)	(70)
Income tax	(741)	(704)	(626)	(120)	(137)	(145)	(78)	(131)	(557)	290	233	(29)	(649)	(739)	(1,357)
Amortization of goodwill	0	0	0	0	0	0	0	0	0	(184)	(76)	(60)	(184)	(76)	(60)
Net reversal from General Reserve for Banking Risks	0	0	0	0	0	0	0	0	0	159	0	0	159	0	0
Net income before minority interests	**1,455**	**1,270**	**1,122**	**252**	**267**	**263**	**529**	**665**	**1,148**	**(585)**	**125**	**344**	**1,651**	**2,327**	**2,877**
Minority interests	(175)	(131)	(108)	(15)	(12)	(6)	(20)	(11)	(5)	(44)	(19)	(60)	(254)	(173)	(179)
Net income	**1,280**	**1,139**	**1,014**	**237**	**255**	**257**	**509**	**654**	**1,143**	**(629)**	**106**	**284**	**1,397**	**2,154**	**2,698**

The principles and methodology for determining results by core business are detailed in the Management Report.

Results by core business have been restated in relation to those given in 2001 and 2002 annual reports due to internal business transfer.

Note 39

*Geographical breakdown of net banking income**

(in millions of euros at December 31, 2002)	France	Rest of Europe	Americas	Asia	Africa	Oceania	Total
Net interest and similar income [(1)]	4,372	1,597	1,221	100	358	103	7,751
Net fee income	3,022	728	850	118	129	27	4,874
Net income from financial transactions	1,021	236	(63)	244	10	(9)	1,439
Other net operating income	287	83	–	–	21	(1)	390
Net banking income	**8,702**	**2,644**	**2,008**	**462**	**518**	**120**	**14,454**

* Geographical region in which companies recording income are located.

(1) Including dividend income and net income from lease financing and similar agreements.

Note 40

Companies included in the consolidation scope

at December 31	Country	Method FULL: full consolidation PROP: proportionate consolidation EQUITY: equity method	Group ownership interest		Group voting interest	
			2002	2001	2002	2001
FRANCE						
Banks						
Banque de Polynésie	France	FULL	80.00	80.00	80.00	80.00
Barep	France	FULL	100.00	100.00	100.00	100.00
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
SG Calédonienne de Banque	France	FULL	100.00	100.00	100.00	100.00
SG de Banque aux Antilles	France	FULL	100.00	100.00	100.00	100.00
Financial companies						
Barep Gestion	France	FULL	100.00	100.00	100.00	100.00
IEC	France	FULL	100.00	100.00	100.00	100.00
Euro VL	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 (2)	France	FULL	100.00	–	100.00	–
Nofirec (1)	France	FULL	100.00	100.00	100.00	100.00
Pargesfonds (2)	France	FULL	100.00	–	100.00	–
SG Asset Management	France	FULL	100.00	100.00	100.00	100.00
SG Structured Asset Management	France	FULL	100.00	99.99	100.00	99.99
SGAM Finance	France	FULL	100.00	100.00	100.00	100.00
SGOP	France	FULL	100.00	100.00	100.00	100.00
Specialized financing						
Airbail	France	FULL	100.00	100.00	100.00	100.00
Bull Finance	France	FULL	51.35	51.35	51.35	51.35
Cafirec (2)	France	FULL	100.00	–	100.00	–
Cofranteg	France	FULL	100.00	100.00	100.00	100.00
Compagnie Générale de Location d'Equipements (1)	France	FULL	84.57	84.57	84.57	84.57
Dalarec	France	FULL	100.00	100.00	100.00	100.00
Diebold Computer Leasing	France	FULL	100.00	100.00	100.00	100.00
FCC ELEC	France	FULL	100.00	100.00	100.00	100.00
Fenwick Lease	France	PROP	49.41	49.41	49.41	49.41
Franfinance (1)	France	FULL	99.99	99.99	99.99	99.99
Franfinance Location	France	FULL	99.99	99.99	100.00	100.00
Génécal	France	FULL	65.05	61.78	65.05	61.35
Génécomi	France	FULL	72.43	72.43	72.43	72.43
Interleasing France (GEFA-ALD Group) (10)	France	FULL	–	88.73	–	100.00
Orpavimob SA	France	FULL	100.00	100.00	100.00	100.00
Promopart (2)	France	FULL	100.00	–	100.00	–
SCP Clémence	France	FULL	100.00	90.00	100.00	90.00
SCP Cygne	France	FULL	100.00	100.00	100.00	100.00
SCP de la Prose	France	FULL	100.00	90.00	100.00	90.00
SCP Muscade	France	FULL	100.00	90.00	100.00	90.00
SCP Philibert	France	FULL	100.00	90.00	100.00	90.00
SCP Salomé	France	FULL	100.00	100.00	100.00	100.00
SG Services	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 Finovadis (2)	France	FULL	100.00	–	100.00	–
SNC Fininva (2)	France	FULL	100.00	–	100.00	–
SNC Paris Strasbourg	France	FULL	100.00	100.00	100.00	100.00
SNC Financières Valmy Investissements	France	FULL	100.00	100.00	100.00	100.00
Sofinabail	France	FULL	100.00	100.00	100.00	100.00
SAS IPF (2)	France	FULL	100.00	–	100.00	–

Companies included in the consolidation scope

at December 31	Country	Method FULL: full consolidation PROP: proportionate consolidation EQUITY: equity method	Group ownership interest		Group voting interest	
			2002	2001	2002	2001
Sofinauto [3]	France	FULL	–	100.00	–	100.00
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 [2]	France	FULL	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
Temsys [1] [10]	France	FULL	100.00	100.00	100.00	100.00
Portfolio management						
Aurelec	France	FULL	100.00	100.00	100.00	100.00
Cofragir [3]	France	FULL	–	100.00	–	100.00
Finareg	France	FULL	100.00	100.00	100.00	100.00
Finecorp	France	FULL	100.00	100.00	100.00	100.00
Fonvalor [3]	France	FULL	–	50.01	–	50.01
Fonvalor2 [2] [9]	France	FULL	100.00	–	100.00	–
Geforpat	France	FULL	100.00	100.00	100.00	100.00
Géné Act 1	France	FULL	100.00	100.00	100.00	100.00
Généfinance	France	FULL	100.00	100.00	100.00	100.00
Généfitec	France	FULL	100.00	100.00	100.00	100.00
Généinvestissement	France	FULL	100.00	100.00	100.00	100.00
Généplus	France	FULL	100.00	100.00	100.00	100.00
Généval	France	FULL	100.00	100.00	100.00	100.00
Geninfo	France	FULL	100.00	100.00	100.00	100.00
Libécap	France	FULL	100.00	100.00	100.00	100.00
Megaval [2]	France	FULL	100.00	–	100.00	–
Salvépar [1]	France	FULL	51.42	51.42	51.42	51.42
SCA Valides [3]	France	FULL	–	100.00	–	100.00
SCI Foncière Défense	France	FULL	99.99	99.99	100.00	100.00
SG Capital Développement	France	FULL	100.00	100.00	100.00	100.00
SGOP Holding	France	FULL	100.00	100.00	100.00	100.00
SHTV Holding	France	FULL	100.00	100.00	100.00	100.00
SIFA [3] [9]	France	EQUITY	–	47.07	–	47.07
Sivalparts	France	FULL	100.00	100.00	100.00	100.00
Sogéfim	France	FULL	100.00	100.00	100.00	100.00
Sogénal Participations [2] [4]	France	FULL	100.00	–	100.00	–
Sogéparticipations (ex-Sogénal) [1]	France	FULL	100.00	100.00	100.00	100.00
Sogéparts	France	FULL	100.00	100.00	100.00	100.00
Sogéplus	France	FULL	100.00	100.00	100.00	100.00
Soginnove	France	FULL	100.00	100.00	100.00	100.00
Sté Rue Edouard- VII	France	FULL	99.91	99.91	99.91	99.91
Valminco	France	FULL	100.00	100.00	100.00	100.00
Vouric	France	FULL	100.00	100.00	100.00	100.00
Brokers						
Fimat Banque	France	FULL	100.00	100.00	100.00	100.00
Fimat SNC	France	FULL	100.00	100.00	100.00	100.00
Fimatex [1] [5]	France	FULL	67.04	77.50	67.04	77.50
SG Énergie [1]	France	FULL	100.00	100.00	100.00	100.00
Gaselys	France	PROP	49.00	49.00	49.00	49.00
Nabab	France	FULL	100.00	100.00	100.00	100.00
Clickoptions	France	FULL	100.00	100.00	100.00	100.00
SG Euro CT	France	FULL	100.00	100.00	100.00	100.00
SG Options Europe	France	FULL	100.00	100.00	100.00	100.00
SG Securities Paris	France	FULL	100.00	100.00	100.00	100.00

Companies included in the consolidation scope

at December 31	Country	Method FULL: full consolidation PROP: proportionate consolidation EQUITY: equity method	Group ownership interest		Group voting interest	
			2002	2001	2002	2001
Real estate and real estate financing						
Coprim [1]	France	FULL	100.00	94.79	100.00	94.79
Crédit Immobilier Général	France	FULL	100.00	100.00	100.00	100.00
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
Patriges Grace Church	France	FULL	100.00	100.00	100.00	100.00
SCA Paris- Trocadéro	France	FULL	100.00	100.00	100.00	100.00
SFCC	France	FULL	99.99	99.99	99.99	99.99
Sogébail	France	FULL	45.92	48.14	40.67	57.44
Sogéprom [1]	France	FULL	68.21	68.29	59.99	60.00
Sophia [1]	France	EQUITY	27.41	27.63	29.45	29.37
Sophia-bail	France	FULL	64.43	64.54	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	France	FULL	100.00	100.00	100.00	100.00
Eléaparts	France	FULL	100.00	100.00	100.00	100.00
Génégis 1	France	FULL	100.00	100.00	100.00	100.00
Génégis 2	France	FULL	100.00	100.00	100.00	100.00
Génévalmy	France	FULL	100.00	100.00	100.00	100.00
SC Alicante 2000	France	FULL	71.52	71.52	100.00	100.00
SC Chassagne 2000	France	FULL	71.52	71.52	100.00	100.00
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 [4]	France	FULL	100.00	–	100.00	–
Sogé Colline Sud	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 1	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 2	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 3	France	FULL	100.00	100.00	100.00	100.00
Sogé Périval 4	France	FULL	100.00	100.00	100.00	100.00
Sogéfontenay	France	FULL	100.00	100.00	100.00	100.00
Soginfo	France	FULL	100.00	100.00	100.00	100.00
STIP	France	FULL	99.99	99.99	100.00	100.00
Valminvest	France	FULL	100.00	100.00	100.00	100.00
Insurance						
Génécar	France	FULL	100.00	100.00	100.00	100.00
Sogécap	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	51.00	51.00	51.00	51.00
Komercni Banka [1]	Czech Republic	FULL	60.35	60.00	60.35	60.00
Ruegg Bank	Switzerland	FULL	100.00	100.00	100.00	100.00
SG Bank Nederland NV	Netherlands	FULL	100.00	100.00	100.00	100.00
SG Express Bank	Bulgaria	FULL	97.95	97.95	97.95	97.95
SG Hambros Bank Limited [1]	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Hungaria Bank RT [3]	Hungary	FULL	–	100.00	–	100.00

Companies included in the consolidation scope

at December 31	Country	Method FULL: full consolidation PROP: proportionate consolidation EQUITY: equity method	Group ownership interest		Group voting interest	
			2002	2001	2002	2001
SG Vostok	Russia	FULL	100.00	100.00	100.00	100.00
SGBT Luxembourg	Luxembourg	FULL	100.00	100.00	100.00	100.00
SGBT Monaco	Monaco	FULL	100.00	100.00	100.00	100.00
SKB Banka (1)	Slovenia	FULL	97.82	97.82	97.82	97.82
Société Générale 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
Financial companies						
SG Wertpapierhandelsgeselleschaft Mbh (ex-BSI Beteiligung)	Germany	FULL	100.00	100.00	100.00	100.00
Horizon Equity Sarl (1)	Luxembourg	FULL	100.00	100.00	100.00	100.00
Intersoge	Switzerland	FULL	100.00	100.00	100.00	100.00
Nofirec	Ireland	FULL	100.00	100.00	100.00	100.00
Lyxor Master Funds (2)	Jersey	FULL	100.00	100.00	100.00	100.00
SG Acceptance	Netherlands	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	–
SG Effekten	Germany	FULL	100.00	100.00	100.00	100.00
SG Finance Ireland	Ireland	FULL	100.00	100.00	100.00	100.00
SG Financial Product Cyprus	Cyprus	FULL	100.00	100.00	100.00	100.00
SG Investment UK Ltd (1)	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Russel Asset Management	Ireland	PROP	50.00	50.00	50.00	50.00
SG Securities London	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Securities Madrid (3)	Spain	FULL	–	100.00	–	100.00
Specialized financing						
Promopart Senc (2)	Luxembourg	FULL	100.00		100.00	
Sogega Pme Senc (2)	Luxembourg	FULL	100.00		100.00	
Adria Leasing Spa (GEFA-ALD Group)	Italy	FULL	100.00	100.00	100.00	100.00
ALD Autoleasing GmbH (GEFA-ALD Group)	Germany	FULL	92.59	88.73	92.59	88.73
ALD Automotive Group PLC (ex-Group BCH) (GEFA-ALD Group) (1)	Great Britain	FULL	100.00	100.00	100.00	100.00
ALD International GmbH (2)	Germany	FULL	100.00	–	100.00	–
ALD International SA (2)	Germany	FULL	100.00	–	100.00	–
Amber (2)	Great Britain	FULL	100.00	–	100.00	–
DB Carplan (GEFA-ALD Group)	Spain	FULL	100.00	100.00	100.00	100.00
DB Factoring Spa (GEFA-ALD Group)	Italy	FULL	100.00	100.00	100.00	100.00
Franfinance Leasing Italia Spa (ex-DB Leasing Spa) (GEFA-ALD Group)	Italy	FULL	100.00	100.00	100.00	100.00
Deufin Beteiligungsgesellschaft mbH (GEFA-ALD Group)	Germany	FULL	100.00	100.00	100.00	100.00
DFS Czech Republik Sro (GEFA-ALD Group)	Czech Republic	FULL	100.00	100.00	100.00	100.00
Franfinance Polska Sp zoo (GEFA-ALD Group) (2)	Poland	FULL	99.01	–	99.01	–
Fiditalia Spa (1)	Italy	FULL	100.00	100.00	100.00	100.00
Fraer Leasing Spa (GEFA-ALD Group)	Italy	FULL	67.75	67.75	67.75	67.75
Gefa Gesellschaft Abstatzfinanzierung (GEFA-ALD Group)	Germany	FULL	100.00	100.00	100.00	100.00
Gefa Leasing GmbH (GEFA-ALD Group)	Germany	FULL	100.00	100.00	100.00	100.00
Sogelease BV Nederland	Netherlands	FULL	100.00	100.00	100.00	100.00
Sogelease Italia	Italy	FULL	100.00	100.00	100.00	100.00
Brokers						
Clickborsa Sim SPA (3)	Italy	FULL	–	100.00	–	100.00
Fimat Switzerland AG	Switzerland	FULL	100.00	100.00	100.00	100.00
Fimat London Branch (7)	Great Britain	FULL	100.00	–	100.00	–
Fimat Frankfurt Branch (7)	Germany	FULL	100.00	–	100.00	–
Fimat Madrid Branch (7)	Spain	FULL	100.00	–	100.00	–

Companies included in the consolidation scope

at December 31	Country	Method (FULL: full consolidation; PROP: proportionate consolidation; EQUITY: equity method)	Group ownership interest		Group voting interest	
			2002	2001	2002	2001
Insurance						
Généras	Luxembourg	FULL	100.00	100.00	100.00	100.00
Inora Life	Ireland	FULL	100.00	100.00	100.00	100.00
Meteo Transformer	Jersey	PROP	50.00	50.00	50.00	50.00
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
National SG Bank SAE	Egypt	FULL	54.33	54.33	54.33	54.33
SG Banque au Liban (1)	Lebanon	FULL	50.00	50.00	50.00	50.00
SG Banque en Guinée	Guinea	FULL	52.94	52.94	52.94	52.94
SG Banques au Sénégal	Senegal	FULL	57.73	57.72	57.73	57.72
SG Banques en Côte-d'Ivoire (1)	Côte d'Ivoire	FULL	56.63	56.63	56.63	56.63
SG Marocaine de Banques (1)	Morocco	FULL	51.91	51.91	51.91	51.91
SGB Cameroun	Cameroon	FULL	58.08	43.42	58.08	43.42
United Arab Bank	United Arab Emirates	EQUITY	20.00	20.00	20.00	20.00
Union International de Banques (2)	Tunisia	FULL	52.00		52.00	
Specialized financing						
Sogelease Maroc	Morocco	FULL	71.15	71.15	100.00	100.00
Eqdom (2)	Morocco	FULL	44.64	–	53.61	–
Insurance						
La Marocaine Vie	Morocco	FULL	52.70	52.46	61.19	60.74
THE AMERICAS						
Banks						
Banco Société Générale SA (ex-Banco Supervielle)	Argentina	FULL	99.53	99.25	99.54	99.26
Banco Société Générale Brazil SA (ex-Banco Sogéral) (1)	Brazil	FULL	100.00	100.00	100.00	100.00
SG Canada (1)	Canada	FULL	100.00	100.00	100.00	100.00
Financial companies						
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
SG Cowen Asset Management	United States	FULL	100.00	100.00	100.00	100.00
SG Preferred Capital LLC (6)	United States	FULL	–	100.00	–	100.00
SG Warrants Limited	United States	FULL	100.00	100.00	100.00	100.00
SocGen Real Estate Company L.L.C.	United States	FULL	50.31	50.31	100.00	100.00
Societe General North America Inc.	United States	FULL	100.00	100.00	100.00	100.00
TCW Group (1)	United States	FULL	59.75	52.33	59.86	52.48
Brokers						
Fimat Derivatives Canada Inc.	Canada	FULL	100.00	100.00	100.00	100.00
Fimat USA Inc.	United States	FULL	100.00	100.00	100.00	100.00
Services						
Fimat Facilities Management (2)	United States	FULL	100.00		100.00	

Companies included in the consolidation scope

at December 31,	Country	Method FULL: full consolidation PROP: proportionate consolidation EQUITY: equity method	Group ownership interest		Group voting interest	
			2002	2001	2002	2001
Specialized financing						
Makatea JV Inc. (2)	United States	FULL	100.00	–	60.00	–
Mehetia Inc. (2)	United States	FULL	100.00	–	51.00	–
SG Ariki Inc. (1) (2)	United States	FULL	100.00	–	100.00	–
SG Finance Inc. (2)	United States	FULL	100.00	–	100.00	–
Surzur Overseas Ltd	Cayman Islands	FULL	100.00	100.00	100.00	100.00
Portfolio management						
Sofital	Argentina	FULL	99.90	99.90	100.00	100.00
ASIA AND OCEANIA						
Banks						
Bank SG Indonesia	Indonesia	FULL	100.00	100.00	100.00	100.00
SG Australia Holdings (1)	Australia	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Japan) Limited (2)	Japan	FULL	100.00	–	100.00	–
SG Securities North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
Financial companies						
Asia Credit Ltd (1)	Thailand	EQUITY	36.05	36.05	36.05	36.05
SG Asia (Singapore) Ltd	Singapore	FULL	100.00	100.00	100.00	100.00
SG Yamaichi Asset Management Singapore	Singapore	FULL	95.75	95.75	100.00	100.00
SG Yamaichi Asset Management Tokyo	Japan	FULL	95.00	95.00	95.00	95.00
Société Générale Asia Ltd (Hong Kong)	Hong Kong	FULL	100.00	100.00	100.00	100.00
Sogeko	South Korea	PROP	41.35	39.77	42.15	40.68
Specialist financing						
Sogelease Malaysia (1)	Malaysia	FULL	50.00	50.00	50.00	50.00
Portfolio management						
SG Asset Management North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
Brokers						
Fimat Asia Pte Limited	Singapore	FULL	100.00	100.00	100.00	100.00
Fimat Futures Hong Kong	Hong Kong	FULL	100.00	100.00	100.00	100.00
SG Securities Asia Int. Holdings (1)	Singapore	FULL	100.00	100.00	100.00	100.00
Fimat Sydney (8)	Australia	FULL	100.00	–	100.00	–

(1) Company carrying out sub-consolidation.
(2) Consolidated for the first time in 2002.
(3) Removed from the consolidation scope in 2002.
(4) Sogénal Participations and Société Immobilière de Strasbourg were formerly sub-consolidated within Sogéparticipations.
(5) Boursorama acquisition.
(6) SG Preferred Capital is now sub-consolidated within SG Capital Trust.
(7) These branches were formerly sub-consolidated within Fimat Bank
(8) This branch was formerly sub-consolidated within Fimat SNC.
(9) Exchange of interest in SIFA against 100% of Fonvalor 2 's capital.
(10) Interleasing France is now sub-consolidated within Temsys.

SPECIAL PURPOSE VEHICLES		
TRIDENT Arbitrage Vehicle	United States	FULL
TOBP Arbitrage Vehicle	United States	FULL

Report of the statutory auditors on the consolidated account

(Free translation of the French original)

Year ended December 31, 2002

To the shareholders of Société Générale,

In our capacity as statutory auditors, we have audited the accompanying consolidated accounts of Société Générale, presented in euros, in accordance with French accounting principles as of December 31, 2002.

These consolidated accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with French professional standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated account presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts present fairly, in all material respects, the financial position of the Group as of December 31, 2002 and the results of the Group's operations included in the consolidation for the year then ended, in accordance with French accounting principles.

We have also reviewed the information relating to the Group contained in the Board of Directors' report.
We have nothing to report with respect to the fairness of such information and its consistency with the consolidated accounts.

Neuilly-sur-Seine and Paris, March 5, 2003

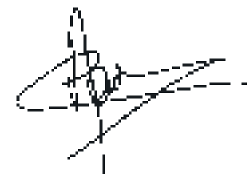
The Statutory Auditors

BARBIER FRINAULT & AUTRES

Philippe Peuch-Lestrade

Isabelle Santenac

ERNST & YOUNG AUDIT



Christian Mouillon