Financial Information 2003

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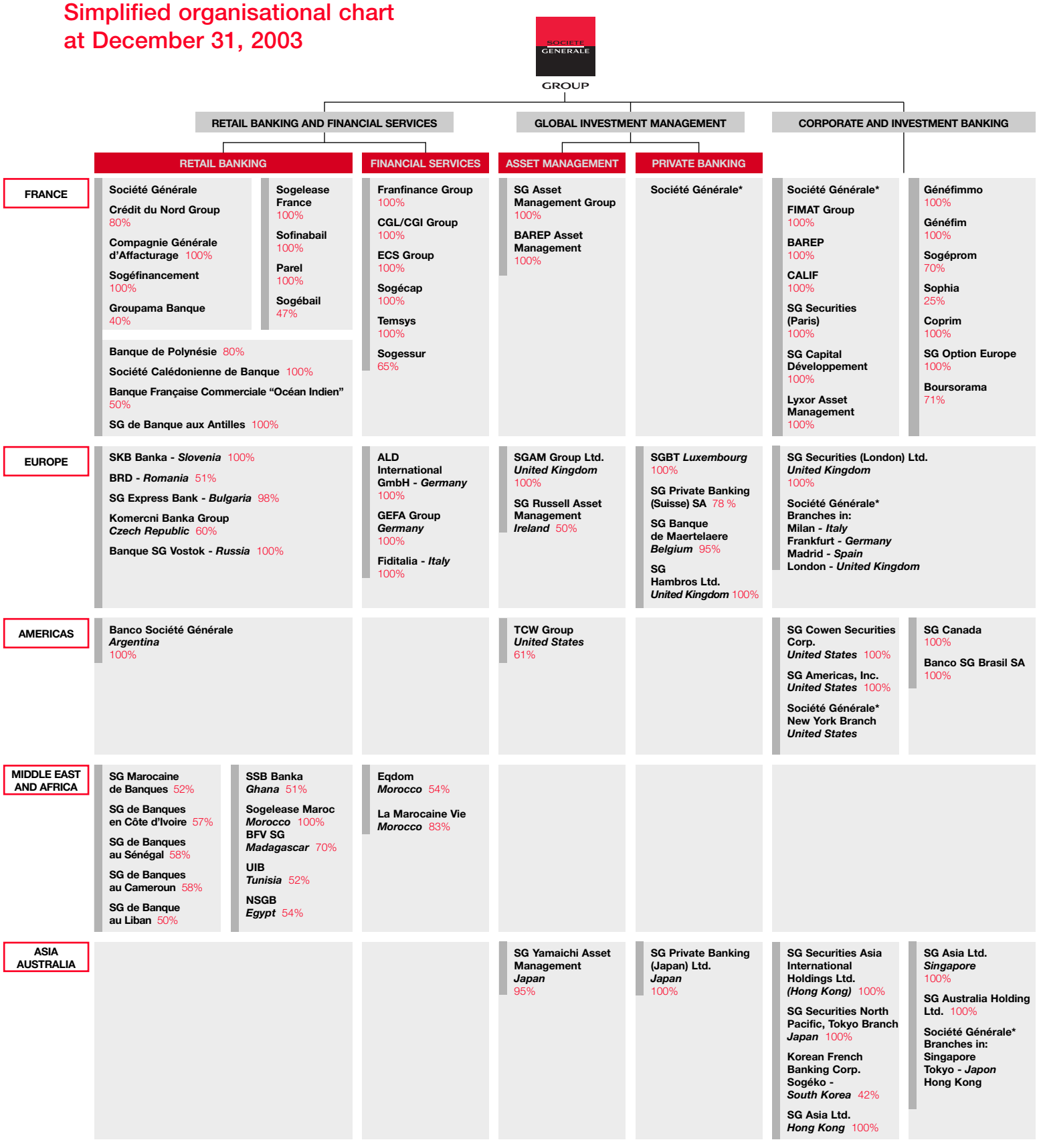
Société Générale Group main activities

Simplified organisational chart at December 31, 2003



%: share of capital held by the Société Générale Group.
** Parent company.*

Group management report

Group activity and results

The 2003 financial year was marked by a gradual improvement in the global equity markets, with both stock market indexes and trading volumes on the primary and secondary markets picking up from the second quarter of the year. At the same time, interest rates remained persistently low over the first nine months of the year in both the United States and Europe.

The economic climate brightened in the United States compared with 2002, while Europe experienced sluggish growth. In parallel, the euro firmed up significantly against the dollar, hitting record highs at the end of 2003 (the EUR/USD parity stood at 1.26 at the end of December 2003 and averaged 1.13 over the year).

Against this backdrop, the Société Générale Group turned in very good performances, notching up 40% growth in operating income over 2003. These solid results were achieved thanks to the expansion and development of the Group's franchises through a combination of organic growth and selective acquisitions, enhanced operating efficiency and an improved risk profile. Lastly, the industrial equity portfolio made a small positive contribution to Group earnings.

Net income for the financial year came out at EUR 2.5 billion, up 78% on 2002. The Group's return on equity (ROE) after tax stood at 16.2% in 2003, up from 9.4% in 2002.

Summary consolidated income statement

(in millions of euros)	2003	2002	Change (%)
Net banking income	**15,637**	**14,573**	**+ 7**
Operating expenses	(10,568)	(10,526)	+ 0
Gross operating income	**5,069**	**4,047**	**+ 25**
Net allocation to provisions	(1,226)	(1,301)	– 6
Operating income	**3,843**	**2,746**	**+ 40**
Net income from long-term investments	397	(299)	NM
Net income from companies accounted for by the equity method	43	48	– 10
Exceptional items	(150)	(11)	x 13.6
Amortization of goodwill	(217)	(184)	+ 18
Income tax	(1,161)	(649)	+ 79
Net income before minority interests	2,755	1,651	+ 67
Minority interests	(263)	(254)	+ 4
Net income	**2,492**	**1 397**	**+ 78**
ROE after tax %	**16.2**	**9.4**	

During 2003, the Group integrated the Tunisian bank UIB (Union Internationale de Banques), as well as the European multi-make operational leasing and fleet management activities of Hertz Lease (these acquisitions were finalized at the end of 2002). The Group also acquired and consolidated in its 2003 accounts Compagnie Bancaire Genève, which bolstered the Group's private banking platform in Switzerland, Constellation Financial Management (a management fees securitization business), and two retail banks outside France in Réunion (BFCOI) and Ghana (SSB).

Net banking income rose by 7% to EUR 15.6 billion (up 8.7% when adjusted for changes in Group structure and at constant exchange rates). Revenues increased by 4.3% in the French Retail Banking Networks, 17.6% in Financial Services and 7.8% in Corporate and Investment Banking (+15.6% when adjusted for changes in Group structure and at constant exchange rates). Net banking income generated by Global Investment Management was stable over the full year when adjusted for changes in Group structure and at constant exchange rates, with a marked pickup seen in the second half of the year. Revenue growth was principally underpinned by the development of the Group's existing franchises, together with selective acquisitions in businesses offering strong potential for profitable growth (notably Financial Services and Private Banking).

Revenues for the period included a capital gain in the amount of EUR 187 million realized on the disposal of a property asset.

When adjusted for changes in Group structure, at constant exchange rates and excluding this capital gain, net banking income was up 7.3%.

Operating expenses came out at EUR 10.6 billion, stable in absolute terms and up 2% when adjusted for changes in Group structure and at constant exchange rates. This trend reflects the full impact of the rightsizing of the Cash Equity and Advisory platform decided in 2002, as well as the continued implementation of the major productivity enhancement programs launched in 2001 (in particular, centralization of purchasing function and rationalization of European back offices). At the same time, a tight rein was kept on the headcount (total staff numbers dipped 0.7% between 2002 and 2003), while the Group pursued its policy of selective investment in sales and information systems.

The combined effect of revenue growth and rigorous cost control produced a sharp fall in the cost/income ratio from 72.2% in 2002 to 67.6% in 2003.

Gross operating income rose by 25% between 2002 and 2003 to stand at EUR 5.1 billion. When adjusted for changes in Group structure, at constant exchange rates and excluding the capital gain on the property disposal, it was up by 22%.

The net allocation to provisions fell 6% to EUR 1.2 billion in 2003. Expressed as a proportion of risk-weighted assets at the end of the year, the cost of commercial risk fell over the year to 59 bp versus 70 bp in 2002. On the Corporate and Investment Banking side, this included a marked reduction in specific provisioning for identified risks and a reinforcement of the general credit risk reserve in the amount of EUR 285 million. Risk provisioning booked by Retail Banking and Financial Services was stable at around EUR 650 million, while the cost of risk of the French Networks held steady at 37 bp in 2003 versus 36 bp in 2002.

The combination of sustained growth in gross operating income and lower risk provisioning drove operating income up 40% on 2002 to EUR 3.8 billion in 2003. When adjusted for changes in Group structure, at constant exchange rates and excluding the capital gain on the property disposal, operating income showed a rise of 32%.

Net income from long-term investments had a positive impact of EUR 397 million in 2003 versus a negative contribution of EUR 299 million in 2002. This change reflects:

- on one hand, the contribution made by the Group's industrial equity portfolio (EUR 124 million in 2003 versus EUR -350 million in 2002) in light of the pickup in the Paris Bourse over the period (CAC 40: +16%). At December 31, 2003, the market value of the industrial equity portfolio stood at EUR 3.0 billion, representing an unrealized capital gain of EUR 0.4 billion;
- on the other hand, the Group disposed of its stake in Crédit Lyonnais during the year, generating a pre-tax capital gain of EUR 242 million. The planned trimming of the industrial equity and real estate investment portfolios was begun in 2003 (EUR – 320 million of net disposals over the year).

Goodwill amortization totaled EUR 217 million compared with EUR 184 million in 2002, reflecting the acquisitions made and exceptional amortization expenses of EUR 48 million booked over the period on goodwill related to past acquisitions.

Exceptional items, which amounted to EUR – 150 million, notably included an allocation of EUR 150 million to the general reserve for banking risks and exceptional charges linked to the Gruttadauria fraud totaling EUR 46 million, which were offset by a write-back in the same amount from the general reserve for banking risks.

Corporate income tax came out at EUR 1,161 million, corresponding to an effective tax rate of 27.4% versus 26.6% in 2002.

Overall, attributable net income stood at EUR 2.5 billion in 2003 compared with EUR 1.4 billion in 2002. The ROE after tax came out at 16.2% (with average allocated capital of EUR 15.4 billion) versus 9.4% in 2002 (with average allocated capital of EUR 14.9 billion).

Earnings per share (EPS) in 2003 stood at EUR 6.07, up 78% on 2002.

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 business disclosed correspond to the three key axes of the Group's development strategy:

- Retail Banking and Financial Services, which groups the Société Générale and Crédit du Nord networks in France, the retail banking networks outside France, the Group's business finance subsidiaries (vendor finance, IT asset leasing and management, operational vehicle leasing and fleet management),

consumer credit, banking services and securities (means of payment, correspondent banking, custody services), and life and non-life insurance activities;

- **Global Investment Management,** which comprises the Group's Asset Management and Private Banking businesses;
- **Corporate and Investment Banking,** which covers two types of activity:

– Corporate Banking and Fixed Income, including:

- the Debt Finance platform, which groups the structured finance (export finance, project finance, acquisition finance, property finance, financial engineering), debt, currency and treasury activities,
- brokerage on the financial futures and commodities markets (FIMAT),
- commodity finance and trading,
- commercial banking (notably, plain vanilla corporate loans),

– Equity and Advisory activities comprising:

- equity activities (primary market, brokerage, derivatives, trading),
- advisory (mergers and acquisitions),
- private equity.

In addition, the Corporate Center acts as the central funding department of the Group's three core businesses. As such, it recognizes the cost of carry of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's asset/liability management (ALM) and the amortization of goodwill. Furthermore, income from the Group's industrial equity and real estate investment 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 Global Investment Management, 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 their 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, 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 activities and the nature of its revenues.

Summary of results and profitability by core business

Income statement by core business

(in millions of euros)	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Retail Banking and Financial Services		Global investment Management		Corporate and Investment Banking		Corporate Centre and other		Group	
Net banking income	**9,222**	**8,684**	**1,270**	**1,304**	**5,141**	**4,769**	**4**	**(184)**	**15,637**	**14,573**
Operating expenses	(6,200)	(5,873)	(864)	(905)	(3,274)	(3,487)	(230)	(261)	(10,568)	(10,526)
Gross operating income	**3,022**	**2,811**	**406**	**399**	**1,867**	**1,282**	**(226)**	**(445)**	**5,069**	**4,047**
Net allocation to provisions	(648)	(653)	(2)	(14)	(519)	(717)	(57)	83	(1,226)	(1,301)
Operating income	**2,374**	**2,158**	**404**	**385**	**1,348**	**565**	**(283)**	**(362)**	**3,843**	**2,746**
Net income from long-term investments	5	21	(11)	(10)	29	24	374	(334)	397	(299)
Net income from companies accounted for by the equity method	13	14	0	0	17	18	13	16	43	48
Exceptional items	0	0	0	0	0	0	(150)	(11)	(150)	(11)
Amortization of goodwill	0	0	0	0	0	0	(217)	(184)	(217)	(184)
Income tax	(812)	(741)	(120)	(120)	(307)	(78)	78	290	(1,161)	(649)
Net income before minority interests	1,580	1,452	273	255	1,087	529	(185)	(585)	2,755	1,651
Minority interests	(187)	(175)	(24)	(15)	(8)	(20)	(44)	(44)	(263)	(254)
Net income	**1,393**	**1,277**	**249**	**240**	**1,079**	**509**	**(229)**	**(629)**	**2,492**	**1,397**
Allocated capital	**7,415**	**6,858**	**420**	**356**	**3,579**	**3,593**	**3,945**	**4,085**	**15,359**	**14,892**
ROE after tax (%)	**18.8**	**18.6**	**59.3**	**67.4**	**30.1**	**14.2**			**16.2**	**9.4**

In 2003, all the Group's Retail Banking and Financial Services activities turned in robust performances, while the Global Investment Management businesses held up well under difficult stock market conditions at the start of the year. Thanks to excellent performances by the fixed income and equity derivatives businesses, the full impact of cost-cutting initiatives and an optimized capital allocation policy, the Corporate and Investment Banking arm registered an exceptionally high level of profitability in 2003 (ROE after tax of 30.1%).

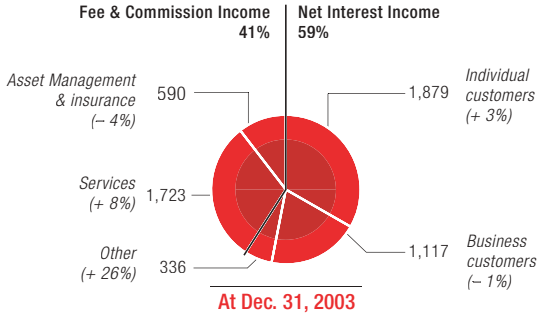
Retail Banking and Financial Services

(in millions of euros)	2003	2002	Change %
Net banking income	**9,222**	**8,684**	**+ 6**
Operating expenses	(6,200)	(5,873)	+ 6
Gross operating income	**3,022**	**2,811**	**+ 8**
Net allocation to provisionss	(648)	(653)	– 1
Operating income	**2,374**	**2,158**	**+ 10**
Net income from long-term investments	5	21	– 76
Net income from companies accounted for by the equity method	13	14	– 7
Income tax	(812)	(741)	+ 10
Net income before minority interests	1,580	1,452	+ 9
Minority interests	(187)	(175)	+ 7
Net income	**1,393**	**1,277**	**+ 9**
Of which:			
Société Générale Network	*738*	*706*	*+ 5*
Crédit du Nord Network	*140*	*121*	*+ 16*
Specialized Financial Services	*301*	*260*	*+ 16*
Retail Banking outside France	*214*	*190*	*+ 13*
Average allocated capital	**7,415**	**6,858**	**+ 8**
ROE after tax (%)	**18.8**	**18.6**	

Retail Banking and Financial Services saw net income rise by 9% in 2003 for an ROE after tax of 18.8%, compared with 18.6% in 2002. These results reflected excellent commercial and financial performances across the board.

French Networks: growth and profitability

In France, 2003 was marked by a lackluster economic environment and low interest rates. Against this backdrop, the Group's two domestic retail banking networks – Société Générale and Crédit du Nord – once again demonstrated the robustness and performance potential of their banking models.



REVENUE MIX OF FRENCH NETWORKS
in millions of euros

The quality of the networks' franchises, the accent placed on the customer relationship and the harnessing of synergies between customer segments remained the cornerstones of the banking models of both networks, which complement each other in terms of their respective structures and organizations. Serving 8.3 million customers at the end of 2003, the two networks form the leading non-mutual retail banking group in France.

Both networks continued to attract new customers in 2003, with a net increase of 129,000 current accounts (+2.4%). At the same time, the quality of the customer relationships produced a further increase in the average number of products held per current account, which stood at 7.4 at the end of 2003 versus 7.1 at the end of 2002. Lastly, new loans and inflows into savings products were particularly robust on the mortgage loan (+39% versus 2002), consumer credit (+10%) and customer deposit (+3%) segments.

Under these circumstances, net banking income rose 4.3% between 2002 and 2003 to stand at EUR 5,645 million. Despite low interest rates over the year, net interest income rose 3.9% in relation to 2002 on the back of growth in customer loans and

deposits, notably on the individual customer segment. Fee and commission income rose strongly over the year (+4.9%), fuelled by service commissions (+8.4%).

As part of the rationalization of its platform, the Société Générale network continued to centralize its back offices. The number of local back-office structures thus fell from 136 to 109 between 2000 and 2003, while 7 customer service units (which are intended to pool the after-sales service activities handled up to now within the branch groups) were in place at the end of 2003. At Crédit du Nord, the administrative tasks of 550 branches serving individual customers and SMEs are currently being transferred across to 27 specialized regional processing centers. At the same time, the customer relationship management (CRM) tools and channels are continuing to be deployed: in the Société Générale network, 21,000 staff were trained in the CRM application in 2003, while the multimedia customer relations centers continued to develop, employing 580 staff at the end of 2003 versus 370 at end-2002. Lastly, the Société Générale and Crédit du Nord networks continued to optimize their geographical footprint, opening 32 points of sale over the year and installing an additional 339 ATMs in 2003.

Despite continued sales investment, the French Networks kept the increase in operating expenses down to 2.9% versus 2002, with a stabilization of staff numbers. The cost/income ratio shed one point between 2002 and 2003 to stand at 69.4%.

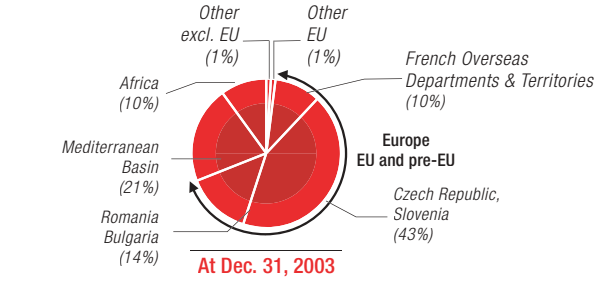
This combination of growth in net banking income and tight cost control produced an 8% rise in gross operating income.

The cost of risk of the French Networks was stable in 2003 at 37 bp compared with 36 bp in 2002.

Operating income was up by 7% on 2002.

Net income booked by the French Networks came out at EUR 878 million in 2003, up 6% on 2002. The ROE after tax for the year was a remarkable 19.7%, up 0.4 point on the previous year.

Retail Banking outside France: ongoing development and high profitability



BREAKDOWN OF NET BANKING INCOME BY REGION

In order to bolster its international retail banking platform, the Group acquired two banks in 2003 in Réunion (BFCOI) and Ghana (SSB). Furthermore, Union Internationale de Banques (UIB) in Tunisia, which was taken over at the end of 2002, was consolidated in the Group's accounts at the start of 2003. Before recognizing the acquisition of General Bank of Greece, which should be completed in the first half of 2004, 64% of the business line's outstanding loans were concentrated in EU member states or accession countries.

Thanks to sustained organic growth and after recognizing those acquisitions made during the year, the business line served over 5 million customers (individuals and businesses) across 31 entities at the end of 2003. The international retail banking networks were reinforced over the period with the opening of 63 new outlets (on a like-for-like basis).

Net banking income was up by 1.6% in 2003 (+2.9% when adjusted for changes in Group structure and at constant exchange rates). Revenue growth, which was fuelled by the robust commercial development of all entities, was nevertheless limited at Komercni Banka by two factors: first, the negative impact of the disposal of part of the bad loan book built up prior to the bank's takeover by the Société Générale Group, and second, the negative impact on the bank's interest margin of the convergence of Czech interest rates on those of the European Union.

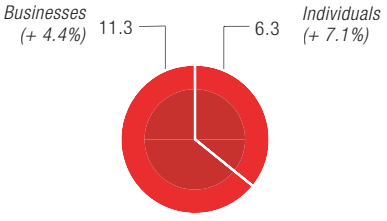
In 2003, the international retail banking networks accounted for 11% of Group net banking income.

The business line kept a lid on operating expenses, which rose by 3.1% when adjusted for changes in Group structure and at constant exchange rates. The positive effects of the restructuring plan at Komercni Banka (6% drop in operating expenses at constant exchange rates) offset the cost of investments in certain entities such as Egypt and Russia (3 branches at the end of 2003).

The net allocation to provisions was down sharply (-25% when adjusted for changes in Group structure and at constant exchange rates) on 2002, when the business line was affected by provisioning linked to the crisis in Argentina. Consequently, net income rose by 13% in 2003 to stand at EUR 214 million, while the ROE after tax came out at 32.1% for the year (30% in 2002), above the target level.

Financial Services: increase in core profitability

The Group's Financial Services activities encompass three business lines: Specialized Financing, Life Insurance, and Securities and Banking Services.



OUTSTANDING LOANS IN 2003
(% change vs. 2002)
in billions of euros

In 2003, the Group consolidated the European activities of Hertz Lease, which have bolstered its European **operational leasing, fleet management and vehicle financing** platform. With a presence in 19 countries, this activity had over 500,000 vehicles under management at the end of 2003 (up 3% on 2002), ranking it second in Europe.

In **equipment finance**, the Group registered further dynamic top-line growth on the large corporates segment. New leasing volumes were up by 2.5% over the year and margins improved by 8 bp.

The **consumer credit activities** also turned in a satisfactory performance, with growth in existing activities (new loans up 10% when adjusted for changes in Group structure) and developments under way in the Czech Republic and Russia.

Net banking income booked by the Group's Specialized Financing activities in 2003 rose by 8.4% when adjusted for changes in Group structure and at constant exchange rates. The business line's operating income over the period was up by 18.5% on the previous year, while the ROE after tax stood at 17.1% in 2003 compared with 14.9% in 2002.

The **Life Insurance business line** registered a sustained level of activity in 2003, with written premiums in France rising by 18% in relation to 2002, compared with 10% growth for the French bancassurance market as a whole. Investments are currently being made in support of the Group's international retail banking network (in Morocco, the Czech Republic and Egypt). Over the year, net banking income generated by the business line was up 10% on 2002 when adjusted for changes in Group structure and at constant exchange rates.

Despite little improvement in market conditions until the end of the year, the **Securities and Banking Services business line** saw assets under custody grow by 32% between the end of 2002 and the end of 2003 on the back of successful sales activity.

Overall, the **Financial Services** arm booked net income of EUR 301 million in 2003, up 16% on 2002. The ROE after tax in 2003 came out at 13.1%, stable against the previous year.

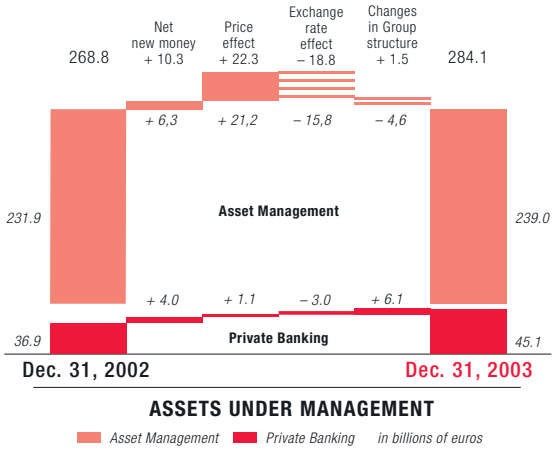
Global Investment Management:

resilient performance over year

(in millions of euros)	2003	2002	Change %
Net banking income	**1,270**	**1,304**	**– 3**
Operating expenses	(864)	(905)	– 5
Gross operating income	**406**	**399**	**+ 2**
Net allocation to provisions	(2)	(14)	– 85
Operating income	**404**	**385**	**+ 5**
Net income from long-term investments	(11)	(10)	+ 10
Income tax	(120)	(120)	+ 0
Net income before minority interests	273	255	+ 7
Minority interests	(24)	(15)	+ 60
Net income	**249**	**240**	**+ 4**
Of which:			
Asset Management	*188*	*201*	*– 6*
Private Banking	*61*	*39*	*+ 56*

Following a difficult start to the year, the Group's Global Investment Management arm confirmed its recovery potential in the second half against the backdrop of more bullish stock markets and an improved financial environment. In 2003, this business booked net income of EUR 249 million, up slightly on 2002 (+4%).

Assets under management amounted to EUR 284.1 billion at end-December 2003 compared with EUR 268.8 billion at end-December 2002, up 6% thanks to a robust net inflow of new money (EUR +10.3 billion) and a favorable price effect (EUR +22.3 billion). The exchange rate effect remained negative over the period at EUR -18.8 billion. The Private Banking business recognized the acquisition of Compagnie Bancaire Genève in the second quarter of 2003, with EUR 8 billion under management.



Asset Management

The Asset Management business line registered EUR 6.3 billion of net new money in 2003. After recognizing price effects (EUR +21 billion), exchange rate effects (EUR -16 billion), and the disposal and closure of low-margin activities in the United States (EUR – 4.6 billion), assets under management stood at EUR 239 billion at end-December 2003, ranking the Group as the fourth largest euro-zone bank in asset management.

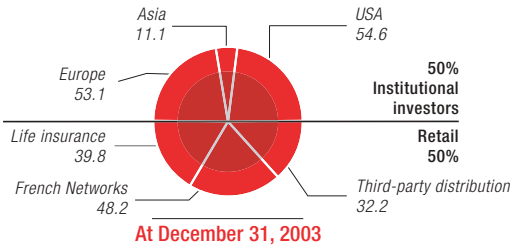
The Group's alternative management[1] activities continued to develop successfully with over EUR 30 billion[2] of assets under management at the end of 2003 and a net inflow of EUR 2.8 billion (9% of total assets invested in alternative management products), making the Group one of the European leaders on this segment. Commercial innovation in this activity was notably reflected in the launch of the first real estate investment trust in France, as well as new funds including Oil & Gas and growth capital funds in France and Eastern Europe. Moreover, the Group continued to reinforce its structured products offering on the credit derivatives, mortgage-backed securities and hedge fund segments.

In terms of commercial development, the joint venture set up by SG Asset Management in 2002 with Baosteel, the leading Chinese industrial group, attracted nearly EUR 0.5 billion of new money in 2003 with the launch of its first mutual fund, distributed through the second largest Chinese bank (China Construction Bank).

(1) Performance-guaranteed funds, future funds, hedge funds, private equity.
(2) Excluding assets managed by Lyxor Asset Management (EUR 28 billion at December 31, 2003), whose results are consolidated in the Equity and Advisory business line.

The performance of funds remained excellent: 90% of equity products managed by SG AM Paris outperformed their benchmark over one year and 82% ranked in the 1st and 2nd performance quartiles. Moreover, 98% of equity assets managed by TCW outperformed their benchmark over one year.

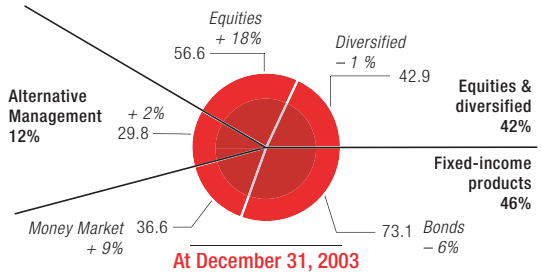
The breakdown of assets between institutional investors and retail clients remained well balanced. Assets managed for institutional investors totaled EUR 118.8 billion, representing 50% of total assets under management. Moreover, the geographic diversification of assets (USA 30%, Europe 65%, Asia 5%) ensures a strong capacity to weather any crises on local markets.



BREAKDOWN OF ASSETS UNDER MANAGEMENT BY CLIENT SEGMENT AND GEOGRAPHIC REGION
in billions of euros

The share of assets invested in equity, diversified and alternative management products rose to 54% in 2003 from 52% in 2002. Assets invested in alternative management accounted for 12% of total assets under management at the end of 2003, compared with 13% in 2002.

After a difficult start to 2003, revenues booked by Asset Management picked up steadily and held up well over the full year



BREAKDOWN OF ASSETS UNDER MANAGEMENT BY TYPE OF PRODUCT
in billions of euros

(–1% 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 39 bp, compared with 40 bp in 2002.

Operating expenses were stable between 2002 and 2003 when adjusted for changes in Group structure and at constant exchange rates, enabling operating income in 2003 to come out at a level close to that seen in 2002 (–1.5% when adjusted for changes in Group structure and at constant exchange rates). Net income for the year amounted to EUR 188 million, compared with EUR 201 million in 2002.

Private Banking

2003 saw the Group's Private Banking arm reinforce its platform in Europe, with the acquisition of Compagnie Bancaire Genève bolstering the business line's presence on offshore markets in Europe. SG Private Banking Suisse, which was formed by the merger of Compagnie Bancaire Genève and SG Rüegg (the Group's existing Swiss subsidiary), had EUR 12.1 billion under management at end-December 2003 and gathered EUR 0.4 billion of net new money over the second half of 2003.

Private Banking also reaped the rewards of its sales strategy in Asia, where it had EUR 6.2 billion under management at end-2003, representing average annual growth in assets under management of 20% over the past three years.

At the same time, the business line continued to develop its structured product and alternative management offering, with revenues from these products accounting for 11% of total revenues in 2003 compared with 2% in 2000. Total assets invested in alternative management products grew by 50% in 2003 to stand just shy of EUR 600 million.

Total assets under management amounted to EUR 45.1 billion[3]. The net inflow of new money remained robust at EUR +4 billion including Compagnie Bancaire Genève. Price and exchange rate effects were slightly negative at EUR -1.9 billion versus EUR – 5.8 billion in 2002.

When adjusted for changes in Group structure and at constant exchange rates, net banking income was up by 8%, essentially driven by the sharp increase in commissions on structured products (notably in Asia). Operating expenses were up 5% on the same basis. Operating income totaled EUR 78 million, up 41% on 2002 when adjusted for changes in Group structure and at constant exchange rates, while net income amounted to EUR 61 million (against EUR 39 million in 2002).

(3) Excluding the assets of customers managed directly by the French networks (EUR 63 billion held by clients with financial assets exceeding EUR 150,000).

Corporate and Investment Banking:
exceptional profitability

(in millions of euros)	2003	2002	Change %
Net banking income	**5,141**	**4,769**	**+ 8**
Operating expenses	(3,274)	(3,487)	– 6
Gross operating income	**1,867**	**1,282**	**+ 46**
Net allocation to provisions	(519)	(717)	– 28
Operating income	**1,348**	**565**	**x 2.4**
Net income from long-term investments	29	24	+ 21
Net income from companies accounted for by the equity method	17	18	– 6
Income tax	(307)	(78)	x 3.9
Net income before minority interests	1,087	529	x 2.1
Minority interests	(8)	(20)	– 60
Net income	**1,079**	**509**	**x 2.1**
Average allocated capital	**3,579**	**3,593**	**– 0**
ROE after tax (%)	**30.1**	**14.2**	

In 2003, the Group's Corporate and Investment Banking arm turned in excellent performances in an environment marked by very low interest rates over the large part of the year and an upswing on the equity markets. The Corporate Banking and Fixed Income business line booked a high level of revenues, essentially driven by the treasury and fixed income activities, while the Equity and Advisory businesses produced excellent performances, notably thanks to very good results from equity derivatives. As a result, net banking income was up 16% when adjusted for changes in Group structure and at constant exchange rates.

Against this backdrop, the Group maintained its top-tier positions in structured finance and derivatives. At the same time, it improved its competitive positions on the euro capital markets, notably in corporate euro bond issues (ranked 6th in 2003 versus 8th in 2002 – source: *Thomson Financial).* Some notable success was achieved in Europe outside France, notably with bond issues for German corporates and syndicated loans for Spanish corporates.

2003 saw the full impact of the cost-cutting measures in place since the end of 2001: operating expenses were down by 6.1% in absolute terms (+2% on a like-for-like basis). The exceptional level of revenues booked by the treasury and fixed income activities, combined with the sizeable reduction in costs, produced a 7-point drop in the cost/income ratio versus 2002 at 64% (excluding restructuring costs). The compensation ratio (total compensation/net banking income, net of provisions) was also down at 46.5% in 2003 compared with 49.3% in 2002 (excluding severance costs).

The net allocation to provisions booked by Corporate and Investment Banking dropped from EUR 717 million in 2002 to EUR 519 million in 2003, while including an allocation of EUR 285 million to the general credit risk reserve. Following the sizeable level of provisioning booked in 2001, this fall reflected both the marked improvement in the US economic climate and the positive effects of a dynamic portfolio management policy.

Under these conditions, Corporate and Investment Banking generated net income of EUR 1.079 billion, a twofold increase on 2002. With the level of allocated capital stable between 2002 and 2003 at EUR 3.6 billion, the ROE after tax of the business stood at 30.1% in 2003.

Corporate Banking and Fixed Income

(in millions of euros)	2003	2002	Change %
Net banking income	**3,277**	**3,187**	**+ 3**
Operating expenses	(1,945)	(1,969)	– 1
Gross operating income	**1,332**	**1,218**	**+ 9**
Net allocation to provisions	(482)	(699)	– 31
Operating income	**850**	**519**	**+ 64**
Net income from long-term investments	31	40	– 23
Net income from companies accounted for by the equity method	17	18	– 6
Income tax	(185)	(111)	+ 67
Net income before minority interests	713	466	+ 53
Minority interests	(8)	(20)	– 60
Net income	**705**	**446**	**+ 58**
Average allocated capital	**3,185**	**3,150**	**+ 1**
ROE after tax (%)	**22.1**	**14.2**	

2003 was marked by very low interest rates over the first nine months of the year in both the United States and Europe. In addition, sluggish economic growth in Europe weighed on business investment

2003 highlights

Fixed Income

The Group ranked 6th in 2003 for corporate euro bond issues compared with 8th in 2002 (source: *Thomson Financial)* and made significant progress on its target segments in Europe outside France, namely German corporate euro bond issues where it ranked 3rd (10th in 2002) and Spanish syndicated loans in Europe where it ranked 4th in 2003 (8th in 2002). Over the year, the Group won several mandates from French and European issuers, notably including a EUR 5 billion bond issue for KfW, convertible into Deutsche Telekom shares. In addition, the Group was bookrunner of an innovative deal for Michelin: the first deeply subordinated issue under the new Financial Security Act enabling issuers to launch lowest ranking subordinated debt issues.

Financing

Despite a persistently low level of productive investment, the financing activities enjoyed a satisfactory year overall. The Group consolidated its leadership or position among the global leaders in export finance (ranked 1st worldwide by *Trade Finance* for the second consecutive year and among the top 3 every year for the past 9 years), project finance (ranked 5th worldwide by *Project Finance International)* and commodity finance (ranked 1st worldwide by *Trade Finance*). Among the highlights in 2003, the Group participated in the financing of a power plant for AES (Spain/US) in the amount of EUR 665 million. The bank also financed the acquisition of SigmaKalon (France), a subsidiary of Total, by Bain Capital.

FIMAT (financial instruments and commodities brokerage)

Fimat produced a sound performance in 2003 and remains among the worldwide leaders in its markets.

Results

Corporate Banking and Fixed Income was able to capitalize on this environment, registering revenue growth over the year (+3% in absolute terms). This performance was essentially driven by the exceptional performances of the treasury and fixed income activities over the first three quarters of the year. At the same time, the financing activities showed a slight pick-up against a backdrop of particularly weak economic growth.

The increase in revenues generated by Corporate Banking and Fixed Income was accompanied by a 1% drop in operating expenses in absolute terms, notably thanks to tight control of recruitment.

The net allocation to provisions booked by Corporate Banking and Fixed Income fell by 31% in 2003. This drop reflected the fall in specific provisioning for identified risks, while the general credit risk reserve was reinforced over the period by EUR 285 million.

Overall, net income was up 58% and the ROE after tax stood at a high level of 22.1% versus 14.2% in 2002.

Equity and Advisory

(in millions of euros)	2003	2002	Change %
Net banking income	**1,864**	**1,582**	**+ 18**
Operating expenses	(1,329)	(1,518)	– 12
Gross operating income	**535**	**64**	**x 8.4**
Net allocation to provisions	(37)	(18)	x 2.1
Operating income	**498**	**46**	**x 10.8**
Net income from long-term investments	(2)	(16)	– 88
Net income from companies accounted for by the equity method	0	0	NM
Income tax	(122)	33	NM
Net income before minority interest	374	63	x 5.9
Minority interests	0	0	NM
Net income	**374**	**63**	**x 5.9**
Average allocated capital	**394**	**443**	**– 11**
ROE after tax (%)	**94.9**	**14.2**	

2003 highlights

Equity Derivatives

The Equity Derivatives business line held onto its position as global market leader (named "Equity Derivatives House of the Year" by *The Banker* in September 2003). In addition, the Group ranked 1st in warrants and among the Top 3 in Europe for Exchange Traded Funds (ETF). In 2003, the Group developed its range of innovative structured products based on equities, indexes, equity baskets and fund units (creation of Titanium range, Prestissim, etc.). The arbitrage and volatility trading activities notched up strong performances in 2003.

Primary Equity

In a European primary market up by 8%, the Group maintained its position among the leading players in Europe and was top in France. The main deals managed by the Group in 2003 included convertible issues for PPR and Alcatel and a secondary offering for Renault.

Equity Brokerage

After a difficult 2002, the 2003 financial year saw a recovery in global equity markets, which the Group was able to capitalize on. The Group retained its position as the number one broker on the French market with a market share of 11.3% (versus 10.7% in 2002). The equity research department was restructured and was ranked number 3 in France at the end of 2003 *(*source: *Agefi).*

Mergers and acquisitions

In a market down by 6% in Europe and by 31% in France in 2003, the Group ranked 3rd in France on the basis of announced deals and 9th on the basis of completed deals. It was notably involved in two major transactions: the public exchange offer made by France Telecom for Orange as advisor and the purchase offer made by Alcan for Pechiney.

Private Equity

In 2003, the Private Equity activity generated positive revenues after a 2002 marked by the significant depreciation of US and UK funds, as well as sizeable capital losses on disposals. The decision to downsize this portfolio resulted in several lines being sold during 2003.

Results

The Equity and Advisory activities saw net banking income rise 18% in relation to 2002. This growth reflected solid performances by Equity Derivatives, which registered very high levels of client-driven activity in structured and listed products.

Operating expenses of the Equity and Advisory business line fell by 6% in 2003 in absolute terms and excluding restructuring costs. This reflected the full impact of the restructuring initiatives implemented in 2001 and 2002. The headcount (excluding support functions and management) dropped by 6% between end-December 2002 and end-December 2003.

Overall, net income booked by Equity and Advisory came out at EUR 374 million in 2003 for an ROE after tax of 95%, compared with 14% in 2002.

Corporate Center

(in millions of euros)	2003	2002
Net banking income	**4**	**(184)**
Operating expenses	(230)	(261)
Gross operating income	**(226)**	**(445)**
Net allocation to provisions	(57)	83
Operating income	**(283)**	**(362)**
Net income from long-term investments	374	(334)
Net income from companies accounted for by the equity method	13	16
Exceptional items	(150)	(11)
Amortization of goodwill	(217)	(184)
Income tax	78	290
Net income before minority interests	(185)	(585)
Minority interests	(44)	(44)
Net income	**(229)**	**(629)**

Over the 2003 financial year, the Corporate Center showed a negative bottom line of EUR 229 million, compared with a negative net income of EUR 629 million in 2002.

This improvement was due to the following elements:

– a pick-up in gross operating income of EUR 220 million following the disposal of a property asset (capital gain of EUR 187 million) and tighter cost control (EUR -40 million);

– net income from long-term investments of EUR 374 million versus a negative contribution of EUR 334 million in 2002. A capital gain of EUR 242 million was booked on the disposal of the Group's shares in Crédit Lyonnais. In addition, capital gains and write-backs of provisions were booked on the industrial equity portfolio in the amount of EUR 124 million. At December 31, 2003, the net book value of the industrial equity portfolio stood at EUR 2.6 billion, representing an unrealized capital gain of EUR 0.4 billion. The Group began to trim its industrial equity and real estate portfolios in 2003, with EUR 0.3 billion (book value) being sold during the second half of 2003.

The Corporate Center also recognized:
– a net allocation to provisions for litigation of EUR 57 million;
– a net allocation to the general reserve for banking risks of EUR 105 million;
– a goodwill amortization expense of EUR 217 million, including an accelerated amortization charge of EUR 48 million.

Financial policy

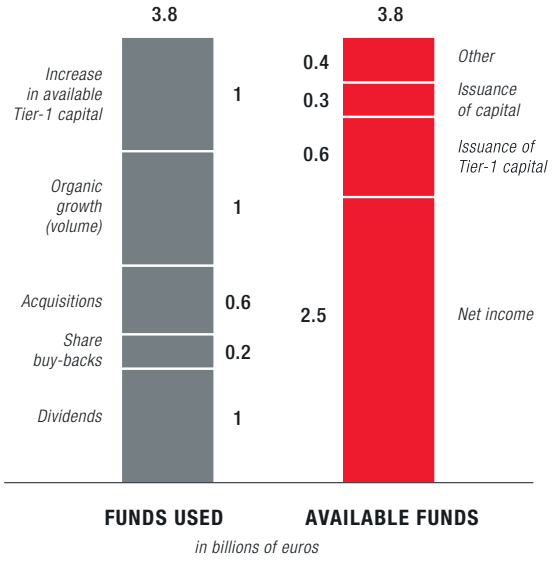
The objective of the Group's capital management policy is to optimize the use of capital in order to maximize the short- and long-term return for shareholders, while maintaining a capital adequacy ratio (Tier-one ratio) in keeping with the share's stock market status and the target rating needed for the Group's capital market activities.

The Tier-one ratio stood at 8.7% at December 31st 2003 and reflected the respective changes in available funds and funds used over the period.

Available funds:
- attributable net income of EUR 2.5 billion;
- additional paid-in capital from the issuance of preferred shares in October 2003 in the amount of EUR 0.6 billion;
- additional paid-in capital from capital increases reserved for employees in the amount of EUR 0.3 billion;
- various elements, including the amortization of goodwill and changes in reserves in the amount of EUR 0.4 billion, excluding the impact of fluctuations in the US dollar.

Funds used:
- financing of organic growth: EUR 1 billion in 2003 at constant exchange rates, notably linked to the development of the Group's franchises in France and in Specialized Financing;
- financing of acquisitions: EUR 0.6 billion in 2003 (including EUR 0.3 billion for Compagnie Bancaire Genève);
- the 2003 dividend, which was up 19% on 2002 (payout ratio of 41% in 2003);
- share buybacks intended to offset the dilutive impact of capital increases reserved for employees, corresponding to 6.3 million shares in 2003 (EUR 0.2 billion).

The balance of available funds (EUR 1 billion) contributed directly in 2003 to increasing the Group's Tier-one ratio.



At constant exchange rates.

Recent developments and future prospects

The Group will pursue its **strategy of profitable growth** in 2004 **while continuing to reduce its cost/income ratio.**

The Group will further enhance the quality and size of its franchises.

It will reinforce its centers of excellence, namely the French Networks and Corporate and Investment Banking.

As regards the French Networks, the Group has a high-quality franchise. The reorganization of the Société Générale network in 2003 and the local banking model of Credit du Nord's network of regional banks are principally intended to meet the needs of their customers as fully as possible. The new IT tools enabling even more effective customer relationship management and the customer service units will further enhance the dynamic sales performance and service quality of the networks in 2004.

In Corporate and Investment Banking, the Group has a robust platform that has produced one of the highest returns on equity in Continental Europe over the past 5 years. It will continue with its strategy of profitable growth while harnessing synergies with the Group's other core businesses:

– by drawing on its three core competency businesses: euro capital markets, derivatives and structured finance;

– by focusing on Europe for its geographical development;

– by enhancing the offering aimed at financial institution groups.

The Group **will develop its growth drivers** through a combination of organic growth, partnerships and selective acquisitions.

It will continue to **expand its customer base in international retail banking** by pursuing its strategy of organic growth and acquisitions ("EU 25", emerging countries) and by reinforcing synergies between entities (information systems, sales practices, risk management).

The **Financial Services** activities, **which have taken on a true European dimension, will continue to develop within the enlarged European Union,** with priority given to equipment finance, operational vehicle leasing and consumer credit.

Global Investment Management currently has a powerful and well-balanced platform. While giving priority to reinforcing its presence on high-potential product segments (alternative management, multi-management, etc.) and to its commercial development, this business **will continue to look into opportunities for partnerships and acquisitions, notably in Europe and Asia.** It will be bolstered by a competitive service offering following the integration of all the Group's securities business lines (Global Securities Services for Investors) in 2004.

Lastly, the Group will pursue the **goal of lowering its cost/income ratio** in 2004.

In order to meet customer expectations as efficiently and cost-effectively as possible, the Group stands by its objective of realizing cost savings of some EUR 750 million by 2004 relative to its 2001 cost base.

The continued implementation of the major cost-cutting programs will be reflected in:

– increased efficiency of the back offices;

– the rationalization and pooling of cross-business processes, notably in terms of human resources;

– tighter control of external expenditure by developing the Group-wide approach to purchasing and relations with suppliers, and by rationalizing purchasing policies (office tools, telecoms, etc.).

In conclusion, this strategy should enable the Group to continue to create shareholder value and reinforce its competitive position.

Furthermore, it will be implemented while preserving a satisfactory financial structure (notably in terms of the Tier-one ratio) that is consistent with the Group's rating.

Activity seen over the first few weeks of 2004 was in line with that at the end of 2003.

Post-closing events

Disposal of stake in Sophia

The Société Générale Group tendered its 25.2% stake in the capital of Sophia, a property management company, to the public purchase offer made by GE Real Estate Investment France in December 2003.

At closing of the offer in February 2004, GE held 88.8% of the capital and 96.8% of the voting rights in Sophia.

The capital gain of some EUR 100 million, net of tax, realized on this disposal will be booked in the Société Générale Group's accounts in the first quarter of 2004.

Acquisition of General Bank of Greece

On March 5, 2004, Société Générale acquired a stake in General Bank of Greece (GBG) and subscribed for a reserved capital increase, which together gave it a 50.01% stake in GBG's capital. Société Générale will launch a public purchase offer for the remaining share capital at the end of the first quarter of 2004.

With a network of 114 branches and 2,300 employees, GBG is the seventh largest bank in Greece with total assets of EUR 3 billion.

Analysis of consolidated balance sheet

(in billions of euros at December 31)	2003	2002	Change %
Assets			
Interbank and money market assets	26.0	28.4	– 8.2
Customer loans	177.5	174.2	+ 1.9
Securities [1]	226.0	193.6	+ 16.8
of which: securities purchased under resale agreements	*75.4*	*59.0*	*+ 27.7*
Net investments of insurance companies	42.9	37.3	+ 15.1
Other assets	56.5	59.5	– 5.0
of which: option premiums	*21.4*	*21.5*	*– 0.2*
Long-term assets	10.4	8.5	+ 22.2
Total assets	**539.4**	**501.4**	**+ 7.6**
Liabilities and shareholders' equity			
Interbank and money market liabilities [2]	147.1	125.0	+ 17.7
Customer deposits	160.2	152.8	+ 4.9
Bonds and subordinated debt [3]	17.3	18.2	– 5.0
Securities	92.9	90.7	+ 2.4
of which: securities sold under repurchase agreements	*51.7*	*59.8*	*– 13.5*
Other liabilities and provisions	59.4	59.3	+ 0.1
of which: option premiums	*23.7*	*21.7*	*+ 9.2*
Underwriting reserves of insurance companies	41.2	35.8	+ 15.1
Equity and general reserve for banking risks	21.3	19.5	+ 9.0
General reserve for banking risks	*0.3*	*0.2*	*+ 50.7*
Minority interests	*2.0*	*1.9*	*+ 2.5*
Preferred shares	*2.1*	*1.7*	*+ 27.1*
Shareholders' equity	*16.9*	*15.7*	*+ 7.3*
Total liabilities and shareholders' equity	**539.4**	**501.4**	**+ 7.6**

(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.

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

- Customer loans at December 31, 2003 totaled EUR 177.5 billion, up 2% in relation to end-December 2002 (of which 1% linked to changes in Group structure). This increase notably reflected growth in mortgage loans (+16%) and in equipment loans to SMEs (+34%).
- The securities portfolio amounted to EUR 226 billion, up 17% despite an unfavorable dollar effect. This change was principally linked to the increase in the portfolio of securities purchased under resale agreements (+28%) and in the equity portfolio (+34%).
- Customer deposits totaled EUR 160.2 billion at December 31, 2003, up 5% on the previous year (of which +2% linked to changes in Group structure). This increase was essentially driven by growth in individual customer sight deposits (+19%) and special savings account deposits (+18%). Term deposits were down 12%.

Group shareholders' equity stood at EUR 16.9 billion at December 31, 2003, representing an increase of 7% in relation to end-December 2002. This stability essentially reflected the following:

– net income for the period: EUR 2.5 billion;

– the dividend paid during the 2003 financial year: EUR – 0.9 billion;

– translation differences, notably linked to the dollar's depreciation: EUR -0.6 billion.

A net allocation of EUR 105 million was made to the general reserve for banking risks.

After recognizing the general reserve for banking risks (EUR 0.3 billion), minority interests (EUR 2 billion) and preferred shares (EUR 2.1 billion), total equity amounted to EUR 21.3 billion.

This represented a B.I.S. ratio of 11.7% at December 31, 2003. The Tier-one ratio stood at 8.7% of risk-weighted assets (EUR 195.6 billion) compared with 8.1% at December 31, 2002.

Changeover to IAS

(International Accounting Standards)

Main differences identified between the accounting standards currently applied by the Société Générale Group and the IFRS (International Financial and Reporting Standards) adopted by the European Accounting Regulation Committee in July 2003.

All the accounting principles applied by the Group in accordance with Regulations 1999-07 and 2000-04 of the *Comité de la Réglementation Comptable (*French Accounting Regulation Committee) are described in detail in Note 1 of the notes to the consolidated financial statements.

These principles differ in certain aspects from those that must be applied by all listed companies as of January 1, 2005, in accordance with the European regulation published by the European Commission on July 19, 2002. Europe has opted for IFRS as the European financial reporting framework, subject to the said standards being validated by the European Accounting Regulation Committee (ARC).

Consequently, the differences identified at this stage do not take into account the standards relating to the treatment of financial instruments (IAS 39) and equity and debt instruments (IAS 32), which have not been adopted by the ARC, nor amendments to adopted standards still to be approved by the ARC, nor those standards still in the form of exposure drafts that will be published by the IASB (International Accounting Standards Board).

The main differences identified to date between the IFRS approved by the ARC and the accounting principles applied in preparing the Société Générale Group's consolidated financial statements for the 2003 financial year are set out below.

Business combinations (IAS 22)

The Group has retained the option provided for under the standard with respect to the first-time adoption of the International Financial Reporting Standards (IFRS 1), which consists in not restating acquisitions made prior to January 1, 2004 (opening balance). As such, goodwill on acquisitions financed by capital increases before January 1, 2000 and charged directly against capital will be retained in the opening balance.

This accounting treatment is no longer allowed with future acquisitions.

The draft amendment to IAS 22 currently provides for the elimination of goodwill amortization and the introduction of a goodwill impairment test at least once a year.

General reserve for banking risks (IAS 30 and 37)

The Société Générale Group has built up a general reserve for banking risks. Allocations to and write-backs from this general reserve are recognized under a special account heading on the income statement, below *Earnings before exceptional items and tax.*

Along with general risk reserves that do not comply with the conditions for accounting recognition defined in the standards, the general reserve for banking risks cannot be maintained in the accounts under IAS and instead is considered to constitute retained earnings.

Tangible fixed assets (IAS 16 and 36)

The revaluations of operating assets carried out by the Group in 1991 and 1992 may be either cancelled by adopting the historical cost valuation method or maintained by applying the provisions of the standard on the first-time adoption of IFRS. Moreover, this standard offers the possibility of revaluing fixed assets individually at their market value upon the first-time adoption of IFRS and of subsequently retaining this value as the historical cost of the revalued assets. Furthermore, the adoption of the component depreciation method, which demands the use of different depreciation lives for each component of a single fixed asset, should result in the calculation of a depreciation difference charged against capital.

As regards proprietary real estate investments held with a view to generating rental income and earning a return on the invested capital, the Group has not yet decided whether it will opt for the possibility of valuing such assets at their recoverable value, which would lead to the recognition of an unrealized capital gain increasing Group equity.

Leases (IAS 17)

The analysis of the substance of lease contracts, in accordance with IAS 17, which is more specific than the equivalent French standards, could lead to some contracts currently treated as finance leases being reclassified as rental agreements. In addition, IAS 17 imposes a more systematic revision of unsecured estimated residual values used to calculate the gross investment of the lessor in the finance lease and the need to adjust any financial income already recognized in the accounts.

Commissions (IAS 18)

The methods for the forward averaging of certain commissions received or paid in the course of financial intermediation activities will lead to the reversal of income and expenses booked under the current rules when issuing the loans in order to reintegrate the amounts at the effective interest rate of these loans in accordance with IAS 18.

Employee benefits (IAS 19)

In accordance with the accounting principles described in Note 1 of the notes to the consolidated financial statements for the 2003 financial year, the Group books provisions covering its pension liabilities, lump-sum retirement payments and long-service awards.

The main differences identified to date between these principles and the provisions of IAS 19 are as follows:

• Scope of benefits

A certain number of additional benefit categories are provided for under IAS, principally those related to retiree medical and life insurance.

• Valuation methods

At the current time, all entities within the Group use the valuation methods authorized in the country in which they are based. IAS 19 imposes the adoption of a single method based on coherent and consistent assumptions (for example, harmonization of actuarial calculations, discount rates, demographic assumptions, etc.) and the valuation of financial hedges at their market value, capped according to specific rules.

• Financial reporting rules

The current rules are complemented by the recognition on the balance sheet of certain hedges.

• Publication requirements

In addition, the notes to the financial statements will set out the methodology and assumptions used, the sensitivity of the results to these assumptions and additional non-accounting information explaining the possible future impact on results (unrecognized actuarial differences, amortizable past service costs).

Main impact on processes and systems

The changes linked to the adoption of the new accounting standards are felt at three different levels:

– At the operating level: modification of processes and systems for handling banking transactions in order to obtain the information required for accounting purposes under the new standards.

– At the level of each legal entity: adjustments to the accounting system of each legal entity so that it is able to produce IAS-compliant accounts alongside accounts prepared in accordance with local standards.

– At the Group level: enhancement of the Group's reporting standards, which are currently based on French standards and which in future will enable parallel reporting under two sets of standards in order to meet both French regulatory constraints and European requirements.

The adoption of IAS supposes a prior impact analysis for each of the Group's operating activities. The accounting systems of the entities and the Group's reporting systems can be adapted in parallel. The operational roll-out subsequently requires the integration of the various systems in order to ensure the quality of the information produced.

Organization of the program for the changeover to IFRS within the Société Générale Group

At the start of 2002, the Société Générale Group began a preliminary analysis of the impact of the changeover to IFRS in Europe. Following the publication in July 2002 of the European regulations confirming the implementation timetable, the Group set about creating the necessary project structures. A Group-level program was put in place at the start of 2003 in order to handle coordination of the various projects and look after monitoring at the General Management level. A steering committee meets once a quarter to this end. The program manager reports to the Group chief financial officer.

The program is responsible for analyzing IAS, interpreting the standards, and translating them into accounting principles for the Société Générale Group. It handles the functional coordination (verification of compliance with the Group's IFRS) of system and process upgrades, and checks the quality of the information produced during testing and the certification process. A change management project was launched to coordinate training, communication initiatives and changes to working practices.

The program comprises a set of projects, with each project featuring a project management team and dedicated resources. Projects have been set up within each business and for each of the corporate departments concerned.

Progress of groundwork for adopting new standards

As at the end of 2003, the majority of IFRS applicable in 2005 have been covered by a preliminary analysis and impact study. The most significant systems impacts have been covered by specifications, and will be developed and implemented in 2004.

Overall, there will be a gradual roll-out throughout the 2004 financial year, based on:

– A first stage at the start of 2004 aimed at enabling the production of comparative data based on the standards validated by ARC, i.e. excluding IAS 32 and IAS 39 on financial instruments.

– A second stage at the start of 2005 that takes on board the standards validated by Europe during 2004.

General IAS training initiatives were run throughout 2003, with priority given to those staff involved in the work of the program. The first half of 2004 will see the Group step up these efforts, notably as regards operational staff responsible for producing 2004 comparative data (staff from the Finance Department and operational staff from the core businesses). The second half of the year will be dedicated to preparations for January 1, 2005 (production of the opening balance over a full normative basis), including additional operational training on standards not applicable in 2004 and systems and process tests.

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 and interest rates, in 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 unsuitable 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 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 the risk management framework is solid and effective. The Risk Division also includes risk modeling teams, information system project managers, industry experts and economic research teams, and is responsible for:

– defining and validating the methods used to analyze, assess, approve and monitor credit risks, country risks, 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 all such 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, which bring together members of the Executive Committee and managers from the Risk Division.

This committee considers the main strategic stakes wherever necessary: risk taking policies, measuring methods, material and human resources, analyses of portfolios and the cost of risk, market limits and credit concentration limits (by product, country, sector, region, etc.), crisis management.

Each department (commercial banking or business line) is responsible for submitting all new products and activities, 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 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 will sufficiently reflect 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 handled centrally by a single operating division. The centralizing division is designated on a case-by-case basis in order to ensure a consistent approach to risk management and permanent control of the Group's potential exposure to major clients;
- responsibility for analyzing and approving risk is delegated to the most appropriate section of the business lines and credit risk units;
- risk assessment departments are fully independent at each decision-making level.

Risk management

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 these concentrations. The management of the Group's concentration risks is based on a series of procedures that include a system for analyzing exposure 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 risk limits is intended to assign an appropriate exposure limit to each emerging market, on the basis of the risk incurred and the expected return on transactions in each country. The allocation of limits is subject to final approval by Group 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. It 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.

In the second half of the 1990's, the bank launched a major project to quantify all its credit 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 quantitative methods.

Internal rating

To this end, the Group has adopted an internal ratings scale similar to that used by external ratings agencies. It includes 22 levels of risk, three of which concern high-risk/defaulting counterparties (outstanding loans classified as doubtful or non-performing).

The Group's rating scale comprises a series of methods and tools, each adapted to the specific nature of each client (size, nationality, industry, etc.) and the characteristics of each transaction (maturity, guaranties, type of transaction). It enables the bank to estimate the average potential loss and capital per client and per transaction.

The Group's rating models have been constructed jointly by banking experts (commercial and risk departments) and modeling teams. The methodologies used are updated on a regular basis.

Risk ratings are determined at the start of a relationship or a transaction, then regularly reviewed and/or modified whenever considered necessary in view of a particular event.

The rating enables the bank to analyze the degree of risk entailed in each credit transaction, 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 capital).

The tools used for rating and measuring risk and risk-adjusted performance are now widely implemented across the Group.

They are regularly used by customer relationship managers and risk managers to determine the various risk factors, set exposure limits and calculate the risk-adjusted return.

The rating approach is thus an integral part of all decision-making processes and of credit risk management.

For the Group's investment portfolio, a methodology has been developed for allocating capital based on risk measurement, which takes into account the correlation between geographical regions, industrial sectors and counterparty credit ratings, in order to estimate the potential losses on the basis of a predefined confidence interval. These techniques enable the Group to assess the extraordinary losses in the event of a significant deterioration in economic conditions.

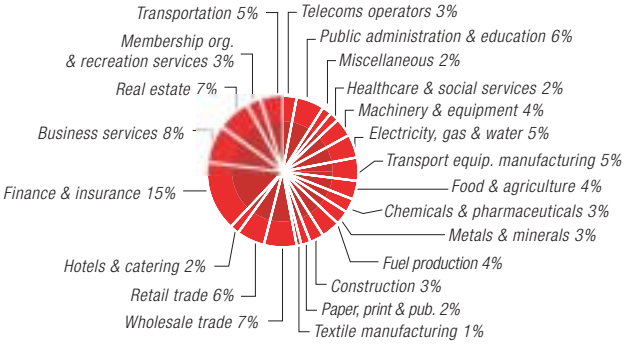
At the Group level, these tools are currently used for analyzing client profitability and for active portfolio management.

They are used directly by the Finance and Corporate Planning Department to forecast capital allocation requirements.

Credit portfolio analysis

Outstanding on individual and business customers

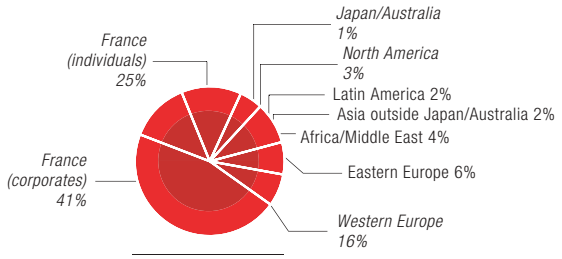
At December 31, 2003, on- and off-balance sheet loans gross of provisions granted by the Société Générale Group to its non-banking clients totaled EUR 267 billion (including EUR 184 billion of outstanding balance sheet loans). The Group's commitments on its ten largest industrial counterparties account for 6% of this portfolio.



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

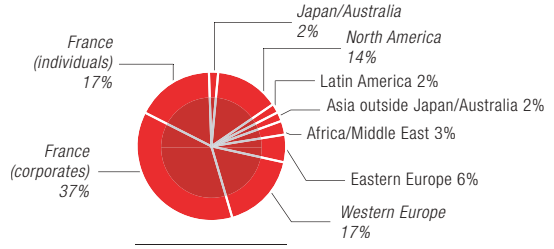
Total on-and off-balance sheet commitments: EUR 212 billion

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), and is characterized by a moderate cost of risk.



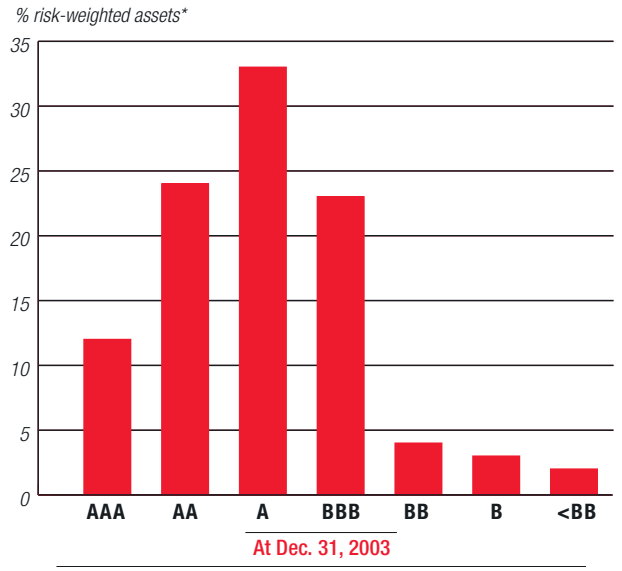
BREAKDOWN OF SOCIÉTÉ GÉNÉRALE GROUP LOANS TO NON-BANKING CUSTOMERS BY GEOGRAPHICAL REGION (including individual customers)

Total balance sheet commitments: EUR 184 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 267 billion



BREAKDOWN OF RISK BY INTERNAL RATING* FOR GROUP BANKING CUSTOMERS

S&P equivalent of internal rating

** Borrower risk (including issuer risk) and replacement risk, excluding doubtful loans.*

At December 31, 2003, 87% 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 17% to individual customers).

Commitments on Banking Counterparties

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

At December 31, 2003 on-balance sheet banking commitments (excluding securities purchased under resale agreements) and off-balance sheet commitments amounted to EUR 23 billion (excluding delivery and replacement risk). The large majority of these risks (more than 88%) relates to banks rated "Investment Grade" by the rating agencies, while the Group's exposure is highly diversified and short-term exclusively in the case of banks with lower ratings. Consequently, Société Générale's cost of risk on its banking counterparties remains structurally very low.

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, 2003, nearly three-quarters (EUR 14.4 billion) of the outstanding loans not covered concerned Retail Banking activities (which has good risk diversification), with the remaining quarter relating to Corporate and Investment Banking.

• Retail Banking

In Retail Banking, the outstanding on emerging markets not covered by specific provisions stood at EUR 14.4 billion at December 31, 2003, compared with EUR 14.0 billion at year-end 2002. This amount includes off balance-sheet commitments and takes into account the integration in 2003 of SG-SSB in Ghana (impact: EUR 0.1 billion). Furthermore, commitments in the amount of EUR 1.5 billion are covered by specific provisions. This portfolio covers 16 countries in four geographical regions (Eastern Europe, the Mediterranean basin, French-speaking Africa and Latin America). The majority of the corresponding commitments are denominated in the local currency and refinanced locally.

Change in non-banking exposure on emerging markets (Retail Banking)*

In EUR bn, incl. recent acquisitions	Dec. 31, 2002	Dec. 31, 2003
Individual customers	2.0	3.0
Corporates	12.0	11.4
Total	**14.0**	**14.4**

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

Out of this total, commitments to countries which will join the European Union on May 1, 2004 stood at EUR 8.1 billion at end-2003. Outstanding loans in other emerging countries are limited to EUR 6.3 billion.

• 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 5.2 billion on December 31, 2003 (half of which are to Investment Grade countries), up slightly against December 31, 2002 (EUR 5.1 billion).

Change in non-banking exposure on emerging markets (Corporate and Investment Banking)*

(In billions of euros)	Dec. 31, 2002	Dec. 31, 2003
Mitigated country risk**	2.0	2.3
Standard country risk	3.1	2.9
Total	**5.1**	**5.2**

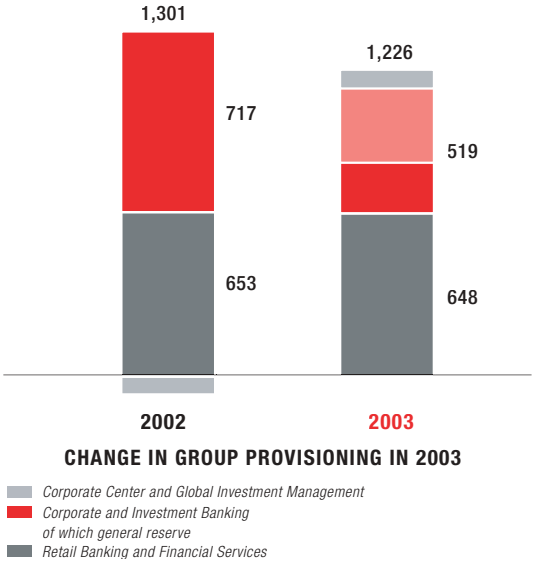
** On- and off-balance sheet, net of specific provisions for identified risks and guarantees (ECA, cash collateral).*
*** Transactions where the structure reduces the country risk, though without eliminating it (export prefinancing with offshore payment, political risk insurance, participation in financing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

Furthermore, outstanding covered by specific provisions amounted to EUR 0.4 billion.

Credit risk coverage, provisions and provisioning policy

Provisioning for credit risks at December 31, 2003

The net allocation to provisions for Société Générale Group commercial risk (excluding disputes) in 2003 amounted to EUR 1,106 million, compared with EUR 1,268 million at December 31, 2002.



The Group's cost of risk (excluding disputes) in 2003 therefore declined to 59 basis points, compared with 70 basis points a year earlier.

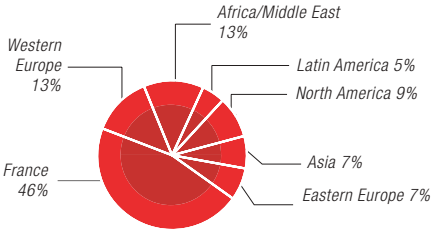
Over the year, the Group's net allocation to provisions (including disputes) fell by 6%.

This fall is primarily down due to the drop in specific provisioning for identified risks in Corporate Banking, which relates mainly to the US portfolio: the allocation to provisions for US risks was EUR 66 million in 2003, against EUR 345 million in 2002.

In 2003, a net allocation of EUR 285 million was made to the general reserve for the Corporate and Investment Banking division.

Provisioning for credit risks

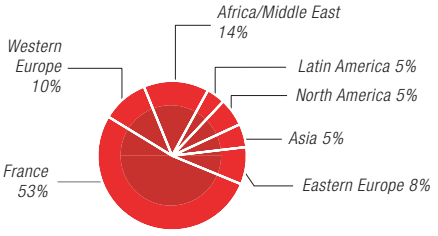
Provisioning for credit risks principally covers doubtful and disputed loans. These loans totaled EUR 10.7 billion at December 31, 2003.



BREAKDOWN OF DOUBTFUL LOANS BY GEOGRAPHICAL REGION

Total doubtful and disputed loans: EUR 10.7 billion

These loans are covered by specific provisions amounting to EUR 7.3 billion at December 31, 2003.



BREAKDOWN OF PROVISIONS BY GEOGRAPHICAL REGION

Total provisions: EUR 7.3 billion

In view of the specific provisions for identified risks, the country risks reserve and general risk reserve (totaling EUR 8.3 billion), the coverage ratio for the Group's doubtful and disputed loans is very high at 78%.

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, 2003, this provision totaled EUR 453 million.

General risk reserves (excluding country risk reserve)

Total general risk reserves booked by the Group amounted to EUR 558 million at December 31, 2003 compared with EUR 277 million at end-2002. This change was principally due to the Group's Corporate and Investment Banking arm reinforcing its general credit risk reserve by EUR 285 million, essentially related to the European loan book.

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 methods used to calculate risks and results and approving 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, in accordance with the regulatory model, 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 coherency between the total risk limits and the operational limits used by the front office. These limits also enable risks only partially detected 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. 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.

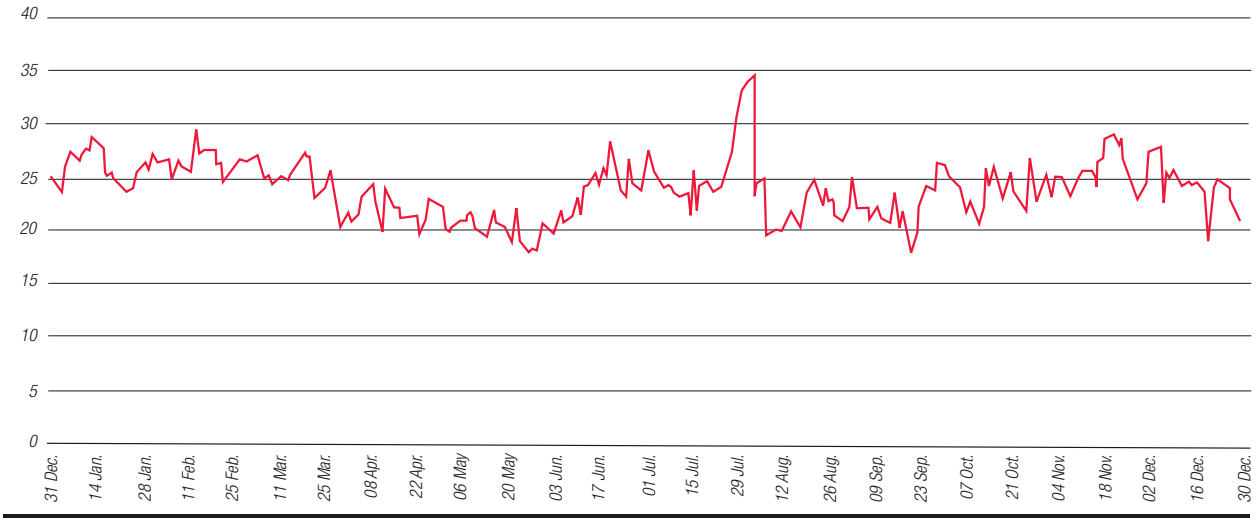
The method used is the "historical simulation" method, which implicitly takes into account the correlation between all markets and abnormal distributions of variations in market parameters. It is based on the following principles:

- 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 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 these 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 2003, 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 2003:



EVOLUTION OF THE TRADING VALUE AT RISK (TRADING MARKET ACTIVITIES PORTFOLIO) DURING 2003 (1 DAY, 99%)

In millions of euros

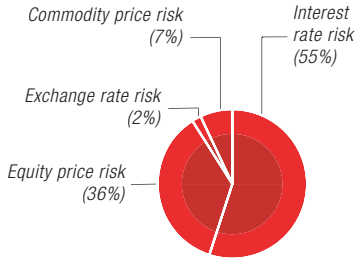
Breakdown of trading VaR by type of risk – Change between 2002 and 2003

(In millions of euros)

1-day, 99%	Year-end		Average		Minimum		Maximum	
	2003	2002	2003	2002	2003	2002	2003	2002
Interest rate risk	(23)	(27)	(22)	(30)	(17)	(23)	(30)	(43)
Equity price risk	(15)	(12)	(14)	(17)	(8)	(8)	(24)	(30)
Exchange rate risk	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(3)
Commodity price risk	(3)	(2)	(3)	(4)	(2)	(1)	(5)	(6)
Compensation effect	18	16	17	20	NM*	NM*	NM*	NM*
Total	**(24)**	**(26)**	**(24)**	**(32)**	**(17)**	**(20)**	**(34)**	**(56)**

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

As we can see in the chart above, the average VaR fell from EUR 32 million to EUR 24 million between 2002 and 2003, largely due to the reduction in exposure to interest rates. Compensation remained high, reflecting the bank's high degree of risk diversification.



BREAKDOWN OF TRADING VaR BY TYPE OF RISK

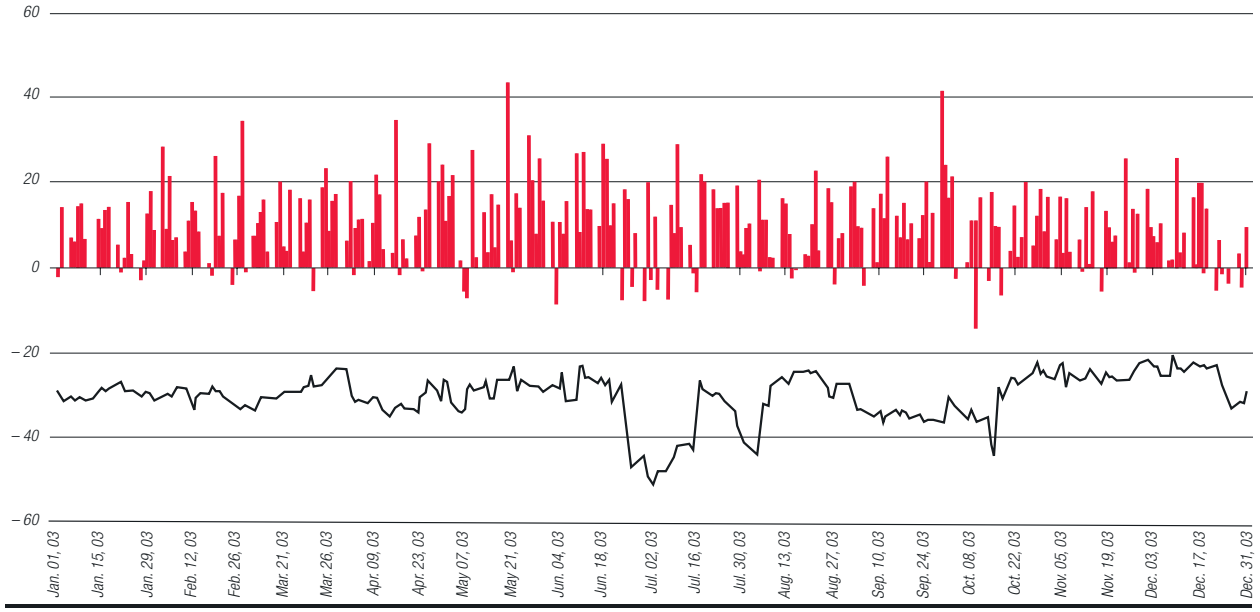
Methodological limits to VaR assessment

The VaR assessment is based on a model and conventional 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 exceptionally large fluctuations;
- 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 is 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 represents the back-testing of the VaR on the regulatory scope. The daily total never exceeded the amount of the VaR in 2003. Statistically, the 99% confidence interval would still be valid if the VaR is exceeded two or three times a year;
- complementing the VaR system with stress-test measurements.



VaR BACK-TESTING USING THE REGULATORY SCOPE DURING 2003 (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 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 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 the summer of 2002, the autumn of 2001, the summer of 1998, the Asian crisis of 1997 and 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, 2003 (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 Department.

Ten-year stress-test risk: exposure at December 31, 2003 and underlying assumptions

Stress-test scenarios	Exposure at December 31, 2003 and assumptions
Exchange rate risk:	**Exposure at December 31, 2003: EUR – 32 million**
Exchange rate risk	Risk measured by currency, on the basis of a +/-6% variation in the exchange rate for non-emerging market currencies, a +6/-10% variation for strong emerging market currencies, a +10/-15% for free-floating emerging market currencies and a +10/-30% variation in high-risk emerging market currencies.
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, 2003: EUR – 268 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 of 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/investment-grade 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, 2003: EUR – 435 million**
Cash equity positions	A fall in market prices of 15% for non-emerging markets and 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-month to -5% for 5-year) with spot price unchanged.
Commodity price risk:	**Exposure at December 31, 2003: EUR – 11 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, 2003: EUR – 42 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 CRBF (French Banking and Financial Regulation Committee) on internal control provided Société Générale 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 divisional heads is assisted by a "structural risks officer", responsible for risk analysis and reporting (first-level controls). Entities use a common system for reporting structural risks.

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

The unit works in liaison with the division finance departments, which are responsible for the quality of information reported. These quarterly reports 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, currency and liquidity risks drawn up by the Asset and Liability Management unit. 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 on the basis of a global assessment of the evolution of outstanding positions for both fixed-rate and floating-rate products.

Assets and liabilities are analyzed independently, without any *a priori* allocation of funds. The maturity of the outstanding positions takes account of models of historical client behavior patterns (special savings accounts, early redemption, etc.), as well as assumptions relating to some aggregates (principally 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 calculation of the position's sensitivity to changes in interest rates.

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 relating to retail banking activities in France are mostly considered to be fixed-rate funds, and their total exceeds the duration of commitments of a similar nature. Due to macro-hedging operations, essentially carried out through fixed-rate swaps, and on the basis of the assumptions used, the sensitivity of the French Networks is low. Overall the retail banking sensitivity in France is less than EUR 200 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 exchange rate risks

Structural exchange rate 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 that used for its funding.

Société Générale chooses to take up these positions, since Group policy for its very long-term investments 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 in France and abroad, 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, 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 the unsuitability or failure of internal procedures, persons or systems, or caused by external events (disasters, fire, physical attacks, etc.). It includes risks linked to the security of information systems, legal and regulatory risks and environmental risks, along with risks to the Bank's business activity and reputation risk.

Operational risk is inherent in each of the Group's businesses and service activities. Its management is based on a system of prevention, control and coverage, integrating detailed procedures, permanent supervision and insurance policies, alongside work carried out by the internal audit and General Inspection departments.

Over the last few years, the Group has developed a thorough and coherent approach designed to reinforce the control and active management of operational risk within the Group.

The target system is based on a coherent series of procedures, measurement tools, management methods and reporting. It is in line with the Basel Committee's 2003 publication "Sound Practices for the Management and Supervision of Operational Risk" and meets the new regulatory requirements concerning the solvency ratio to be implemented in 2006.

The design of these tools and overall implementation of the project is the responsibility of the Operational Risk unit of the Basel II Program department. The practical application of the system is the responsibility of the operating divisions and corporate departments, and is currently in line with the multi-year plan approved by General Management.

The audit and General Inspection teams verify each element of the system before it is deployed.

Operational risk management

The Group maintains a database of all internal operating losses, and has extended its scope to cover all entities, both in France and abroad. This common database enables the Risk Department and each commercial division or support department to analyze their losses (by type of event, cause, activity, etc.) and monitor their evolution, along with the proposed action plans.

A specific methodology for evaluating the control environment has also been formally defined. This process is designed to alert the commercial divisions as soon as possible if they are vulnerable to risks so that they can react and reduce potential losses. Under this methodology, the risks inherent in each activity are defined in a risk map, and the quality and efficiency of the corresponding control procedure is rated on a regular basis.

The Group is currently finalizing a software application for managing its operational risks, integrating data from all its entities.

Operational risk measurement

The Group is developing an internal model to calculate the capital that must be allocated to operational risks under regulatory requirements.

Business continuity plans

- The Audit Department recently carried out a study to assess the coherency and efficiency of the Business Continuity Plans for the Group's main businesses.
- A coordination team was set up, which is responsible for:
  - standardizing all Business Continuity Plans;
  - circulating information on internal and external best practices throughout the Group;
  - monitoring the development and updating of the continuity systems.
- Various tests have been carried out to evaluate the efficiency of the Business Continuity Plans, with the involvement of the operational staff of the various divisions.
- The Board of Directors has also been kept informed of the work carried out in this area.

Legal risks

Dependency

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

Risks and litigation

- Risks arising out of material litigation matters initiated against the Group are subject to a quarterly review. To this end, the managers of subsidiaries and branches, in France and abroad, review these litigations every quarter and assess the potential loss if any. These assessments are forwarded to the Paris Headquarters where they are reviewed by a committee headed by the Corporate Secretary and composed of members of the Financial, Legal and Risk Departments. This committee makes recommendations on the basis of which the General management decides the amount of the reserves or whether any existing reserves should be reversed.
- Like many financial institutions, Société Générale is subject to numerous litigations, including securities class actions lawsuits in the U.S., and to regulatory investigations. The Group has taken provisions in its financial statements for those matters that are liable to have or have recently had a significant impact on the financial condition of the Group, its results or its business, as assessed at December 31, 2003. Except as set forth below, the other litigation matters are not anticipated to have a material effect on the Group's financial condition or it is still too early to determine at this stage whether they may have such an impact.
- On January 19, 2000, High Risk Opportunities Hub Fund Ltd. (HRO), a hedge fund in receivership, represented by its receivers, commenced a lawsuit against Société Générale (and another bank), before the Supreme Court of the State of New York asserting two claims for breach of contract relating to a series of non-deliverable USD/Russian ruble foreign exchange transactions.

  On one cause of action, which has been dismissed by the court and potentially could be appealed, HRO seeks consequential damages of at least USD 1 billion. On the second cause of action, with respect to which both HRO and Société Générale have moved for summary judgement, HRO seeks compensatory damages of more than USD 190 million plus interest. In April 2003, Société Générale and HRO entered into a settlement agreement that is subject to the approval of the Grand Court of the Cayman Islands, which is presiding over HRO's bankruptcy proceedings. In July 2003, the Grand Court refused to approve the settlement. HRO has appealed that ruling. The settlement agreement between Société Générale and HRO remains in effect while HRO pursues its appeal. Société Générale has established provisions for this matter.
- The lawsuit filed against SG Cowen Securities Corporation (SG Cowen) before the United States Court for the District of Massachussetts by the New England Teamsters and Trucking Industry Pension Fund, was settled in late 2003. Insurance carriers funded the full amount of the settlement. The lawsuit has been dismissed.
- In January 2002, Société Générale was informed that Frank Gruttadauria ("Gruttadauria"), a former employee of SG Cowen's retail brokerage business that was sold in October 2000, had defrauded numerous customers and misappropriated their assets at various firms that had employed him, including SG Cowen. Gruttadauria has been convicted and sentenced in federal court in Ohio to a seven-year term of imprisonment for his crimes. Numerous former customers of SG Cowen have commenced or threatened to commence lawsuits

and arbitrations against Société Générale and SG Cowen arising out of Gruttadauria's fraudulent conduct. Société Générale and SG Cowen have reached settlements with many former customers and are attempting to resolve the remaining disputes with their former customers, but many lawsuits and arbitrations filed by former customers are ongoing and some of them are scheduled for hearings in the first quarter of 2004. SG Cowen has reimbursed former customers for the out-of-pocket losses they incurred resulting from Gruttadauria's misconduct.

In August 2003, SG Cowen entered into consent orders with the New York Stock Exchange ("NYSE") and the US Securities and Exchange Commission ("SEC"), under which SG Cowen was charged with failure to supervise Gruttadauria during the 27-month period he was employed by SG Cowen, and violations of the federal securities laws arising out of SG Cowen's failure to maintain accurate and complete books and records during the same time period. Pursuant to the orders, SG Cowen agreed, among other things: to a censure imposed by the SEC; to pay a total of USD 5 million in fines to the NYSE and the SEC; to undertake a review of certain firm policies, procedures, practices, and supervisory systems; and to participate in an expedited arbitration procedure to resolve the claims of former customers who choose to take advantage of the procedure.

On December 16, 2003, SG Cowen entered into an agreement with the Cuyahoga County (Ohio) Prosecutor under which the Prosecutor agreed not to file any civil, criminal or administrative charges against SG Cowen relating to the criminal activities of Gruttadauria while he was an employee of the firm from July 1998 through October 13, 2002. SG Cowen agreed to pay a total of USD 4.5 million to Cuyahoga County and the State of Ohio, representing the forfeiture of certain fees generated by Gruttadauria and the cost of the Prosecutor's investigation.

Société Générale has established provisions for all the financial consequences of this matter. This provision has been set off by a reversal for the same amount from the General Reserve for Banking Risks (Fonds pour risques bancaires généraux).

- SG Cowen is one of several defendants named in lawsuits arising out of the accounting fraud that caused the collapse of Lernout & Hauspie Speech Products, N.V. (L&H), a former client of SG Cowen.

  In one lawsuit pending in the federal court in Boston, the former owners of Dragon Systems, Inc. allege that SG Cowen violated federal securities and state laws by making material misrepresentations to the plaintiffs while SG Cowen was advising L&H in connection with its acquisition of Dragon and published materially misleading research on L&H. Discovery is under way in that case.

  In another lawsuit pending in the same court, the Trustee of the Dictaphone Litigation Trust alleges that SG Cowen made material misrepresentations to Dictaphone while SG Cowen was a financial advisor to L&H on its acquisition of Dictaphone, and published materially misleading research on L&H, in violation of various federal and state laws. SG Cowen has moved to dismiss the amended complaint filed in that lawsuit. In another L&H lawsuit pending in federal court in New Jersey, short-sellers of L&H stock allege that SG Cowen participated in a scheme to artificially inflate L&H's stock price through allegedly false and misleading research reports published by SG Cowen, in violation of federal securities laws and state laws. SG Cowen's motion to dismiss the complaint is pending.

  Société Générale has established reserves for these matters.

Environmental risks

See page 84.

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 thresholds, or particular guarantees applicable to specific activities.

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

In the case of traditional guarantees, the Group was able to renew the majority of the policies bought on the market. Despite the difficulties experienced by insurers, Société Générale kept and in some cases improved its existing level of cover, particularly as regards guarantees for risks linked to financial activities.

The Group has an internal reinsurance company that intervenes with some policies to reduce the deductible imposed by insurers, which in some cases is particularly high.

As a result, despite the contraction in the market for the insurance of these risks, the Group was able to set up insurance policies that considerably exceed the level of losses realized.

II – Description of cover

a) General risks

1. Buildings and their contents, including IT equipment, are insured at their replacement value. In France, the budget amounted to EUR 3.2 million.
2. Liability other than professional liability (i.e. relating to operations, directors and officers, vehicles, etc.) is covered by insurance policies around the world. The amounts insured vary from country to country, but correspond to operating requirements. In France, the budget amounted to EUR 1.7 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 under a global policy. This policy complements the business continuity plans. The amounts insured are designed to cover losses incurred between the time of the event and the implementation of an emergency solution.

Other risks

The Group is aware of no other risk to be mentioned in this respect.

Regulatory ratios

International solvency ratio

(B.I.S. ratio)

The international solvency ratio requires financial institutions handling a significant volume of international business to maintain a minimum level of equity in reserve on a permanent basis, in order to cover their credit exposure and capital market risks.

Until December 31, 1997, the B.I.S. ratio was essentially limited to counterparty risks. Since January 1998, it has been extended to cover 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. 117).

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

The Group's B.I.S. ratio stood at 11.68% at December 31, 2003, excluding Tier-3 capital, compared with 11.13% at end-December 2002 and 11.49% at end-December, 2001.

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

(in millions of euros at December 31)	2003	2002
Risk-based capital		
Group shareholders' equity	16,877	15,734
Dividends	(1,021)	(853)
General reserve for banking risks	312	207
Minority interests after appropriation of net income	1,847	1,768
Preferred shares	2,120	1,668
Prudential deductions (1)	(3,194)	(3,265)
Total Tier-1 capital	**16,941**	**15,259**
Total Tier-2 capital	**9,066**	**9,219**
Other deductions (2)	**(3,164)**	**(3,621)**
Total risk-based capital	**22,843**	**20,857**
Risk-weighted assets	**195,593**	**187,384**
International solvency ratio (B.I.S. ratio)	**11.68%**	**11.13%**
Tier-1 ratio	**8.66%**	**8.14%**

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

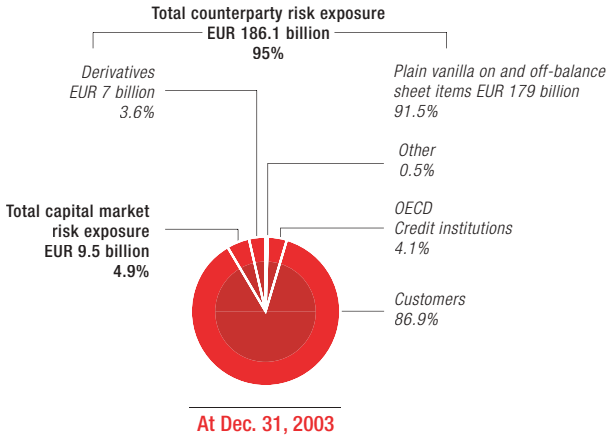
Regulatory ratios

Group shareholders' equity at end-December 2003 totaled EUR 16.9 billion (compared with EUR 15.7 billion in 2002). After taking into account minority interests, preferred shares, the general reserve for banking risks and prudential deductions, total Tier-1 capital stood at EUR 16.9 billion, giving a Tier-1 ratio of 8.66% at December 31, 2003 (compared with 8.14% at December 31, 2002).

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

- the increase in risk-weighted assets over 2003 (EUR +8.2 billion) resulted from the rise in counterparty risks. These accounted for 95% of risk-weighted assets, amounting to EUR 186.1 billion, at December 31, 2003 (94.5% at December 31, 2002);
- risk-weighted assets relating to market risk accounted for 5% of the total, down slightly on 2002 (5.5%).

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 167, note 21).



BREAKDOWN 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 156.7% covered by Group equity, excluding any Tier-3 capital (compared with 154.3% at December 31, 2002).

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 113.5 % over 2003. At the end of each month in 2003, it was above the minimum regulatory requirement of 100%.

Prudential ratio

(funding ratio)

The prudential ratio, which is used to determine long-term liquidity, measures receivables due in more than five years against funds with a remaining maturity of more than five years. At December 31, 2003, this ratio stood at 93.9%, above the minimum regulatory standard of 60%.

Report of the Chairman on internal control procedures

This report has been prepared in compliance with articles L. 225-37 and L. 225-68 of the French Commercial Code, pursuant to Article 117 of the law on financial security dated August 1, 2003. It relates to the internal controls carried out by the consolidated Société Générale Group. In addition, the chairman of each French limited liability company that is a subsidiary of the Group is required to draft a specific report.

Given the extent and diversity of the risks inherent in banking activities, internal control within banks is a vital instrument in risk management and thus plays an important role in ensuring the sustainability of their activities. It forms part of a strict regulatory framework defined at the national level, and is also a focus of various projects at the international level (Basel Committee). Internal control concerns all areas of the Group – primary responsibility lies with the operational staff, but a number of support departments are also involved, notably the Risk Department, the Internal Audit Department and the *Inspection Générale*, together with all the Group's Finance Departments.

The Role of the Board of Directors' Audit Committee:

In addition to its responsibilities relating to the work of the Statutory Auditors (selecting the auditors, ensuring they are independent and examining their work schedule), the Audit Committee also plays an essential role in the Board of Directors' assessment of the Group's internal control.
The Committee is responsible for the following:
- *examining the consistency of the internal mechanisms implemented to control procedures, risks and ethical compliance;*
- *examining the Group's schedule of internal audits and the annual report on the internal control system, which is drawn up in accordance with banking regulations, and evaluating the organization and functioning of the internal control departments;*
- *examining follow-up letters sent by the French Banking Commission and evaluating the draft responses to these letters;*
- *examining the policy for risk management and monitoring off-balance sheet commitments, notably in accordance with the notes on this subject drafted by the Finance Department, Risk Department and Statutory Auditors.*

In order to carry out these functions, the Audit Committee is entitled to question, under the conditions it decides, the chief executive officers of the Company, the Statutory Auditors and the managers in charge of the accounts, internal control, risk management and ethical compliance (see "Corporate Governance", p. 11).

Internal control is part of a strict regulatory framework to which all banking establishments are subject, and concerns all Group staff

A strict regulatory framework

The conditions for conducting internal controls in banking establishments are defined in the amended regulation No. 97/02 of the French Banking and Financial Regulation Committee. This text, which applies to all credit institutions and investment companies, defines the concept of internal control, together with a number of specific requirements relating to the measurement and limitation of the various risks inherent in the activities of the companies in question, and the procedures under which the deliberating body must assess and evaluate the quality of the internal controls carried out.

In August 2001, the Basel Committee published a consultation paper reaffirming the four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of the internal audits carried out by credit institutions.

At Société Générale, these principles have been applied primarily through five directives, one of which constitutes the Group audit charter, while the other four relate to the work of the Risk Department, the management of credit risks, the management of market risks and the management of interest rate, exchange rate and structural liquidity risks.

The audit Charter defines internal control as the resources that enable the Group's General Management to ascertain whether the transactions carried out and the organization and procedures put in place in the Company are compliant with the legal and regulatory provisions in force, professional and ethical practices, internal regulations and the policies defined by the Company's executive body. The internal control is designed to:

- detect and measure the risks borne by the Company, and ensure they are adequately controlled;
- guarantee the reliability, integrity and availability of financial and management accounting information;
- verify the quality of the information and communication systems.

Report of the Chairman on internal control procedures

The first level of responsibility for internal control lies with the operational staff

The cornerstone of our internal control system is the permanent supervision of activities at the local level by operational staff. This comprises all procedures implemented on a permanent basis to guarantee that transactions carried out at the operational level are correctly handled, secure and valid. Permanent supervision comprises two elements:

– **everyday security:** all operational staff are required to permanently comply with the applicable rules and procedures in all transactions carried out;

– **formal supervision:** management is required to make regular checks using written procedures, to verify that staff are complying with rules and procedures for processing transactions and for ensuring effective day-to-day security.

In order to ensure this system functions correctly, operating methods need to be formally defined and communicated to all Group staff. The permanent supervision procedures are adapted for each Group entity on the basis of their particular activities, and are set out in specific documents.

Other functions involved in internal control

Over and above the administrative and financial processing of transactions, the middle and back offices responsible for executing and recording all transactions carried out within the Group also carry out first-level controls in accordance with regulatory requirements.

At the same time, a number of functional departments, which are independent from the operational departments, also control Group transactions:

– **the Risk Department,** which is in charge of identifying all risks borne by the Group, defining or validating methods and procedures for analyzing, measuring, approving and monitoring risks, ensuring the adequacy of risk information systems and managing risk portfolios, monitoring cross-business risks and anticipating risk provisioning for the Group. The department also helps to assess risk by giving an opinion on all transactions proposed by sales managers;

– *the Group Finance Department:* in addition to its strategic and financial management responsibilities, the Finance Department also carries out extensive controls. It analyses the financial aspects of the Group's capital transactions and its financial structure, is responsible for asset/liability management, and consequently defines, manages and controls the Group's financial position and structural risks. Furthermore, it ensures that the regulatory financial ratios are complied with, defines accounting standards, reference frameworks, principles and procedures for the Group, ensures they are respected and verifies that all financial and accounting data published by the Group is reliable;

– **the Division Finance Departments** are hierarchically attached to the division managers and functionally attached to the Group Finance Department. They make sure that decisions taken at the local level are correctly implemented and control the quality of the information in the consolidated financial reports submitted to the Group;

– **the Compliance Department** ensures that all compliance rules and principles applicable to the Group's various activities are disseminated throughout the Company and respected by the staff;

– **the legal and tax departments** monitor all fiscal and legal aspects of the Group's activities;

– **the Internal Audit and** *Inspection Générale,* whose activities are described in this document.

With the exception of the Division Finance Departments, all these functional departments report directly to Group General Management or the Corporate Secretary. They are also responsible for submitting any information that is required by the Executive Committee, under the authority of the Chairman and Chief Executive Officer, for the strategic management of the Company.

A strictly controlled acquisition process.

In light of the risks inherent in the acquisition of new entities, the Group has implemented a clear body of rules that is updated on a regular basis.

Acquisition projects are analyzed thoroughly to assess their potential for value creation. Group internal rules specify that the following aspects must be examined in depth:

– the various risks inherent in the project;

– the reliability of financial and management accounting data;

– internal control procedures;

– the soundness of the Company's financial position;

– how realistic the development forecasts are, in terms of both cost synergies and earnings growth;

– the conditions for integration and the follow-up of this integration.

This pre-acquisition evaluation is conducted by the business lines with the help of specialists where required (representatives of the business lines, the Risk Department, the Inspection Générale*, the Accounting Department, the Legal Department, etc.).*

The Group Finance Department then submits a report based on this analysis to the Executive Committee, which takes the final decision.

Once acquired, the entity is integrated into the relevant division of the Group according to specific procedures, which are evaluated every six months by the appropriate management level, according to the importance of the acquisition (Chief Financial Officer, Group General Management, Executive Committee).

Moreover, the Company has implemented a specific procedure whereby strategic acquisitions are monitored by the Group Audit Committee and the Board of Directors. Consequently, the recent acquisitions carried out by the Financial Services and Global Investment Management businesses were reviewed in 2003.

Risk evaluation and management

Banking activities are subject to a variety of risks

Given the diversity and ongoing evolution of its activities, the Group is exposed to a wide variety of risks, which are generally grouped into four categories:

– **Credit risk** (including country risk): the risk of loss due to the inability of clients, governments and other counterparties to meet their financial obligations with respect to the Group;

– **Market risk:** the risk of loss due to changes in market prices and interest rates, the correlation between the two factors and levels of volatility;

– **Structural risk:** the risk of loss due to the bank's inability to refinance its balance sheet commitments at reasonable rates of interest and with an appropriate repayment schedule;

– **Operational risk** (including legal, compliance, accounting and environmental risks): the risk of loss or of producing incorrect financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events.

Risk management procedures are defined at the top management level

The Group organizes a monthly Risk Committee meeting, at which the Executive Committee defines the framework required to manage risk, reviews changes in the characteristics and risks of Group portfolios, and decides on any necessary strategic changes. The Group also has a “Major Risks” Committee, which focuses on reviewing areas of substantial risk exposure (individual files or segments of the portfolio).

At the business level, each division is required to submit any new products or activities to their respective New Product Committee, which ensures that the associated risks are correctly analyzed, measured and controlled before the product or activity can be launched.

Lastly, the procedures for managing, preventing and evaluating risks are analyzed in-depth by the Board of Directors and, in particular, its Audit Committee.

Report of the Chairman on internal control procedures

An independent Risk Department, responsible for implementing an efficient risk management system and for ensuring homogenous monitoring of risk at a consolidated Group level

The Group Risk Department is an independent function reporting directly to Group General Management. It comprises 510 staff, responsible for promoting the development and profitability of the Group by ensuring the risk control system in place is robust and efficient (see above for its specific functions).

Procedures and organization

Based on the monitoring framework defined by the Risk Committee, a set of specific procedures has been compiled for each type of risk.

Procedures for **counterparty risks:**

– the Risk Department submits its recommendations to the Risk Committee on the specific concentration limits it feels are appropriate at a given time for different countries, geographic zones, sectors, products, client types, etc.;

– all requests for authorization received from the business lines regarding a particular client or client group are directed to a single sales department that has in-depth knowledge of the client;

– the business lines and Risk Department submit all commitment files for analysis and approval to the team best suited to deal with the type of risk incurred.

Procedures for **market risk:**

– the Group Risk Committee defines limits for each type of activity, based on the Risk Department's recommendations;

– independent middle-office teams report daily on risks and results;

– dedicated risk controllers on the trading floor monitor trading positions and results on a permanent basis, carry out daily checks on the market parameters used to calculate risks and results, and calculate the daily market risk exposure;

– precise methods have been defined for evaluating risks, and the Risk Department must validate the valuation models used to calculate risks, results and provisioning levels.

Structural risk is managed by each division finance department, which analyses exposure and prepares the necessary reports. The Group Finance Department's asset/liability management unit monitors structural risk at the consolidated level and provides support to the various entities by validating their models and methods. At top level, the Finance Committee, which is part of Group General Management, validates the risk analysis and evaluation methods, and sets exposure limits for each Group entity.

Given the importance of **operational risks** in the banking sector, and in accordance with the recommendations of the Basel Committee on Banking Supervision, the Group's General Management has adopted a rigorous and coherent approach to reinforce the management of operational risks across the businesses. It has compiled a map of the different types of operational risks, together with databases of internal and external operational losses. In addition, specific procedures have been implemented to monitor and control the different types of operational risk. This is all part of a common framework of procedures, tools and methods developed by the Risk Department, but implemented by the sales and functional departments.

Methodology and information systems

Société Générale dedicates significant resources to adapting risk management and monitoring methods to its various activities. The information systems, in particular, are constantly being modified to accommodate changes in the products traded and the associated risk management techniques.

In the case of counterparty risk with respect to capital market products, the current methods used to measure exposure are backed up using worst-case scenario analyses, to reinforce the transaction selection process.

With respect to market risks, the current in-house risk measurement model has been approved by the French Banking Commission for use with nearly all types of transaction.

In terms of credit risk, the existing approval and monitoring procedures have been reinforced over the last few years with the introduction of economic capital, risk-adjusted return on capital (RAROC) and economic value-added (EVA) indicators. As a result, major efforts have been made to model the Group's activities and adapt the information system accordingly.

The Internal Audit Departments cover all entities within the Group

Internal Audit is a permanent system designed to evaluate the efficiency of the internal controls employed by the entity to which it is attached. All Group activities and entities have an Internal Audit Department, which is authorized to inspect all aspects of their operations. Given the risks at stake, each department is provided with adequate resources, from both a qualitative and quantitative point of view, to carry out its functions effectively.

Key figures

The Internal Audit Departments comprise 920 auditors, 80% of whom are employed in Retail Banking, 13% in Corporate and Investment Banking and 5% in Global Investment Management.

The *Inspection Générale* comprises 167 persons of which 144 inspectors and controllers.

Société Générale's control system is split into two levels: the Internal Audit Department and the *Inspection Générale*

Each Group division has its own Internal Audit Department, managed by the chief auditor (contrôleur général), who reports directly to the division manager. The chief auditor has hierarchical and functional authority over all the auditors in the division. The system was recently reinforced with the creation of an Audit Department for the Corporate Departments, which reports to the Group's Corporate Secretary.

Each Internal Audit Department regularly identifies the areas of risk to which its division is exposed. It then defines an annual schedule of audits to ensure that the exposure is covered in full. The groups comprising the retail banking distribution network, for example, are audited every fifteen months, while in the Corporate and Investment Banking Division, the highest-risk entities are audited once a year.

Within this framework, the auditors carry out controls to check the security, compliance and efficiency of the division's activities, and evaluate the quality of the permanent supervision system in place. They then put forward recommendations based on their findings, and follow these up to ensure they are implemented correctly. In total, over 4,000 audit assignments (ranging in time between several days and several months) are carried out each year at the various Group entities.

This system is reinforced with specialized audits in areas requiring specific skills: these include accounting audits, legal audits, audits of counterparty risks and information technology security. The head of the functional department in question takes direct responsibility for these specialized audits, and is thus able to monitor compliance with Group principles and procedures within the business and keep a closer eye on activities at operational level. The specialized audits can also complement the divisional audits in specific areas.

The *Inspection Générale* carries out around 100 missions each year and verifies the overall quality of the internal control system

The *Inspection Générale* audits the business activities and operations of all entities within the Group. It reports its findings, conclusions and recommendations to General Management, and covers all Group entities without exception. In the course of its assignments, it makes a certain number of recommendations, the implementation of which is monitored on a quarterly basis by the Group Executive Committee. The department follows an annual audit plan that is validated by Group General Management.

Furthermore, **the *Inspection Générale* is responsible for ensuring that the internal control system implemented across Société Générale and its subsidiaries is coherent and effective.**

To do this, the *Inspection Générale* carries out the following functions:

– it audits the various functional departments involved in internal control;

– it assesses the quality of the work carried out by the Audit departments. To this end, it receives copies of all reports submitted by the auditors and appraises their quality. It also conducts specific inspections of the Group audit departments (6 assignments in 2003) and assesses the quality of the services carried out by the Audit department in the entity concerned;

– it validates the audit plans submitted by the Audit departments.

– the *Inspecteur Général* exercises functional control over the general controllers and the specialized audit managers. To this end, he notably organizes audit committees in each Group division.

Report of the Chairman on internal control procedures

Audit committees

Audit committees, which bring together the audit departments of each division with their hierarchical and functional management, play a vital role in the internal control system. They enable the functioning and activity of this system to be appraised at least once a year. In accordance with an agenda set by the Inspecteur Général*, they cover aspects such as permanent supervision, the missions carried out over the course of the year and the forthcoming audit plan, the implementation of the* Inspection Générale *recommendations and, where applicable, those of the supervisory authorities and external auditors.*

As part of his role, the *Inspecteur Général* is required to meet regularly with the Audit Committee of the Board of Directors.

During these meetings, he submits an annual report on the internal control system, as specified in Article 42 of the amended regulation 97/02. The Audit Committee examines the Group internal audit plan and submits its observations on the organization and functioning of the internal control departments. The *Inspecteur Général* also maintains close ties with the Statutory Auditors and representatives of the supervisory authorities. Lastly, the *Inspection Générale* works in conjunction with the Internal Audit Departments to ensure that the recommendations made by the supervisory authorities are implemented.

Control of the production and publication of financial and management accounting information

The departments involved

The departments involved in the production of financial data are as follows:

– the middle office in the Corporate and Investment Banking division validates the valuations of marketable financial instruments. It also reconciles the economic results produced by the front office with the accounting results produced by the back office;

– the back office is responsible for all support functions relating to transactions carried out by the front offices. It checks that financial transactions are economically justified, records transactions in the accounts and manages means of payment;

– the subsidiary and division finance departments carry out second-level controls on the accounting data and book entries input by the back offices and the management data submitted by the front offices. They compile the financial statements and regulatory information required at the local level and submit reports (accounting data, management control, regulatory reports, etc.) to the Group Finance Department;

– the Group Finance Department gathers all financial and management accounting data compiled by the subsidiaries and divisions in a series of standardized reports. It consolidates and controls this information so that it can be used in the overall management of the Group and can be disclosed to third parties (control bodies, investors, etc.).

Accounting standards

Local accounts are drawn up in accordance with local accounting standards, and the consolidated Group accounts are compiled in accordance with the standards defined by the Group Finance Department. The latter are based on general French laws and on legislation specific to the banking sector published by the French Accounting Regulation Committee. The Group Finance Department has a specific standards unit, which monitors the applicable regulations and drafts new internal standards to comply with any changes in the regulatory framework. The Group is currently adapting its body of standards in order to produce financial and reporting statements that are compliant with IFRS, which will become applicable for consolidated accounts from 2005.

Procedures for producing financial and accounting data

Each entity within the Group compiles its own local financial and management accounting statements on a monthly basis. The information is then consolidated each month at Group level and published for the markets on a quarterly basis. The division finance departments also submit analytical reviews and notes validating their accounting data to the Group Finance Department to allow it to compile the consolidated financial reports (accounting, management reporting, regulatory, etc.) that it then transmits to General Management and any interested third parties.

Internal control procedures governing the production of accounting and financial data

Accounting data are compiled independently from the front offices

Accounting data are compiled by the back and middle offices, independently from the sales teams, to ensure the information is objective and reliable. These teams carry out a series of controls defined by Group procedures on the financial and accounting data:

– daily verification of the economic justification of the reported information;

– reconciliation, within the specified deadlines, of financial and management accounting data, in accordance with specific procedures;

– production of a quarterly analytical report on the supervision carried out, which is submitted to the management of the entity or division, and to the Group Finance Department.

Given the increasing complexity of financial activities and organizations, staff training and the IT tools are reviewed on a permanent basis to ensure the production and verification of financial and management accounting data are effective and reliable.

Scope of control

In practice, the internal control procedures implemented by the various businesses are designed to guarantee the quality of the financial and accounting information, and notably to:

– ensure the transactions entered in the Group's accounts are exhaustive and accurate;

– validate the valuation methods used for certain transactions;

– ensure that transactions (including off-balance sheet transactions) are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to compile the Group accounts are compliant with the regulations in force;

– check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are made accurately, that the reconciliation of financial and management accounting data is satisfactory, and that the flows of cash payments and other items generated by transactions are exhaustive and adequate.

Second-level control by the division finance departments

The division finance departments employ over 500 staff across the Group to manage the transmission of accounting and financial data and carry out second-level controls.

– Financial data are transmitted via computerized accounting systems, which trace all events that generate an accounting entry (notion of audit trail).

– The local finance department, which is in charge of local accounts and reporting, harmonizes this data with Group standards. It ensures the information is reliable and consistent with the various accounting frameworks defined for the Group.

– At the division level, the finance department controls the consistency of the data produced by the entities and, in conjunction with the Group Finance Department, resolves any difficulties in the interpretation of accounting, regulatory or management data.

Supervision by the Group Finance Department

Once the accounts produced by the various entities have been restated according to Group standards, they are entered into a central database and processed to produce the consolidated accounts.

The department in charge of consolidation checks that the consolidation scope is compliant with the applicable accounting standards and controls a number of aspects of the data received for consolidation: validation of the aggregates produced with the collected data, verification of recurrent and non-recurrent consolidation entries, exhaustive treatment of critical points in the consolidation process, and processing of any residual differences in intercompany accounts. Lastly, the department checks the overall consolidation process by carrying out analytical reviews of the summary data and checking the consistency of the main aggregates in the financial statements. Changes in shareholders' equity, provisions and any deferred taxes consolidated in the fiscal year in question are also analyzed.

Report of the Chairman on internal control procedures

A three-level accounting audit system, in line with the Group Audit Charter.

Control by all operational staff involved in the production of accounting, financial and management data.

The operational staff monitor their activities via a permanent supervision process, under the direct responsibility of their management teams, verifying the quality of the controls carried out on accounting data and the associated accounting treatment.

Second-level control carried out by the division audit departments and the audit team in the Group Finance Department that is responsible for controlling accounting data and compliance with regulations (attached to the Group Accounting Department).

In the course of their assignments, the division audit departments systematically verify the quality of the financial and management accounting data produced by the audited entities. They check certain accounts, assess the reconciliations between financial and management accounting data, and the quality of the permanent supervision procedures for the production and control of accounting data. They also identify any areas where manual processing may be required to make up for gaps in the IT tools and which therefore needs to be checked rigorously. The departments then make recommendations to those people involved in the production and control of accounting, financial and management data in order to improve this process through more specific initiatives aimed at particular entities or activities.

The audit team responsible for controlling accounting data and compliance with regulations carries out the following functions:

– permanent supervision of the application of accounting standards and regulations. It issues questionnaires designed to assess whether the accounts submitted to the head office are compliant with Group standards;

– specific audits, requested by the Finance Department, or following the publication of any new accounting directives or regulations that significantly modify the accounting and/or regulatory treatment of transactions;

– provision of technical and methodological expertise to the generalist division audit departments or to the *Inspection Générale*, notably through joint inspections;

– preventive intervention at entities that are to be integrated into the Group in the near future, in order to evaluate the impact of the application of Group accounting standards;

– maintenance of links with the Group Statutory Auditors and monitoring of recommendations issued by external bodies.

This specific control body comprises experienced audit professionals, and helps to ensure the security of internal controls relating to the production of consolidated accounting and regulatory information. It carried out more than 15 missions in 2003, covering all Group activities.

Third-level control carried out by the *Inspection Générale*

At the third level of control, the *Inspection Générale* generally carries out accounting audits as part of its general inspections, but also conducts specific audits to check the quality of the controls carried out by the staff responsible for producing accounting, financial and management data. In 2003, for example, it inspected the Finance Department of the Retail Banking Division and the accounting controls carried out within the Corporate and Investment Banking Division.

Report of the statutory auditors on the consolidated account

(Free translation of the French original)

Statutory auditors' report, prepared in accordance with article L.225-235 of the French Company Law (Code de Commerce), on the report prepared by the Chairman of the Board of Directors of Société Générale, on the internal control procedures relating to the preparation and processing of financial and accounting information.

To the Shareholders of Société Générale,

In our capacity as statutory auditors of Société Générale, and in accordance with article L.225-235 of the French Company Law *(Code de Commerce),* we report to you on the report prepared by the Chairman of the Board of Directors of your company in accordance with article L.225-37 of the French Company Law for the year ended December 31, 2003.

Under the responsibility of the Board of Directors, Company's management has to determine and implement appropriate and effective internal control procedures. It is for the President to give an account, in his report, of the conditions in which the tasks of Board of directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information and assertions set out in the report of the Chairman of the Board of Directors, on the internal control procedures relating to the preparation and processing of financial and accounting information.

In accordance with the professional guidelines applicable in France we have obtained an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the report of the Chairman of the Board of Directors.

On the basis of these procedures, we have no matters to report in connection with the information and the assertions given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the report of the Chairman of the Board of Directors, prepared in accordance with article L.225-37 of the French Company Law.

Neuilly-sur-Seine and Courbevoie, March 12, 2004

The Statutory Auditors

DELOITTE TOUCHE TOHMATSU

José-Luis Garcia

ERNST & YOUNG AUDIT

Christian Mouillon

Consolidated balance sheet at December 31, 2003

Assets

(in millions of euros at December 31)	2003	2002	2001
Cash, due from central banks and post office accounts	6,755	5,090	6,979
Due from banks *(Note 3)*	60,282	54,354	63,548
Customer loans *(Note 4)*	193,547	184,769*	182,738*
Lease financing and similar agreements *(Note 5)*	18,321	17,351	16,634*
Treasury notes and similar securities *(Note 6)*	30,610	28,010	38,648
Bonds and other debt securities *(Note 6)*	67,772	65,295	52,361
Shares and other equity securities *(Note 6)*	46,864	34,852	37,420
Treasury stock (short-term investment portfolio) *(Note 6)*	163	167	168
Investments of insurance companies *(Note 7)*	42,884	37,257	35,361
Investments in non-consolidated subsidiaries and affiliates and other long-term equity investments *(Note 8)*	5,274	6,267	6,479
Investments in subsidiaries and affiliates accounted for by the equity method	554	591	701
Tangible and intangible fixed assets *(Note 9)*	7,663	5,740	5,781*
Goodwill *(Note 10)*	2,150	2,154	2,462
Accruals, other accounts receivable and other assets *(Note 11)*	56,548	59,495	63,219
Total	**539,387**	**501,392**	**512,499**

Off-balance sheet items

Loan commitments granted *(Note 19)*	86,656	82,154	99,603
Guarantee commitments granted *(Note 19)*	46,336	44,590*	39,546*
Commitments granted on securities	12,474	7,206	6,359
Foreign exchange transactions *(Note 20)*	318,862	349,409	342,685
Forward financial instrument commitments *(Note 21)*	5,546,999	5,187,753	5,290,456
Insurance commitments granted	354	342	348

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

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

Liabilites and shareholders' equity

(in millions of euros at December 31)	2003	2002	2001
Due to central banks and post office accounts	2,827	1,478	1,847
Due to banks *(Note 12)*	83,608	69,239	85,124
Customer deposits *(Note 13)*	196,090	196,085	200,316
Securitized debt payables *(Note 14)*	82,917	77,877	62,974
Underwriting reserves of insurance companies *(Note 15)*	41,164	35,760	34,134
Accruals, other accounts payable and other liabilities *(Note 16)*	97,726	87,767	95,280
Negative goodwill *(Note 10)*	1	–	7
Provisions for general risks and commitments *(Note 17)*	2,849	2,474*	2,396
Subordinated debt *(Note 18)*	10,945	11,199	10,483
General reserve for banking risks	312	207	366
Preferred shares	2,120	1,668	1,890
Minority interests	1,951	1,904	1,932
Shareholders' equity			
Common stock	548	538	539
Additional paid-in capital	4,200	3,819	3,980
Treasury stock	(1,139)	(924)	(1,162)
Retained earnings	10,776	10,904	10,239
Net income	2,492	1,397	2,154
Sub-total	**16,877**	**15,734**	**15,750**
Total	**539,387**	**501,392**	**512,499**

Off-balance sheet items

Loan commitments received	2,782	3,739	3,765
Guarantee commitments received	34,898	33,723	33,029
Commitments received on securities	10,438	7,185	8,279
Foreign exchange transactions *(Note 20)*	321,435	351,801	344,428
Insurance commitments received	177	140	117

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

** Amounts restated in relation to those given in the 2002 annual report.*

Consolidated income statement

(in millions of euros at December 31)	2003	2002	2001
Net interest income from:			
Transactions with banks *(Note 24)*	(1,176)	(1,224)	(1,318)
Transactions with customers (*Note 25)*	4,374	4,224	3,073
Bonds and other debt securities	1,632	1,291	1,545
Other interest and similar revenues	295	102	552
Net income from lease financing and similar agreements *(Note 26)*	1,488	1,374	1,234
Sub-total	**6,613**	**5,767**	**5,086**
Dividend income *(Note 27)*	582	291	211
Dividends paid on preferred shares *(Note 1)*	(120)	(131)	(109)
Net interest and similar income	**7,075**	**5,927**	**5,188**
Net fee income *(Note 28)*	**5,084**	**4,993***	**5,008***
Net income from financial transactions *(Note 29)*	**3,002**	**3,263**	**3,258**
Other net operating income	**476**	**390**	**512**
Gross margin of insurance business (Note 30)	*45*	*51*	*136*
Net income from other activities (Note 31)	*284*	*99*	*146*
Net banking income	**15,637**	**14,573**	**13,966**
Personnel expenses *(Note 32)*	(6,323)	(6,179)*	(5,897)*
Other operating expenses	(3,580)	(3,669)	(3,698)
Depreciation and amortization	(665)	(678)	(601)
Total operating expenses	**(10,568)**	**(10,526)**	**(10,196)**
Gross operating income	**5,069**	**4,047**	**3,770**
Cost of risk *(Note 33)*	(1,226)	(1,301)	(1,067)
Operating income	**3,843**	**2,746**	**2,703**
Net income from companies accounted for by the equity method (*Note 34)*	43	48	(18)
Net income from long-term investments *(Note 35)*	397	(299)	474
Earnings before exceptional items and tax	**4,283**	**2,495**	**3,159**
Exceptional items *(Note 36)*	(46)	(170)	(17)
Income tax *(Note 37)*	(1,161)	(649)	(739)
Amortization of goodwill	(217)	(184)	(76)
Allocation to/reversal from the General reserve for banking risks	(104)	159	–
Net income before minority interests	**2,755**	**1,651**	**2,327**
Minority interests	(263)	(254)	(173)
Net income	**2,492**	**1,397**	**2,154**
Earnings per share in euros (1)	**6.07**	**3.41**	**5.35**
Diluted earning per share in euros (1)	**6.02**	**3.41**	**5.35**

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

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

(1) 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.

Changes in shareholders' equity

(in millions of euros)	Common stock and additional paid-in capital [1]	Treasury stock and assimilated [2]	Retained earnings	Revaluation and reassessment reserves	Shareholders' equity
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			(61)		(61)
Goodwill charged [1]					–
Balance at December 31, 2002	**4,356**	**(924)**	**11,920**	**382**	**15,734**
Increase in common stock [1]	321				321
Net income for the period			2,492		2,492
Dividends paid			(864)		(864)
Revaluation and reassessment reserves				(104)	(104)
Treasury stock [2]		(215)	18		(197)
Translation differences and other [4]	71		(576)		(505)
Restatement of underwriting reserves of insurance companies					–
Goodwill charged [1]					–
Balance at December 31, 2003	**4,748**	**(1,139)**	**12,990**	**278**	**16,877**

(in millions of euros)	Shareholders' equity	General reserve for banking risks [5]	Minority interests	Preferred shares [3]	Total equity
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 [2]	16				16
Translation differences and other [4]	(558)	(159)	(149)	(222)	(1,088)
Restatement of underwriting reserves of insurance companies	(61)				(61)
Goodwill charged [1]	–				–
Balance at December 31, 2002	**15,734**	**207**	**1,904**	**1,668**	**19,513**
Increase in common stock [1]	321				321
Net income for the period	2,492		263		2,755
Dividends paid	(864)		(127)		(991)
Revaluation and reassessment reserves	(104)				(104)
Treasury stock [2]	(197)				(197)
Société Générale shares in escrow account [4]	(505)	105	(89)	452	(37)
Restatement of underwriting reserves of insurance companies	–				–
Goodwill charged [1]	–				–
Balance at December 31, 2003	**16,877**	**312**	**1,951**	**2,120**	**21,260**

(1) At December 31, 2003, Société Générale's fully paid-up capital stock amounted to EUR 548,043,436 and was made up of 438,434,749 shares with a nominal value of EUR 1.25.
During 2003, Société Générale carried out capital increases for a total amount of EUR 10.3 million, with EUR 310.4 million of additional paid-in capital, as follows:
– EUR 9.2 million, with EUR 282.9 million of additional paid-in capital, was the result of employees subscribing for shares under the Company-sponsored employee share ownership plan.
– EUR 1.1 million, with EUR 27.5 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 20 million for the 2003 financial year and an exceptional amortization expense of EUR 84 million.
It would have been booked on the assets side of the consolidated balance sheet for a net amount of EUR 57 million at December 31, 2003.
(2) Treasury stock held by Group companies at December 31, 2003 (26,688,579 shares; EUR 1,139 million) represented 6.09% of Société Générale's capital stock.
Société Générale bought back its own shares for a net amount (after deduction of disposals) of EUR 211 million in 2003. 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 returned to Société Générale.
Net capital losses on treasury stock in 2003 have been charged against shareholders' equity for an amount of EUR 1.2 million. Dividend income on these shares (EUR 18.9 million) has been eliminated from consolidated income.
(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.
In 2003, Société Générale issued a further EUR 650 million of preferred shares in the United States through its subsidiary SG Capital Trust III.
These preferred shares are included in Tier-one capital for the purpose of determining Société Générale's prudential ratios.
(4) At December 31, 2003, currency translation differences related to foreign branches of Group banks and consolidated companies within the euro zone amounted to EUR (4) million.
The variation in the currency translation difference at Group level over the 2003 financial year was EUR (571) million. EUR (368) million of this change can be attributed to the fall of the dollar against the euro, EUR (46) million to the fall of Sterling, EUR (33) million to the fall of the Egyptian pound and EUR (24) million to the fall of the Czech Koruna.
Given the strong probability of recovery, SG Cowen booked deferred taxes in 2003 relating to the amortization of the goodwill generated in 1998 when it was acquired by Société Générale. The contra entries of these deferred taxes were apportioned in the respective amounts of EUR 18 million and EUR 70 million to the income statement and capital stock according to the same distribution ratio as that used when the goodwill was originally booked in the consolidated accounts.
(5) Reversals of EUR 159 million in 2002 and EUR 45.6 million in 2003 were 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. An allocation of EUR 150 million was also made to the general reserve over the 2003 financial year (see Note 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Significant accounting principles

The consolidated accounts of the Société Générale Group for the 2003 financial year have been drawn up in accordance with the provisions of Regulation No. 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 Finance Regulation Committee *(Comité de la réglementation bancaire et financière).*

The presentation of the financial statements complies with the provisions of Regulation No. 2000-04 of the French Accounting Regulation Committee concerning consolidated financial statements produced by companies that come under the French Banking and Finance 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 Société Générale.

Consolidation principles

Consolidation methods

The consolidated financial statements include 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 operational 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 and conditions 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 which make a significant contribution to the Parent Company 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 Parent Company 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 Parent Company 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 No. 99-07 of the French Accounting Regulation Committee defines three criteria that must be considered in order to determine the existence of such a 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 securitisation 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. Further 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 No. 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 on transactions used to hedge net investments in foreign consolidated entities or their income in foreign currencies, along with gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in 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 made at any time up to the closing of the first full financial year following the acquisition. Any changes made to the

posting 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 activity of the acquired company, the stability of its business portfolio and its teams, and according to the assumptions used and objectives set at the time of the acquisition. This period cannot in any event exceed 20 years. Goodwill is subject to a regular review based on analyses using multiple criteria similar to those employed during the initial valuation of the acquired companies. The parameters used in the valuations, such as *discounted cash flow, earning multiples, comparable valuations in recent transactions, market shares or assets under management,* vary depending on the business concerned. Once this review is completed, an exceptional amortization expense is booked in the event that significant unfavorable changes have affected the elements used to calculate the amortization schedule.

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.

The tax gains generated as a result of the amortization of this goodwill are similarly charged against capital provided they are tax deductible.

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 before December 31, 1991.

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 on to third parties, the corresponding share of the revaluation reserve is credited to income. As a consequence, 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 for the determination of 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 *(Commission bancaire).*

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.

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 draw-down probabilities over 4 years of the capitalization reserves has led to an adjustment of EUR 60.6 million in the provision for deferred policy owner benefits. This correction has been recorded under equity, in the same way as the reclassification made on January 1, 2001.

Furthermore, Decree 2002-970 dated July 4, 2002 modified the Insurance Code, further specifying certain rules relating to the use of forward instruments by French insurance companies. This decree was accompanied by the publication on December 12, 2002 of Regulation No. 2002-09 of the French Accounting Regulation Committee which defines the accounting rules to be used by French insurance companies as of January 1, 2003. The consequences of these new texts were treated as a change in accounting methodology; its impact on the consolidated opening net worth was recorded under shareholders' equity in the amount of EUR 8 million.

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 Parent Company accounts are eliminated.

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

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 in the individual accounts of insurance companies 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).

Following an analysis of these provisions in compliance with notice No. 2004-B of the French National Accounting Standards Board's Emergency Committee, published on January 21, 2004, they were written back in 2003 for the following reasons:

- the prudential provision booked in 2002 at the request of the Insurance Control Commission, the supervisory authority for insurance companies, was based on a forward simulation which integrated a safety margin,
- the risk of booking unrealized capital losses on assets which fall under the scope of the provision for early redemption risks is covered by the provisions for long-term depreciation which have been deducted from the assets in question.

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 accounting principles applicable to French banks, the majority of transactions are recorded using valuation methods which 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 which have not yet given rise to cash movements, such as irrevocable commitments for the undrawn portion of facilities made available to banks and customers or guarantees given on their behalf.

Regulation No. 2002-03 of the French Accounting Regulation Committee relating to the accounting treatment of credit risks in companies governed by the Banking and Finance Regulation Committee and published on December 12, 2002 is applicable as of January 1, 2003. This new regulation specifies the conditions for the classification of doubtful loans in the balance sheet and the treatment of restructured loans then bearing an off-market interest rate.

If a commitment carries an identified credit risk which makes it probable that the Group will not recover all or part of the amounts due under the counterparty's commitment in accordance with the original conditions of the contract, despite the existence of a guarantee, the related outstanding loan is classified as a doubtful loan if one or more payments are more than three months overdue (six months in the case of real estate loans and nine months for loans to local authorities), or, regardless of whether any payments have been missed, if it can be assumed that there is an identified risk, or if legal proceedings have been started.

If a loan to a given borrower is classified as doubtful, all outstanding loans or commitments for that borrower are reclassified as doubtful, regardless of whether or not they are backed by a guarantee.

Provisions for doubtful loans are booked for doubtful loans or for risks in the amount of the probable losses. Furthermore, interest on doubtful loans is fully provisioned for. Provisions, write-backs of provisions, losses on bad debts and recovery of depreciated debts are booked under *Cost of risk,* except for net provisions for interest on doubtful loans which are booked under *Net Banking Income.*

Doubtful loans can be reclassified as performing loans when regular repayments have been resumed according to the original terms of the contract. Similarly, doubtful loans which have been restructured can be reclassified as performing loans. If the loans have been restructured, under off-market conditions, the difference between the new conditions and the lesser of market conditions and original ones must be booked under *Cost of risk* when the loan is restructured, then reincorporated into net interest income for the remaining term of the loan. Given the small volume of loans restructured outside the market in the 2003 financial year and previous years, this new accounting procedure has no effect on net worth at the beginning of the year in the consolidated income statement for 2003.

When a borrower's solvency is such that even after the loan has been classified as doubtful for a reasonable period, it is not foreseeable that it will be reclassified as a performing loan, the loan is identified as a non-performing loan. A loan is classified as non-performing in the event of an early termination of the contract and in any case one year after it was classified as doubtful, except when the original clauses of the contract have been respected or when the loan is covered by guarantees which ensures its recovery. Loans which have been restructured and for which the borrower has not respected the new conditions are also classified as non-performing.

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 when 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 and similar agreements are carried on the consolidated balance sheet at their financial value, that is, total future lease rentals receivable less the interest included in these rentals. 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 rentals 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, and to provide clearer information, 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 recorded as deferred income and 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 and long-term investment, shares intended for portfolio activity, investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments.

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

Trading securities

Trading securities are securities for which a liquid market exists and that are acquired with a view to rapid resale (within a maximum period of six months). They also include liquid securities that are held for a period of over six months in the context of market-making activities or in relation to a hedging or arbitrage transaction. They are 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 their most recent market price. Unrealized capital gains are not recognized in the accounts but a provision for depreciation of portfolio securities is booked to cover unrealized capital losses, after consideration of gains made on any related hedging transactions.

Allocations to and reversals of provisions for losses on short-term investment securities together with 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 held by the Group, which intends to hold them 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 using the same principles as those applied to short-term investment securities, except that no provision is made for unrealized losses, unless there is a strong probability that the securities will be sold in the short term, or unless there is a risk that the issuer will be unable to redeem them.

Allocations to and reversals of provisions for losses on long-term investment securities, together with gains and losses on sales of these securities, are recorded 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 venture capital activities.

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 generated when tendering these securities to public share exchange offers, are booked under *Net income from financial transactions.*

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

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

– shares in companies that share directors or senior managers with the holding company, 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 companies in which shares are held due to the low proportion of attached voting rights.

Investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments are recorded at their purchase price exclusive of acquisition costs, 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. 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 generated when 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.

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

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	4-5 years
Software	3-5 years

This item includes assets leased under pure rental agreements.

Regulation No. 2002-10 of the French Accounting Regulation Committee relating to the amortization and depreciation of assets will only apply to accounts for financial years beginning after January 1, 2005. However, as of January 1, 2003, in accordance with the transitional provisions specified in article 15 of the regulation and in the terms of notice No. 2003-F of the French National Accounting Board's Emergency Committee, expenditure for major repairs on fixed assets is booked as provisions for risks and charges on a straight-line basis over the period between successive major repairs. These expenditures, which must be specified in major maintenance programmes which are designed exclusively for the upkeep of the fixed assets in question and not to extend their lifetime beyond that which was initially defined, are limited within the Group to renovation work on the façades of buildings. The effect of the change in accounting methods on net worth at January 1, 2003 was booked under capital in the amount of EUR 3 million, net of tax.

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 time deposits and borrowings in the case of banks; and into regulated savings accounts and other deposits in the case of customers. They also include securities sold to banks and customers under repurchase agreements.

Interest accrued on these 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 commitments;

– provisions for contingencies and disputes.

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

Regulation No. 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 risks and contingencies are 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 risks and contingencies booked on the liabilities side of the consolidated balance sheet at the beginning of 2002.

A provision had been booked at 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 No. 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 No. 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 sundry debtors.* A provision was booked at the end of 1999 under *Exceptional items* for all subscription fees to be paid by Group companies over the 2000-2002 period for the initial endowment of the guarantee fund. Subsequent fees were booked under *Other operating expenses.*

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 and booked under *Personnel expenses.*

Société Générale signed an early retirement agreement which came into force on January 1, 2002 and will be applicable until March 31, 2006. A provision was booked on the basis of the cost attached to employees who were granted early retirement.

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. Additional allocations were made to this fund in 1996 and 2003.

During the 2002 and 2003 financial years, SG Cowen recorded charges and exceptional provisions intended to cover the various consequences of a fraud committed over a period of ten years, which affected the former retail brokerage activity 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 in 2002 and 2003.

Preferred shares

In the second half of 1997, Société Générale issued USD 800 million in preferred securities 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 securities 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 securities 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.

In the fourth quarter of 2003, Société Générale issued EUR 650 million of preferred shares through a wholly-owned US subsidiary (paying a non-cumulative dividend of 5.419% annually) with a step-up clause that comes into effect after 10 years.

Dividend income is charged to the item *Dividends paid on preferred shares.* Preferred securities 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. 2000-05 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 Finance 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 for the determination of 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, foreign exchange 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 one off-balance sheet item. The nominal contract value represents the volume of outstanding transactions and does not represent the potential for gain or loss associated with the market or counterparty risk on such transactions.

Credit derivatives purchased to hedge credit risks on financial assets that are not valued at market value are classified and treated as guarantee commitments received.

Accounting income or expense on these forward financial 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 beginning to an identifiable item or group of similar items, are recognized in the income statement in the same manner as revenues and expenses on the hedged item. 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 indexes or foreign exchange 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 prudential valuation of all the instruments, regardless of the liquidity of the corresponding market,
- a reserve calculated according to the size of the position and intended to cover the risk that 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. Unrealized losses are provided for 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.

Under law No. 2003-775 dated August 21, 2003 which reformed the French pension system, the method used to estimate provisions for retirement payments in the Group's French subsidiaries was changed. The difference in results is booked under *Personnel expenses* as of the date on which the regime was changed, and on a straight-line basis for the average number years still to be worked by the staff entitled to the payment.

Cost of risk

The item *Net cost of risk* is limited to net allocation to provisions for counterparty risks, country risks and disputes. Net provisions for 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 has a recovery in view on a determined time.

For 2003 and the 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 France

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.

Commitments under these various plans amounted to EUR 958 million at December 31, 2003 and were fully covered by assets or provisions.

Outside France

The commitments under these various plans (pensions, retirement payments, long-service awards) are covered by assets or provisions. The majority of these commitments relate to retirement benefits accruing to active staff or former staff who have left the company.

At December 31, 2003, the commitments relating to the Group's main foreign entities were estimated at EUR 874 million, of which 80% were covered by assets or provisions.

The remaining 20% is the unfunded actuarial liability. In accordance with Group practice, this is covered by a provision which is booked over the average remaining period of active service of the employees in question.

Under IFRS standards adopted in July 2003 by the European Accounting Regulation Committee, the accounting principles described in this note for Société Générale Group's consolidated accounts will be modified for the 2005 accounts and for the comparative data published for the 2004 financial year. A description of the main differences between the adopted IFRS standards and the accounting principles described in this note can be found in the Group Management Report.

Note 2

Consolidation scope

As at December 31, 2003, the Group's consolidation scope included 701 companies:

- 607 fully consolidated companies,
- 48 proportionately consolidated companies,
- 46 companies accounted for by the equity method.

In accordance with the consolidation rules defined in Regulation No. 99-07 of the French Accounting Regulation Committee, none of the special purpose vehicles created in the course of Société Générale's client-related 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 to the consolidation scope at December 31, 2003 compared with the scope applicable for the accounts at December 31, 2002 were as follows:

- During the first half of 2003:

– the Group acquired a 47.66% stake in the capital of SSB Bank in Ghana, which was fully consolidated.

– Société Générale bought the car leasing group Axus International from the Ford Group.

– Boursorama, which is 67%-owned by the Société Générale Group, acquired 100% of the online broker Selftrade. These two entities were merged during the second half of 2003.

– the Group raised its stake in TCW to 60.90%, representing a 1.15% increase against December 31, 2002.

Agreements signed at the time of the acquisition of TCW include deferred put and call options on 14.25% of TCW's capital, broken down into annual tranches of 4.75% over the period 2004-2006. The strike price of these options is dependent on the company's future performance.

The balance of shares held by employees is subject to deferred call and put options, exercisable from 2008, at strike prices that are dependent on future performance.

– The Société Générale Group acquired a further 15% of C.G.L., raising its total holding to 99.73% at the end of December 2003.

– The Group increased its stake in La Marocaine Vie from 52.70% at December 31, 2002 to 70.15% at June 30, 2003.

– The US arbitrage vehicle, Pace, was fully consolidated.

- During the second half of 2003:

– the assets acquired from Constellation were transferred to a specially created and wholly owned company, SG Constellation LLC, which was fully consolidated. At the same time, the Group purchased a 51% stake in Lightning Finance Company Ltd., which was also fully consolidated;

– Société Générale took a 67% stake in Compagnie Bancaire Genève. Following the merger with SG Rüegg Bank, the Group's ownership interest in the newly created SG Private Banking (Suisse) stood at 77.6%.

Agreements provide for deferred put and call options on the 22.4% of the capital held by minority interests, exercisable as of April 1, 2008 at the earliest, at strike prices that are dependent on the company's future performance.

– Société Générale acquired 50% of the capital in Banque Française Commerciale de l'Océan Indien, which was fully consolidated.
– Société Générale created ONYX TRUST, a wholly owned Korean investment fund, which was fully consolidated.
– ALD Czech Republic and ALD Portugal, which are wholly owned by the Group, were fully consolidated.
– Locat Rent, in which the Group holds 50% of the capital, was proportionately consolidated.
– Groupama Banque, in which Société Générale holds a 40% stake, was proportionately consolidated.
– The Group acquired 50% of the UK-based Infrastructure Principal Finance Fund, which was proportionately consolidated.
– Lyxor Europerformance 1, an investment fund wholly owned by the Group, was fully consolidated.
– SGAM HDG Investment, a dedicated fund owned by the Group, was fully consolidated.
– The Group bought out the minority interests in Fenwick Lease by acquiring the 50.59% of shares that it did not already own. Fenwick Lease was subsequently fully consolidated.

Note 3

Due from banks

(in millions of euros at December 31)	2003	2002	2001
Deposits and loans			
Demand			
Current accounts	7,590	8,583	8,579
Overnight deposits and loans	702	267	301
Loans secured by overnight notes	53	385	–
Term			
Term deposits and loans (1)	9,635	12,928	12,881
Subordinated and participating loans	688	539	418
Loans secured by notes and securities	45	187	227
Related receivables	208	270	250
Gross amount	**18,921**	**23,159**	**22,656**
Provisions for possible losses	(94)	(114)	(118)
Net amount	**18,827**	**23,045**	**22,538**
Securities purchased under resale agreements	41,455	31,309	41,010
Total	**60,282**	**54,354**	**63,548**

(1) At December 31, 2003 doubtful loans amounted to EUR 143 million (of which EUR 124 million were non-performing loans) against EUR 117 million at December 31, 2002 and EUR 149 million at December 31, 2001.

Note 4

Customer loans

(in millions of euros at December 31)	2003	2002	2001
Trade notes	7,729	7,903	6,771
Other loans (1) (2) :			
Short-term loans	39,021	43,610	42,763
Export loans	3,610	4,649	4,948
Equipment loans	33,214	27,506	25,502
Mortgage loans	40,743	35,233	32,182
Other loans	27,690	31,105*	31,521
Sub-total	**144,278**	**142,103**	**136,916**
Overdrafts	12,238	12,361	11,358
Related receivables	1,461	1,386*	1,356 *
Gross amount	**165,706**	**163,753**	**156,401**
Provisions for possible losses	(6,497)	(6,894)*	(6,706)*
Net amount	**159,209**	**156,859**	**149,695**
Loans secured by notes and securities	443	227	168
Securities purchased under resale agreements	33,895	27,683	32,875
Total	**193,547**	**184,769***	**182,738***
(1) Other loans by customer type:			
Non-financial customers			
– Corporates	68,286	70,724	71,832
– Individual customers	52,568	45,926	41,668
– Local authorities	6,265	6,762	5,201
– Self-employed professionals	6,870	6,455	6,135
– Governments and central administrations	1,959	2,116	1,977
– Other	2,440	1,755	2,715
Financial customers	5,890	8,365	7,388
Total	**144,278**	**142,103**	**136,916**

(2) At December 31, 2003 doubtful loans amounted to EUR 10,115 million (of which EUR 5,693 million were non-performing loans) against EUR 10,064 million at December 31,2002 and EUR 9,066 million at December 31, 2001.

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

Note 5

Lease financing and similar agreements

(in millions of euros at December 31)	2003	2002	2001
Real estate lease financing agreements	5,650	5,452	5,222
Equipment lease financing agreements	9,513	8,848*	8,181*
Lease-purchase and similar agreements	3,202	3,045*	3,176*
Related receivables	206	188	255*
Gross amount (1)	**18,571**	**17,533**	**16,834**
Provisions for possible losses	(250)	(182)	(200)*
Net amount	**18,321**	**17,351**	**16,634**

(1) At December 31, 2003 doubtful loans amounted to EUR 418 million (of which EUR 117 million were non-performing loans) against EUR 284 million at December 31, 2002 and EUR 256 million at December 31, 2001.

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

Note 6

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

(in millions of euros at December 31)	2003				2002				2001
	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	21,792	39,125	31,706	92,623	18,562	28,002	30,073	76,637	80,653
Short-term investment securities:									
Gross book value	4,281	8,071	15,150 (2)	27,502	3,363	7,244	13,926	24,533	20,556
Provisions	(24)	(225)	(215)	(464)	(23)	(316)	(191)	(530)	(460)
Net book value	4 257	7,846 (1)	14,935	27,038	3,340	6,928 (1)	13,735	24,003	20,096
Long-term investment securities:									
Gross book value	4,391	–	20,705 (2)	25,096	5,945	–	20,961	26,906	27,071
Provisions	–	–	(1)	(1)	–	–	–	–	(1)
Net book value	4,391	–	20,704	25,095	5,945	–	20,961	26,906	27,070
Related receivables	170	56	427	653	163	89	526	778	778
Total	**30,610**	**47,027**	**67,772**	**145,409**	**28,010**	**35,019**	**65,295**	**128,324**	**128,597**

(1) Of which Société Générale shares assigned to cover stock options awarded to employees: EUR 162.9 million (compared with EUR 167.3 million at December 31, 2002 and EUR 167.9 million at December 31, 2001).

	2003	2002
Number of shares	3,377,145	3,469,650
Nominal value per share (in euros)	1.25	1.25
Market value per share (in euros)	70.0	55.5
Book value per share (in euros)	48.22	48.22

(2) Of which securities carried by newly consolidated special purpose vehicles:
– EUR 4 billion of municipal bonds intended to be held to maturity,
– EUR 4 billion of shares issued by debt securitization funds.

Continue on next page

Note 6 (continued from previous page)

Additional information on securities

(in millions of euros at December 31)	2003	2002	2001
Estimated market value of short-term investment securities:			
Unrealized capital gains [1]	70	178	92
Estimated value of long-term investment securities [2]	(2)	(64)	137
Premiums and discounts relating to short-term and long-term investment securities	(86)	(15)	70
Securities which changed category during the year:			
Trading securities reclassified as short-term investment securities	695	525	6
Securities reclassified as long-term investment securities	–	195	266
Long-term investment securities reclassified as short-term investment securities	624	778	46
Long-term investment securities sold before maturity	69	542	31
Investment in mutual funds:			
French mutual funds	12,810	8,747	5,844*
Foreign mutual funds	3,369	2,751	1,736*
Of which capital appreciation funds	688	675	80
Listed securities	117,427	112,641	109,590
Subordinated securities	727	357	263
Securities lent	3,656	4,027	3,848

(1) Not including unrealized gains or losses on any forward financial instruments used to hedge short-term investment securities.
(2) Including unrealized gain or loss on instruments used to hedge long-term investment securities.

** Amounts restated in relation to those given in the 2001 annual report.*

Note 7

Investments of insurance companies

(in millions of euros at December 31)	2003	2002	2001
Real estate investments	265	223	170
Bonds and other debt securities	25,728	21,222	17,887
Investments held to guarantee unit-linked policies	14,031	13,384	15,294
Other investments	1,117	867	1,002
Shares and other equity securities	1,743	1,561	1,008
Total	**42,884**	**37,257**	**35,361**

Note 8

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

(in millions of euros at December 31)	2003	2002
Principal companies (1)		
0 to 5 % Accor, Adecco, Alcatel, Altadis, Arcelor, Aviva, Business Objects, Cap Gemini Ernst & Young, Carrefour, Danone, Dexia, France Télécom, Havas, ONA, Pernod Ricard, Peugeot SA, Renault, Sanofi, SCH, Schneider Electric, Sodexho, Suez, TF1, Total, Veolia Environnement, Vivendi Universal, Zodiac	**4,381**	**5,213**
5 to 10% SFL, Alstom, Cologne Re Managers, Hornby Lane	**629**	**605**
10 to 30% Crédit Logement, Sopra, SCI Secovalde, Sommer SA, Sicovam Holding	**376**	**367**
Sub-total	**5,386**	**6,185**
Other companies	**1,236**	**1,400**
Gross book value (2)	**6,622**	**7,585**
Provisions for possible losses	(1,352)	(1,332)
Advances to non-consolidated companies	4	14
Net book value (3)	**5,274**	**6,267**

(1) Only investments with a book value over EUR 30 million at December 31, 2003 are mentioned.
(2) Movements over the 2003 fiscal year: EUR (963) million, of which: acquisitions = EUR 251 million, disposals = EUR (1,087) million, changes in consolidation scope and other movements = EUR (127) million.
(3) Of which listed companies: net book value at December 31, 2003 = EUR 3,879 million; market value = EUR 4,053 million.

Note 9

Tangible and intangible fixed assets

(in millions of euros)	Gross book value 2002	Acquisitions	Disposals	Changes in consolidation scope and other movements	Gross book value 2003	Accumulated depreciation and amortization 2003	Net book value 2003
Operating assets							
Intangible assets							
Start-up costs	27	5	–	(13)	19	(13)	6
Software, EDP development costs	1,287	229	(17)	33	1,532	(1,032)	500
Other	441	175	(7)	(153)	456	(82)	374
Sub-total	**1,755**	**409**	**(24)**	**(133)**	**2,007**	**(1,127)**	**880**
Tangible assets							
Land and buildings	2,800	74	(47)	32	2,859	(809)	2,050
Other	3,528	370	(144)	(167)	3,587	(2,446)	1,141
Sub-total	**6,328**	**444**	**(191)**	**(135)**	**6,446**	**(3,255)**	**3,191**
Non-operating assets (1)							
Tangible assets							
Land and buildings	389	4	(11)	(232)	150	(57)	93
Pure rental transactions and other	2,200	607	(381)	2,572	4,998	(1,499)	3,499
Sub-total	**2,589**	**611**	**(392)**	**2,340**	**5,148**	**(1,556)**	**3,592**
Total	**10,672**	**1,464**	**(607)**	**2,072**	**13,601**	**(5,938)**	**7,663**

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

The acquisitions made in 2003 had an impact of EUR 2,243 million on the Group's net fixed assets as at December 31, 2003 (gross fixed assets: EUR 3,174 million). AXUS International, the vehicle leasing group, accounted for EUR 1,981 million in net value terms (gross value: EUR 2,777 million).

Note 10

Goodwill [1]

(in millions of euros at December 31)	2003			2002			2001
	Gross book value	Accumulated amortization	Net book value	Gross book value	Accumulated amortization	Net book value	Net book value
Goodwill							
Retail Banking	**1,581**	**(266)**	**1,315**	**1,526**	**(182)**	**1,344**	**1,450**
French networks	115	(62)	53	113	(57)	56	62
Retail Banking outside France [2]	1,033	(135)	898	1 046*	(85)*	961*	1,087
Specialized subsidiaries and other [3]	433	(69)	364	367*	(40)*	327*	301
Corporate and Investment Banking	**256**	**(177)**	**79**	**237**	**(161)**	**76**	**128**
Corporate Banking [4]	112	(41)	71	54	(31)	23	27
Investment Banking	144	(136)	8	183	(130)	53	101
Global Investment Management	**918**	**(162)**	**756**	**840**	**(107)**	**733**	**883**
Asset Management	595	(97)	498	678	(69)	609	741
Private Banking [5]	323	(65)	258	162	(38)	124	142
Corporate Center	**3**	**(3)**	**–**	**2**	**(1)**	**1**	**1**
Sub-total	**2,758**	**(608)**	**2,150**	**2,605**	**(451)**	**2,154**	**2,462**
Negative Goodwill							
Corporate and Investment Banking	**(1)**	**–**	**(1)**	**(42)**	**42**	**–**	**(7)**
Sub-total	**(1)**	**–**	**(1)**	**(42)**	**42**	**–**	**(7)**
Net total	**2,757**	**(608)**	**2,149**	**2,563**	**(409)**	**2,154**	**2,455**

** Amounts restated in relation to those given in the 2002 annual report.*

(1) Current and exceptional amortization expenses are assigned to the Corporate Center.
(2) The change over 2003 in gross goodwill booked by Retail Banking outside France is essentially due to:
– impact of currency translation on goodwill booked in foreign currencies (EUR -26 million);
– downward revision of the goodwill on a previous acquisition (EUR -11 million);
– the acquisition of SSB Bank in Ghana in the second quarter of 2003;
– the acquisition of the Banque Française Commerciale de l'Océan Indien in the third quarter of 2003.
(3) Mainly the acquisition of the vehicle leasing group, AXUS International, in the first quarter of 2003.
(4) Acquisition of Selftrade in the first quarter of 2003 and increase in SG's controlling stake in Boursorama.
(5) Acquisition of Compagnie Bancaire Genève in the third quarter of 2003.

Note 11

Accruals, other accounts receivable and other assets

(in millions of euros at December 31)	2003	2002	2001
Other assets			
Miscellaneous receivables	13,737	12,607	11,285
Premiums on options purchased	21,441	21,481	25,804
Settlement accounts on securities transactions	3,934	2,192	5,109
Other assets	759	1,148	786
Other insurance assets	323	212	190
Sub-total	**40,194**	**37,640**	**43,174**
Accruals and similar			
Prepaid expenses	524	400	517
Accrued income (1)	2,941	2,724	4,507
Deferred taxes (2)	90	–	–
Other (3)	13,013	18,952	15,241
Sub-total	**16,568**	**22,076**	**20,265**
Gross amount	**56,762**	**59,716**	**63,439**
Allowances for possible losses	(214)	(221)	(220)
Net amount	**56,548**	**59,495**	**63,219**

(1) This item includes the guarantee valued at EUR 157 million granted by the Czech government to cover non-performing loans at Komercni Banka.

(2) Breakdown of deferred taxes by category

(in millions of euros at December 31, 2003)	Deferred income tax assets	Deferred income tax liabilities
Timing differences related to:		
Inner reserve arising from lease financing transactions	30	662
Results of partnerships	–	218
Reassessment reserves *(Note 1)*	–	25
Other (principally relating to the deductibility of provisions)	1,370	405
Total	**1,400**	**1,310**

(3) Other accruals mainly comprise foreign currency debit adjustment accounts, discounts at issuance or redemption of bonds and assimilated securities, and the profits on revaluation of forward financial instruments.

Note 12

Due to banks

(in millions of euros at December 31)	2003	2002	2001
Demand deposits			
Demand deposits and current accounts	17,582	12,311	22,139
Borrowings secured by overnight notes	–	43	61
Sub-total	**17,582**	**12,354**	**22,200**
Term deposits			
Term deposits and borrowings	46,309	37,508	40,593
Borrowings secured by notes and securities	312	245	303
Sub-total	**46,621**	**37,753**	**40,896**
Related payables	324	395	481
Securities sold under repurchase agreements	19,081	18,737	21,547
Total	**83,608**	**69,239**	**85,124**

Note 13

Customer deposits

(in millions of euros at December 31)	2003	2002	2001
Special savings accounts			
Demand	21,587	18,287	16,250
Term	21,874	21,775	22,200
Sub-total	**43,461**	**40,062**	**38,450**
Other demand deposits			
Businesses and sole proprietors	29,650	24,866	24,291
Individual customers	23,745	21,594	20,894
Financial institutions	10,705	5,753	5,908
Other	4,184	5,303	3,692
Sub-total	**68,284**	**57,516**	**54,785**
Other term deposits			
Businesses and sole proprietors	25,783	25,051	20,283
Individual customers	10,213	10,988	12,687
Financial institutions	5,797	12,309	16,977
Other	5,717	5,902	6,478
Sub-total	**47,510**	**54,250**	**56,425**
Related payables	951	949	875
Total customer deposits	**160,206**	**152,777**	**150,535**
Borrowings secured by notes and securities	3,229	2,210	2,915
Securities sold to customers under repurchase agreements	32,655	41,098	46,866
Total	**196,090**	**196,085**	**200,316**

Note 14

Securitized debt payables

(in millions of euros at December 31)	2003	2002	2001
Term savings certificates	841	881	865
Bond borrowings	4,607	5,253	7,333
Related payables	84	185	215
Sub-total	**5,532**	**6,319**	**8,413**
Interbank certificates and negotiable debt instruments	77,052	71,104	53,706
Related payables	333	454	855
Total [1]	**82,917**	**77,877**	**62,974**

(1) Newly consolidated entities have an impact of EUR 1,365 million on the Group's securitized debt payables at December 31, 2003.

Note 15

Underwriting reserves of insurance companies

(in millions of euros at December 31)	2003	2002	2001
Unit-linked policy underwriting reserves	14,149	13,400	15,317
Life insurance underwriting reserves	26,882	22,262	18,726
Non-life insurance underwriting reserves	133	98	91
Total	**41,164**	**35,760**	**34,134**

Note 16

Accruals, other accounts payable and other liabilities

(in millions of euros at December 31)	2003	2002	2001
Transactions on securities			
Amounts payable for borrowed securities	8,611	6,640	6,325
Other amounts due for securities	32,575	24,272	28,870
Sub-total	**41,186**	**30,912**	**35,195**
Other liabilities			
Miscellaneous payables	13,927	12,627	10,239
Premiums on sold options	23,699	21,700	24,916
Settlement accounts on securities transactions	3,901	2,975	7,683
Other securities transactions	70	51	60
Related payables	227	180	227
Other insurance liabilities	73	84	58
Sub-total	**41,897**	**37,617**	**43,183**
Accruals and similar			
Accrued expenses	3,858	4,148	4,226
Deferred taxes	–	89	324
Deferred income	2,014	2,358	1,533
Other [1]	8,771	12,643	10,819
Sub-total	**14,643**	**19,238**	**16,902**
Total	**97,726**	**87,767**	**95,280**

(1) This item mainly comprises foreign currency credit adjustment accounts and the losses on revaluation of forward financial instruments.

Note 17

Provisions and reserves

(in millions of euros at December 31)	2003	2002	2001
Provisions for possible losses charged against assets			
Banks	94	114	118
Customer loans	6,497	6,894*	6,706*
Lease financing agreements	250	182	201*
Other	302	263	283*
Sub-total	**7,143**	**7,453**	**7,308**
Provisions for general risks and commitments booked as a liability			
Prudential general country risk reserve *(Note 1)*	453	465	599
Commitments made to banks	6	4	4
Commitments made to customers	273	327*	308
Sectoral provisions and other (1)	558	277*	–
Provisions for other risks and commitments	1,559	1,401*	1,485
Sub-total	**2,849**	**2,474**	**2,396**
Total provisions (excluding securities) (2)	**9,992**	**9,927**	**9,704**
Provisions on securities	1,816	1,862	1,032
Provisions on investments of insurance companies	2	10	4
Total provisions (3)	**11,810**	**11,799**	**10,740**

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

(1) As of January 1, 2003, all sectoral provisions that cannot be assigned to a single non-performing loan have been grouped in a specific account. The financial statements as at December 31, 2002 were restated accordingly for the purpose of comparison. These provisions were charged against the assets side of the balance sheet in the amount of EUR 176 million or were carried on the liabilities side of the balance sheet in the amount of EUR 101 million (EUR 71 million in off-balance sheet items relating to commitments made to customers and EUR 30 million in provisions for risks and commitments).

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

(in millions of euros at December 31)	2002	Net allocations	Others income statement balances (5)	Used provisions	Change in scope and exchange rates	2003
Prudential country risk reserve	465	51	–	–	(63)	453
Provisions for identified risks	8,061	948	(4)	(1,019)	(6)	7,980
Provisions for general risks and commitments (4)	1,401	83	357	(191)	(91)	1,559
Total	**9,927**	**1,082**	**353**	**(1,210)**	**(160)**	**9,992**

As regards the Group's Argentine risk, total provisions booked at December 31, 2003 stood at EUR 255 million, including EUR 219 million of provisions for commercial risks and other assets, EUR 25 million in the form of the prudential country risk reserve, and EUR 11 million of provision for general risks and commitments.

(3) 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.

(4) Analysis of provisions for general risks and commitments

(in millions of euros at December 31)	2002	Net allocations	Others income statement balances (5)	Used provisions	Change in scope and exchange rates	2003
Provisions for pensions and other post-retirement benefits	261	–	29	–	12	302
Provisions for restructuring costs and litigations expenses	182	–	28	(10)	(21)	179
Provisions for tax adjustments	131	–	175	(3)	1	304
Provisions for forward financial instruments	39	–	70	(2)	–	107
Other provisions for risks and litigation	788	83	55	(176)	(83)	667
Total	**1,401**	**83**	**357**	**(191)**	**(91)**	**1,559**

(5) 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

Surbodinated debt

(in millions of euros at December 31) **Issuance currency**	Outstanding	2004	2005	2006	2007	2008	Beyond 2008	Undated
Subordinated capital notes								
EUR	7,411	471	567	274	547	122	5,112	318
USD	1,847	–	282	633	–	–	174	758
GBP	993	–	–	–	–	–	851	142
Other currencies (1)	345	–	22	45	–	54	–	224
Sub-total	**10,596**	**471**	**871**	**952**	**547**	**176**	**6,137**	**1,442**
Dated subordinated debt								
EUR	19	–	–	–	–	–	–	19
USD	60	–	–	–	–	–	32	28
Other currencies (1)	2	–	–	–	2	–	–	–
Sub-total	**81**	**–**	**–**	**–**	**2**	**–**	**32**	**47**
Related payables	268	–	–	–	–	–	–	268
Total	**10,945**	**471**	**871**	**952**	**549**	**176**	**6,169**	**1,757**

(1) Including EUR 22 million of subordinated debt reclassified as subordinated capital notes between December 31, 2002 and December 31, 2003.

Note 19

Commitments granted

(in millions of euros at December 31)	2003	2002	2001
Loan commitments			
to banks	3,725	5,163	6,401
to customers (1)	82,931	76,991	93,202
Total	**86,656**	**82,154**	**99,603**
Guarantee commitments			
on behalf of banks	2,340	4,999	3,185
on behalf of customers (1) (2)	43,996	39,591*	36,361*
Total	**46,336**	**44,590**	**39,546**

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

(1) As at December 31, 2003, credit lines and guarantee commitments granted to securitization vehicles and other special purpose vehicles amounted to EUR 19.2 billion and EUR 0.7 billion respectively.
(2) Including capital and performance guarantees given to the holders of units in mutual funds managed by Group entities.

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, 2003, there were five non-consolidated vehicles (Barton, Antalis, Asset One, 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 13,324 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 737 million. Furthermore, the Group has granted these vehicles liquidity lines in the amount of EUR 19,167 million on this date.

Note 20

Foreign exchange transactions

(in millions of euros at December 31)	2003				2002				2001			
	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	330,871	326,459	59,950	72,928	302,842*	288,050*	60,921	86,421	283,285	265,761	66,123	85,287
USD	126,962	140,756	146,595	129,541	124,273*	143,038*	166,817	143,769	147,794	168,626	163,887	146,032
GBP	18,563	19,484	29,389	28,369	16,147	16,295	28,503	26,865	17,571	16,661	25,394	24,679
JPY	14,817	8,493	22,378	28,988	12,894	8,285	23,719	28,070	21,853	18,323	23,844	26,017
Other currencies	48,174	44,195	60,550	61,609	45,236*	45,724*	69,449	66,676	41,996	43,128	63,437	62,413
Total	**539,387**	**539,387**	**318,862**	**321,435**	**501,392**	**501,392**	**349,409**	**351,801**	**512,499**	**512,499**	**342,685**	**344,428**

** Amounts restated in relation to those given in the 2002 annual report.*

Note 21

Forward financial instrument commitments

(in millions of euros at December 31)	Trading transactions	Hedging transactions	2003	Total 2002	Total 2001
Firm transactions					
Transactions on organized markets					
– Interest rate futures	410,671	12,450	423,121	416,207	422,037
– Currency futures	2,258	967	3,225	3,166	4,199
– Other forward contracts	136,150	60	136,210	71,456	59,734
OTC agreements					
– Interest rate swaps	2,641,499	109,229	2,750,728	2,831,911	2,696,379
– Currency financing swaps	113,025	3,058	116,083	101,782	87,480
– Forward Rate Agreements (FRA)	340,394	402	340,796	303,146	331,763
– Other	28,245	19,563	47,808	41,725	17,547
Options					
– Interest rate options	1,212,844	4,702	1,217,546	1,021,073	1,024,197
– Currency options	101,722	365	102,087	94,424	130,835
– Options on stock market indexes and equities	351,213	11,803	363,016	255,386	451,793
– Other	46,370	9	46,379	47,477	64,492
Total	**5,384,391**	**162,608**	**5,546,999**	**5,187,753**	**5,290,456**

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

At December 31, 2003, 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:

	2003	2002	2001
– OECD member governments and central banks	717	369	443
– OECD member banks and local authorities	14,282	16,414	15,949
– Customers	7,938	8,535	8,816
– Non-OECD member banks and central banks	447	420	305
Total (including netting agreements)	**23,384**	**25,738**	**25,513**

Bilateral netting agreements reduced the credit risk equivalent by EUR 59,994 million at December 31, 2003 versus EUR 66,701 million at December 31, 2002 and EUR 50,903 million at December 31, 2001.

Term to maturity (in millions of euros)

	2003		
	0-1 year	1-5 years	over 5 years
– Interest rate swaps	1,124,609	1,456,897	169,222
– Currency financing swaps	71,488	27,012	17,583
– Interest rate futures	676,069	78,216	9,632
– Foreign exchange futures	3,165	58	2
– Other firm instruments	113,571	48,517	21,930
– Interest rate options	337,562	839,544	40,440
– Foreign exchange options	94,817	7,088	182
– Other options	295,451	105,975	7,969
Total	**2,716,732**	**2,563,307**	**266,960**

Note 22

Breakdown of assets and liabilities by term to maturity

(in millions of euros at December 31) 2003	0-3 months	3 months-1 year	1-5 years	Over 5 years	Inter-company eliminations	Total
Assets						
Transactions with banks						
Due from banks	169,494	28,097	43,900	31,105	(212,314)	**60,282**
Transactions with customers						
Customer loans	92,931	22,791	69,945	41,470	(33,590)	**193,547**
Lease financing and similar agreements	1,679	2,905	9,473	4,276	(12)	**18,321**
Bonds and other debt securities						
Trading securities	11,027	38,537	1,208	351	(19,417)	**31,706**
Short-term investment securities	3,663	8,398	12,513	5,974	(15,394)	**15,154**
Long-term investment securities	703	795	7,077	13,702	(1,365)	**20,912**
Liabilities						
Transactions with banks						
Due to banks	198,045	31,880	46,765	30,616	(223,698)	**83,608**
Transactions with customers						
Customer deposits	163,281	8,293	20,685	21,507	(17,676)	**196,090**
Securitized debt payables	43,621	23,997	30,669	20,034	(35,404)	**82,917**

Note 23

Consolidated cash flow statement

(in millions of euros at December 31,2003)	Uses	Sources
Cash flow		4,006
Dividends paid	972	
Net cash flow (a)		**3,034**
Capital increase		321
Preferred shares increase		650
Treasury stock decrease/increase	368	153
Subordinated debt decrease/increase	620	340
Capital transactions (b)		**476**
(I) - Long-term funds (a) + (b)		**3,510**
Cost of investment in newly consolidated affiliates	343	
Purchase/proceeds from sale of affiliates and other long-term investments	75	1,482
Purchase/proceeds from sale of fixed assets	1,464	365
(II) - Net cash inflow/(outflow) from investing activities	**35**	
(I) – (II) Change in working capital		**3,475**
Interbank activities and cash		23,499
Customer loans	2,463	
Customer deposits		7,391
Securities activities	30,568	
Bond debt	747	
Forward financial instrument commitments	311	
Lease financing activities	1,038	
(III) - Net cash inflow/(outflow) from banking activities	**4,237**	
Insurance investments	5,749	
Insurance deposits		5,370
(IV) - Cash inflow/(outflow) from non-banking activities	**379**	
(V) - Other		**1,141**
(III) + (IV) – (V) Change in cash inflow/(outflow) from operating activities	**3,475**	

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 expense from transaction with banks

(in millions of euros at December 31)	2003	2002	2001
Transactions with central banks, post office accounts and banks	1,601	2,090	2,973
Net premiums and discounts	75	77	52
Total interest income	**1,676**	**2,167**	**3,025**
Transactions with central banks, post office accounts and banks	(2,592)	(3,382)	(4,094)
Total interest expense	**(2,592)**	**(3,382)**	**(4,094)**
Securities purchased under resale agreements and loans secured by notes and securities	1,744	2,112	2,667
Securities sold under repurchase agreements and borrowings secured by notes and securities	(2,004)	(2,121)	(2,916)
Net interest income from transactions with banks	**(1,176)**	**(1,224)**	**(1,318)**

Note 25

Interest income and expenses from transactions with customers

(in millions of euros at December 31)	2003	2002	2001
Trade notes	660	693	619
Other customer loans			
– short-term loans	2,173	2,583	3,150
– export loans	242	524	647
– equipment loans	1,552	1,489	1,278
– mortgage loans	2,040	1,918	1,870
– other loans	1,010	1,079	921
Sub-total	**7,017**	**7,593**	**7,866**
Overdrafts	684	779	866
Net premiums and discounts	(9)	(22)	14
Total interest income	**8,352**	**9,043**	**9,365**
Special savings accounts	(1,276)	(1,298)	(1,311)
Other deposits	(1,806)	(2,510)	(3,374)
Total interest expense	**(3,082)**	**(3,808)**	**(4,685)**
Securities purchased under resale agreements and loans secured by notes and securities	1,698	1,593	1,561
Securities sold under repurchase agreements and borrowings secured by notes and securities	(2,594)	(2,604)	(3,168)
Net interest income from transactions with customers	**4,374**	**4,224**	**3,073**

Note 26

Net income from lease financing and similar agreements

(in millions of euros at December 31)	2003	2002	2001
Real estate lease financing agreements	311	305	336
Equipment lease financing agreements	565	421	329
Lease-purchase and similar agreements	612	648	569
Net total	**1,488**	**1,374**	**1,234**

Note 27

Dividend income

(in millions of euros at December 31)	2003	2002	2001
Dividends from shares and other equity securities	393	92	29
Dividends from investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments	189	199	182
Total (1)	**582**	**291**	**211**

(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)	2003	2002	2001
Fee income from:			
Transactions with banks	123	93	72
Transactions with customers	1,575	1,353	1,194
Securities transactions	2,170	2,513	2,370
Primary market transactions	222	171	270
Foreign exchange transactions and forward financial instruments	428	520	369
Loan and guarantee commitments	482	454	410
Services and other	1,507	1,374	1,280
Sub-total	**6,507**	**6,478**	**5,965**
Fee expense on:			
Transactions with banks	(154)	(153)	(132)
Securities transactions	(293)	(368)*	(124)*
Foreign exchange transactions and forward financial instruments	(347)	(411)	(360)
Loan and guarantee commitments	(123)	(125)	(88)
Other	(506)	(428)	(253)
Sub-total	**(1,423)**	**(1,485)**	**(957)**
Net total (1)	**5,084**	**4,993***	**5,008***
(1) Net fee income breaks down by type of service, as follows:			
– banking services and advisory	*2,342*	*2,078*	*1,964*
– guarantees and endorsements	*358*	*330*	*323*
– issuance	*222*	*171*	*270*
– asset management and life insurance	*1,655*	*1,770*	*1,545*
– brokerage and other	*507*	*644**	*906**

** As of January 1, 2003, commissions paid to brokers considered to have the same status as salaried employees, which were previously booked as fees and commissions directly charged against Net Banking Income, are now recognized under personnel expenses. The commissions have been restated in the financial statements as at December 31, 2002 in the amount of EUR 119 million and as at December 31, 2001 in the amount of EUR 92 million.*

Note 29

Net income from financial transactions

(in millions of euros at December 31)	2003	2002	2001
Net income from the trading portfolio:			
Net income from transactions on trading securities	4,615	(4,959)	(1,881)
Net income from forward financial instruments	(3,244)	7,528	5,114
Net income from foreign exchange transactions	1,514	769	(28)
Sub-total (1)	**2,885**	**3,338**	**3,205**
Net income from short-term investment securities:			
Gains on sale	172	145	187
Losses on sale	(98)	(128)	(174)
Net reversal of provisions	23	26	84
Sub-total	**97**	**43**	**97**
Net income from shares intended for portfolio activity:			
Gains on shares intended for portfolio activity	(20)	(31)	63
Net allocation to provisions for portfolio activity	40	(87)	(107)
Sub-total	**20**	**(118)**	**(44)**
Net total	**3,002**	**3,263**	**3,258**

(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)	2003	2002	2001
Earned premiums	6,524	5,398	4,804
Cost of benefits (including change in reserves)	(6,236)	(5,150)	(4,474)
Net income from investments	151	172	135
Other technical income and expenses	(302)	(287)	(245)
Reclassification of operating expenses	(92)	(82)	(84)
Total	**45**	**51**	**136**

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)	2003	2002	2001
Contribution to NBI before elimination of intercompany transactions	306	284	358
Elimination of intercompany transactions*	159	165	140
Contribution to NBI after elimination of intercompany transactions	465	449	498

** 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)	2003	2002	2001
Net income from real estate development	30	45	29
Net income from real estate investments (1) (2)	227	38	107
Net income from other activities	27	16	10
Total	**284**	**99**	**146**

(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.
(2) Net income from real estate investments in 2003 includes a capital gain of EUR 189 million realized on the disposal of the Paris Trocadéro building.

Note 32

Personnel expenses

(in millions of euros at December 31)	2003	2002	2001
Employee compensation (1)	4,431	4,428*	4,294*
Social security benefits and payroll taxes (1)	1,657	1,537	1,419
Employee profit sharing and incentives (3)	235	214	184
Total	**6,323**	**6,179**	**5,897**
Average staff (2)	**90,040**	**88,278**	**86,574**
In France	51,349	50,689	49,020
Outside France	38,691	37,589	37,554

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

The companies acquired in 2003 contributed 2,399 employees.

** As of January 1, 2003, commissions paid to brokers who are considered to have the same status as salaried employees, which were previously booked as fees and commissions directly charged against Net Banking Income, are now recognized under personnel expenses. Personnel expenses have been restated in the financial statements as at December 31, 2002 in the amount of EUR 119 million and as at December 31, 2001 in the amount of EUR 92 million.*

(1) Of which EUR 1,560 million for bonuses at December 31, 2003 (EUR 1,310 million at December 31, 2002 and EUR 1,309 million at December 31, 2001).

(2) Including temporary staff.

(3) Analysis of personnel expenses for the last five years:

(in millions of euros at December 31)	2003	2002	2001	2000	1999
Société Générale *					
Profit sharing	15**	(1)	1	52	5
Incentives	49	62	50	55	41
Employer contribution	72	74	67	62	54
Sub-total	**136**	**135**	**118**	**169**	**100**
Subsidiaries	99	79	66	70	54
Total	**235**	**214**	**184**	**239**	**154**

** Including Sogénal in 2001.*
*** Provision for profit sharing.*

Remuneration of members of the Board of Directors and Chief Executive Officers
Total attendance fees paid in January 2004 to the Company's directors for the 2003 financial year amounted to EUR 0.65 million.
The remuneration paid in 2003 to the Chief Executive Officers totaled EUR 2.79 million (including EUR 1.24 million in performance-linked bonuses for the 2002 financial year).

Note 33

Cost of risk

(in millions of euros at December 31)	2003	2002	2001
Net allocation to provisions for identified risks			
– Provisions for identified risks	(948)	(1,243)	(960)
– Provisions for risks and charges	(83)	(18)	(66)
– Losses not covered by provisions and amounts recovered on write-offs	(144)	(101)	(51)
Sub-total	**(1,175)**	**(1,362)**	**(1,077)**
Net allocation to general country risk reserves	(51)	61	10
Net allocation to provisions for receivables and commitments	**(1,226)**	**(1,301)**	**(1,067)**

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)		
				2003	2002	2001
Non-financial companies						
Chesapeake Holding (CHC)	36.35	Structured finance	(56)	9	12	12
Sifa [1]	–	Portfolio management	–	–	4	4
Géodis	27.17	Industrial and commercial company	(29)	5	(13)	(36)
Property companies of the Sogéprom group		Property companies	14	7	7	–
Other			1	–	–	1
Sub-total			**(70)**	**21**	**10**	**(19)**
Financial companies						
Fiditalia Spa [2]	100.00	Specialized financing	–		–	(22)
ACL	36.05	Bank	(273)	–	–	–
Sophia [3]	25.20	Property company	(28)	9	24	17
United Arab Bank	20.00	Bank	10	4	4	4
Other [4]			26	9	10	2
Sub-total			**(265)**	**22**	**38**	**1**
Total			**(335)**	**43**	**48**	**(18)**

** Including the Group's 2003 earnings.*

(1) Exchange transaction during the second half of 2002 with the full stake exchanged for 100% of the capital of Fonvalor II, which is now fully consolidated.
(2) This company is now fully consolidated.
(3) This company was sold in February 2004 under the public offering made by GE Real Estate Investissement France, a subsidiary of General Electric.
(4) This item notably comprises the subsidiaries sub-consolidated by Komercni Banka (Vseobecna Stavebni Sporitelna) and by Crédit du Nord.

Note 35

Net income from long-term investments

(in millions of euros at December 31)	2003	2002	2001
Long-term investment securities			
Net capital gains (or losses) on sale	4	47	(12)
Net allocation to provisions	–	–	5
Sub-total	**4**	**47**	**(7)**
Investments in non-consolidated subsidiaries and affiliates			
Gains on sale	466	484	756
Losses on sale.	(48)	(125)	(94)
Net allocation to provisions	(47)	(710)	(201)
Sub-total [(1)]	**371**	**(351)**	**461**
Operating fixed assets			
Gains on sale	37	33	34
Losses on sale	(15)	(28)	(14)
Sub-total	**22**	**5**	**20**
Net total	**397**	**(299)**	**474**

(1) Income from investments in non-consolidated subsidiaries and affiliates at December 31, 2003 includes EUR 242 million from the disposal of equity holdings in banks and EUR 15 million of provisions on the industrial equity portfolio (EUR 772 million at December 31, 2002).

Note 36

Exceptional items

(in millions of euros at December 31)	2003	2002	2001
Exceptional income	2	13	31
Exceptional losses	(48)	(183)	(48)
Net total	**(46)**	**(170)**	**(17)**

Breakdown of exceptional items

– Provisions for costs linked to introduction of the single European currency and Y2K	–	(9)	(9)
– Contribution by French banks to the Compensation Fund and to *"Fondation du Souvenir des victimes de la Shoah"*	–	(2)	(3)
– Provisions for contributions to the deposits and securities guarantee fund *(see Note 1)*	–	–	(5)
– Provision booked to cover the fraud affecting Cowen's former private client brokerage division *	(46)	(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 and December 31, 2003.*

Note 37

Income tax

(in millions of euros at December 31)	2003	2002	2001
Current taxes	(1,194)	(767)	(764)
Deferred taxes	33	118	25
Total (1)	**(1,161)**	**(649)**	**(739)**
(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 and net income from companies accounted for by the equity method	*4,240*	*2,447*	*3 ,177*
Normal tax rate applicable to French companies (including 3% and 3.3% tax surcharges)	*35.4%*	*35.4%*	*36.4%*
Permanent differences	*– 2.5%*	*– 5.7%**	*– 6.2%**
Differential on items taxed at reduced rate	*– 0.7%*	*+ 2.7%*	*– 2.9%*
Tax rate differential on profits taxed outside France	*– 3.4%*	*– 5.2%*	*– 1.2%*
Impact of non-deductible losses for the period and use of losses carried forward	*– 1.4%*	*– 0.6%**	*– 2.9%**
Effective tax rate	***27.4%***	***26.6%***	***23.2%***

** Amounts restated in relation to those given in the 2001 and 2002 annual reports.*

Note 38

Income statement by core business

(in millions of euros at December 31)	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
	Retail Banking			Asset Management and Private Banking			Corporate and Investment Banking			Corporate Center and other			Group		
Net banking income	9,222	8,684	7,801	1,270	1,304	1,106	5,141	4,769	5,129	4	(184)	(70)	15,637	14,573	13,966
Operating expenses	(6,200)	(5,873)	(5,317)	(864)	(905)	(692)	(3,274)	(3,487)	(3,813)	(230)	(261)	(374)	(10,568)	(10,526)	(10,196)
Gross operating income	**3,022**	**2,811**	**2,484**	**406**	**399**	**414**	**1,867**	**1,282**	**1,316**	**(226)**	**(445)**	**(444)**	**5,069**	**4,047**	**3,770**
Cost of risk	(648)	(653)	(503)	(2)	(14)	(9)	(519)	(717)	(543)	(57)	83	(12)	(1,226)	(1,301)	(1,067)
Net income from companies accounted for by the equity method	13	14	(16)	–	–	–	17	18	12	13	16	(14)	43	48	(18)
Net income from long-term investments	5	21	13	(11)	(10)	(5)	29	24	11	374	(334)	455	397	(299)	474
Earnings before exceptional items and tax	**2,392**	**2,193**	**1,978**	**393**	**375**	**400**	**1,394**	**607**	**796**	**104**	**(680)**	**(15)**	**4,283**	**2,495**	**3,159**
Exceptional items	–	–	–	–	–	–	–	–	–	(46)	(170)	(17)	(46)	(170)	(17)
Income tax	(812)	(741)	(705)	(120)	(120)	(136)	(307)	(78)	(131)	78	290	233	(1,161)	(649)	(739)
Amortization of goodwill	–	–	–	–	–	–	–	–	–	(217)	(184)	(76)	(217)	(184)	(76)
Net reversal from General reserve for banking risks	–	–	–	–	–	–	–	–	–	(104)	159	–	(104)	159	–
Net income before minority interests	**1,580**	**1,452**	**1,273**	**273**	**255**	**264**	**1,087**	**529**	**665**	**(185)**	**(585)**	**125**	**2,755**	**1,651**	**2,327**
Minority interests	(187)	(175)	(131)	(24)	(15)	(12)	(8)	(20)	(11)	(44)	(44)	(19)	(263)	(254)	(173)
Net income	**1,393**	**1,277**	**1,142**	**249**	**240**	**252**	**1,079**	**509**	**654**	**(229)**	**(629)**	**106**	**2,492**	**1,397**	**2,154**

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 the 2002 annual report due to internal business transfers.

Note 39

*Geographical breakdown of net banking income**

(in millions of euros at December 31) 2003	France	Rest of Europe	Americas	Asia	Africa	Oceania	Total
Net interest and similar income [1]	4,838	2,332	1,420	59	407	129	9,185
Net fee income	3,098	737	956	114	159	20	5,084
Net income from financial transactions	591	(10)	2	315	27	(33)	892
Other net operating income	291	172	5	1	9	(2)	476
Net banking income	**8,818**	**3,231**	**2,383**	**489**	**602**	**114**	**15,637**

** 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	
			2003	2002	2003	2002
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
BFCOI (2)	France	FULL	50.00	–	50.00	–
Calif	France	FULL	100.00	100.00	100.00	100.00
Crédit du Nord (1)	France	FULL	80.00	80.00	80.00	80.00
Génébanque	France	FULL	100.00	100.00	100.00	100.00
Groupama Banques (2)	France	PROP	40.00	–	40.00	–
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
Euro VL (1)	France	FULL	100.00	100.00	100.00	100.00
IEC	France	FULL	100.00	100.00	100.00	100.00
Lyxor Asset Management	France	FULL	100.00	100.00	100.00	100.00
Lyxor International Asset Management	France	FULL	100.00	100.00	100.00	100.00
Nofirec (1)	France	FULL	100.00	100.00	100.00	100.00
Pargesfonds	France	FULL	100.00	100.00	100.00	100.00
SG Asset Management	France	FULL	100.00	100.00	100.00	100.00
SGAM AI	France	FULL	100.00	100.00	100.00	100.00
SGAM Finance(1)	France	FULL	100.00	100.00	100.00	100.00
SGOP	France	FULL	100.00	100.00	100.00	100.00
Specialized financing						
Airbail	France	FULL	100.00	100.00	100.00	100.00
Ipersoc SAS (2)	France	FULL	100.00	–	100.00	–
Bull Finance	France	FULL	51.35	51.35	51.35	51.35
Cafirec	France	FULL	100.00	100.00	100.00	100.00
Cofranteg	France	FULL	100.00	100.00	100.00	100.00
Compagnie Générale de Location d'Équipements (1)	France	FULL	99.73	84.57	99.73	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
Fenwick Lease (10)	France	FULL	100.00	49.41	100.00	49.41
Fontanor (1) (2)	France	FULL	100.00	–	100.00	–
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	75.01	65.05	75.01	65.05
Génécomi	France	FULL	72.43	72.43	72.43	72.43
Linden SAS (2)	France	FULL	100.00	–	100.00	–
Locaplan S.A. (2)	France	FULL	100.00	–	100.00	–
Orpavimob S.A.	France	FULL	100.00	100.00	100.00	100.00
Promopart	France	FULL	100.00	100.00	100.00	100.00
SCP Clémence	France	FULL	100.00	100.00	100.00	100.00
SCP Cygne	France	FULL	100.00	100.00	100.00	100.00
SCP de la Prose	France	FULL	100.00	100.00	100.00	100.00
SCP Muscade	France	FULL	100.00	100.00	100.00	100.00
SCP Philibert	France	FULL	100.00	100.00	100.00	100.00
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 Athena Investissements (2)	France	FULL	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	France	FULL	100.00	100.00	100.00	100.00
SNC Fininva	France	FULL	100.00	100.00	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

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	
			2003	2002	2003	2002
SAS IPF	France	FULL	100.00	100.00	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	France	FULL	100.00	100.00	100.00	100.00
Sogelease France	France	FULL	100.00	100.00	100.00	100.00
Solocvi	France	FULL	100.00	100.00	100.00	100.00
Temsys (1)	France	FULL	100.00	100.00	100.00	100.00
Valmyfin (2)	France	FULL	100.00	–	100.00	–
Varoner 2 (2)	France	FULL	100.00	–	100.00	–
Portfolio management						
Aurelec	France	FULL	100.00	100.00	100.00	100.00
Ezépart (2)	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
Fonvalor2	France	FULL	100.00	100.00	100.00	100.00
Geforpat	France	FULL	100.00	100.00	100.00	100.00
Géné Act 1	France	FULL	100.00	100.00	100.00	100.00
Générfinance	France	FULL	100.00	100.00	100.00	100.00
Générfitec	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
Générval	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	France	FULL	100.00	100.00	100.00	100.00
Salvépar (1)	France	FULL	51.42	51.42	51.42	51.42
SCI Foncière Défense	France	FULL	99.99	99.99	100.00	100.00
SG Capital 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
Sivalparts	France	FULL	100.00	100.00	100.00	100.00
Sogéfim	France	FULL	100.00	100.00	100.00	100.00
Sogénal Participations	France	FULL	100.00	100.00	100.00	100.00
Sogéparts	France	FULL	100.00	100.00	100.00	100.00
Sogéparticipations (ex-Sogénal) (1)	France	FULL	100.00	100.00	100.00	100.00
Sogéplus	France	FULL	100.00	100.00	100.00	100.00
Soginnove	France	FULL	100.00	100.00	100.00	100.00
Sté Rue Edouard-VII	France	FULL	99.91	99.91	99.91	99.91
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
Boursorama (1) (5)	France	FULL	71.01	67.04	71.01	67.04
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 (3)	France	FULL	–	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
Real estate and real estate financing						
Coprim (1)	France	FULL	100.00	100.00	100.00	100.00
Crédit Immobilier Général (3)	France	FULL	–	100.00	–	100.00
Galybet	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	
			2003	2002	2003	2002
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 [3]	France	FULL	–	100.00	–	100.00
SFCC	France	FULL	99.99	99.99	99.99	99.99
Sogébail	France	FULL	44.26	45.92	46.79	40.67
Sogéprom [1]	France	FULL	77.56	68.21	69.99	59.99
Sophia [1]	France	EQUITY	25.20	27.41	25.20	29.45
Sophia-bail	France	FULL	63.35	64.43	51.00	51.00
Services						
CGA	France	FULL	100.00	100.00	100.00	100.00
ECS [1]	France	FULL	100.00	100.00	100.00	100.00
Parel	France	FULL	100.00	100.00	100.00	100.00
Socogéfi	France	FULL	100.00	100.00	100.00	100.00
Group real estate management companies						
CFM [1]	France	FULL	100.00	100.00	100.00	100.00
Eléaparts	France	FULL	100.00	100.00	100.00	100.00
Génégis 1	France	FULL	100.00	100.00	100.00	100.00
Génégis 2	France	FULL	100.00	100.00	100.00	100.00
Génévalmy	France	FULL	100.00	100.00	100.00	100.00
SC Alicante 2000	France	FULL	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	France	FULL	100.00	100.00	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 [1]	France	FULL	100.00	100.00	100.00	100.00
STIP	France	FULL	99.99	99.99	100.00	100.00
Valminvest	France	FULL	100.00	100.00	100.00	100.00
Insurance						
Génécar	France	FULL	100.00	100.00	100.00	100.00
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] [4]	Czech Republic	FULL	60.35	60.35	60.35	60.35
Rüegg Bank [9]	Switzerland	FULL	0.00	100.00	0.00	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 Private Banking (Suisse) [1] [2] [9]	Switzerland	FULL	77.62	–	77.62	–
SG Vostok	Russia	FULL	100.00	100.00	100.00	100.00
SGBT Luxembourg [1]	Luxembourg	FULL	100.00	100.00	100.00	100.00
SGBT Monaco	Monaco	FULL	100.00	100.00	100.00	100.00
SKB Banka [1]	Slovenia	FULL	99.58	97.82	99.58	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

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	
			2003	2002	2003	2002
Financial companies						
Euro-VL Luxembourg [2]	Luxembourg	FULL	100.00	–	100.00	–
SG Wertpapierhandelsgesellschaft mbH [1]	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
Lightning Finance Company Ltd. [2]	Ireland	FULL	51.00	–	51.00	–
Lyxor Master Funds	Jersey	FULL	100.00	100.00	100.00	100.00
Primafair SAS [2]	Luxembourg	FULL	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	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
Specialized financing						
Axus Belgium [1] [2]	Belgium	FULL	100.00	–	100.00	–
Axus Danmark A/S [2]	Denmark	FULL	100.00	–	100.00	–
Axus Finland Oy [2]	Finland	FULL	100.00	–	100.00	–
Axus Italiana S.R.L [2]	Italy	FULL	100.00	–	100.00	–
Axus Nederland B.V. [2]	Netherlands	FULL	100.00	–	100.00	–
Axus Norge S.A. [2]	Norway	FULL	100.00	–	100.00	–
Axus Sverig AB [2]	Sweden	FULL	100.00	–	100.00	–
Axus UK Limited [2]	Great Britain	FULL	100.00	–	100.00	–
Hertz Lease de Espana S.A. [2]	Spain	FULL	100.00	–	100.00	–
Promopart Snc	Luxembourg	FULL	100.00	100.00	100.00	100.00
Sogega Pme Snc	Luxembourg	FULL	100.00	100.00	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) [1]	Germany	FULL	92.59	92.59	92.59	92.59
ALD Automotive Group PLC (ex- BCH Group) (GEFA-ALD group) [1]	Great Britain	FULL	100.00	100.00	100.00	100.00
ALD International GmbH	Germany	FULL	100.00	100.00	100.00	100.00
ALD International S.A. [1]	Germany	FULL	100.00	100.00	100.00	100.00
ALD Portugal [1] [2]	Portugal	FULL	100.00	–	100.00	–
Amber	Great Britain	FULL	100.00	100.00	100.00	100.00
ALD Automotive S.A.U.	Spain	FULL	100.00	100.00	100.00	100.00
SG Factoring Spa	Italy	FULL	100.00	100.00	100.00	100.00
Franfinance Leasing Italia Spa (ex-DB Leasing Spa) (GEFA-ALD group) [6]	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)	Poland	FULL	99.01	99.01	99.01	99.01
Fiditalia Spa	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
ALD Czech Republic [2]	Czech Republic	FULL	100.00	–	100.00	–
Locat Rent [2]	Italy	PROP	50.00	–	50.00	–
SG Holding de Valores y Participationes [2]	Spain	FULL	100.00	–	100.00	–
Sogelease BV Nederland	Netherlands	FULL	100.00	100.00	100.00	100.00
Sogelease Italia [6]	Italy	FULL	–	100.00	–	100.00
Brokers						
Fimat Switzerland AG	Switzerland	FULL	100.00	100.00	100.00	100.00
Fimat London branch [7]	Great Britain	FULL	100.00	100.00	100.00	100.00
Fimat Frankfurt branch [7]	Germany	FULL	100.00	100.00	100.00	100.00
Fimat Madrid branch [7]	Spain	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	
			2003	2002	2003	2002
Insurance						
Généras	Luxembourg	FULL	100.00	100.00	100.00	100.00
Inora Life	Ireland	FULL	100.00	100.00	100.00	100.00
Komercni Pojistovna [4]	Czech Republic	FULL	60.35	–	60.35	–
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	57.73	57.73	57.73
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	58.08	58.08	58.08
SSB Bank Ghana [2]	Ghana	FULL	51.00	–	51.00	–
United Arab Bank	United Arab Emirates	EQUITY	20.00	20.00	20.00	20.00
Union International de Banques	Tunisia	FULL	52.00	52.00	52.00	52.00
Financial companies						
Sogelease Maroc	Morocco	FULL	71.15	71.15	100.00	100.00
Eqdom	Morocco	FULL	44.64	44.64	53.61	53.61
Insurance						
La Marocaine Vie	Morocco	FULL	70.15	52.70	82.83	61.19
THE AMERICAS						
Banks						
Banco Société Générale SA	Argentina	FULL	99.53	99.53	99.54	99.54
Banco Société Générale Brazil SA [1]	Brazil	FULL	100.00	100.00	100.00	100.00
SG Canada [1]	Canada	FULL	100.00	100.00	100.00	100.00
Financial companies						
SG Americas Inc. [1] [11]	United States	FULL	100.00	100.00	100.00	100.00
SG Capital Trust [1]	United States	FULL	–	–	100.00	100.00
SG Cowen Asset Management	United States	FULL	100.00	100.00	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. [11]	United States	FULL	–	100.00	–	100.00
TCW Group [1]	United States	FULL	60.90	59.75	60.90	59.86
Turquoise [2]	Cayman Islands	FULL	100.00	–	100.00	–
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	United States	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	
			2003	2002	2003	2002
Specialized financing						
Cousto Investments LP (2)	United States	FULL	100.00	–	55.00	–
Makatea JV Inc.	United States	FULL	100.00	100.00	60.00	60.00
Mehetia Inc.	United States	FULL	100.00	100.00	51.00	51.00
SG Ariki Inc. (1)	United States	FULL	100.00	100.00	100.00	100.00
SG Astro Finance LP (2)	United States	FULL	100.00	–	100.00	–
SG Astro Finance Trust (2)	United States	FULL	100.00	–	100.00	–
SG Finance Inc.	United States	FULL	100.00	100.00	100.00	100.00
SG Preferred Capital III LLC (1) (2)	United States	FULL	100.00	–	100.00	–
Sorbier Investment Corp (2)	United States	FULL	100.00	–	60.00	–
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 (acquisition of Chase Trust Bank)	Japan	FULL	100.00	100.00	100.00	100.00
SG Securities North Pacific	Japan	FULL	100.00	100.00	100.00	100.00
Financial companies						
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 Asset Management Singapore Ltd.	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	41.35	42.15	42.15
Onyx Trust (2)	South Korea	FULL	100.00	–	100.00	–
Specialized 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
Succursale Fimat Sydney (8)	Australia	FULL	100.00	100.00	100.00	100.00

(1) Company carrying out sub-consolidation.
(2) Consolidated for the first time in 2003.
(3) Merged into parent company in 2003.
(4) Komercni Pojistovna was previously sub-consolidated by Komercni Banka.
(5) Merger of Fimatex Sa, Finance Net, Fimatex SG and Selftrade.
(6) Sogelease Italia was merged into Franfinance Leasing Italia.
(7) Branches previously sub-consolidated by Fimat Banque.
(8) Branch previously sub-consolidated by Fimat SNC.
(9) SG Rüegg Bank was merged into SG Private Banking (Suisse).
(10) After the purchase of an additional stake of 50.59% from minority shareholders, Fenwick Lease is now fully consolidated (previously proportionately consolidated).
(11) Société Générale North America Inc. is now sub-consolidated by SG Americas Inc.

SPECIAL PURPOSE VEHICLES			
PACE (2)	Arbitrage Vehicle	United States	FULL
TOBP	Arbitrage Vehicle	United States	FULL
TRIDENT	Arbitrage Vehicle	United States	FULL

Report of the Statutory Auditors on the consolidated accounts

(Free translation of the French original)

Year ended December 31, 2003

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified of not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account caption or on information taken outside of the consolidated financial statements. Such report, together with the statutory auditors report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

To the Shareholders of Société Générale,

In our capacity as statutory auditors, appointed by your shareholders' meeting, we have audited the accompanying consolidated accounts of Société Générale for the year ended December 31, 2003.

These consolidated accounts have been prepared by the Company's management. Our responsibility is to express an opinion on these consolidated accounts based on our audit.

Opinion on the consolidated accounts

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 these accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2003 and the results of the Group's operations included in the consolidation for the year then ended, in accordance with French accounting principles.

Without qualifying our opinion, we draw attention to Note 1 to the consolidated accounts with respect to the changes in the accounting principles coming from the application of the regulation CRC-2002-03 related to the accounting treatment of the credit risk and of the regulation CRC-2002-10 related to asset amortization and depreciation.

Justification of our assessments

In accordance with the requirements of article L.225-235 of the French Code de Commerce relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters:

- As detailed in Note 1 to the notes, your company records provision to cover the credit risks inherent to its activities. We have reviewed the procedures implemented by the Management for identifying and assessing these risks and determining the amount of provisions considered as necessary.
- As detailed in Note 1 to the notes, your Company uses internal models to value financial instruments that are not listed on organized markets. As such, we have reviewed the control procedures related to the models dedicated to the determination of the parameters used and the inclusion of the risks associated to these instruments.
- In its current year-end process, significant accounting estimates are performed by the Group related in particular to the value of the non consolidated investments in subsidiaries, the recovery of deferred tax assets and the evaluation of goodwills and pension and retirement liabilities. We have reviewed the underlying assumptions and verified that these accounting estimates are based on documented methods in accordance with the accounting principles described in Note 1 to the notes.

On this basis, we have assessed the reasonableness of these estimates.

Our assessment on these matters were made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the development of the unqualified opinion expressed in the first part of this report.

Specific procedures prescribed by law

We have also reviewed the information contained in the Board of Directors' report in accordance with French professional standards.

We have nothing to report with respect to the fairness of this information and its consistency with the consolidated accounts.

Neuilly-sur-Seine and Courbevoie, March 12, 2004

The Statutory Auditors

DELOITTE TOUCHE TOHMATSU

José-Luis Garcia

ERNST & YOUNG AUDIT

Christian Mouillon