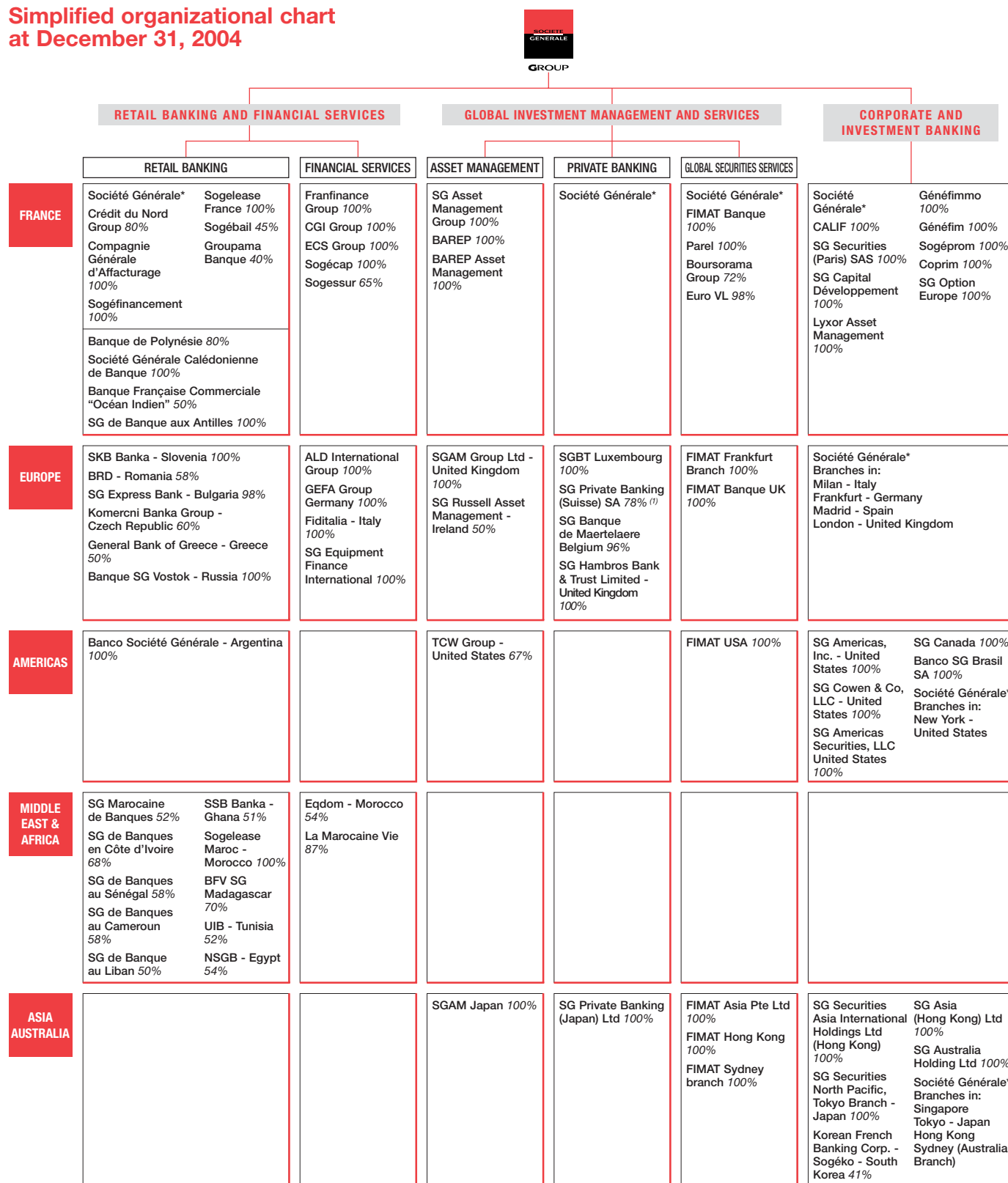


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Société Générale Group main activities

Simplified organizational chart
at December 31, 2004



(1) Subsidiary of SGBT Luxembourg.

* Parent company.

Notes:

- % share of capital held by the Société Générale Group.

- Groups are listed under the geographical area in which they carry out their main activities.

Group management report

Group activity and results

2004 saw strong economic growth worldwide but an uncertain economic environment in Europe, a lack of clear-cut trends in the equity markets and a decline in interest rates and the dollar. The volume of deals by European corporates remained limited, notably on the equity capital markets. However the credit risk environment proved very favorable.

In this context the Group recorded very strong results. Gross operating income stood at EUR 5,449 million for the year, up sharply by 12.7% ^{(1)*} compared to 2003, while net income rose by 25.4% to EUR 3,125 million.

Group ROE after tax stood at 18.9%, versus 16.2% in 2003.

Summary consolidated income statement

<i>In millions of euros</i>	2004	2003	Change
Net banking income	16,416	15,637	+5%
Operating expenses	(10,967)	(10,568)	+4%
Gross operating income	5,449	5,069	+7%
Net allocation to provisions	(541)	(1,226)	-56%
Operating income	4,908	3,843	+28%
Net income from long-term investments	119	397	-70%
Net income from companies accounted for by the equity method	42	43	-2%
Exceptional items	(20)	(150)	-87%
Amortization of goodwill	(186)	(217)	-14%
Income tax	(1,398)	(1,161)	+20%
Net income before minority interests	3,465	2,755	+26%
Minority interests	(340)	(263)	+29%
Net income	3,125	2,492	+25%
ROE after tax	18.9%	16.2%	

The Group integrated the following companies in 2004:

- In Retail Banking outside France: General Bank of Greece (GBG) through a majority stake (50.01%) and Sogelease Egypt through a 61.73% stake;
- In Financial Services: integration of all the Equipment Finance and Factoring activities of the Norwegian group Elcon together with Sagem Lease and Rusfinance.

Net banking income for the year stood at EUR 16,416 million. In relation to 2003, this represented a 6.0% ^{(1)*} increase (+5.0% in absolute terms). Revenue at the Corporate & Investment Banking arm was stable in relation to 2003, which represented a high base; revenue in all the other businesses was up, particularly in the Group's growth drivers – Retail Banking outside France, Financial Services and Global Investment Management & Services.

⁽¹⁾ Excluding the capital gain of EUR 187 million on the disposal of property booked under NBI in Q1 03.

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

Operating expenses rose by 2.9%* compared to 2003, reflecting continued emphasis on investment and tight cost control. In absolute terms, the increase stood at 3.8%, reflecting the impact of acquisitions.

The Group's 2004 cost/income ratio stood at 66.8%, down from 68.4% ⁽¹⁾ in 2003.

Gross operating income rose by 12.7% ^{(1)*} to EUR 5,449 million compared to 2003 (+7.5% in absolute terms).

Net allocations to provisions stood at a low level, reflecting a favourable credit environment and specific factors within the Group, namely: systematic diversification of the business unit, improved risk management and conservative provisioning of risk exposure. In 2004, the cost of risk in the French Networks stood at 32bps of risk-weighted assets, thereby confirming the structural improvement in the Group's risk profile. Corporate & Investment Banking booked a net write-back of EUR 60 million for the year as a whole, achieved exclusively through the write-back of specific provisions on loans redeemed or sold, with no write-back from the general credit risk reserve.

Group operating income in 2004 stood at EUR 4,908 million, up 36.2% ^{(1)*} compared to 2003 (+27.7% in absolute terms).

In a stock market environment lacking clear-cut trends, and in the absence of major deals, net income from long-term investments stood at EUR 119 million over the year.

After goodwill amortization, corporate income tax (effective annual tax rate of 28%) and minority interests, net income totaled EUR 3,125 million for the quarter, up 25.4% on 2003.

Group ROE after tax stood at 18.9% in 2004, versus 16.2% in 2003.

Net earnings per share stood at EUR 7.65 in 2004, up 26% compared to 2003.

Activity and results of the 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' results and profitability over the period.

The core businesses correspond to the three key businesses of the Group's development strategy:

- Retail Banking and Financial Services;
- Global Investment Management & Services;
- Corporate and Investment Banking.

In February 2004, the Group established SG GSSI, a new division handling the securities business, including securities services and listed derivative products. SG GSSI is part of GIMS, the Group's investment management arm. The Group's results are presented in accordance with the new management structure. All historical data for the business lines have been adjusted accordingly.

The core businesses break down as follows:

■ **Retail Banking and Financial Services**, including the Société Générale and Crédit du Nord networks in France, Retail Banking outside France, the Group's business finance subsidiaries (vendor finance, IT asset leasing and management, operational vehicle leasing and fleet management), consumer credit and life and non-life insurance activities.

■ **Global Investment Management & Services**, including Asset Management, Private Banking, Boursorama and the newly established securities business. The latter includes the activities of Fimat, the Group's brokerage arm specializing in derivatives markets, together with the securities and employee savings businesses.

■ **Corporate and Investment Banking**, which covers two types of activity:

- Corporate Banking and Fixed Income, including:
 - The Debt Finance platform, which includes the structured finance (export finance, project finance, acquisition finance, property finance, financial engineering), debt, currency and treasury activities;
 - Commodity finance and trading;
 - Commercial banking (notably, plain vanilla corporate loans).

(1) Excluding the capital gain of EUR 187 million on the disposal of property booked under NBI in Q1 03.

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

- 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, 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).

■ Capital is allocated as follows:

- In **Retail Banking**, capital is allocated on the basis of weighted risks. In the case of life insurance, the specific regulations governing this business are also taken into account;
- In **Global Investment Management & Services**, the amount of capital allocated corresponds to the larger of either the capital requirement calculated on the basis of weighted risks or the amount representing operating expenses for a three-month period, the latter being the regulatory standard in this business;
- In **Corporate and Investment Banking**, capital is allocated on the basis of weighted risks and the value at risk in capital market activities. For the majority of transactions, market risk is calculated using an in-house model validated by the French Banking Commission;
- Capital allocated to the **Corporate Center** corresponds to the sum of the regulatory requirement with respect to its assets (essentially the equity and real estate portfolios), and the surplus (or lack) of capital

available at the Group level (the difference between the combined capital requirements of the core businesses, as defined above, and average Group 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 and a few technical adjustments.

Provisions

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

Provisions concerning the whole Group 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

2004 saw robust commercial activity in the French Networks, a strong expansion in the Group's growth drivers and excellent results in the Corporate and Investment Banking arm.

Income statement by core business

<i>In millions of euros</i>	Retail Banking and Financial Services		GIMS		Corporate & Investment Banking		Corporate Center & other		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net banking income	9,685	8,980	2,266	1,983	4,697	4,734	(232)	(60)	16,416	15,637
Operating expenses	(6,346)	(5,983)	(1,631)	(1,511)	(2,887)	(2,913)	(103)	(161)	(10,967)	(10,568)
Gross operating income	3,339	2,997	635	472	1,810	1,821	(335)	(221)	5,449	5,069
Net allocation to provisions	(589)	(647)	(8)	(13)	60	(510)	(4)	(56)	(541)	(1,226)
Operating income	2,750	2,350	627	459	1,870	1,311	(339)	(277)	4,908	3,843
Net income from long-term investments	33	6	2	(10)	16	27	68	374	119	397
Net income from companies accounted for by the equity method	5	13	0	0	28	17	9	13	42	43
Exceptional items	0	0	0	0	0	0	(20)	(150)	(20)	(150)
Amortization of goodwill	0	0	0	0	0	0	(186)	(217)	(186)	(217)
Income tax	(955)	(805)	(193)	(138)	(449)	(295)	199	77	(1,398)	(1,161)
Net income before minority interests	1,833	1,564	436	311	1,465	1,060	(269)	(180)	3,465	2,755
Minority interests	(218)	(187)	(44)	(21)	(6)	(8)	(72)	(47)	(340)	(263)
Net income	1,615	1,377	392	290	1,459	1,052	(341)	(227)	3,125	2,492
Average allocated capital	8,022	7,238	721	603	3,523	3,498	4,278	4,020	16,544	15,359
ROE after tax	20.1%	19.0%	54.4%	48.1%	41.4%	30.1%	-8.0%	-5.6%	18.9%	16.2%

Note: the results of the Global Investment Management & Services business are presented in accordance with the new management structure arising from the establishment of the securities business (SG GSSI - Global Securities Services for Investors), including securities services, Fimat and Boursorama. All historical data for the business lines have been adjusted accordingly.

Retail Banking and Financial Services

<i>In millions of euros</i>	2004	2003	Variation
Net banking income	9,685	8,980	+8%
Operating expenses	(6,346)	(5,983)	+6%
Gross operating income	3,339	2,997	+11%
Net allocation to provisions	(589)	(647)	-9%
Operating income	2,750	2,350	+17%
Net income from long-term investments	33	6	x5.5
Net income from companies accounted for by the equity method	5	13	-62%
Income tax	(955)	(805)	+19%
Net income before minority interests	1,833	1,564	+17%
Minority interests	(218)	(187)	+17%
Net income	1,615	1,377	+17%
<i>Of which:</i>			
<i>Société Générale Network</i>	805	738	+9%
<i>Crédit du Nord Network</i>	160	140	+14%
<i>Financial Services</i>	385	285	+35%
<i>Retail Banking outside France</i>	265	214	+24%
Cost/income ratio (%)	65.5%	66.6%	
Average allocated capital	8,022	7,238	+11%
ROE after tax	20.1%	19.0%	

Retail Banking and Financial Services saw net income rise by 17% in 2004 for an ROE after tax of 20.1%, compared with 19% in 2003. These results reflected the excellent commercial and financial performances across the board in 2004.

French Networks: revenue growth and recurrent profitability

The environment for the domestic retail banking business remained lacklustre in 2004, due to sluggish economic growth and stiff competition underpinned by 9 national networks, excluding post office branches. Interest rates reached record lows at the end of the year, and continued to weigh on net interest income.

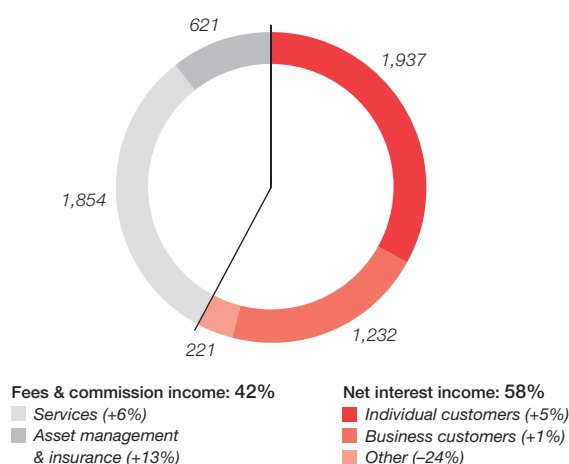
Notwithstanding this context, the Société Générale and Crédit du Nord networks successfully pursued the expansion of their franchises and maintained revenue growth.

Regarding individual customers, the number of current accounts increased by +124,000 over the year, i.e. +2.2%, despite a nationwide banking penetration rate of almost 100%.



BREAKDOWN OF 2004 NET BANKING INCOME FOR FRENCH NETWORKS

In millions of euros



216 million contacts were recorded in 2004, representing a 20% increase on 2003, of which 95 million via Internet (+45%). Both networks continue to record stronger demand for direct channels than major competing brands ⁽¹⁾.

Life insurance represented the main priority in terms of savings and investments, with new inflows of EUR 7.3 billion, i.e. +17.5%, compared to an overall market increase of +13%. 75,000 PERP accounts were opened, representing high quality production (average unit investment of EUR 700). New mortgage loans stood at EUR 12.8 billion, up by 8% over the landmark level achieved in 2003, and representing a twofold increase over 2000. The fierce competition required close scrutiny in terms of volume and interest margin. Between early 2000 and the end of the second quarter 2004 (the latest reference published by Banque de France), the combined outstanding loans of the Group's two brands increased at an annualized rate of 10.4%, above the rate of growth of the market (+8.4%).

The above trend also applies to short-term credit facilities to individual customers: over the same period, the outstanding amount of the latter increased by 7.2% on an annualized basis, versus 5% for the market.

Comparable sales dynamism underpinned our drive for business customers. Both networks maintained their market share in terms of lending, which has also increased since January 2000. Outstanding loans rose by 2.4% on 2003, against a backdrop of weak demand for investment loans and reduced use of short-term corporate credit facilities, reflecting the favorable cash position of most counterparties.

In financial terms, both networks recorded a 3.9% increase in NBI in relation to 2003.

Net interest income increased moderately in 2004 (+1% compared to 2003). The positive impact of the strong increase in sight deposits (+7.1%) was consistently offset quarter after quarter by the erosion of the interest margin on deposits due to the continued decline in long-term interest rates.

Commission income increased by 8.1% in 2004, with a sharp rise in financial commissions (+13.1%). The more moderate increase in service commissions (+6.5%) reflects a smaller price effect, lower than inflation. Both networks are seeking to maintain the competitive fee structure widely recognized in public surveys.

The Group continued to restructure its networks, with the opening of 49 Société Générale branches and 19 Crédit du Nord branches aimed at optimizing geographical coverage. Furthermore, as part of the rationalization of its platform, the Société Générale network pursued the centralization of its back offices: the number of local platforms fell from 136 to 111 between 2000 and 2004.

A tight rein was kept on growth in operating expenses (+3.2% over the year), notwithstanding continued investment – in line with objectives – aimed at improving productivity.

The cost/income ratio declined to 68.9% in 2004, versus 69.4% in 2003.

Gross annual operating income stood at EUR 1,823 million, up 5.4% compared to 2003.

The annual cost of risk declined and stood at 32 basis points in relation to risk-weighted assets, against 37 basis points in 2003.

(1) Source: Operbac 2004.

Net income stood at EUR 965 million in 2004, up 9.9% over 2003, with ROE after tax at 20.3% in 2004, versus 19.7% in 2003.

Retail Banking outside France: confirmation of profitable growth potential

Retail Banking outside France is one of the Group’s main growth drivers.

Development of this business rests on four underlying principles:

- investment and/or acquisitions in countries where the local banking market offers strong growth potential;
- distribution networks suited to local market conditions, with emphasis on long-term customer loyalty;
- strict risk management;
- a well-balanced geographical presence in order to ensure diversification of risk.

In 2004, the main geographical emphasis of this business continued to shift towards Europe: 70% of the arm’s 2004 revenue was generated by subsidiaries in member states of the European Union or candidates for EU entry.

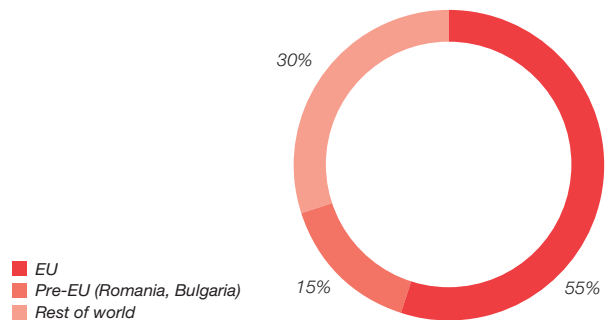
External growth continued in 2004, notably with the acquisition of a 50.01% stake in General Bank of Greece and the increase in the stake in the BRD (Banque Roumaine de Développement) (raised to 58.3%). Conversely, the disposal of the retail banking business in Argentina, a non-strategic market for the Group, was launched.

Organic growth plans were pursued, with particular emphasis on the European subsidiaries (Czech Republic, Romania, Bulgaria), as well as Russia and Egypt.

The franchise continued to record sustained growth: the arm now provides services to 5.4 million individual customers, of which 4 million in Europe. The net increase in 2004 stood at 458,000 when adjusted for changes in Group structure (i.e. +10% in relation to end 2003), of which +292,000 in Europe. Outstanding deposits and loans were up sharply by 9.1%* and 13.4%* respectively, with a particularly strong increase for individual customers.

This strong sales momentum was accompanied by emphasis on quality of service: Komerční Banka was named “Bank of the Year” at the MasterCard Bank of the Year awards in the Czech Republic.

BREAKDOWN OF 2004 NET BANKING INCOME BY REGION



Revenue rose sharply by 7.3%* between 2003 and 2004 (+16.3% in absolute terms). The annual NBI of the arm stood at EUR 1.979 million, representing 12% of Group NBI, versus 6% in 2000.

Operating expenses increased moderately (+3.1%* in relation to 2003), notwithstanding major investment aimed at further growth and productivity (opening of new branches, pooling of IT and electronic payment infrastructure).

Although temporarily penalized by the integration of the new Greek subsidiary, the cost/income ratio remained stable at 61.3% over the year.

Risk provisioning was again low, and stood at EUR 161 million in 2004.

Operating income rose by 20.5% over the year.

Net income increased by 23.8% in relation to 2003. ROE after tax was stable at a high level (33.0% in 2004, vs. 32.1% in 2003).

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

Financial Services: increased contribution

The Group's Financial Services activities are mainly comprised of two business lines: Specialized Financing and Life Insurance.

Specialized Financing

Like Retail Banking outside France, Specialized Financing represents a major focus for development for the Group.

Following a series of acquisitions and investments in organic growth pursued in 2004, the business line has become a major diversified player in Europe, undergoing constant expansion. More than 60% of revenue is generated outside France. The three Specialized Financing businesses aimed at corporate clients rank among the top players in Europe.

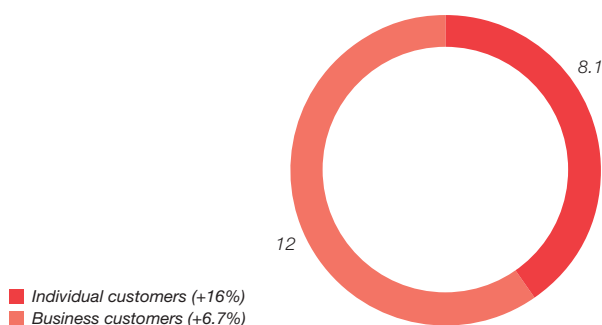
The Group's **consumer credit business** has achieved a significant size. Annual revenue growth has been in excess of 26% since 2000. Despite the hesitant trend of the French market, new loan issuance increased by 10% compared to 2003, with particularly good performances at Franfinance and Fidelity. Low interest rates underpinned margins on new loans. Outstanding loans increased by 16% for the year. There were two major highlights during the year, namely the launch of the business in Russia, and the agreement in principle for the acquisition in the last quarter of a 75% stake in Hanseatic Bank, the banking subsidiary of Otto, the German mail order company. The integration of Hanseatic Bank, the fourth largest player in the German consumer credit market, will double the Group's outstanding consumer loans in Germany.

Regarding the **vendor and equipment finance business**, the production of SG Equipment Finance saw a slight rise in new lending in 2004, as the healthy performance in Eastern Europe offset weak demand in Western Europe and the cost of risk remained favorable. SG Equipment Finance pursued its growth strategy over the year, with the acquisition of the Equipment Finance and Factoring business of Elcon Finans, the leading Norwegian player.

In operational vehicle leasing and fleet management, ALD Automotive pursued the expansion of its international network in 2004, with the establishment of entities in Switzerland, Ukraine, Russia, Romania, Slovenia and the Baltic countries. In the last quarter, ALD acquired Fleet Partner Nordic, a Swedish company managing a fleet

OUTSTANDING LOANS IN 2004 – (% change vs. 2003)

In billions of euros



of 2,300 vehicles. With a total fleet of 558,000 vehicles at end 2004 (+9.5% compared to end 2003), ALD International ranks as the third in Europe (second in terms of outstanding loans).

New lending at ECS, the leading European player in **IT asset leasing and management**, was up 6% in relation to 2003, driven by its overseas business, particularly in Spain where ECS acquired the local subsidiary of the Parsys Group.

Overall, revenue generated by the Specialized Financing business line rose by 7.0%* in relation to 2003. ROE after tax stood at 18.7% for the year.

Life Insurance

In the Life Insurance business, Sogécap recorded a 17% increase in premium income in relation to 2003, which already represented a high base, above the average increase for the bancassurance sector in France (+14%). Its share of the bancassurance market therefore stood at 14.3% in terms of sales. Annual net banking income of the Life Insurance business rose by 26%* compared to 2003.

Overall, the Financial Services arm notched up 36.5% growth in annual operating income. Its ROE after tax stood at 15.6% in 2004, versus 13.4% in 2003.

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

Global Investment Management & Services: strong increase in activity and results for the year

<i>In millions of euros</i>	2004	2003	Change
Net banking income	2,266	1,983	+14%
Operating expenses	(1,631)	(1,511)	+8%
Gross operating income	635	472	+35%
Net allocation to provisions	(8)	(13)	-38%
Operating income	627	459	+37%
Net income from long-term investments	2	(10)	NM
Income tax	(193)	(138)	+40%
Net income before minority interests	436	311	+40%
Minority interests	(44)	(21)	x2.1
Net income	392	290	+35%
<i>Of which:</i>			
Asset Management	234	188	+24%
Private Banking	92	67	+37%
GSSI + Boursorama	66	35	+89%

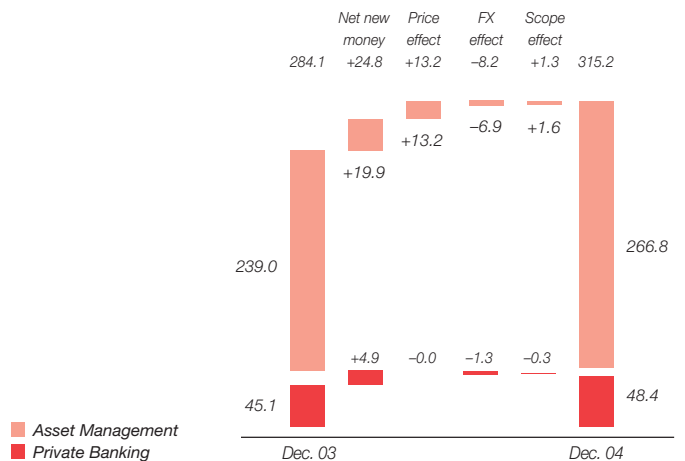
The Global Investment Management & Services arm includes asset management (SG AM), private banking (SG Private Banking), as well as securities businesses (SG GSSI) and on line brokerage (Boursorama).

The arm displayed strong growth momentum: net inflows stood at a record level of EUR 24.8 billion over the year, i.e. more than double the level achieved last year. At December 31, 2004, assets under management stood at EUR 315 billion; this amount does not include assets managed by Lyxor Asset Management (EUR 43.3 billion at December 31, 2004), whose results are consolidated under the Equity and Advisory business line, nor the assets of customers managed directly by the French Networks (approximately EUR 70 billion held by customers with investible assets exceeding EUR 150,000). Assets under custody at SG GSSI stood at EUR 1,115 billion at December 31, 2004, up 9% over the year. The number of lots handled by Fimat rose sharply in 2004 to 600 million contracts (+23% compared to 2003).

The arm's financial results also showed a sharp improvement, with operating income up 36.6% on 2003, and the cost/income ratio down sharply by over 4 points at 72.0%. Net income stood at EUR 392 million, up 35.2%.

ASSETS UNDER MANAGEMENT

In billions of euros





Asset Management

SG Asset Management is a global player with a strong positioning in the world's four main investment regions.

In 2004, SG Asset Management pursued its growth strategy based on the development of an innovative offering (notably in alternative investment and high alpha products), and the harnessing of growth drivers in the form of partnerships: in Asia, SG Asset Management strengthened its presence through the acquisition of Resona AM, the investment management subsidiary of the 5th largest Japanese banking group, and joint-venture agreements with IBK the Korean group and State Bank of India, India's largest banking group; overall, with its presence in China, SG Asset Management has direct access to 350 million potential new individual clients in Asia.

SG Asset Management's expertise is recognized and it was designated best Asset Manager in France by institutional investors for the second year running⁽¹⁾.

Net inflows of new money for 2004 tripled in relation to 2003, to stand at EUR 19.9 billion, with EUR 6.7 billion of this total invested in equity and diversified funds and EUR 3.2 billion invested in alternative investment vehicles; TCW made a particularly strong contribution (EUR 9.4 billion). Cross-selling between the various platforms accounted for EUR 6.7 billion.

Overall, assets under management at SG Asset Management stood at almost EUR 267 billion at end 2004, versus EUR 239 billion at end 2003, despite a negative currency impact of EUR 6.9 billion.

The breakdown of assets between institutional investors and retail clients remained well balanced. Assets managed for institutional investors totaled EUR 136.1 billion, representing 51% of total assets under management. Moreover, the geographic diversification of assets ensures a strong capacity to weather any crises on local markets.

The share of assets invested in equity, diversified and alternative investment products rose to 55% in 2004 from 54% in 2003. Assets in alternative investment products accounted for 13% of total assets under management at the end of 2004, compared with 12% in 2003.

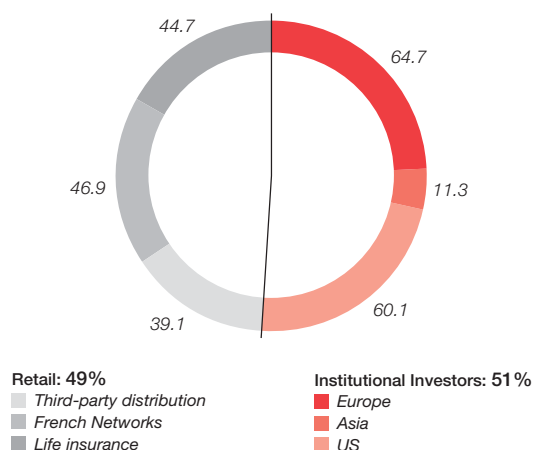
Net banking income was up sharply by 18.8%* on 2003 (+15.0% in absolute terms).

(1) Source: Amadéis, February 2005.

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

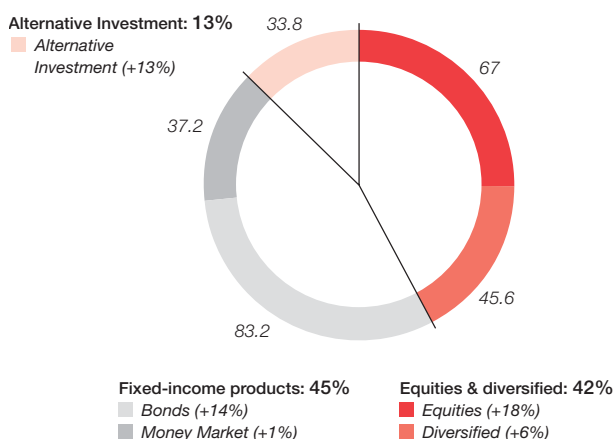
BREAKDOWN OF ASSETS UNDER MANAGEMENT BY CLIENT SEGMENT AND GEOGRAPHICAL REGION

In billions of euros



BREAKDOWN OF ASSETS UNDER MANAGEMENT BY PRODUCT

In billions of euros



The rise in operating expenses compared to 2003 (+13.9%*) remained well below that of revenue despite an increase in variable remuneration due to sharp growth in activity.

Annual operating income rose by 28.2%* on 2003 (+25.5% in absolute terms).

Private Banking

The business line continued its sustained sales drive with strong asset gathering over the period: EUR +4.9 billion over 2004 (representing growth in new money equivalent to 11% of assets under management).

Overall, assets under management stood at EUR 48.4 billion ⁽¹⁾ at end-2004, versus EUR 45.1 billion at end-2003, despite a negative currency impact of EUR 1.3 billion. Structured products recorded strong growth in assets under management.

The business line recorded a sharp increase in net banking income over the year (+15.8%* over 2003, +23.5% in absolute terms). Despite the impact of additions to the sales teams and IT projects in Switzerland and Asia, operating expenses rose moderately in 2004 (+8.7%* compared to 2003, +14.5% in absolute terms).

Operating income recorded a strong increase (+30.1%*) on 2003 (+44.7% in absolute terms).

SG GSSI and Boursorama

Together with SG Asset Management and SG Private Banking, SG GSSI and Boursorama represent the third business line of Global Investment Management & Services.

Despite a relatively mixed market environment, client-driven activity continued to record sustained growth. The Brokerage division of SG GSSI confirmed its strong positioning (global market share of 5.1% in execution and clearing of listed derivative products in the fourth quarter). The number of funds administered by the Global Custodian division of SG GSSI rose by 13% over one year. Boursorama successfully implemented its strategy of diversification strategy into savings, particularly via UCITS.

Net banking income for the business line rose by 11.5%* on 2003 (+14.3% in absolute terms).

Operating expenses increased less than revenue (+6.5%* on 2003, +7.9% in absolute terms), despite non-recurrent expenses linked to rationalization.

Operating income doubled* compared to 2003 (+36.6% in absolute terms).

Corporate and Investment Banking: excellent

(1) Excluding assets of customers managed directly by the French Networks (approximately EUR 70 billion held by customers with investible assets exceeding EUR 150,000).

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

performance

<i>In millions of euros</i>	2004	2003	Change
Net banking income	4,697	4,734	-1%
Operating expenses	(2,887)	(2,913)	-1%
Gross operating income	1,810	1,821	-1%
Net allocation to provisions	60	(510)	NM
Operating income	1,870	1,311	+43%
Net income from long-term investments	16	27	-41%
Net income from companies accounted for by the equity method	28	17	+65%
Income tax	(449)	(295)	+52%
Net income before minority interests	1,465	1,060	+38%
Minority interests	(6)	(8)	-25%
Net income	1,459	1,052	+39%
Average allocated capital	3,523	3,498	+1%
ROE after tax	41.4%	30.1%	

The contribution of the Corporate & Investment Banking arm to the Group's net income increased sharply over the year to EUR 1,459 million (+38.7% compared to 2003).

After-tax ROE for 2004 stood at 41.4% compared to 30.1% in 2003.

This performance was mainly achieved through the strategy of revenue growth and diversification. As part of this drive the Corporate & Investment Banking arm has implemented a plan based on several initiatives in high growth areas, involving a selective recruitment policy.

These results also reflect the strong performance of the Corporate & Investment Banking arm:

- **worldwide:** the performance of the equity derivatives business in 2004 was recognized by three major awards from *The Banker*, *IFR* and *Risk Magazine*; the business again won the *Trade Finance magazine* award for best global arranger in export finance and number one structured financing arranger worldwide in commodity finance;
- **and in Europe:** the division strengthened its leadership in its target businesses (No. 5 in the euro debt market and No. 1 in Spain, No. 3 project finance arranger in Europe), and in France where SG CIB ranks as the top player in debt and equity capital markets and No. 1 for equity research (Extel).

The division's operating expenses declined slightly compared to 2003; this reflects the full impact of cost-cutting plans completed in 2003 and cost control, while the division pursued targeted investment in line with its strategy.

The cost/income ratio came out at a low level of 61.5% in 2004, i.e. the same as 2003. Gross operating income rose by 2.1%* on 2003 (-1% in absolute terms).

In a very favourable credit risk environment, the Corporate & Investment Banking arm booked a net write-back of provisions of EUR 60 million for the year. Very few provisions were booked on new loans; a write-back was booked on specific provisions, either due to favorable developments in counterparties' financial positions, or because the loan was repaid or sold under the bank's policy of actively managing its loan book. No write-back was booked on general credit risk reserves in the United States and in Europe.

A tight rein was kept on market risks: average VaR remained at a moderate level of EUR 24.5 million over the year, vs. EUR 23.7 million in 2003.

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

Corporate Banking and Fixed Income

<i>In millions of euros</i>	2004	2003	Change
Net banking income	2,698	2,870	-6%
Operating expenses	(1,571)	(1,584)	-1%
Gross operating income	1,127	1,286	-12%
Net allocation to provisions	106	(473)	NM
Operating income	1,233	813	+52%
Net income from long-term investments	18	29	-38%
Net income from companies accounted for by the equity method	27	17	+59%
Income tax	(296)	(173)	+71%
Net income before minority interests	982	686	+43%
Minority interests	(6)	(8)	-25%
Net income	976	678	+44%
Average allocated capital	3,168	3,104	+2%
ROE after tax	30.8%	21.8%	

In a more challenging market environment than in 2003, the **Corporate Banking and Fixed Income** business recorded a moderate 3.1%* decline in revenue compared to 2003 (-6% in absolute terms), which was a high base. Activity was strong in structured finance, debt

capital markets and client-driven deals in fixed income. This partially offset the expected decline in revenue from treasury activities which nonetheless remained satisfactory.

Equity and Advisory

<i>In millions of euros</i>	2004	2003	Change
Net banking income	1,999	1,864	+7%
Operating expenses	(1,316)	(1,329)	-1%
Gross operating income	683	535	+28%
Net allocation to provisions	(46)	(37)	+24%
Operating income	637	498	+28%
Net income from long-term investments	(2)	(2)	NM
Net income from companies accounted for by the equity method	1	0	NM
Income tax	(153)	(122)	+25%
Net income	483	374	+29%
Average allocated capital	355	394	-10%
ROE after tax	136.1%	94.9%	

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



The results of the **Equity and Advisory** arm were up sharply in 2004 (+8.8%* on 2003, +7.2% in absolute terms). The Equity Derivatives business recorded outstanding performance, up on 2003 both in client-driven and proprietary business. The Cash Equity and Advisory businesses were also satisfactory in the primary market and there was a pick-up in average secondary market volumes in 2004 despite the impact of the weakness in the convertible bond market in France and in Europe compared to 2003. Fourth quarter revenue includes the positive impact of the disposal of the Private Equity Europe portfolio.

Corporate Center

<i>In millions of euros</i>	2004	2003
Net banking income	(232)	(60) ⁽¹⁾
Operating expenses	(103)	(161)
Gross operating income	(335)	(221)
Net allocation to provisions	(4)	(56)
Operating income	(339)	(277)
Net income from long-term investments	68	374
Net income from companies accounted for by the equity method	9	13
Exceptional items	(20)	(150)
Amortization of goodwill	(186)	(217)
Income tax	199	77
Net income before minority interests	(269)	(180)
Minority interests	(72)	(47)
Net income	(341)	(227)

The Corporate Center made a negative contribution of EUR 341 million in 2004, after recognizing a goodwill amortization charge of EUR 186 million.

The policy of reducing the industrial equity portfolio was continued in 2004. At December 31, 2004, the net book value of the portfolio stood at EUR 1.6 billion (vs. EUR 2.6 billion at December 31, 2003), representing an unrealized capital gain of EUR 0.3 billion.

Financial policy

The objective of the Group's capital management policy is to optimize the use of capital to maximize the short- and long-term return for the shareholder, 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.

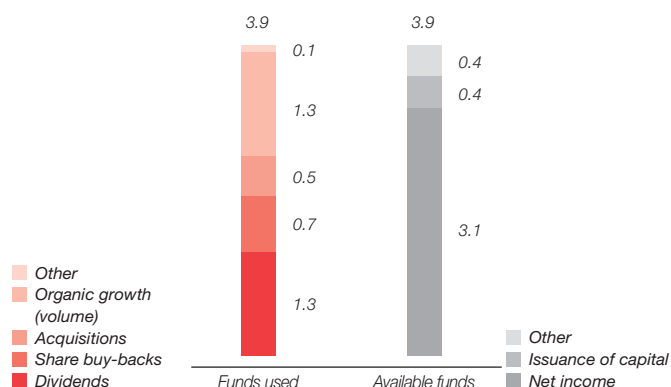
The Tier-one ratio stood at 8.5% at December 31, 2004 and reflected the respective changes in available funds and funds used over the period.

■ Available funds:

- Net income of EUR 3.1 billion;
- Additional paid-in capital from capital increases reserved for employees in the amount of EUR 0.4 billion;
- Various items, 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 1.3 billion in 2004 at constant exchange rates, reflecting growth in the Group's businesses across the board;
- Financing of acquisitions: EUR 0.5 billion in 2004;
- The dividend paid in 2004, up 32% on 2003 (payout ratio of 43% in 2004);
- Share buybacks intended to offset the dilutive impact of capital increases reserved for employees, corresponding to 10.4 million shares in 2004 (EUR 0.7 billion).



(1) NBI for 2003 included an exceptional capital gain of EUR 187 million on the disposal of property.

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

Recent developments and future prospects

In line with the past few years, the Group will continue to focus on four strategies over 2005: maintenance of a balanced risk exposure and business mix, expansion of its European franchise, search for long-term growth and improvement of its operating efficiency.

With a satisfactory growth outlook in all its core businesses, the Group should be able to maintain its combination of high profitability and a diversified and balanced risk profile:

The French Networks should assert their solid positions while at the same time continuing to open new branches and profiting from the multi-channel banking platform implemented in the Société Générale Network and the success of the local regional banking model adopted by Crédit du Nord.

The Corporate & Investment Banking arm will capitalize on its leadership positions in derivatives (equity, commodities, forex and interest rates), structured finance and euro capital markets to continue to grow in key European countries and retain its reputation as one of the most innovative players in the market. To achieve this goal, it has implemented a number of targeted initiatives (Turbo Growth Venture 2008) which illustrate its dynamism.

The Group's growth drivers, Financial Services, Retail Banking outside France and GIMS, will continue to make a substantial contribution to its earnings growth, thanks to an ongoing focus on organic expansion and the implementation of operational synergies (harmonization of IT systems in the foreign retail banking subsidiaries, coordination of the financial services offering, cross-selling between the various platforms and asset management entities, etc.).

In parallel to these organic initiatives, the Group will continue to examine opportunities for acquisitions or partnerships that offer potential, but will play close attention to criteria such as risk, profitability and potential for integration.

At the same time, the Group will continue to improve its operating efficiency through the ongoing rationalization of its platforms and processes, both in the front and back offices, and in the core businesses and corporate departments.

Post-closing events

Acquisition of 75% of Hanseatic Bank

Société Générale has acquired 75% of the capital of Hanseatic Bank, a subsidiary of the Otto Group, for a total of EUR 190 million.

Hanseatic Bank will be consolidated in the Société Générale Group's accounts at the start of 2005.

The transaction is part of the Group's long-term strategy of development in Financial Services: it will give Société Générale a leadership position in consumer credit in Germany with total outstanding loans of some EUR 2.6 billion.

Disposal of the Argentine subsidiary Banco Société Générale Argentine (BSGA)

In November 2004, Société Générale Group announced it was to sell BSGA to the Argentine banking group, Banco Banex S.A. The transaction is subject to the usual regulatory approval, but should be finalized in the first quarter of 2005.

Analysis of consolidated balance sheet

In billions of euros at December 31

	2004	2003	Change
ASSETS			
Interbank and money market assets	26.1	26.0	+0.1%
Customer loans	198.9	177.1	+12.3%
Securities ⁽¹⁾	245.4	226.0	+8.6%
<i>of which: securities purchased under resale agreements</i>	76.8	75.4	+2.0%
Net investments of insurance companies	49.0	42.9	+14.2%
Other assets	70.5	56.6	+24.5%
<i>of which: option premiums</i>	32.6	21.4	+52.3%
Long-term assets	11.2	10.8	+3.7%
Total assets	601.1	539.4	+11.4%
LIABILITIES & SHAREHOLDERS' EQUITY			
Interbank and money market liabilities ⁽²⁾	162.9	147.1	+10.7%
Customer deposits	174.5	160.2	+8.9%
Bonds and subordinated debt ⁽³⁾	18.5	17.3	+6.9%
Securities	98.5	92.9	+6.0%
<i>of which: Securities sold under repurchase agreements</i>	61.1	51.7	+18.1%
Other liabilities and provisions	76.9	59.4	+29.5%
<i>of which: option premiums</i>	34.9	23.7	+47.3%
Underwriting reserves of insurance companies	46.8	41.2	+13.6%
Equity and general reserve for banking risks	23.0	21.3	+8.0%
<i>General reserve for banking risks</i>	0.3	0.3	–
<i>Minority interests</i>	2.1	2.0	+5.0%
<i>Preferred shares</i>	2.0	2.1	–4.8%
<i>Shareholders' equity</i>	18.6	16.9	+10.1%
Total liabilities & shareholders' equity	601.1	539.4	+11.4%

⁽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.

At December 31, 2004, the consolidated balance sheet stood at EUR 601.1 billion, up 11.4% versus December 31, 2003. The decline in the dollar led to a reduction of EUR 9.2 billion (–1.7% of total balance sheet).

The acquisition of a 50.01% stake in General Bank of Greece and of Elcon represented the main changes in structure between December 31, 2003 and December 31, 2004. These acquisitions added EUR +4.2 billion to the Group consolidated balance sheet.

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

Customer loans stood at EUR 198.9 billion at December 31, 2004, up 12.3% versus December 31, 2003 and up 9.5% when adjusted for changes in Group structure reflecting:

- higher lending to individual customers, driven by mortgage loans (+13.2%);
- growth in short-term credit facilities (+19.2%), both to business customers (+18.2%) and individual customers (+8.1%).

Outstanding customer deposits stood at EUR 174.5 billion at December 31, 2004, up 8.9% versus December 31, 2003 and 7.5% when adjusted for changes in Group structure. This reflects growth in individual customer deposits and special savings account deposits aimed at individual customers, together with other deposits by financial customers.

The securities portfolio stood at EUR 245.4 billion at December 31, 2004, up 8.6% compared to December 31, 2003, with a negative impact of EUR 6.2 billion due to the decline in the dollar. This reflects the increase in the portfolio of negotiable securities (+34.3%) and the bond portfolio (+10.3%).

Other asset and liability items on the balance sheet recorded a sharp increase between December 31, 2003 and December 31, 2004. This was mainly due to the increase in premiums on option purchases (+52.3%) and sales (+47.3%).

Group shareholders' equity stood at EUR 18.6 billion at December 31, 2004 versus EUR 16.9 billion at December 31, 2003, mainly reflecting the following:

- 2004 net income: EUR +3.1 billion;
- capital increase reserved for employees: EUR +0.4 billion;
- 2003 dividend payment: EUR -1.0 billion;
- variation in treasury stock: EUR -0.7 billion.

After recognizing the general reserve for banking risks (EUR 284 million at December 31, 2004, versus EUR 312 million at December 31, 2003), minority interests (EUR 2.1 billion) and preferred shares (EUR 2.0 billion), total shareholders' equity amounted to EUR 23 billion at December 31, 2004.

This represented a BIS ratio of 11.86% at December 31, 2004. The Tier-one ratio stood at 8.54% of risk-weighted assets (EUR 215 billion), reflecting the financial strength of the Group.

Group debt policy

The debt policy of the SG Group reflects its refinancing requirements, in accordance with two main objectives. The Société Générale Group actively seeks to diversify refinancing in order to ensure stability: at December 31, 2004, customer deposits and life insurance deposits accounted for EUR 221.3 billion in Group refinancing (i.e. 36.8% of Group liabilities), while interbank deposits and funds generated through the refinancing of securities portfolios stood at EUR 261.4

billion (i.e. 43.5% of Group liabilities). The balance of refinancing requirements was comprised of shareholders' equity, bonds and subordinated debt together with other financial accounts and provisions. Furthermore the maturity and currency profile of the Group's refinancing enabled it to control its mismatch policy and reduce exposure to currency risk.

Changeover to IAS (International Accounting Standards)

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

All the accounting standards applied by the Group, in accordance with Regulations 1999-07 and 2000-04 of the Accounting Regulation Committee are described in detail in Note 1 of the notes to the consolidated financial statements.

These principles differ in some 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.

Consequently the differences identified at this stage do not take into account the standards which have not been adopted 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 2004 consolidated financial statements are set out in a separate section of the Annual Report:

- Notes 1 and 2 describe the accounting options used to establish the 2004 financial statements under IFRS applicable in 2004.
- A specific Note on the IAS applicable in 2005, with details of the main differences regarding the treatment of financial instruments and transactions related to the insurance business.

Organization of the project 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 beginning of 2003 to coordinate the various projects and ensure monitoring at General Management level. A steering committee meets once a quarter to this end. The programme manager reports to the Chief Financial Officer.

The program is responsible for analysing 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 in working practices.

The program comprises a set of projects, each with 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

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 system impacts have been covered by specifications, and were developed and implemented in 2004. The upgrades covered operating systems (calculation of data required for accounting under new standards), as well as the entities' accounting systems and the Group's financial consolidation and reporting systems: the reporting system is now based on a new set of accounting principles incorporating all the IFRS (including IAS 32 and 39).

In 2004 the quarterly financial statements were produced under the criteria validated by the European Regulation Accounting Committee, for which the IASB requires comparative financial statements. These financial statements are included in the IAS brochure in a note to the Annual Report.

Training sessions on IFRS were launched in 2003 and continued in 2004, including operational sessions and additional training covering IAS 32 and 39.

Operating processes were tested on a live basis, in order to verify the proper functioning of the information systems, and ensure that the teams are fully prepared.

The Group will now be able to produce 2005 consolidated financial statements based on the IFRS ratified in Europe.

A specific presentation dedicated to IAS was held on September 27, 2004, in accordance with the recommendations of the CESR (Committee of European Securities Regulators) and the *Autorité des Marchés Financiers* (French Securities Regulator), which recommend regular communication on the changes arising from the changeover to IAS standards.

Risk management

The main risks incurred on banking activities are the following:

- **credit risks** (including country risk): risk of loss arising from the inability of the bank's 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 1997-02, 2001-01 and 2004-02 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 the 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 sound knowledge of the customer, the Group's risk strategy, the purpose, nature and structure of the transaction and the sources of repayment. It assumes that the return on the transaction will sufficiently reflect the risk of loss in the event of default.

The risk approval process is based on 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 or 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 amended article 43 of regulation 1997-02 of the French Banking and Financial Regulation Committee, before the said audit is submitted to the Board of Directors.

Risk measurement

After carrying out an assessment of counterparty risks arising from capital market activities at the end of the 1980's, Société Générale launched a major project in the second half of the 1990's 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 ratings

To this end, the Group has adopted an internal ratings scale similar to that used by external rating 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 loss and capital requirement 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 portfolio, a methodology has been developed which takes into account the correlation between geographical regions, industrial sectors and counterparty credit ratings, in order to estimate potential losses on the basis of a pre-defined confidence interval. These techniques enable the Group to assess 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 by the Finance and Corporate Planning Department for capital allocation purposes.

All existing tools are currently being adapted to meet the requirements of the future Basel II regulations and will be used to calculate the Group's new capital adequacy ratio.

Credit portfolio analysis

Outstanding on individual and business customers

At December 31, 2004, on- and off-balance sheet loans gross of provisions granted by the Société Générale Group to its non-banking clients totaled EUR 304 billion (including EUR 205 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 AT DECEMBER 31, 2004

(excl. individuals)

Telecom operators	4%	Construction	3%
Public administration & Education	7%	Paper, printing & publishing	2%
Healthcare & social services	2%	Textile manufacturing	1%
Machinery & equipment	4%	Wholesale trade	7%
Electricity, gas & water	4%	Retail trade	6%
Transport equipment manufacturing	5%	Hotels & catering	2%
Food & agriculture	4%	Finance & insurance	15%
Chemicals & pharmaceuticals	4%	Business services	6%
Metals & minerals	3%	Real estate	8%
Oil & gas extraction	3%	Membership organizations & recreation services	3%
		Transportation	5%
		Other	2%

Total on- and off-balance sheet commitments: EUR 241 billion

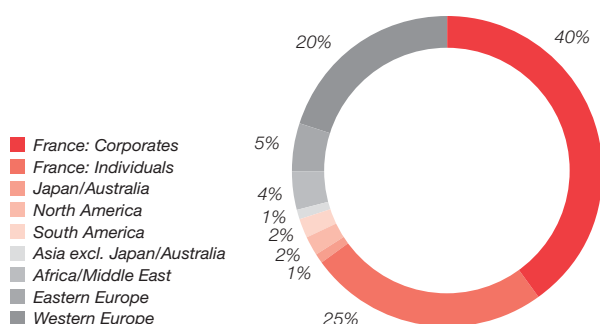
The Group's loan portfolio is highly diversified in terms of sectors, and generally matches the structure of world GDP. Only one sector accounts for more than 10% of total Group outstanding (finance & insurance excluding banks), and is characterized by a moderate cost of risk.



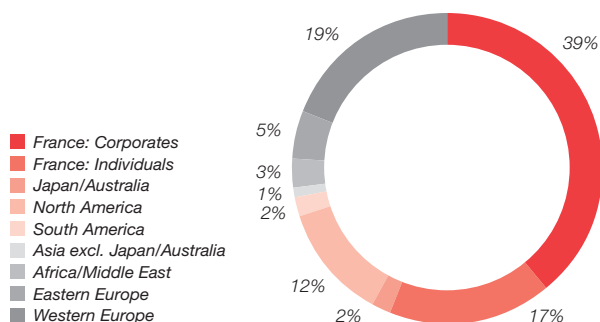
BREAKDOWN OF SOCIÉTÉ GÉNÉRALE GROUP LOANS TO NON-BANKING CUSTOMERS BY GEOGRAPHICAL REGION AT DEC. 31, 2004

(including individuals)

■ Balance sheet commitments: EUR 205 billion



■ On- and off-balance sheet commitments: EUR 304 billion



At December 31, 2004, 89% 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 (39% 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 a table of maximum limits (broken down by credit rating and maturity) approved by the General Management.

At December 31, 2004, balance sheet banking commitments (excluding securities purchased under resale agreements) and off-balance sheet commitments amounted to EUR 27 billion (excluding delivery and replacement risk).

BREAKDOWN OF RISK BY INTERNAL RATING* FOR GROUP BANKING CUSTOMERS AT DEC. 31, 2004



S&P equivalent of internal rating

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

The large majority of these risks (91%) relates to banks rated "Investment Grade" by the rating agencies. Exposure on non-Investment Grade banks essentially concerns reserves with central banks in countries where Société Générale has retail banking activities. For the remainder, the exposure is highly diversified and exclusively short-term. Consequently, Société Générale's cost of risk on its banking counterparties remains structurally very low.

Outstanding on emerging markets

The Group's outstanding on business and individual customers in emerging markets is subject to limits validated on an annual basis by the General Management. Excluding countries that joined the EU on May 1, 2004, these commitments now account for less than 7% of Société Générale's loan portfolio.

At December 31, 2004, nearly 60% (EUR 7.4 billion) of the outstanding loans not covered by guarantees concerned Retail Banking (which has good risk diversification), with the remainder relating to Corporate and Investment Banking.

Retail Banking

In Retail Banking, the net outstanding on emerging markets (excluding countries that have joined the EU) stood at EUR 7.4 billion at December 31, 2004, compared with EUR 6.3 billion at year-end 2003. This amount includes off balance-sheet commitments and takes into account the integration in 2004 of Société Générale Yugoslav Bank A.D. (impact: EUR 0.2 billion). Furthermore, commitments in the amount of EUR 1.1 billion are covered by specific provisions. This portfolio covers 15 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*

(including recent acquisitions) - Retail Banking

<i>In billions of euros</i>	Dec. 31, 2003	Dec. 31, 2004
Individual customers	1.7	2.1
Business customers	4.6	5.3
Total	6.3	7.4

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

Furthermore, commitments to countries which joined the European Union on May 1, 2004 (not included above) stood at EUR 9.4 billion at year-end 2004, compared with EUR 8.1 billion in 2003.

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 5.3 billion on December 31, 2004 (nearly half of which are in Investment Grade countries), excluding countries that joined the EU on May 1, 2004, representing an increase on December 31, 2003 (EUR 4.8 billion).

CHANGE IN NON-BANKING EXPOSURE ON EMERGING MARKETS*

Corporate and Investment Banking

<i>In billions of euros</i>	Dec. 31, 2003	Dec. 31, 2004
Mitigated country risk**	2.2	2.1
Standard country risk	2.6	3.2
Total	4.8	5.3

* 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, without eliminating it (export refinancing with offshore payment, political risk insurance, participation in financing extended by International Financial Institutions).

Furthermore, outstanding covered by specific provisions amounted to EUR 0.3 billion.

Commitments net of provisions to countries which joined the EU on May 1, 2004, not included above, totaled EUR 0.3 billion at December 31, 2004 and EUR 0.4 billion at year-end 2003.

Credit risk coverage and provisions

Management of the loan portfolio

■ Organization

In the Corporate and Investment Banking division, the bank's loan portfolio is managed by a specific department, set up five years ago, which works in conjunction with the Risk Division and business lines to reduce excess concentrations and respond quickly to any deterioration in a counterparty's credit quality liable to affect the portfolio. Concentrations are measured using an internal model and individual concentration limits are defined for the largest exposures. Exceeded concentration limits are managed by reducing exposure, hedging positions in the secondary market and/or selling assets.

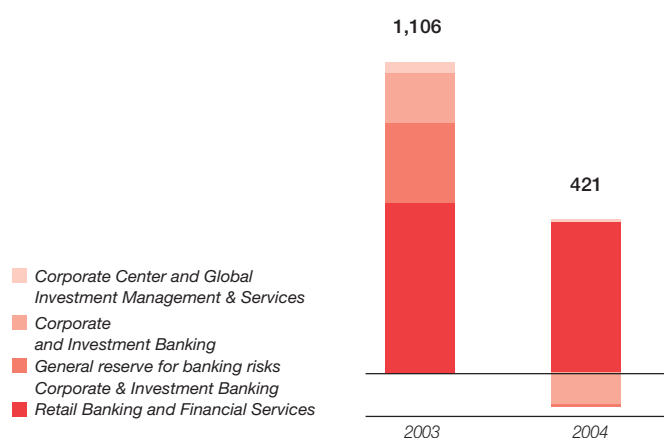
■ Use of credit derivatives

The Group uses credit derivatives in the management of its loan portfolio. They are primarily used to manage the concentration of our outstanding corporate loans. This reduces exposure to certain counterparties. The notional amount for credit derivatives purchased for the purpose of managing concentrations in the corporate portfolio is booked under "guarantee commitments received" in off-balance sheet items. The Group's current positions in credit derivatives are almost exclusively hedging positions. The nominal amount of Credit Default Swaps (CDS) acquired at end-December 2004 was EUR 6.5 billion, with an average residual maturity of 2.9 years (hedging positions).

Provisioning for credit risks at December 31, 2004

The net allocation to provisions for Société Générale Group commercial risk (excluding disputes) in 2004 amounted to EUR 421 million, compared with EUR 1,106 million at December 31, 2003, representing a reduction of 62%.

CHANGE IN GROUP PROVISIONING IN 2004 (excluding legal disputes)



The Group's cost of risk (excluding disputes) in 2004 therefore fell to 20 basis points, compared with 59 basis points in 2003.

This fall is primarily due to the reduction in specific provisioning for identified risks in Corporate Banking. Very few new loans were provisioned, and specific provisions were written back following the repayment or sale of certain loans.

There was no significant change in the general reserve for banking risks in 2004.

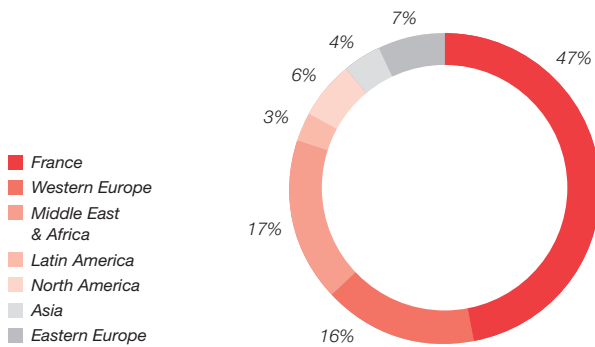
■ Provisioning for credit risks

Provisioning for credit risks principally covers doubtful and disputed loans. These loans totaled EUR 10.3 billion at December 31, 2004.

These loans are covered by specific provisions amounting to EUR 7 billion at December 31, 2004.

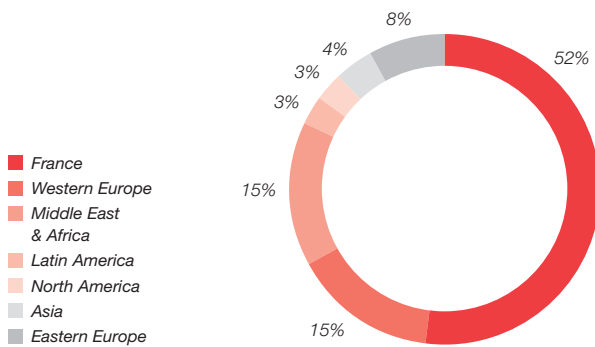
Taking into account specific provisions for identified risks, the general reserve for banking risks and country and sector risk reserves (totaling EUR 8.0 billion), the coverage ratio for the Group's doubtful and disputed loans is 77%.

BREAKDOWN OF DOUBTFUL AND DISPUTED LOANS BY GEOGRAPHICAL REGION AT DECEMBER 31, 2004



Total doubtful and disputed loans: EUR 10.3 billion

BREAKDOWN OF SPECIFIC PROVISIONS BY GEOGRAPHICAL REGION AT DECEMBER 31, 2004



Total specific provisions: EUR 7.0 billion

General provisions for sector and country risk

Total general provisions for sector risk (excluding country risk) amounted to EUR 572 million at December 31, 2004, against a total stock of EUR 558 million at end-2003.

Over and above the usual provisions covering credit risks, the bank books a general "country risk" reserve, intended to cover its risk exposure on emerging markets. At December 31, 2004, this provision totaled EUR 432 million.

Hedge funds

Hedge funds have registered particularly strong growth in assets under management over the past two years, becoming major players in the financial markets and therefore an increasingly important client segment for our business lines. The Group also sells structured products based on hedge funds to its investor client base.

Hedge funds generate specific risks due to the lack of regulation governing their activities and the strong correlation between credit and market risk. As a result, Société Générale has adopted a specific risk management system based on the following:

- Stress tests to measure market risk and the risk associated with financing transactions guaranteed with shares in hedge funds.
- Due diligence procedures and monitoring of hedge fund performances by teams within the business lines. These teams are in close contact with the hedge funds, but operate according to the procedures and methods validated by the Risk Division.
- Centralization of all risk exposure on hedge funds with the Risk Division, which monitors counterparty and market risk on a daily basis.

All activities with hedge funds, throughout the Group, are governed by two global limits set by the Chairman:

- A credit VaR limit which controls replacement risk.
- A stress test limit governing market risk and risks related to financing transactions guaranteed by shares in hedge funds.

Market risks

Organization

The 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 analysis (independently from the front office) of the exposure and risks incurred by all the Group's market activities and comparison of this exposure and risk with the limits set;
- defining the methods for assessing and managing risk, approving the valuation methods used to calculate risks and results and establishing provisions for market risk (reserves and adjustments to earnings);
- 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 analysis 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 ongoing verification of the adequacy of the limits 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 prices, exchange rates, commodity prices, volatility, credit spreads, etc.). The VaR is calculated using a database of nearly 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 the adjusted daily market conditions and on the basis of a revaluation taking into account the non-linearity of these positions.

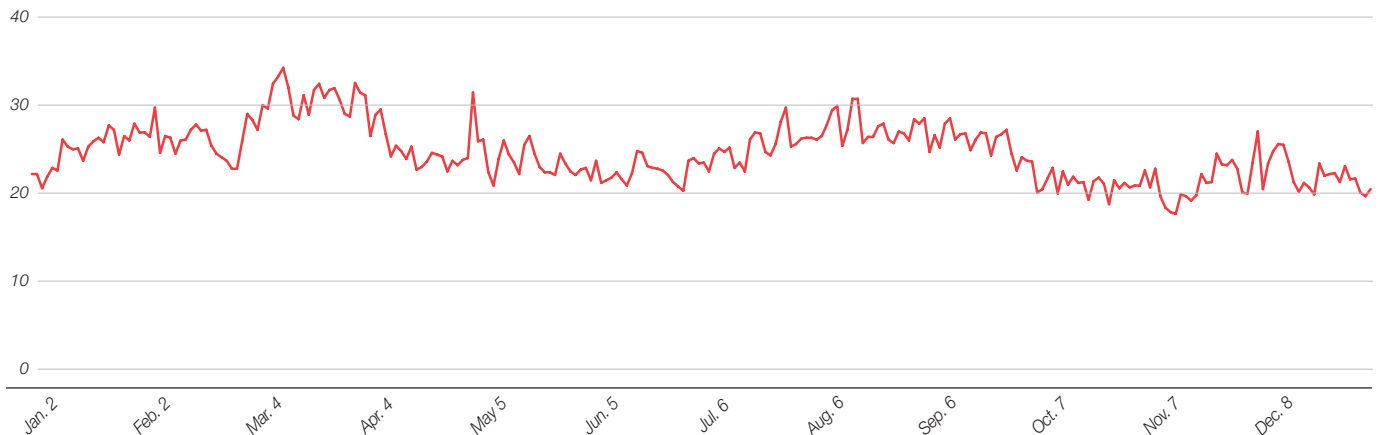
The 99% Value at Risk is the largest loss that would be incurred after eliminating the top 1% of most unfavorable occurrences. Over one year, or 250 scenarios, it corresponds to the average of the second and third largest losses observed.

The VaR is first and foremost designed to monitor market activity in the Bank's trading portfolios. In 2004, the VaR limit for all trading activities was set at EUR 60 million.

The value at risk in the Group's trading activities, across the full scope of activities monitored, evolved as follows in 2004:

EVOLUTION OF THE VaR IN TRADING ACTIVITIES (TRADING PORTFOLIOS) DURING 2004 (1 DAY, 99%)

In millions of euros



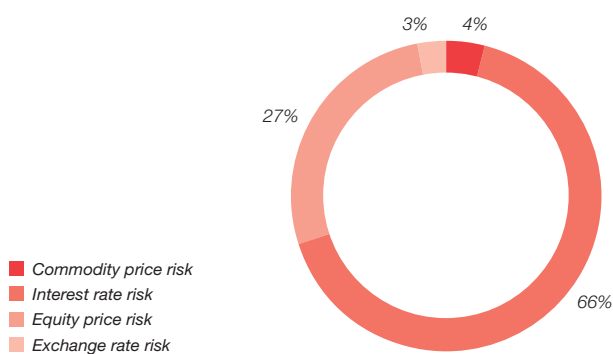


BREAKDOWN OF TRADING VaR BY TYPE OF RISK CHANGE BETWEEN 2003 AND 2004

In millions of euros 1-day, 99%	Year-end		Average		Minimum		Maximum	
	2004	2003	2004	2003	2004	2003	2004	2003
Interest rate risk	- 22	- 23	- 30	- 22	- 19	- 17	- 38	- 30
Equity price risk	- 14	- 15	- 12	- 14	- 6	- 8	- 21	- 24
Exchange rate risk	- 1	- 1	- 1	- 1	0	- 1	- 3	- 3
Commodity price risk	- 2	- 3	- 2	- 3	- 1	- 2	- 4	- 5
Compensation effect	16	18	21	17	NM*	NM*	NM*	NM*
Total	-22	-24	-25	-24	-18	-17	-34	-34

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

BREAKDOWN OF TRADING VaR BY TYPE OF RISK



The average VaR remained stable at EUR 25 million compared with EUR 24 million in 2003. The increase in exposure to interest rates, from EUR 22 million to EUR 30 million, was largely offset by a slight reduction in equity price risk and an increase in the compensation effect between the various risks (from EUR 17 million to EUR 21 million) reflecting the bank's high degree of risk diversification.

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 has been the case since the VaR system was introduced. This back-testing is carried out on each of the perimeters for which a VaR is calculated, enabling the process to be validated at both a global and sub-activity level. The chart below represents the back-testing of the VaR on the regulatory perimeters. The daily total never exceeded the amount of the VaR in 2004. Statistically, the 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.

The Stress Test model

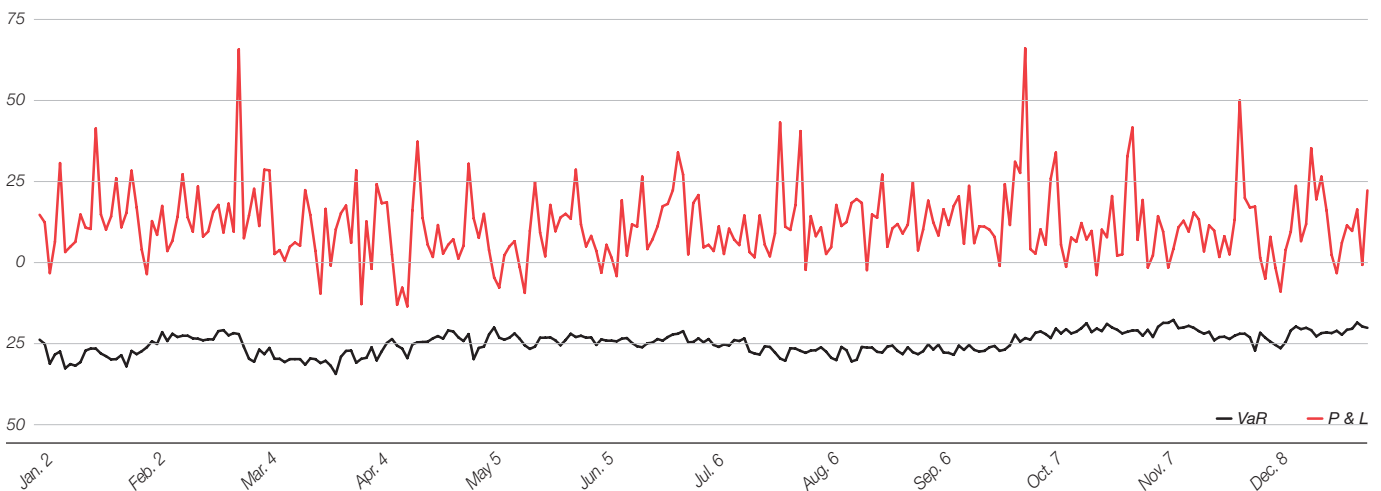
Alongside the internal VaR model, Société Générale monitors its exposure using the “stress test” method so as to take exceptional market occurrences into account.

The stress test risk assessment methodology was greatly improved in 2004 with the introduction, at the end of January, of 18 historical scenarios and 7 hypothetical scenarios to supplement the existing Société Générale hypothetical scenario used since the start of the 1990’s. The stress test is one of the main pillars of our risk management system, alongside the VaR model, and is based on the following principles:

- risks are calculated every day for each of the bank’s market activities (all products), using the 18 historical scenarios and 8 hypothetical scenarios;
- stress-test limits are established for the Group’s activity as a whole and then for the different business lines, based on the maximum potential losses identified using the 25 historical and hypothetical scenarios, and the Société Générale hypothetical scenario;
- the different stress-test scenarios are reviewed and expanded by the Risk Division on a regular basis, in conjunction with the Group’s teams of economists and specialists.

VaR BACK-TESTING USING THE REGULATORY SCOPE DURING 2004 (1 DAY, 99%)

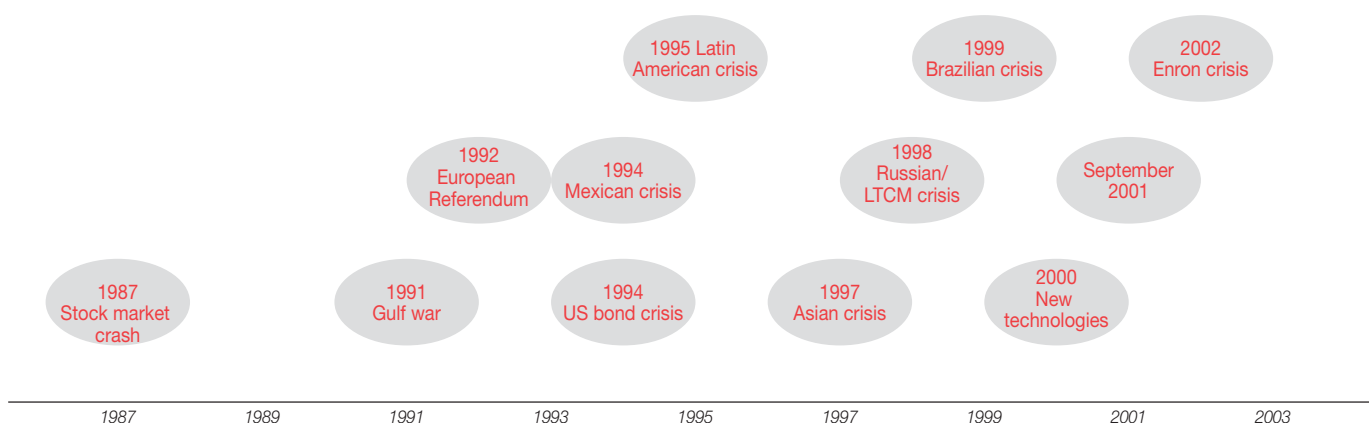
In millions of euros





Historical stress tests

This method consists in an analysis of the major economic crises that have affected the financial markets over the past 20 years.



The changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises are analyzed in order to define scenarios for potential variations in these risk factors which, when applied to the bank's trading positions, could generate significant losses. Using this methodology, Société Générale has established 18 historical scenarios.

major repercussions on all international markets. Société Générale has adopted 8 hypothetical scenarios.

Hypothetical stress tests

The hypothetical scenarios are defined by the bank's economists and aim to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. major terrorist attack, political instability in the main oil-producing countries, etc.). The bank aims to select extreme, but nonetheless plausible, events which would have

Results at December 31, 2004

Société Générale applied each of these scenarios to its trading positions at December 31, 2004 and obtained the results indicated in the chart below.

The highest potential loss obtained (around EUR 600 million) corresponds to very severe or extreme shocks to the prices of all asset classes held by the bank (e.g. fall of between 15 and 30% in all global stock market indexes, etc.). Moreover, the probability of such a stress scenario, which involves simultaneous shocks to the prices of all financial assets over a period of a few days, is very low and can be estimated at once every 40 years.



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 and 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 100 million.

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

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

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

Structural 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 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, for several years Société Générale has mainly issued bonds via 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, changes in regulations, etc.). They include 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.

Approach adopted by the Group

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 at the end of 2007. The Group has adopted the Advanced Measurement Approach (AMA) for the calculation of its regulatory capital.

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 the integrity and solidity of the system and may use elements of the system in the preparation and execution of their assignments.

Operational risk management

The Group has appointed operational risk managers in all the operating divisions and corporate departments.

Since 2003, it has maintained a database of all internal operating losses, both in France and abroad. This common database is used to analyze losses (by type of event, cause, activity, etc.) and monitor their evolution, along with the proposed action plans. The Group is currently implementing an IT tool within its entities to standardize the collection and identification of losses. Each quarter, a list of internal losses is submitted to the General Management.

A specific methodology for evaluating the control environment has also been formally defined. This process is designed to alert the operating divisions as soon as possible if they are vulnerable to risks so that they can react and reduce potential losses. 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. Once the effectiveness of the chosen methodology has been tested by a panel of representatives from the entities, it will be deployed throughout the divisions as of the second half of 2005.

Operational risk measurement

The Group is developing an internal model to calculate the economic and regulatory capital that must be allocated to operational risks. This model is based on an LDA approach (Loss Distribution Approach) and integrates internal losses, analyses of potential loss scenarios, the effects of the diversification of the Group's businesses and its insurance cover.

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 the subsidiaries and the branches, in France and abroad, draw up a report every quarter setting forth these litigations and assessing the potential loss if any. These reports are forwarded to the Parisian Headquarters where they are reviewed by a committee headed by the Corporate Secretary and composed of members of the Financial, Legal and Risk Departments. This committee gives grounded advice on the basis of which the General Management decides the reserves' amount or its reversal.

■ Like many financial institutions, Société Générale is subject to numerous litigations, including securities class actions lawsuits in the US, and to regulatory investigations. The consequences, as assessed on December 31, 2004, of those that are liable to have or have recently had a significant impact on the financial condition of the Group, its results or its business have been provisioned in the Group's financial statements. Subject to the details set below concerning the major cases, other litigation matters have no material effect on the Group's financial condition or it is still too early to determine at this stage whether they may have such an impact or not.

■ 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.

In April 2003, Société Générale and HRO entered into a settlement agreement which, since then, has been approved by the Cayman's court of appeal after having been dismissed by the Grand Court. The transaction is now final and has been carried out in 2004. Its financial consequences for the Group have been charged on the provision previously constituted.

■ 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 some lawsuits and arbitrations filed by former customers are still ongoing. 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 reasonably anticipated financial consequences of this matter.

■ 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, NV (“L&H”), a former client of SG Cowen.

In one lawsuit pending in 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 has recently been completed. SG Cowen and the plaintiffs each have filed motions for summary judgment. Each party’s respective motion argues that the facts adduced during discovery warrant judgment in its favor as a matter of law. If the court were to grant SG Cowen’s summary judgment motion, the complaint would be dismissed.

In another lawsuit pending in the same court, the Trustee of the Dictaphone Litigation Trust has alleged that SG Cowen had made material misrepresentations to Dictaphone while SG Cowen was a financial advisor to L&H on its acquisition of Dictaphone, and published materially misleading research on L&H, in violation of various federal and state laws. The court has granted SG Cowen’s motion to dismiss the complaint. The plaintiff is expected to file an appeal, but has not yet done so because the order of dismissal is not yet a final order because there are still claims pending against other defendants.

In a last 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.

■ After conducting investigations on tax frauds allegedly committed by buyers of certain types of companies in Belgium since 1997, the Belgian State and the liquidator of some of these companies have brought actions against the various participants in these transactions in an attempt to recuperate the eluded tax or to seek damages. Société Générale and one of its affiliates were implicated in 2004, because of the role played as counsel in several transactions by an ex-employee of the bank, now deceased, who concealed from Société Générale that he continued to play this role in spite of the prohibition notified to him by this supervisor several years ago, after the risks of such transactions had been identified. Société Générale fully cooperated with the Belgian State’s investigations. These investigations having given rise to the opening of a criminal proceedings, Société Générale and its affiliate have also filed a complaint to shed light on the circumstances of this case. A provision has been made.

■ In July 2004, the European Commission conveyed a *Communication des griefs* (statement of objections) to nine French banks including Société Générale, and to the *Groupement des cartes bancaires*. The objections relate to an alleged secret and anticompetitive agreement on bank payment cards by which the banks, colluding with the *Groupement des cartes bancaires*, are alleged to have agreed to erect entrance barriers to the French market of the issuance of payment cards in order to preclude competition from new entrants and to reduce competition between themselves. In the Commission's view, the alleged agreement would severely limit the scope for lower card prices and technical innovation. Société Générale has answered to these allegations which it considers unjustified and intends to demonstrate that the tariff reform, adopted in late 2002, is wholly consistent with the law and fully justified. The implementation of this reform has been suspended after the Commission initiated the investigation, a few weeks before receipt of the statement of objections.

Environmental risks

See page 63.

Insurance for operational risks

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, 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.

Description of cover

■ General risks

1. Buildings and their contents, including IT equipment, are insured at their replacement value. In France, the budget amounted to EUR 3.7 million.
2. Liability other than professional liability (i.e. relating to operations, chief executive officers, vehicles, etc.) is covered by insurance policies around the world. The amounts insured vary from country to country, but correspond to operating requirements. In France, the budget amounted to EUR 1.9 million.

■ 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

Reform of the international solvency ratio (Basel II reforms)

On June 26, 2004, the Basel Committee published a text defining the terms of the reform of the international solvency ratio which is to take effect as of 2008.

In terms of credit risk, in addition to the “standardized” approach, the new text authorizes lending institutions to calculate their capital requirements using their internal models and according to two approaches: a “foundation” approach (*Internal Ratings Based – Foundation or IRBF*) and an “advanced” approach (*Internal Ratings Based – Advanced or IRBA*).

The Société Générale Group intends to use the IRBA advanced internal ratings method in monitoring and managing credit risk on the majority of its portfolios. To do so, the Group will need to obtain the approval of the Secretary General of the French Banking Commission who will notably verify that said internal ratings methods are inherent to Société Générale’s risk culture and that they comply with the requirements of the reform. In 2008, however, part of the Group’s commitments (certain transactions, certain overseas subsidiaries, etc.) will continue to be subject to the “standardized” or “foundation” (IRBF) approach, the aim being to extend the application of the IRBA method to all types of transaction.

Launched in 2003, Société Générale’s “Basel II” project is a major initiative that affects all Group activities, the Risk Division and the Group’s Finance Department. Monitored by the Group’s General Management, the project has the following aims:

- to adapt the existing internal ratings system to the provisions of the new Basel text, notably by developing counterparty ratings models based on an estimation of the probability of default at one year as well as transaction ratings models based on an estimation of loss given default;
- to ensure the systematic use of these internal ratings for the majority of the Group’s portfolios and entities, notably when it comes to approving loans;

- to heighten and ensure the complete and systematic gathering of information regarding defaults and losses booked in order to control the validity and accuracy of the internal ratings models used on a regular basis (“back testing”);
- to define and implement procedures and systems that comply with the new regulatory requirements, particularly as regards the rating of counterparties and transactions, the factoring in of guarantees and collateral and collection of data on defaults and losses;
- to develop information systems to automatically calculate capital requirements and solvency ratios according to the provisions of the text published by the Basel Committee;
- to justify the quality of the data used to calculate the ratio by proving its coherence with accounting figures.

The three-year period during which credit institutions must be able to justify an internal ratings culture for all portfolios for which advanced ratings methods are used applied to Société Générale Group as of the start of 2005.

The next milestone is the “parallel calculation” period which will run from the start of 2006 to the end of 2007 and during which institutions will be required to submit a solvency ratio calculated on the basis of the new Basel texts to the Secretary General of the French Banking Commission along with the international solvency ratio.

International solvency ratio

(B.I.S. ratio)

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

Until December 31, 1997, the B.I.S. ratio was essentially limited to counterparty risks. Since January 1998, it has been extended to cover market risks (interest rate, exchange rate, equity price and commodity price risks).

The regulatory framework for monitoring market risk exposure allows banks to calculate their regulatory capital requirements using internal models, provided that these models meet certain criteria and reflect an adequate risk management strategy, and that the model itself has been approved by the banks' supervisory authorities. Société Générale's internal VaR model has been approved by the French Banking Commission (see section on "Methods of measuring market risk", p.140)

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 11.86% at December 31, 2004, excluding Tier-3 capital, compared with 11.68% at end-December 2003 and 11.13% at end-December 2002.

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

In millions of euros at December 31

	2004	2003	2002
Risk-based capital			
Group shareholders' equity	18,576	16,877	15,734
Dividends	(1,339)	(1,201)	(853)
General reserve for banking risks	284	312	207
Minority interests after appropriation of net income	1,920	1,847	1,768
Preferred shares	2,049	2,120	1,668
Prudential deductions ⁽¹⁾	(3,129)	(3,194)	(3,265)
Total Tier-1 capital	18,361	16,941	15,259
Total Tier-2 capital	9,983	9,066	9,219
Other deductions⁽²⁾	(2,858)	(3,164)	(3,621)
Total risk-based capital	25,486	22,843	20,857
Risk-weighted assets	214,976	195,593	187,384
International solvency ratio (B.I.S. ratio)	11.86%	11.68%	11.13%
Tier-1 ratio	8.54%	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 2004 totaled EUR 18.6 billion (compared with EUR 16.9 billion in 2003). After taking into account minority interests, preferred shares, the general reserve for banking risks and prudential deductions, total Tier-1 capital stood at EUR 18.4 billion, giving a Tier-1 ratio of 8.54% at December 31, 2004 (compared with 8.66% at December 31, 2003).

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

- the increase in risk-weighted assets over 2004 (EUR +19.4 billion) resulted from the rise in counterparty risks. These accounted for 95.5% of risk-weighted assets, amounting to EUR 205.2 billion at December 31, 2004 (95% at December 31, 2003),
- risk-weighted assets relating to market risk accounted for 4.5% of the total, down slightly on 2003 (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 192, note 21).

BREAKDOWN OF RISK-WEIGHTED ASSETS BY TYPE OF RISK At December 31,

Total counterparty risk exposure:
EUR 205.2 billion (95.5%)

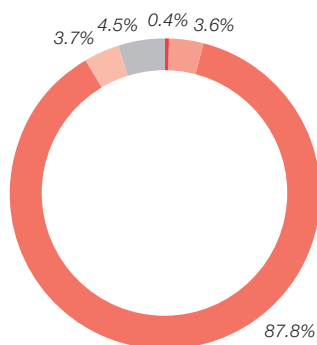
Plain vanilla on- and off-balance sheet items:
EUR 197.3 billion (91.8%)

■ *Other*
■ *OECD Credit Institutions*
■ *Customers*

Derivatives (IFAT):
EUR 7.9 billion (3.7%)
■ *Derivatives*

Total capital market risk exposure:
EUR 9.8 billion (4.5%)

■ *Market risk*



Capital adequacy ratio

(CAD ratio)

This ratio replaced the European solvency ratio in 1998, and sets out the minimum capital required to cover counterparty and market risks.

At December 31, 2004, these risks were 156.8% covered by Group equity, excluding any Tier-3 capital (compared with 156.7% at December 31, 2003).

As with 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 is complied with on an on-going basis by Société Générale Group:

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

Liquidity ratio

Société Générale's one-month liquidity ratio, which is used to monitor short-term liquidity, averaged 113.7% over 2004. At the end of each month in 2004, 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, 2004, this ratio stood at 87.8%, above the minimum regulatory standard of 80%.

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 and is in no way intended to provide a detailed description of the internal control procedures implemented across each of the Group's activities and subsidiaries. Moreover, 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 operates within of a strict regulatory framework defined at a national level, and is also a focus of various projects at an international level (Basel Committee). Internal control concerns all areas of the Group. Indeed, while the primary responsibility therein lies with the operational staff, a number of support departments are also involved, notably the Risk Division, the Internal Audit Department and the General Inspection Department, together with all of the Group's finance departments.

Furthermore, where appropriate, the above-mentioned departments also contributed to the present report.

Internal control operates within a strict regulatory framework to which all banking establishments are subject and which 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 June 2004, the Basel Committee defined the four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of the internal audits carried out by credit institutions.

At Société Générale, these principles have been applied primarily through five directives, one of which constitutes the Group Audit Charter, while the other four relate to the work of the Risk Division, 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 in place within the Company are compliant with the legal and regulatory provisions in

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. As such, 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 internal controls, 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 commenting on the draft responses to these letters;
- examining the policy for risk management and monitoring off-balance sheet commitments, notably in accordance with the procedures therein drafted by the Finance Department, Risk Division and Statutory Auditors.

In order to carry out these functions, the Audit Committee is entitled to question, as it sees fit, the chief executive officers of the Company, the Statutory Auditors and the managers in charge of the accounts, internal control, risk management and ethical compliance (see "Corporate Governance", p. 21).

Report of the Chairman on internal control procedures

force, professional and ethical practices, internal regulations and the policies defined by the Company's executive body. Internal control is designed to:

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

The departments involved in internal control

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

At the same time, a number of corporate departments, which are independent from the operating departments, also control Group transactions. The role of each of these departments is covered in further detail below:

- **The Risk Division**, which is responsible for identifying and monitoring all risks borne by the Group.
- **The Group Finance Department**, which, in addition to its strategic and financial management responsibilities, also carries out extensive accounting and finance controls.
- **The Division Finance Departments**, which are hierarchically attached to the division managers and functionally attached to the

Group Finance Department. They make sure that decisions taken at a local level are correctly implemented and control the quality of the information in the consolidated financial reports submitted to the Group.

- **The Group Compliance Department**, which ensures that all compliance rules and principles applicable to the Group's banking and investment activities are disseminated throughout the company and respected by its staff.
- **The Group Legal Department**, which monitors the legality of the Group's activities in collaboration with the legal departments of its subsidiaries.
- **The Group Tax Department**, which monitors compliance with all applicable tax laws.
- **The Internal Audit Departments**, which are hierarchically attached to the division managers and functionally attached to the General Inspection Department and which carry out regular controls.
- **The General Inspection Department**.

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

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:

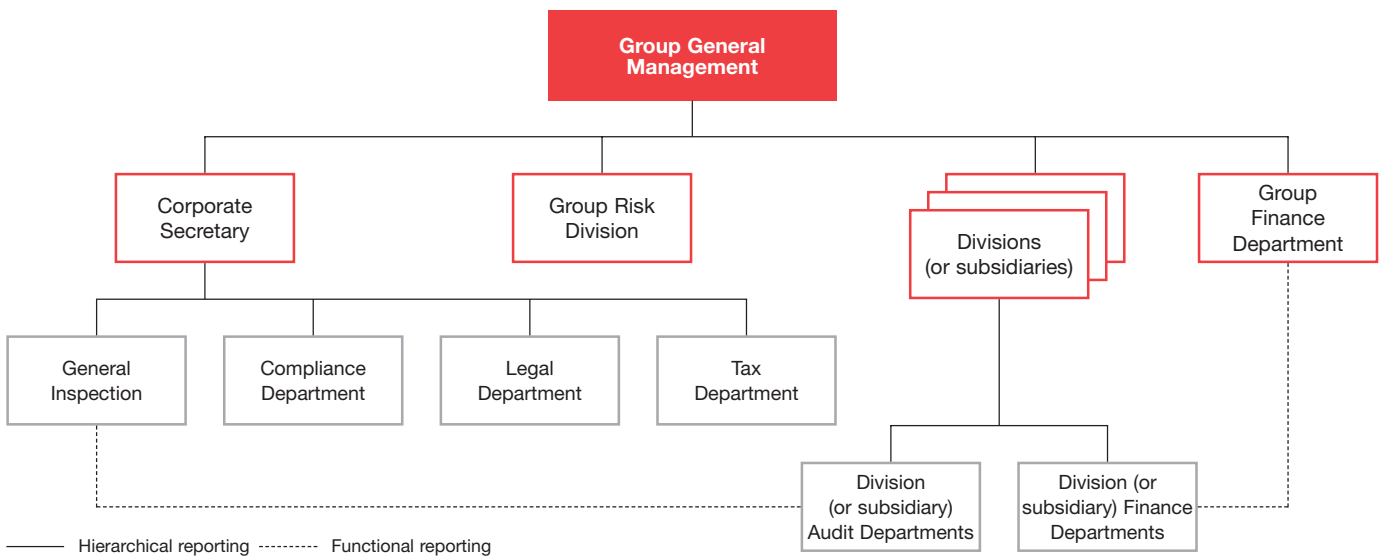
- *the various risks inherent to the project;*
- *the reliability of financial and management accounting data;*
- *internal control procedures;*
- *the soundness of the Company's financial position;*
- *how realistic the development forecasts are, in terms of both cost synergies and earnings growth;*
- *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 Division, the General Inspection Department, 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).

A diagnosis is carried out of any internal controls, notably in terms of risks, accounting and financial data and, depending on the activities of the entity in question, in terms of compliance procedures. Measures are then taken to bring the entity in line with Group standards as quickly as possible. Moreover, the Company has implemented a specific procedure whereby strategic acquisitions are monitored by the Group Audit Committee and the Board of Directors. A development plan is thus drawn up upon the acquisition of a new entity and then reviewed some two years later. As such, the acquisitions of GEFA/ALD and TCW were reviewed in 2003 and Komerční Banka in 2004.

ORGANIZATIONAL CHART OF THE DEPARTMENTS INVOLVED IN INTERNAL CONTROL



Risks: evaluation, management and ongoing control

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

Risk management procedures are defined at the highest management level

The Group organizes a monthly Risk Committee meeting, 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 a portfolio).

In addition, 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.

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

The Group Risk Division is an independent function reporting directly to Group General Management. It comprises some 500 members of staff responsible for promoting the development and profitability of the Group by ensuring the risk control system in place is both robust and efficient and by monitoring operations carried out within the Group.

Accordingly, the Group Risk Department is in charge of identifying all risks borne by the Group, defining and validating all methods and procedures for analyzing, measuring, approving and monitoring risks and is responsible for ensuring risk information systems are adequate, managing risk portfolios, monitoring cross-disciplinary risks as well as anticipating risk provisioning for the Group. Furthermore, it also assists in the appraisal of risks on transactions proposed by the Group's sales managers.

Procedures and organization

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

■ Procedures for **counterparty risks**:

- The Risk Division submits 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 Division submit all commitment files for analysis and approval to the team best suited to deal with the type of risk incurred.

■ Procedures for **market risk**:

- Based on the Risk Divisions recommendations, the Group Risk Committee defines limits for each type of activity which are then submitted for approval by the Board of Directors.
- 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 Division must validate the valuation models used to calculate risks, results and provisioning levels.

These procedures and structures have been progressively adapted to accommodate for regulatory change and the rapid growth of increasingly sophisticated activities. Some controls are further heightened through tailored action plans.

■ **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 a consolidated level and provides support to the various entities by validating their models and methods.

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

■ Given their importance within 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. This approach includes a number of measures such as the compilation of a map of the different types of operational risks, the creation of databases for internal and external operational losses and the implementation of specific procedures to monitor and control risk exposure. This is all part of a common framework of procedures, tools and methods defined and developed by the Basel II Program Department, but implemented by the operating and corporate departments.

Moreover, the procedures for managing crises are regularly tested within the framework of the initiatives in place to ensure the continuity of the Group's businesses. These initiatives are supervised by a dedicated department set up this year.

Methodology and information systems

Société Générale dedicates significant resources to adapting risk management and monitoring methods to its various activities. Its information systems, in particular, are constantly modified to accommodate changes in products traded and 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 stress tests 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, 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 its information systems accordingly.

More generally, risk information systems are constantly streamlined in order to allow for direct reporting and to avoid repeated entries that are sometimes the source of errors. All anomalies are analyzed and monitored by the quality teams of the Group Risk Division and Information Technology departments. Where applicable, action plans are implemented to correct any problems identified.

Conscious of the increasing exposure of its information systems to external risks given the growing number of sales channels such as the Internet, Société Générale has implemented a series of organizational and communication initiatives. These notably include the setting up of a security network coordinated by a Group information systems security manager with relays within the Group's different divisions, the creation of a unit to monitor safety and manage alerts and staff information as to the different measures to be taken in tackling information system risks.

Compliance controls

The compliance of the Group's operations is monitored by:

- **the Compliance Department**, which ensures that all compliance rules and principles applicable to the Group's banking and investment activities are disseminated throughout the company and respected by its staff;
- **the Legal and Tax Departments**, which monitor all fiscal and legal aspects of the Group's activities.

These central departments report to the Group's Corporate Secretary and are represented by local staff within each operational entity and, in certain subsidiaries, by those departments that exercise the same type of function. The central teams are responsible for all monitoring and training therein as well as for the dissemination of all relevant information throughout the Group.

The permanent supervision of activities at a local level by operational staff forms the cornerstone of internal control within Société Générale Group

This comprises all procedures implemented on a permanent basis to guarantee that transactions carried out at an operational level are correctly handled, secure and valid. The first level of responsibility for internal control lies with the operational staff.

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 the rules and procedures for processing transactions and for ensuring effective day-to-day security.

In order to ensure this system functions correctly, operating methods need to be formally defined and communicated to all Group staff. In addition, permanent supervision procedures are adapted for each Group entity according to their specific activities.

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 the requisite resources to carry out its functions effectively from both a qualitative and quantitative point of view.

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

Each Group division has its own Internal Audit Department, managed by a 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.

The creation of Société Générale's GIMS division naturally prompted the regrouping of the internal control structures of the division's various activities with no impact on staff numbers or procedures.

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. Entities within the Group's Retail Banking network, for example, are audited every 15.8 months, whilst, in the Corporate and Investment Banking Division, the highest-risk entities are audited once a year.

Within these assignments, the auditors carry out controls to check the security, compliance and efficiency of the division's activities, and evaluate the quality of the permanent supervision system in place. They then put forward recommendations based on their findings, and follow these up to 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 within the various Group entities. Any problems noted or recommendations put forward are integrated in a dossier which is then managed by the audit departments and General Inspection.

This system is reinforced with specialized audits in areas requiring specific expertise: these include accounting audits, legal audits and audits of counterparty risks and information technology security. The head of the corporate 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 General Inspection Department carries out around 100 assignments each year and verifies the overall quality of the internal control system

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

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

Key figures

The Internal Audit Departments comprise some 1,100 members of staff.

The Group employs over 900 auditors, 80% of whom are employed in Retail Banking, 12% in Corporate and Investment Banking, 5% in

Global Investment Management, with the remainder responsible for specialized audit assignments (accounting, legal, information technology, etc.).

The General Inspection Department, for its part, employs 190 members of staff including 154 inspectors and controllers.

To do this, the General Inspection Department:

- audits the various corporate departments involved in internal control;
- 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 themselves (3 assignments in 2004);
- validates the audit plans submitted by the audit departments;
- the Head of Group Internal Audit exercises functional control over the general controllers and the specialized audit managers. He manages all audit-related activities (coherence of recommendations and methods, implementation of shared tools and resources, etc.) To this end, he notably organizes Audit Committees within each Group division.

As part of his role, the Head of Group Internal Audit is required to meet regularly with the Audit Committee of the Board of Directors. During these meetings, he 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 comments on the organization and functioning of the internal control departments.

The Head of Group Internal Audit also maintains close ties with the Statutory Auditors and representatives of the supervisory authorities. Lastly, the General Inspection Department works in conjunction with the Internal Audit Departments to ensure that the recommendations made by the supervisory authorities are implemented.

Control of the production and publication of financial and management 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 entries booked by the back offices and the management data submitted by the front offices. They compile the financial statements and regulatory information required at a local level and submit reports (accounting data, management control, regulatory reports, etc.) to the Group Finance Department.
- The Group Finance Department gathers all 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 (supervisory bodies, investors, etc.).

Above and beyond its role of consolidating the Group's accounting and financial information, the Group Finance Department is also entrusted with large-scale audit assignments: it monitors the financial aspects of the Group's capital transactions and its financial structure; 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.

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 accor-

dance with an agenda set by the Head of Group Internal Audit, they cover aspects such as permanent supervision, the assignments carried out over the course of the year and the forthcoming audit plan, the implementation of the General Inspection Department's recommendations and, where applicable, those of the supervisory authorities and external auditors.

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 its own standards unit, which monitors the applicable regulations and drafts new internal standards to comply with any changes in the regulatory framework. The Group has adapted its body of standards in order to produce financial and reporting statements that are compliant with IFRS, which shall apply to consolidated accounts from 2005.

Procedures for producing financial and accounting data

Each entity within the Group compiles its own 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 the General Management and any interested third parties.

In practical terms, procedures have been tailored to the growing complexity of products and regulations. Moreover, specific action plans can be implemented where necessary. Indeed, in order to handle the strong growth in the volume of equity derivatives transactions and the increasingly complex nature of the products on offer, the Société Générale Group has invested significantly in the overhaul of the system used to process said transactions and whose implementation will be staggered between now and 2010.

Internal control procedures governing the production of accounting and financial data

■ Accounting data are compiled independently from the front offices

Accounting data are compiled by the back and middle offices, 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.

- Ensure the inclusion of all entities that must be consolidated in accordance with Group regulations.
- Check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are made accurately, that the reconciliation of 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 departments, which are in charge of local accounts and reporting, harmonize this data with Group standards. They ensure the information is reliable and consistent with the various accounting frameworks defined for the Group.

At 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, exhaus-

tive treatment of critical points in the consolidation process, and processing of any residual differences in intercompany accounts. Lastly, the department checks the overall consolidation process by carrying out analytical reviews of the summary data and checking the consistency of the main aggregates in the financial statements. Changes in shareholders' equity, provisions and any deferred taxes consolidated in the fiscal year in question are also analyzed.

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

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

The operational staff monitor their activities via a permanent supervision process which, under the direct responsibility of the management teams, reviews 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 (reporting 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 need to be closely checked. 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.

Role of internal control procedures in the changeover to IAS

In 2004, part of the Group's accounting and regulatory audit activities concerned the "implementation" of IFRS. This notably included the provision of training as well as the activities of the Technical Commit-

tees set up to define the Group's technical positions. In 2004, the audit team also took part in the design and distribution of two self-appraisal questionnaires on the application of the new Group standards defined in compliance with IFRS standards and which were aimed at assessing the extent to which the Group's entities were prepared for the implementation of the new standards.

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 general division audit departments or to the General Inspection Department, 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.

■ Third-level control carried out by the General Inspection Department

At the third level of control, the General Inspection Department carries out accounting audits as part of its inspection assignments, 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 2004, for example, the General Inspection Department completed a specific audit on the way in which non-performing loans are handled and provisions are booked within the Group's Retail Banking Network, and audited the accounting treatment of expenses and invoices in the Group's Corporate and Investment Banking arm.

Developments underway

Within the framework of its Basel II project, the Société Générale Group is reinforcing its risk management structures with stricter procedures, and continuing to work on the accuracy of its risk modeling and the streamlining and interoperability of its risk information systems.

Work continues on the changeover to IAS with the auditing of the Group's accounting and regulatory controls and, as of 2005, various audit assignments on the bank's most sensitive activities.

Furthermore, the organization of the Risk Division continues to benefit from the improved integration of its dedicated teams within the bank's operational entities. So as to ensure that the rules governing market activities are effectively applied, the Société Générale Group decided in 2004 to impose the systematic presence of compliance officers reporting to the Compliance Department in all dealing rooms as well as to reinforce the structures currently in place in Paris (for further details, refer to the chapter on "Compliance and prevention of money laundering", p. 49).

Report of the Statutory Auditors

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

Year ended December 31, 2004

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

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 President 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, 2004.

It is for the President of the Board of Directors to give an account, in his report, notably of the conditions in which the tasks of the 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 set out in the President's report concerning the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to

assess the fairness of the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining 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 President's report;
- obtaining an understanding of the work performed to support the information given in the report.

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 President of the Board of Directors, prepared in accordance with article L. 225-37 of the French Company Law.

Neuilly-sur-Seine and Courbevoie, March 10, 2005.

The Statutory Auditors

DELOITTE & ASSOCIES



José-Luis Garcia

ERNST & YOUNG Audit



Christian Mouillon

Consolidated financial statements

Consolidated balance sheet at December 31, 2004

Assets

<i>In millions of euros at December 31</i>	2004	2003	2002
Cash, due from central banks and post office accounts	5,206	6,755	5,090
Due from banks (Note 3)	66,114	60,282	54,354
Customer loans (Note 4)	209,839	193,547	184,769*
Lease financing and similar agreements (Note 5)	20,636	17,886*	17,351
Treasury notes and similar securities (Note 6)	41,082	30,610	28,010
Bonds and other debt securities (Note 6)	74,839	67,772	65,295
Shares and other equity securities (Note 6)	47,845	46,864	34,852
Treasury stock (short-term investment portfolio) (Note 6)	113	163	167
Investments of insurance companies (Note 7)	48,954	42,884	37,257
Investments in non consolidated subsidiaries and affiliates and other long-term equity investments (Note 8)	4,660	5,274	6,267
Investments in subsidiaries and affiliates accounted for by the equity method	343	554	591
Tangible and intangible fixed assets (Note 9)	8,709	8,098*	5,740
Goodwill (Note 10)	2,106	2,150	2,154
Accruals, other accounts receivable and other assets (Note 11)	70,643	56,548	59,495
Total	601,089	539,387	501,392

Off-balance sheet items

<i>In millions of euros at December 31</i>	2004	2003	2002
Loan commitments granted (Note 19)	104,201	99,276*	91,122*
Guarantee commitments granted (Note 19)	50,309	46,336	44,590*
Commitments granted on securities	14,531	12,474	7,206
Foreign exchange transactions (Note 20)	407,096	318,862	349,409
Forward financial instrument commitments (Note 21)	6,855,946	5,546,999	5,187,753
Insurance commitments granted	338	354	342

* Amounts restated in relation to those given in 2002 and 2003 annual reports.

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

Liabilities and shareholders' equity

<i>In millions of euros at December 31</i>	2004	2003	2002
Due to central banks and post office accounts	1,505	2,827	1,478
Due to banks (Note 12)	92,361	83,608	69,239
Customer deposits (Note 13)	213,433	196,090	196,085
Securitized debt payables (Note 14)	97,730	82,917	77,877
Underwriting reserves of insurance companies (Note 15)	46,828	41,164	35,760
Accruals, other accounts payable and other liabilities (Note 16)	111,246	97,726	87,767
Negative goodwill	–	1	–
Provisions for general risks and commitments (Note 17)	3,042	2,849	2,474*
Subordinated debt (Note 18)	11,930	10,945	11,199
General reserve for banking risks	284	312	207
Preferred shares	2,049	2,120	1,668
Minority interests	2,105	1,951	1,904
Shareholders' equity			
Common stock	556	548	538
Additional paid-in capital	4,550	4,200	3,819
Treasury stock	(1,878)	(1,139)	(924)
Retained earnings	12,223	10,776	10,904
Net income	3,125	2,492	1,397
Sub-total	18,576	16,877	15,734
Total	601,089	539,387	501,392

Off-balance sheet items

<i>In millions of euros at December 31</i>	2004	2003	2002
Loan commitments received	3,726	6,346*	6,317*
Guarantee commitments received	41,661	34,898	33,723
Commitments received on securities	15,552	10,438	7,185
Foreign exchange transactions (Note 20)	408,846	321,435	351,801
Insurance commitments received	232	177	140

* Amounts restated in relation to those given in 2002 and 2003 annual reports.

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

Consolidated income statement

In millions of euros at December 31

	2004	2003	2002
Net interest income from:			
Transactions with banks (Note 24)	(784)	(1,316)*	(1,224)
Transactions with customers (Note 25)	4,437	4,374	4,224
Bonds and other debt securities	1,127	1,064*	1,291
Other interest and similar revenues	(291)	295	102
Net income from lease financing and similar agreements (Note 26)	1,672	1,488	1,374
Sub-total	6,161	5,905	5,767
Dividend income (Note 27)	396	582	291
Dividends paid on preferred shares (Note 1)	(144)	(120)	(131)
Net interest and similar income	6,413	6,367	5,927
Net fee income (Note 28)	5,269	5,084	4,993*
Net income from financial transactions (Note 29)	4,217	3,710*	3,263
Other net operating income	517	476	390
Gross margin of insurance business (Note 30)	103	45	51
Net income from other activities (Note 31)	102	284	99
Net banking income	16,416	15,637	14,573
Personnel expenses (Note 32)	(6,603)	(6,323)	(6,179)*
Other operating expenses	(3,702)	(3,580)	(3,669)
Depreciation and amortization	(662)	(665)	(678)
Total operating expenses	(10,967)	(10,568)	(10,526)
Gross operating income	5,449	5,069	4,047
Cost of risk (Note 33)	(541)	(1,226)	(1,301)
Operating income	4,908	3,843	2,746
Net income from companies accounted for by the equity method (Note 34)	42	43	48
Net income from long-term investments (Note 35)	119	397	(299)
Earnings before exceptional items and tax	5,069	4,283	2,495
Exceptional items (Note 36)	(48)	(46)	(170)
Income tax (Note 37)	(1,398)	(1,161)	(649)
Amortization of goodwill	(186)	(217)	(184)
Allocation to reversal from the general reserve for banking risks	28	(104)	159
Net income before minority interests	3,465	2,755	1,651
Minority interests	(340)	(263)	(254)
Net income	3,125	2,492	1,397
Earnings per share in euros ⁽¹⁾	7.65	6.07	3.41
Diluted earning per share in euros ⁽¹⁾	7.59	6.02	3.41

* Amounts restated in relation to those given in 2002 and 2003 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.

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

Changes in shareholders' equity

In millions of euros

	Common stock and additional paid-in capital ⁽¹⁾	Treasury stock & assimilated ⁽²⁾	Retained earnings	Revaluation and reassessment reserves	Shareholders' equity
Balance at December 31, 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 ⁽³⁾	71		(576)		(505)
Balance at December 31, 2003	4,748	(1,139)	12,990	278	16,877
Increase in capital stock ⁽¹⁾	358				358
Net income for the period			3,125		3,125
Dividends paid			(1,031)		(1,031)
Revaluation and reassessment reserves				(15)	(15)
Treasury stock ⁽²⁾		(739)	30		(709)
Translation differences and other ⁽³⁾			(29)		(29)
Balance at December 31, 2004	5,106	(1,878)	15,085	263	18,576

In millions of euros

	Shareholders' equity	General reserve for banking risks ⁽⁴⁾	Minority interests	Preferred shares ⁽⁵⁾	Total equity
Balance at December 31, 2002	15,734	207	1,904	1,668	19,513
Increase in capital 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)
Translation differences and other ⁽³⁾	(505)	105	(89)	452	(37)
Balance at December 31, 2003	16,877	312	1,951	2,120	21,260
Increase in common stock ⁽¹⁾	358				358
Net income for the period	3,125		340		3,465
Dividends paid	(1,031)		(190)		(1,221)
Revaluation and reassessment reserves	(15)				(15)
Treasury stock ⁽²⁾	(709)				(709)
Translation differences and other ⁽³⁾	(29)	(28)	4	(71)	(124)
Balance at December 31, 2004	18,576	284	2,105	2,049	23,014

(1) At December 31, 2004, Société Générale's fully paid-up capital stock amounted to EUR 556,441,449 and was made up of 445,153,159 shares with a nominal value of EUR 1.25. During the year 2004, Société Générale carried out capital increases for a total amount of EUR 8.4 million, with EUR 349.2 million of additional paid-in capital, as follows:

- EUR 6.5 million, with EUR 296.4 million of additional paid-in capital, was the result of employees subscribing to shares under the Employee Share Ownership Plan;
- EUR 1.9 million, with EUR 52.8 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 10.5 million for the 2004 financial year.

It would have been booked on the assets side of the consolidated balance sheet for a net amount of EUR 46.5 million at December 31, 2004.

(2) Treasury stock held by Group companies at December 31, 2004 (36,990,431 shares; EUR 1,878 million) represented 8.31% of Société Générale's capital stock. Société Générale bought back its own shares for a net amount (after deduction of disposals) of EUR 739 million.

Net capital gains on treasury stock in 2004 have been charged against the shareholders' equity for an amount of EUR 7.4 million. Dividend income on these shares (EUR 22.4 million) has been eliminated from consolidated income.

(3) At December 31, 2004, 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 financial year 2004 was EUR (24) million, and can be attributed to the fall of the dollar against the euro in the amount of EUR (140) million and to the rise of the Czech Koruna in the amount of EUR 57 million.

The gain on the disposal of Asia Credit Limited (reporting in Thai Baht) amounted to EUR 38 million.

The gain on the liquidation of BSGI (reporting in Indonesian Rupees) amounted to EUR 53 million.

(4) A reversal of EUR 45.6 million was made in 2003 from the General Reserve for Banking Risks and of EUR 28 million in 2004. An allocation of EUR 150 million was also made to the general reserve over the 2003 financial year (see Note 1).

(5) 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 600 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.

Notes to the consolidated financial statements

Note 1

Significant accounting principles

The consolidated accounts of the Société Générale Group for the 2004 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 so as to obtain benefits from its activities. 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 bylaws, 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 bylaws, 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 set up specifically to manage a transaction or group of similar transactions are consolidated whenever they are substantially controlled by the Group particularly by virtue of contracts, agreements or statutory clauses, 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 decision-making power, accompanied or not by the management power, over the ordinary activities of the entity or over its assets, whether this power is effectively exercised or not;
- the ability to receive the majority of the entity's economic benefits;
- the exposure to the majority of the risks related to the entity.

The existence of an "autopilot" mechanism does not presuppose effective control.

The in-substance appreciation of the decision making power criteria is decisive for determining the consolidation of special purpose vehicles involved in securitization transactions carried out for the Group's needs, notably securitization vehicles (*fonds communs de créances*) set up under the provisions of the French financial and monetary code and similar foreign entities set up under the provisions of a regulation providing guarantees equivalent to those existing in France.

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. One of these vehicles has ceased its activities and was excluded from the consolidation scope during the fourth quarter of 2004.

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.

Following the first time adoption of IFRS in consolidated accounts since January 1, 2005, the cumulative translation differences will be offset against consolidated retained earnings and deemed to be zero at the date of transition - January 1, 2004. Consequently, the translation differences as measured at December 31, 2004 will be excluded from gains or losses on subsequent disposals of foreign consolidated entities.

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.

For each acquisition, the balance of non-allocated differences is recorded in the balance sheet under Goodwill as an asset or a liability, depending on its arithmetical value. Goodwill is recorded in the local currency of the acquired entity, and translated at the official exchange rate at closing of the accounts. Positive goodwill is amortized and negative goodwill is recognized in income 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 each 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*, *earnings 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 is 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 Group applies the provisions of Regulation No. 2000-05 of the French Accounting Regulation Committee on the consolidation rules applicable to companies governed by the Insurance Code.

The specific accounting regulations applied for insurance activities are maintained in the Group's consolidated accounts.

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 shareholder's equity in 2003 for an 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 R. 332-20 of the Insurance Code (principally shares, units in undertakings for collective investment in transferable securities and buildings), when such risk is not covered by an other provision. 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. Consequently, the new Regulation No. 2004-10 of the French Accounting Regulation Committee, specifying the elimination of provisions for early redemption risk in the consolidated accounts, had no impact on the accounts for 2004.

■ **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. 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 ensure 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 the 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.

The acquisition cost of assets leased under operational leases is amortized on a straight-line basis over the life of the contract; similarly, all rebates granted by suppliers on the purchase price of the leased assets (volume discount) are recorded as deferred income and spread out over the life of the contracts. The accounting treatment of income invoiced for maintenance services provided in connection with leasing activities aims to show a constant margin on these products in relation to the expenses incurred, over the duration of the leasing contract. The harmonization of the models used within the Group to calculate income to be deferred under this treatment resulted in a change in this estimate. The impact of this change was recognized in the form of an *Exceptional loss* of EUR 20 million in the first quarter of 2004, and the deferred tax income relative to this expense was booked under *Income tax* in the amount of EUR 7 million.

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 offset 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 offset against any unrealized capital gains. Allocations to and reversals of provisions for depreciation, as well as any capital gains or losses realized on the disposal of these securities, including any profit or loss generated when tendering these securities to public share exchange offers, are booked under *Net income from financial transactions*.

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

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

- shares in companies that share directors or senior managers with the holding company, 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 which 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.

Provisions for contingencies and disputes are defined as liabilities without a precisely defined amount or due date. Their recording is subordinated to the existence of 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.

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, 2003 and 2004 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, 2003 and 2004.

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 which 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 of 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 allocations 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, until December 31, 2004 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, which will be progressively reduced to zero until 2006. Additionally, a *Contribution sociale de solidarité* (national contribution payment based on pre-tax earnings) was introduced in 2000 equal to 3.3% (after a deduction from basic taxable income of EUR 0.76 million). Dividends from companies in which Société Générale's interest is at least 5% are tax exempt. The Amending Finance Law for 2004, published on December 30, 2004 will progressively reduce the tax rate for gains on the disposal of equity investments to 15% or 0% depending on the tax qualification of the securities. In parallel to this reduction, the Law has introduced an exceptional tax on the special reserve for long-term gains recorded by French companies in their individual accounts during previous years for the share of annual net income corresponding to long-term gains on disposal of equity investments. At December 31, 2004 French liable entities have recorded the expense relating to this exceptional tax under Income tax for a consolidated amount of EUR 18 million.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account 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 2004 and the following years, the normal tax rate applicable to French companies to determine their deferred tax is 34.93%, and the reduced rate is between 1.71% and 15.72% depending on the nature of the taxed transactions.

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 1,081 million at December 31, 2004 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, 2004, the commitments relating to the Group's foreign entities were estimated at EUR 1,036 million, of which 79% were covered by assets or provisions. The remaining 21% 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 compara-

tive data published for the 2004 financial year. The accounting principles that will then be applied to restate the comparative information for 2004 are presented in the specific IAS section of the annual report.

Note 2

Consolidation scope

As at December 31, 2004, the Group's consolidation scope included 683 companies:

- 616 fully consolidated companies;
- 53 proportionately consolidated companies;
- 14 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, 2004 compared with the scope applicable for the accounts at December 31, 2003 were as follows:

During the first half of 2004

■ The Group raised its stake in TCW to 66.54%, representing a 5.64% increase against December 31, 2003.

Agreements signed at the time of the acquisition of TCW include deferred put and call options on 9.5% of TCW's capital, broken down into annual tranches of 4.75% over the period 2005-2006. The strike prices of these options are dependent on the company's future performance.

Finally, 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 the company's future performance.

- Sogelease Egypt, which is 61.73%-owned, is fully consolidated.
- Sagem Lease, which is wholly-owned by the Group, was fully consolidated.
- SG Serbie Bank, which was deconsolidated on December 31, 2000, was reincorporated into the consolidation scope.
- The Group increased its stake in Sogéprom from 70% at December 31, 2003 to 100% at June 30, 2004.
- Société Générale took a 50.01% stake in General Bank of Greece (GBG), which was fully consolidated.
- Following the sale of Sophia, 31 companies previously consolidated by the equity method were removed from the consolidation scope.

During the second half of 2004:

- SG Equipment Finance Schweiz AG, wholly-owned by the Group, was fully consolidated.
- Société Générale took over all the Equipment Finance and Factoring activities of the Norwegian group Elcon, which were fully consolidated.
- The debt securitisation fund French Supermarkets 1, wholly-owned, was fully consolidated.
- The Lyxor Strategium 1 fund, wholly-owned by Société Générale, was fully consolidated.
- OOO Rusfinance, in which the Group holds a 51.01% stake, was fully consolidated.
- Société Générale acquired 100% of the capital of Parsys Espana, which was fully consolidated.

Note 3**Due from banks***In millions of euros at December 31*

	2004	2003	2002
Demand deposits and loans			
Current accounts	9,002	7,590	8,583
Overnight deposits and loans	413	702	267
Loans secured by overnight notes	8	53	385
Term			
Term deposits and loans ⁽¹⁾	10,438	9,635	12,928
Subordinated and participating loans	713	688	539
Loans secured by notes and securities	100	45	187
Related receivables	189	208	270
Gross amount	20,863	18,921	23,159
Provisions for possible losses	(77)	(94)	(114)
Net amount	20,786	18,827	23,045
Securities purchased under resale agreements	45,328	41,455	31,309
Total	66,114	60,282	54,354

(1) At December 31, 2004, doubtful loans amounted to EUR 127 million (of which EUR 113 million were non-performing loans) against EUR 143 million at December 31, 2003 and EUR 117 million at December 31, 2002.

Note 4**Customer loans***In millions of euros at December 31*

	2004	2003	2002
Trade notes	8,085	7,729	7,903
Other loans ^{(1) (2)} :			
– Short-term loans	46,509	39,021	43,610
– Export loans	3,388	3,610	4,649
– Equipment loans	35,486	33,214	27,506
– Mortgage loans	46,127	40,743	35,233
Other loans	31,411	27,690	31,105*
Sub-total	162,921	144,278	142,103
Overdrafts	11,981	12,238	12,361
Related Receivables	1,568	1,461	1,386*
Gross Amount	184,555	165,706	163,753
Allowances for possible losses	(6,275)	(6,497)	(6,894)*
Net amount ⁽³⁾	178,280	159,209	156,859
Loans secured by notes and securities	64	443	227
Securities purchased under resale agreements	31,495	33,895	27,683
Total	209,839	193,547	184,769

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

(1) Other loans by customer type:

Non-financial customer			
– Corporates	73,489	68,286	70,724
– Individual customers	59,833	52,568	45,926
– Local authorities	8,327	6,265	6,762
– Self-employed professionals	7,117	6,870	6,455
– Governments and central administrations	1,778	1,959	2,116
– Other	2,949	2,440	1,755
Financial customers	9,428	5,890	8,365
Total	162,921	144,278	142,103

(2) At December 31, 2004, doubtful loans amounted to EUR 9,797 million (of which EUR 5,492 million were non-performing loans) against EUR 10,115 million at December 31, 2003 and EUR 10,064 million at December 31, 2002.

(3) Entities acquired since December 31, 2003 accounted for EUR 2,929 million in net outstanding customer loans.

Note 5

Lease financing and similar agreements

<i>In millions of euros at December 31</i>	2004	2003	2002
Real estate lease financing agreements	5,824	5,650	5,452
Equipment lease financing agreements	10,400	9,176*	8,848*
Lease-purchase and similar agreements	4,503	3,104*	3,045*
Related receivables	153	206	188
Gross amount ⁽¹⁾	20,880	18,136	17,533
Provisions for possible losses	(244)	(250)	(182)
Net amount ⁽²⁾	20,636	17,886	17,351

* Amounts restated in relation to those given in 2002 and 2003 annual reports.

(1) At December 31, 2004, doubtful loans amounted to EUR 394 million (of which EUR 133 million were non-performing loans) against EUR 418 million at December 31, 2003 and EUR 284 million at December 31, 2002.

(2) Entities acquired since December 31, 2003 accounted for EUR 1,976 million in net lease financing and similar agreements.

Note 6

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

<i>In millions of euros at December 31</i>	2004				2003				2002
	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	30,452	39,771	43,323	113,546	21,792	39,125	31,706	92,623	76,637
Short-term investment securities:									
– Gross book value	5,517	8,313	11,932	25,762	4,281	8,071	15,150	27,502	24,533
– Provisions	(26)	(195)	(67)	(288)	(24)	(225)	(215)	(464)	(530)
– Net book value	5,491	8,118 ⁽¹⁾	11,865	25,474	4,257	7,846 ⁽¹⁾	14,935	27,038	24,003
Long-term investment securities:									
– Gross book value	4,941	–	19,287 ⁽²⁾	24,228	4,391	–	20,705	25,096	26,906
– Provisions	–	–	–	–	–	–	(1)	(1)	–
– Net book value	4,941	–	19,287	24,228	4,391	–	20,704	25,095	26,906
Related receivables	198	69	364	631	170	56	427	653	778
Total	41,082	47,958	74,839	163,879	30,610	47,027	67,772	145,409	128,324

(1) Including treasury stock held for allocation to employees: EUR 112.6 million (against EUR 169.2 million at December 31, 2003 and EUR 167,3 million at December 31, 2002).

	2004	2003
Number of shares	2,334,060	3,377,145
Nominal value per share (in euros)	1.25	1.25
Market value per share (in euros)	74.5	70.0
Book value per share (in euros)	48.22	48.22

(2) Of which securities carried by newly consolidated special purpose vehicles: EUR 3.7 billion of municipal bonds intended to be held to maturity.

Note 6 (continued from previous page)**Additional information on securities**

<i>In millions of euros at December 31</i>	2004	2003	2002
Estimated market value of short-term investment securities:			
– Unrealized capital gains ⁽¹⁾	270	70	178
Estimated value of long-term investment securities ⁽²⁾	76	(2)	(64)
Premiums and discounts relating to short-term and long-term investment securities	62	(86)	(15)
Securities which changed category during the year:			
– Trading securities reclassified as short-term investment securities	131	695	525
– Securities reclassified as long-term investment securities	–	–	195
– Long-term investment securities reclassified as short-term investment securities	48	624	778
Long-term investment securities sold before maturity	353	69	542
Investment in mutual funds:			
– French mutual funds	15,353	12,810	8,747
– Foreign mutual funds	5,741	3,369	2,751
<i>Of which capital appreciation funds</i>	638	688	675
Listed securities	130,087	117,427	112,641
Subordinated securities	686	727	357
Securities lent	6,972	3,656	4,027

(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.

Note 7**Investments of insurance companies**

<i>In millions of euros at December 31</i>	2004	2003	2002
Real estate investments	344	265	223
Bonds and other debt securities	29,516	25,728	21,222
Investments held to guarantee unit-linked policies	15,052	14,031	13,384
Other investments	1,126	1,117	867
Shares and other equity securities	2,916	1,743	1,561
Total	48,954	42,884	37,257

Note 8

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

In millions of euros at December 31

	2004	2003	2002
Principal companies (1):			
0 to 5% Accor, Adecco, Alcatel, Altadis, Arcelor, Aviva, Carrefour, Dexia, France Télécom, ONA, Pernod Ricard, Peugeot SA, Sanofi, SCH, Sodexo Alliance, TF1, Total, Veolia Environnement, Vivendi Universal	3,376	4,381	5,213
5 to 10% Cologne Re Managers, Hornby Lane	398	629	605
10 to 20% Crédit Logement, Sopra, Sommer SA, Sicovam Holding	351	339*	255*
+ 20% G Finance Luxembourg, Lysus, SCI Secovalde	255	82*	112*
Sub-total	4,380	5,431	6,185
Other companies	1,160	1,191*	1,400*
Gross book value (2)	5,540	6,622	7,585
Provisions for possible losses	(883)	(1,352)	(1,332)
Advances to non-consolidated companies	3	4	14
Net book value (3)	4,660	5,274	6,267

* Amounts restated in relation to those given in 2002 and 2003 annual reports.

(1) Only investments with a book value over EUR 30 million at December 31, 2004 are mentioned.

(2) Movements over the 2004 fiscal year: EUR (1,082) million, of which: acquisitions = EUR 554 million, disposals = EUR (1,573) million, changes in consolidation scope and other movements = EUR (63) million.

(3) Of which listed companies: net book value at December 31, 2004 = EUR 3,062 million; market value = EUR 3,440 million.

Note 9

Tangible and intangible fixed assets

	Gross book value 2003	Acquisitions	Disposals	Changes in consolidation scope and other movements	2004		
					Gross book value	Accumulated depreciation and amortization 2004	Net book value 2004
<i>In millions of euros at December 31</i>							
Operating assets							
Intangible assets							
Start-up costs	19	4	-	3	26	(18)	8
Software, EDP development costs	1,532	93	(11)	101	1,715	(1,228)	487
Other	456	194	(1)	(154)	495	(88)	407
Sub-total	2,007	291	(12)	(50)	2,236	(1,334)	902
Tangible assets							
Land and buildings	2,859	20	(39)	93	2,933	(842)	2,091
Other	3,587	393	(105)	(19)	3,856	(2,651)	1,205
Sub-total	6,446	413	(144)	74	6,789	(3,493)	3,296
Non-operating assets (1)							
Tangible assets							
Land and buildings	150	2	(4)	(35)	113	(38)	75
Pure rental transactions and other	5,577*	2,277	(1,679)	(14)	6,161	(1,725)	4,436
Sub-total	5,727	2,279	(1,683)	(49)	6,274	(1,763)	4,511
Total fixed assets	14,180	2,983	(1,839)	(25)	15,299	(6,590)	8,709

* Amounts restated in relation to those given in 2003 annual report.

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

Note 10

Goodwill ⁽¹⁾

	2004			2003			2002
	Gross book value	Accumulated amortization	Net book value	Gross book value	Accumulated amortization	Net book value	Net book value
<i>In millions of euros at December 31</i>							
Retail Banking	1,739	(383)	1,356	1,581	(266)	1,315	1,344
French Networks	114	(66)	48	115	(62)	53	56
Retail Banking network outside France ⁽²⁾	1,141	(217)	924	1,033	(135)	898	961*
Specialized subsidiaries and other ⁽³⁾	484	(100)	384	433	(69)	364	327*
Corporate and Investment Banking	170	(160)	10	180	(161)	19	71
Corporate Banking	45	(40)	5	45*	(34)*	11*	19*
Investment Banking	125	(120)	5	135*	(127)*	8*	52*
Global Investment Management and Services	965	(231)	734	994	(178)	816	738
Asset Management	590	(130)	460	595	(97)	498	609
Private Banking	321	(85)	236	323	(65)	258	124
Boursorama ⁽⁴⁾	49	(11)	38	67*	(7)*	60*	5*
Securities Services	5	(5)	–	9*	(9)*	–	–
Corporate Center and other	7	(1)	6	3	(3)	–	1
Total	2,881	(775)	2,106	2,758	(608)	2,150	2,154

* Amounts restated in relation to those given in 2002 and 2003 annual reports.

(1) Current and exceptional amortizations expenses are assigned to the Corporate Center.

(2) The change over 2004 in gross goodwill booked by Retail Banking outside France is essentially due to:

- the acquisition of the General Bank of Greece (GBG) in the second quarter of 2004,
- the impact of currency translation on goodwill booked in foreign currencies,
- the acquisition of an additional 7.32% stake in the capital of Banque Roumaine pour le Développement in the fourth quarter of 2004.

(3) The change over 2004 in gross goodwill booked by specialized subsidiaries is essentially due to:

- the acquisition of SG Fimans AS Norway (formerly Elcon) in the third quarter of 2004.
- the consolidation of Rusfinance in the fourth quarter of 2004.

(4) The goodwill on Selftrade, which merged with Boursorama in 2003, was revised in the fourth quarter of 2004.

Note 11

Accruals, other accounts receivable and other assets

<i>In millions of euros at December 31</i>	2004	2003	2002
Other assets			
Miscellaneous receivables	17,786	14,106*	12,607
Premiums on options purchased	32,555	21,441	21,481
Settlement accounts on securities transactions	1,903	3,934	2,192
Other assets	1,021	759	1,148
Other insurance assets	390	323	212
Sub-total	53,655	40,563	37,640
Accruals and similar			
Prepaid expenses	546	524	400
Accrued income	1,890	2,572*	2,724
Deferred taxes ⁽¹⁾	192	90	-
Other ⁽²⁾	14,527	13,013	18,952
Sub-total	17,155	16,199	22,076
Gross amount	70,810	56,762	59,716
Provisions for possible losses	(167)	(214)	(221)
Net amount	70,643	56,548	59,495

* Amounts restated in relation to those given in 2003 annual report.

(1) Breakdown of deferred tax by category

<i>In millions of euros at December 31 2004</i>	Deferred income tax assets	Deferred income tax liabilities
Timing differences related to:		
<i>Inner reserve arising from lease financing transactions</i>		722
<i>Results of partnerships</i>		187
<i>Reassessment reserves (Note 1)</i>		17
<i>Others (principally relating to the deductibility of provisions)</i>	1,118	
Total	1,118	926

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

Note 12

Due to banks

<i>In millions of euros at December 31</i>	2004	2003	2002
Demand deposits			
Demand deposits and current accounts.	19,018	17,582	12,311
Borrowings secured by overnight notes	-	-	43
Sub-total	19,018	17,582	12,354
Term deposits			
Term deposits and borrowings	49,045	46,309	37,508
Borrowings secured by notes and securities	144	312	245
Sub-total	49,189	46,621	37,753
Related payables	345	324	395
Securities sold under repurchase agreements	23,809	19,081	18,737
Total	92,361	83,608	69,239

Note 13**Customer deposits***In millions of euros at December 31*

	2004	2003	2002
Special savings accounts			
Demand	25,188	21,587	18,287
Term	21,471	21,874	21,775
Sub-total	46,659	43,461	40,062
Other demand deposits			
Businesses and sole proprietors	31,898	29,650	24,866
Individual customers	26,077	23,745	21,594
Financial institutions	9,570	10,705	5,753
Other	7,071	4,184	5,303
Sub-total	74,616	68,284	57,516
Other term deposits			
Businesses and sole proprietors	19,156	25,783	25,051
Individual customers	11,797	10,213	10,988
Financial institutions	17,458	5,797	12,309
Other	3,847	5,717	5,902
Sub-total	52,258	47,510	54,250
Related payables	1,007	951	949
Total customer deposits ⁽¹⁾	174,540	160,206	152,777
Borrowings secured by notes and securities	1,626	3,229	2,210
Securities sold to customers under repurchase agreements	37,267	32,655	41,098
Total	213,433	196,090	196,085

*(1) Entities acquired in 2004 accounted for EUR 2,315 million in customer deposits.***Note 14****Securitized debt payables***In millions of euros at December 31*

	2004	2003	2002
Term savings certificates	772	841	881
Bond borrowings	5,111	4,607	5,253
Related payables	31	84	185
Sub-total	5,914	5,532	6,319
Interbank certificates and negotiable debt instruments	91,376	77,052	71,104
Related payables	440	333	454
Total	97,730	82,917	77,877

Note 15

Underwriting reserves of insurance companies

In millions of euros at December 31

	2004	2003	2002
Unit-linked policy underwriting reserves	14,797	14,149	13,400
Life insurance underwriting reserves	31,890	26,882	22,262
Non-life insurance underwriting reserves	141	133	98
Total	46,828	41,164	35,760

Note 16

Accruals, other accounts payable and other liabilities

In millions of euros at December 31

	2004	2003	2002
Transactions on securities			
Amounts payable for borrowed securities	8,523	8,611	6,640
Other amounts due for securities	28,880	32,575	24,272
Sub-total	37,403	41,186	30,912
Other liabilities			
Miscellaneous payables	15,665	13,927	12,627
Premiums on sold options	34,853	23,699	21,700
Settlement accounts on securities transactions	1,826	3,901	2,975
Other securities transaction	121	70	51
Related payables	148	227	180
Other insurance liabilities	78	73	84
Sub-total	52,691	41,897	37,617
Accruals and similar			
Accrued expenses	3,893	3,858	4,148
Deferred taxes	-	-	89
Deferred income	1,884	2,014	2,358
Other ⁽¹⁾	15,375	8,771	12,643
Sub-total	21,152	14,643	19,238
Total	111,246	97,726	87,767

(1) This item mainly includes 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

	2004	2003	2002
Provisions for possible losses charged against assets			
Banks	77	94	114
Customer loans	6,275	6,497	6,894*
Lease financing agreements	244	250	182
Other	245	302	263
Sub-total	6,841	7,143	7,453
Provisions for general risks and commitments booked as a liability			
Prudential general country risk reserve (Note 1)	432	453	465
Commitments made to banks	6	6	4
Commitments made to customers	221	273	327*
Sectoral provisions and other ⁽¹⁾	572	558	277*
Provisions for other risks and commitments	1,811	1,559	1,401*
Sub-total	3,042	2,849	2,474
Total provisions (excluding securities) ⁽²⁾	9,883	9,992	9,927
Provisions on securities	1,171	1,816	1,862
Provisions on investments of insurance companies	8	2	10
Total provisions ⁽³⁾	11,062	11,810	11,799

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

(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 of 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 for 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	2003	Net allocations	Other income statement balances ⁽⁵⁾	Used provisions	Change in scope and exchange rates	2004
Prudential country risk reserve	453	6	–	–	(27)	432
Provisions for identified risks	7,980	328	32	(839)	139	7,640
Provisions for general risks and commitments ⁽⁴⁾	1,559	101	187	(135)	99	1,811
Total	9,992	435	219	(974)	211	9,883

(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	2003	Net allocations	Other income statement balances ⁽⁵⁾	Used provisions	Change in scope and exchange rates	2004
Provisions for pensions and other post-retirement benefits	302	–	16	–	23	341
Provisions for restructuring costs and litigation expenses	179	–	26	(3)	1	203
Provisions for tax adjustments	304	–	71	(11)	(1)	363
Provisions for forward financial instruments	107	–	70	(4)	(36)	137
Other provisions for risks and litigation	667	101	4	(117)	112	767
Total	1,559	101	187	(135)	99	1,811

(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 Subordinated debt

In millions of euros at December 31

Currency issue	Outstanding	2005	2006	2007	2008	2009	Beyond 2009	Undated
Subordinated Capital notes								
EUR	8,421	566	274	547	122	314	6,281	317
USD	1,824	261	588	–	–	–	272	703
GBP	993	–	–	–	–	–	851	142
Other currencies	336	21	45	–	54	–	–	216
Sub-total	11,574	848	907	547	176	314	7,404	1,378
Dated subordinated debt								
EUR	29	–	–	–	–	–	9	20
USD	56	–	–	–	–	–	30	26
Other currencies	2	–	–	2	–	–	–	–
Sub-total	87	–	–	2	–	–	39	46
Related payables	269	–	–	–	–	–	–	269
Total	11,930	848	907	549	176	314	7,443	1,693

Note 19 Commitments granted

In millions of euros at December 31

	2004	2003	2002
Loan commitments			
to banks	6,067	5,988*	10,578*
to customers ⁽¹⁾	98,134	93,288*	80,544*
Total	104,201	99,276	91,122
Guarantee commitments			
on behalf of banks	1,739	2,340	4,999*
on behalf of customers ^{(1) (2)}	48,570	43,996	39,591*
Total	50,309	46,336	44,590

* Amounts restated in relation to those given in 2002 and 2003 annual reports.

(1) As at December 31, 2004, credit lines and guarantee commitments granted to securitization vehicles and other special purpose vehicles amounted to EUR 21.4 billion and EUR 0.7 billion respectively.

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

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, 2004, there were six non-consolidated vehicles (Barton, Antalis, Asset One, Homes, ACE, PACE) 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 15,053 million on this date.

The default risk on these assets is borne in the first place by the transferees 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 692 million. Furthermore, the Group has granted these vehicles liquidity lines in the amount of EUR 21,369 million on this date.

Notes to the consolidated financial statements

Use of credit derivatives

■ Guarantee commitments granted

Credit derivatives account for a marginal part of the hedging sales activity.

■ Guarantee commitments received

The Group uses credit derivatives in the management of its loan portfolio. They are primarily used to manage the concentration of our outstanding corporate loans. This reduces exposure to certain counterparties.

The notional amounts of credit derivatives purchased for this purpose are recorded under off-balance sheet commitments received. They are almost exclusively hedging positions. In nominal terms, EUR 6.5 billion in credit default swaps (CDS) were purchased at the end of December 2004 with an average residual maturity of 2.9 years (hedging positions).

■ Trading

Credit derivatives are also purchased and sold for trading purposes. Nominal amounts are not relevant to assess the level of risk for these activities, which are monitored using the VaR method.

Note 20

Foreign exchange transactions

In millions of euros at December 31	2004				2003				2002			
	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	373,481	358,666	79,122	101,956	330,871	326,459	59,950	72,928	302,842*	288,050*	60,921	86,421
USD	136,550	158,138	187,736	161,378	126,962	140,756	146,595	129,541	124,273*	143,038*	166,817	143,769
GBP	16,181	18,026	31,268	31,948	18,563	19,484	29,389	28,369	16,147	16,295	28,503	26,865
JPY	15,114	10,699	38,528	41,726	14,817	8,493	22,378	28,988	12,894	8,285	23,719	28,070
Other currencies	59,763	55,560	70,442	71,838	48,174	44,195	60,550	61,609	45,236*	45,724*	69,449	66,676
Total	601,089	601,089	407,096	408,846	539,387	539,387	318,862	321,435	501,392	501,392	349,409	351,801

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

Note 21

Forward financial instrument commitments

In millions of euros at December 31	Fair Value at December 31, 2004		Trading transactions	Hedging transactions	2004	Total commitments	
	Assets	Liabilities				2003	2002
FIRM TRANSACTIONS							
Transactions on organized markets							
– Interest rate futures	0	0	578,752	2,351	581,103	423,121	416,207
– Currency futures	5,218	5,181	15,896	3,197	19,093	3,225	3,166
– Other forward contracts	5,447	4,666	247,313	66	247,379	136,210	71,456
OTC agreements							
– Interest rate swaps	68,731	69,427	3,297,215	88,695	3,385,910	2,750,728	2,831,911
– Currency financing swaps	54	38	131,470	2,698	134,168	116,083	101,782
– Forward Rate Agreements (FRA)	248	216	394,951	570	395,521	340,796	303,146
– Other	1,016	1,241	12,990	26,169	39,159	47,808	41,725
OPTIONS							
– Interest rate options	8,474	8,597	1,398,912	54,500	1,453,412	1,217,546	1,021,073
– Currency options	3,002	2,393	179,122	402	179,524	102,087	94,424
– Options on stock exchange indices and equities	19,035	22,130	326,426	11,900	338,326	363,016	255,386
– Other	3,047	3,480	82,312	39	82,351	46,379	47,477
Total	114,272	117,369	6,665,359	190,587	6,855,946	5,546,999	5,187,753

Credit risk equivalent

The credit risk equivalent on these transactions determined in accordance with the methods recommended by the Basel Committee for the calculation of the international solvency ratio, breaks down as follows:

<i>In millions of euros at December 31</i>	2004	2003	2002
OECD member governments and central banks	758	717	369
OECD member banks and local authorities	15,786	14,282	16,414
Customers	8,825	7,938	8,535
Non-OECD member banks and central banks	590	447	420
Total (including netting agreements)	25,959	23,384	25,738

Bilateral netting agreements reduced the credit risk equivalent by EUR 71,687 million at December 31, 2004 versus EUR 59,994 million at December 31, 2003 and EUR 66,701 million at December 31, 2002.

Remaining term of the notional amounts of commitments

<i>In millions of euros at December 31</i>	0-1 year	1-5 years	Over 5 years	Total
Interest rate swaps	2,160,419	731,975	493,516	3,385,910
Currency financing swaps	58,314	66,607	9,247	134,168
Interest rate futures	898,469	77,810	345	976,624
Foreign exchange futures	18,949	144	–	19,093
Other firm instruments	159,080	117,597	9,861	286,538
Interest rate options	480,072	931,538	41,802	1,453,412
Foreign exchange options	162,957	14,897	1,670	179,524
Other options	351,944	61,771	6,962	420,677
Total	4,290,204	2,002,339	563,403	6,855,946

Note 22

Breakdown of assets and liabilities by term to maturity

<i>In millions of euros at December 31</i>	0-3 months	3 months - 1 year	1-5 years	Over 5 years	Inter-company eliminations	Total
ASSETS						
Transactions with banks						
Due from banks	213,879	31,787	41,467	36,311	(257,330)	66,114
Transactions with customers						
Customer loans	99,906	26,366	72,715	49,414	(38,562)	209,839
Lease financing and similar agreements	1,869	3,152	10,745	4,870	–	20,636
Bonds and other debt securities						
Trading securities	18,045	46,875	876	264	(22,737)	43,323
Short-term investment securities	1,715	6,360	12,962	4,812	(13,797)	12,052
Long-term investment securities	549	2,270	6,237	11,369	(961)	19,464
LIABILITIES						
Transactions with banks						
Due to banks	241,626	33,912	49,561	40,145	(272,883)	92,361
Transactions with customers						
Customer loans	180,911	8,497	23,986	19,189	(19,150)	213,433
Securitized debt payables	57,556	24,514	28,236	23,395	(35,971)	97,730

Note 23**Consolidated cash flow statement**

<i>In millions of euros</i>	Uses	Sources
Cash flow		3,993
Dividends paid	1,199	
Net Cash Flow (a)		2,794
Capital increase		358
Treasury stock decrease/increase	896	163
Subordinated debt decrease/increase	471	1,352
Capital transactions (b)		506
(I) – Long-term funds (a) + (b)		3,300
Cost of investment in newly consolidated affiliates	312	
Purchase/proceeds from sale of affiliates and other long-term investments	279	1,769
Purchase/proceeds from sale of fixed assets	1,755	471
(II) – Net cash inflow/(outflow) from investing activities	106	
(I) – (II) Change in working capital		3,194
Interbank activities and cash		15,886
Customer loans	20,861	
Customer deposits		14,208
Securities activities	14,130	
Bond debt		451
Forward financial instrument commitments		1,319
Lease financing activities	1,268	
(III) – Net cash inflow/(outflow) from banking activities	4,395	
Insurance investments	6,132	
Insurance deposits		5,656
(IV) – Cash inflow/(outflow) from non banking activities	476	
(V) – Other		1,677
(III) + (IV) – (V) Change in cash inflow/(outflow) from operating activities	3,194	

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

The investment of funds is recognized at the cost price.

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

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

Note 24**Interest income and expenses from transactions with banks**

<i>In millions of euros at December 31</i>	2004	2003	2002
Transactions with central banks, post office accounts and banks	1,578	1,461*	2,090
Net premiums and discounts	78	75	77
Total interest income	1,656	1,536	2,167
Transactions with central banks, post office accounts and banks	(2,356)	(2,592)	(3,382)
Total interest expenses	(2,356)	(2,592)	(3,382)
Securities purchased under resale agreements and loans secured by notes and securities	2,409	1,744	2,112
Securities sold under repurchase agreements and borrowings secured by notes and securities	(2,493)	(2,004)	(2,121)
Net interest income from transactions with banks	(784)	(1,316)	(1,224)

* Amounts restated in relation to those given in 2003 annual report.

Note 25

Interest income and expenses from transactions with customers

<i>In millions of euros at December 31</i>	2004	2003	2002
Trade notes	690	660	693
Other customer loan			
– Short-term loans	2,237	2,173	2,583
– Export loans	211	242	524
– Equipment loans	1,621	1,552	1,489
– Mortgage loans	2,187	2,040	1,918
– Other loans	1,055	1,010	1,079
Sub-total	7,311	7,017	7,593
Overdrafts	626	684	779
Net premiums and discounts	(27)	(9)	(22)
Total interest income	8,600	8,352	9,043
Special savings accounts	(1,224)	(1,276)	(1,298)
Other deposits	(2,076)	(1,806)	(2,510)
Total interest expenses	(3,300)	(3,082)	(3,808)
Securities purchased under resale agreements and loans secured by notes and securities	1,544	1,698	1,593
Securities sold under repurchase agreements and borrowings secured by notes and securities	(2,407)	(2,594)	(2,604)
Net interest income from transactions with customers	4,437	4,374	4,224

Note 26

Net income from lease financing and similar agreements

<i>In millions of euros at December 31</i>	2004	2003	2002
Real estate lease financing agreements	267	311	305
Equipment lease financing agreements	531	565	421
Lease-purchase and similar agreements	874	612	648
Net total	1,672	1,488	1,374

Note 27

Dividend income

<i>In millions of euros at December 31</i>	2004	2003	2002
Dividends from shares and other equity securities	217	393	92
Dividends from investments in non-consolidated subsidiaries and affiliates and other long-term securities	179	189	199
Total ⁽¹⁾	396	582	291

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

Note 28

Net fee income

In millions of euros at December 31

	2004	2003	2002
Fee income from:			
Transactions with banks	145	123	93
Transactions with customers	1,658	1,575	1,353
Securities transactions	2,542	2,170	2,513
Primary market transactions	224	222	171
Foreign exchange transactions and forward financial instruments	509	428	520
Loan and guarantee commitments	459	482	454
Services and other	1,601	1,507	1,374
Sub-total	7,138	6,507	6,478
Fee expense on:			
Transactions with banks	(164)	(154)	(153)
Securities transactions	(381)	(293)	(368)*
Foreign exchange transactions and forward financial instruments	(382)	(347)	(411)
Loan and guarantee commitments	(340)	(123)	(125)
Other	(602)	(506)	(428)
Sub-total	(1,869)	(1,423)	(1,485)
Net total ⁽¹⁾	5,269	5,084	4,993
<i>(1) Net fee income breaks down by type of service, as follows:</i>			
– banking services and advisory	2,413	2,342	2,078
– guarantees and endorsements	118	358	330
– issuance	224	222	171
– asset management and life insurance	1,920	1,655	1,770
– brokerage and other	594	507	644*

* 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 recognized under personnel expenses. The commissions have been restated in the financial statements as of December 31, 2002 in the amount of EUR 119 million.

Note 29

Net income from financial transactions

In millions of euros at December 31

	2004	2003	2002
Net income from the trading portfolio			
Net income from operations on trading securities	3,854	4,615	(4,959)
Net income from forward financial instruments	(601)	(2,536)*	7,528
Net income from foreign exchange transactions	826	1,514	769
Sub-total ⁽¹⁾	4,079	3,593	3,338
Net income from short-term investment securities			
Gains on sale	338	172	145
Losses on sale	(417)	(98)	(128)
Net reversal of provisions	177	23	26
Sub-total	98	97	43
Net income from shares intended for portfolio activity			
Gains on shares intended for portfolio activity	12	(20)	(31)
Net allocation to provisions for portfolio activity	28	40	(87)
Sub-total	40	20	(118)
Net total	4,217	3,710	3,263

* Amounts restated in relation to those given in 2003 annual report.

(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

<i>In millions of euros at December 31</i>	2004	2003	2002
Earned premiums	7,448	6,524	5,398
Cost of benefits (including change in reserves)	(7,210)	(6,236)	(5,150)
Net income from investments	338	151	172
Other technical income and expenses	(348)	(302)	(287)
Reclassification of operating expenses	(125)	(92)	(82)
Total	103	45	51

The gross margin of 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:

<i>In millions of euros at December 31</i>	2004	2003	2002
Contribution to NBI before elimination of intercompany transactions	593	465	449
Elimination of intercompany transactions ⁽¹⁾	222	159	165
Contribution to NBI after elimination of intercompany transactions	371	306	284

⁽¹⁾ This essentially concerns the elimination of commissions paid by the insurance companies to the distribution networks and the elimination of financial income on investments made in other Group companies.

Note 31

Net income from other activities

<i>In millions of euros at December 31</i>	2004	2003	2002
Net income from real estate development	40	30	45
Net income from real estate investments ⁽¹⁾	39	227	38
Net income from other activities	23	27	16
Total	102	284	99

⁽¹⁾ Net income from real-estate investments in the 2003 financial year includes a capital gain of EUR 189 million from the sale of the Paris Trocadéro building.

Note 32

Personnel expenses

In millions of euros at December 31	2004	2003	2002
Employee compensation ⁽¹⁾	4,626	4,431	4,428*
Social security benefits and payroll taxes ⁽¹⁾	1,772	1,657	1,537
Employee profit sharing and incentives ⁽³⁾	205	235	214
Total	6,603	6,323	6,179
Average staff ⁽²⁾	93,359	90,040	88,278
In France	51,753	51,349	50,689
Outside France	41,606	38,691	37,589

* 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 recognized under personnel expenses.

Personnel expenses have been restated in the financial statements as of December 31, 2002 in the amount of EUR 119 million.

(1) Of which EUR 1,628 million for bonuses at December 31, 2004 (EUR 1,560 million at December 31, 2003 and EUR 1,310 million at December 31, 2002).

(2) Including temporary staff. The average headcount of newly acquired entities is not broken down on a pro rata basis over the holding period. Acquisitions in 2004 account for 2,707 staff.

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

In millions of euros at December 31	2004	2003	2002	2001	2000
Société Générale ⁽⁴⁾					
Profit sharing	–	15 ⁽⁵⁾	(1)	1	52
Incentives	50	49	62	50	55
Employer contribution	72	72	74	67	62
Sub-total	122	136	135	118	169
Subsidiaries	83	99	79	66	70
Total	205	235	214	184	239

(4) Including SOGENAL in 2001.

(5) Provision for profit sharing.

Remuneration of members of the Board of Directors and Chief Executive Officers

Total attendance fees paid in February 2005 to the Company' directors for the 2004 financial year amounted to EUR 0.65 million. The remuneration paid in 2004 to the Chief Executive Officers amounted to EUR 4.35 million (including EUR 2.77 million in the form of performance-linked bonuses for the 2003 financial year).

Note 33

Cost of risk

In millions of euros at December 31	2004	2003	2002
Net allocation to provisions for identified risks			
Provisions for identified risks	(328)	(948)	(1,243)
Provisions for risks and charges	(101)	(83)	(18)
Losses not covered by provisions and amounts recovered on write-offs	(106)	(144)	(101)
Sub-total	(535)	(1,175)	(1,362)
Net allocation to general country risk reserves	(6)	(51)	61
Net allocation to provisions for receivables and commitments	(541)	(1,226)	(1,301)

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)		
				2004	2003	2002
Non-financial companies						
Chesapeake Holding (CHC)	36.35	Structured finance	(68)	9	9	12
SIFA ⁽¹⁾	–	Portfolio management	–	–	–	4
Géodis ⁽²⁾	16.63	Industrial and commercial company	(8)	9	5	(13)
Property companies of the Sogéprom group		Property companies	28	14	7	7
Other ⁽⁴⁾			(3)	–	–	–
Sub-total			(51)	32	21	10
Financial companies						
Sophia ⁽³⁾	–	Property company	–	–	9	24
United Arab Bank	20.00	Bank	10	4	4	4
Companies of the SG Investment UK group ⁽⁵⁾	–	Industrial and commercial companies	4	4	–	–
Other ⁽⁴⁾			15	2	9	10
Sub-total			29	10	22	38
Total			(22)	42	43	48

* Including the Group's 2004 earnings.

(1) Exchange transaction in the second half of 2002 with the full stake exchanged for 100% of the capital of Fontanor II, which is now fully consolidated.

(2) In the second half of 2004, the Group sold 10.54% of its stake in Géodis.

(3) A company sold in February 2004 as part of the public offer launched by GE Real Estate Investissement France, a subsidiary of General Electric.

(4) Includes notably subsidiaries sub-consolidated by Komerčni Banka (MPSS) and Crédit du Nord.

(5) Includes companies held by the Infrastructure Principal Finance Fund.

Note 35

Net income from long-term investments

In millions of euros at December 31	2004	2003	2002
Long-term investment securities			
Net capital gains (or losses) on sale	2	4	47
Net allocation to provisions	1	–	–
Sub-total	3	4	47
Investments in non-consolidated subsidiaries and affiliates			
Gains on sale ⁽¹⁾	275	466	744*
Losses on sale ⁽¹⁾	(79)	(48)	(268)*
Net allocation to provisions	(95)	(47)	(827)*
Sub-total	101	371	(351)
Operating fixed assets			
Gains on sale	25	37	33
Losses on sale	(10)	(15)	(28)
Sub-total	15	22	5
Net total	119	397	(299)

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

(1) Capital gains or losses on disposals are calculated using the net book value of the shares sold, including the write-back of provisions booked at the end of the previous financial period if applicable.

Note 36**Exceptional items**

<i>In millions of euros at December 31</i>	2004	2003	2002
Exceptional gains	2	2	13
Exceptional losses	(50)	(48)	(183)
Net total	(48)	(46)	(170)

Breakdown of exceptional items

<i>In millions of euros at December 31</i>	2004	2003	2002
Provision booked to cover the fraud affecting Cowen's former private client brokerage division ⁽¹⁾	(28)	(46)	(159)
Change in estimate of income invoiced for maintenance services provided in connection with operating leasing activities ⁽²⁾	(20)	–	–
Provisions for costs linked to introduction of the single European currency and Y2K	–	–	(9)
Contribution by French banks to the Compensation Fund and to "Fondation du Souvenir des victimes de la Shoah"	–	–	(2)

(1) 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, December 31, 2003 and December 31, 2004.

(2) The accounting treatment of income invoiced for maintenance services provided in connection with leasing activities aims to show a constant margin on these products in relation to the expenses incurred, over the duration of the leasing contract. The harmonization of the models used within the Group to calculate income to be deferred under this treatment resulted in a change in this estimate. The impact of this change was recognized in the form of an Exceptional loss of EUR 20 million in the first half of 2004, and the deferred tax income relative to this expense was booked under Income tax in the amount of EUR 7 million.

Note 37**Income tax**

<i>In millions of euros at December 31</i>	2004	2003	2002
Current taxes	(1,341)	(1,194)	(767)
Deferred taxes	(57)	33	118
Total ⁽¹⁾	(1,398)	(1,161)	(649)

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

<i>In millions of euros at December 31</i>	2004	2003	2002
Income before tax and net income from companies accounted for by the equity method	5,007	4,240	2,447
Normal tax rate applicable to French companies (including 3% and 3.3% tax surcharges)	35.4%	35.4%	35.4%
Permanent differences	–0.5%	–2.5%	–5.7%*
Differential on items taxed at reduced rate	–1.1%	–0.7%	2.7%
Tax rate differential on profits taxed outside France	–3.3%	–3.4%	–5.2%
Impact of non-deductible losses for the period and use of losses carried forward	–2.6%	–1.4%	–0.6%*
Effective tax rate	27.9%	27.4%	26.6%

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

Note 38

Income statement by core business

In millions of euros at December 31	Retail Banking			Global Investment & Management Services			Corporate & Investment Banking			Corporate Center			Group		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Net banking income	9,685	8,980	8,447	2,266	1,983	1,982	4,697	4,734	4,365	(232)	(60)	(221)	16,416	15,637	14,573
Operating expenses	(6,346)	(5,983)	(5,694)	(1,631)	(1,511)	(1,480)	(2,887)	(2,913)	(3,139)	(103)	(161)	(213)	(10,967)	(10,568)	(10,526)
Gross operating income	3,339	2,997	2,753	635	472	502	1,810	1,821	1,226	(335)	(221)	(434)	5,449	5,069	4,047
Cost of risk	(589)	(647)	(650)	(8)	(13)	(14)	60	(510)	(720)	(4)	(56)	83	(541)	(1,226)	(1,301)
Net income from companies accounted for by the equity method	5	13	14	-	-	-	28	17	18	9	13	16	42	43	48
Net income from long-term investments	33	6	21	2	(10)	(9)	16	27	24	68	374	(335)	119	397	(299)
Earnings before exceptional items and tax	2,788	2,369	2,138	629	449	479	1,914	1,355	548	(262)	110	(670)	5,069	4,283	2,495
Exceptional items	-	-	-	-	-	-	-	-	-	(48)	(46)	(170)	(48)	(46)	(170)
Income tax	(955)	(805)	(723)	(193)	(138)	(153)	(449)	(295)	(57)	199	77	284	(1,398)	(1,161)	(649)
Amortization of goodwill	-	-	-	-	-	-	-	-	-	(186)	(217)	(184)	(186)	(217)	(184)
Net reversal from General Reserve for Banking Risks	-	-	-	-	-	-	-	-	-	28	(104)	159	28	(104)	159
Net income before minority interests	1,833	1,564	1,415	436	311	326	1,465	1,060	491	(269)	(180)	(581)	3,465	2,755	1,651
Minority interests	(218)	(187)	(172)	(44)	(21)	(16)	(6)	(8)	(21)	(72)	(47)	(45)	(340)	(263)	(254)
Net income	1,615	1,377	1,243	392	290	310	1,459	1,052	470	(341)	(227)	(626)	3,125	2,492	1,397

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 and 2003 annual reports due notably to internal transfers.

Note 39

Geographical breakdown of net banking income*

In millions of euros at December 31	France	Europe	Americas	Asia	Africa	Oceania	Total
Net interest and similar income ⁽¹⁾	2,050	2,357	1,496	65	346	99	6,413
Net fee income	3,085	839	998	153	168	26	5,269
Net income from financial transactions	3,558	314	(34)	350	33	(4)	4,217
Other net operating income	258	233	5	4	18	(1)	517
Net banking income	8,951	3,743	2,465	572	565	120	16,416

* Geographical regions 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*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
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	France	FULL	50.00	50.00	50.00	50.00
Calif	France	FULL	100.00	100.00	100.00	100.00
Crédit du Nord ⁽¹⁾	France	FULL	80.00	80.00	80.00	80.00
Génébanque	France	FULL	100.00	100.00	100.00	100.00
Groupama Banques	France	PROP	40.00	40.00	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
Lyxor Strategium N° 1 ⁽²⁾	France	FULL	100.00	0	100.00	0
Nofirec ⁽¹⁾	France	FULL	100.00	100.00	100.00	100.00
Pargesfonds	France	FULL	100.00	100.00	100.00	100.00
Primafair SAS	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
SGAM HDG Investment ⁽³⁾	France	FULL	100.00	–	100.00	–
SGOP ⁽⁴⁾	France	FULL	–	100.00	–	100.00
Specialized financing						
Airbail	France	FULL	100.00	100.00	100.00	100.00
Ipersoc SAS	France	FULL	100.00	100.00	100.00	100.00
Bull Finance	France	FULL	51.35	51.35	51.35	51.35
Cafirec	France	FULL	100.00	100.00	100.00	100.00
Cofranteg	France	FULL	100.00	100.00	100.00	100.00
Compagnie Générale de Location d'Équipements ⁽¹⁾	France	FULL	99.73	99.73	99.73	99.73
Dalarec	France	FULL	100.00	100.00	100.00	100.00
Diebold Computer Leasing	France	FULL	100.00	100.00	100.00	100.00
Evalparts ⁽²⁾	France	FULL	100.00	–	100.00	–
Fenwick Lease	France	FULL	100.00	100.00	100.00	100.00
Fontanor ⁽¹⁾	France	FULL	100.00	100.00	100.00	100.00
Franfinance ⁽¹⁾	France	FULL	99.99	99.99	99.99	99.99
Franfinance Location	France	FULL	99.99	99.99	100.00	100.00
French Supermarkets 1 ⁽²⁾	France	FULL	100.00	–	100.00	–
Génécal	France	FULL	89.08	75.01	89.08	75.01
Génécomi	France	FULL	56.52	72.43	56.52	72.43
Haoroa SAS ⁽²⁾	France	FULL	100.00	–	100.00	–
Linden SAS	France	FULL	100.00	100.00	100.00	100.00
Locaplan SA ⁽⁶⁾	France	FULL	–	100.00	–	100.00
Orpavimob SA	France	FULL	100.00	100.00	100.00	100.00
Promopart	France	FULL	100.00	100.00	100.00	100.00

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Companies included in the consolidation scope

At December 31	Country	Method*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
Rusfinance SAS ⁽²⁾	France	FULL	51.01	–	51.01	–
Sagem Lease ⁽²⁾	France	FULL	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	France	FULL	100.00	100.00	100.00	100.00
SNC Cofininvest	France	FULL	100.00	100.00	100.00	100.00
SNC Distinvest	France	FULL	100.00	100.00	100.00	100.00
SNC Finovadis	France	FULL	100.00	100.00	100.00	100.00
SNC Finirva	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
SNC Sirius ⁽²⁾	France	FULL	100.00	–	100.00	–
Sofinabail	France	FULL	100.00	100.00	100.00	100.00
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	France	FULL	100.00	100.00	100.00	100.00
Varoner 2	France	FULL	100.00	100.00	100.00	100.00
Portfolio management						
Aurelec	France	FULL	100.00	100.00	100.00	100.00
Ezépart	France	FULL	100.00	100.00	100.00	100.00
Finareg	France	FULL	100.00	100.00	100.00	100.00
Finecorp	France	FULL	100.00	100.00	100.00	100.00
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
Généfinance	France	FULL	100.00	100.00	100.00	100.00
SG Financial Services Holding ⁽¹⁰⁾	France	FULL	100.00	100.00	100.00	100.00
Généinvestissement ⁽⁷⁾	France	FULL	–	100.00	–	100.00
Généplus ⁽⁷⁾	France	FULL	–	100.00	–	100.00
Généval	France	FULL	100.00	100.00	100.00	100.00
Geninfo	France	FULL	100.00	100.00	100.00	100.00
Libécap	France	FULL	100.00	100.00	100.00	100.00
Megaval	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

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Companies included in the consolidation scope

At December 31	Country	Method*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
SGOP Holding ⁽⁴⁾	France	FULL	–	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
Sogénéral Participations	France	FULL	100.00	100.00	100.00	100.00
Sogéparts	France	FULL	100.00	100.00	100.00	100.00
Sogéparticipations (ex-Sogénéral) ⁽¹⁾	France	FULL	100.00	100.00	100.00	100.00
Sogéplus ⁽⁷⁾	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 ⁽⁴⁾	France	FULL	–	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	71.03	71.01	71.03	71.01
SG Énergie ⁽¹⁾	France	FULL	100.00	100.00	100.00	100.00
Gaselys	France	PROP	49.00	49.00	49.00	49.00
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 ⁽⁶⁾	France	FULL	–	100.00	–	100.00
Galybet	France	FULL	100.00	100.00	100.00	100.00
Généfim ⁽¹⁾	France	FULL	100.00	100.00	100.00	100.00
Généfimmo ⁽¹⁾	France	FULL	100.00	100.00	100.00	100.00
Patriges Grace Church ⁽⁴⁾	France	FULL	–	100.00	–	100.00
SFCC ⁽⁴⁾	France	FULL	–	99.99	–	99.99
Sogébail	France	FULL	45.33	44.26	47.11	46.79
Sogéprom ⁽¹⁾	France	FULL	100.00	77.56	100.00	69.99
Sophia ^{(1) (8)}	France	EQUITY	–	25.20	–	25.20
Sophia-bail	France	FULL	51.00	63.35	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

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Companies included in the consolidation scope

At December 31	Country	Method*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
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	58.32	51.00	58.32	51.00
General Bank of Greece ^{(1) (2)}	Greece	FULL	50.01	–	50.01	–
Komerční Banka ⁽¹⁾	Czech Republic	FULL	60.35	60.35	60.35	60.35
SG Bank Nederland NV	Netherlands	FULL	100.00	100.00	100.00	100.00
SG Express Bank	Bulgaria	FULL	97.95	97.95	97.95	97.95
SG Hambros Bank Limited ⁽¹⁾	Great Britain	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Suisse) ⁽¹⁾	Switzerland	FULL	77.62	77.62	77.62	77.62
SG Serbie Bank ⁽²⁾	Serbia	FULL	100.00	–	100.00	–
SG Vostok ⁽¹⁾	Russia	FULL	100.00	100.00	100.00	100.00
SGBT Luxembourg ⁽¹⁾	Luxembourg	FULL	100.00	100.00	100.00	100.00
SGBT Monaco	Monaco	FULL	100.00	100.00	100.00	100.00
SKB Banka ⁽¹⁾	Slovenia	FULL	99.58	99.58	99.58	99.58
Société Générale Cyprus Ltd	Cyprus	FULL	51.00	51.00	51.00	51.00
Sogéparticipations Belgique ⁽¹⁾	Belgium	FULL	100.00	100.00	100.00	100.00
Financial companies						
Euro-VL Luxembourg	Luxembourg	FULL	100.00	100.00	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 ⁽⁹⁾	Switzerland	FULL	–	100.00	–	100.00
Lightning Finance Company Ltd	Ireland	FULL	51.00	51.00	51.00	51.00
Lyxor Master Funds	Jersey	FULL	100.00	100.00	100.00	100.00
SG Acceptance	Netherlands	FULL	100.00	100.00	100.00	100.00
SG Asset Management Group Ltd ⁽¹⁾	Great Britain	FULL	100.00	100.00	100.00	100.00
SGAM Iberia	Spain	FULL	100.00	100.00	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 ⁽⁴⁾	Cyprus	FULL	–	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⁾	Belgium	FULL	100.00	100.00	100.00	100.00
Axus Danmark A/S	Denmark	FULL	100.00	100.00	100.00	100.00

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Companies included in the consolidation scope

At December 31	Country	Method*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
Axus Finland Oy	Finland	FULL	100.00	100.00	100.00	100.00
Axus Italiana SRL	Italy	FULL	100.00	100.00	100.00	100.00
Axus Nederland BV	Netherlands	FULL	100.00	100.00	100.00	100.00
Axus Norge AS	Norway	FULL	100.00	100.00	100.00	100.00
Axus Sverige AB	Sweden	FULL	100.00	100.00	100.00	100.00
Axus UK Limited ⁽⁶⁾	Great Britain	FULL	–	100.00	–	100.00
Hertz Lease de Espana SA ⁽⁶⁾	Spain	FULL	–	100.00	–	100.00
Montalis Investment BV ⁽²⁾	Netherlands	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	100.00	92.59	100.00	92.59
ALD Automotive Group PLC (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 SA	Germany	FULL	100.00	100.00	100.00	100.00
ALD Portugal	Portugal	FULL	100.00	100.00	100.00	100.00
Amber	Great Britain	FULL	100.00	100.00	43.80	100.00
ALD Automotive SA (Spain) ⁽¹⁾	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 (GEFA-ALD Group)	Italy	FULL	100.00	100.00	100.00	100.00
SGEF SA & CO KG	Germany	FULL	100.00	100.00	100.00	100.00
FRANFINANCE Czech Republic s.r.o.	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	Czech Republic	FULL	100.00	100.00	100.00	100.00
Locat Rent S.P.A	Italy	PROP	50.00	50.00	50.00	50.00
OOO Rusfinance ⁽²⁾	Russia	FULL	51.01	–	100.00	–
SGEF International GmbH ⁽²⁾	Germany	FULL	100.00	–	100.00	–
SGEF Schweiz AG ⁽²⁾	Switzerland	FULL	100.00	–	100.00	–
SG Finans AS Norway ⁽²⁾	Norway	FULL	100.00	–	100.00	–
SG Holding de Valores y Participaciones	Spain	FULL	100.00	100.00	100.00	100.00
Sogelease BV Nederland	Netherlands	FULL	100.00	100.00	100.00	100.00
Brokers						
Fimat Switzerland AG ⁽⁹⁾	Switzerland	FULL	–	100.00	–	100.00
Fimat London branch	Great Britain	FULL	100.00	100.00	100.00	100.00
Fimat Frankfurt branch	Germany	FULL	100.00	100.00	100.00	100.00
Fimat Madrid branch	Spain	FULL	100.00	100.00	100.00	100.00
Insurance						
Généras	Luxembourg	FULL	100.00	100.00	100.00	100.00
Inora Life	Ireland	FULL	100.00	100.00	100.00	100.00
Komerční Pojistovna	Czech Republic	FULL	60.35	60.35	100.00	60.35
Meteo Transformer ⁽⁹⁾	Jersey	PROP	–	50.00	–	50.00
Sogelife	Luxembourg	FULL	100.00	100.00	100.00	100.00

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Companies included in the consolidation scope

At December 31	Country	Method*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
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	68.20	56.63	68.20	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	Ghana	FULL	51.00	51.00	51.00	51.00
United Arab Bank	United Arab Emirates	EQUITY	20.00	20.00	20.00	20.00
Union International de Banque	Tunisia	FULL	52.32	52.00	52.32	52.00
Specialized financing						
Sogelease Egypt ⁽²⁾	Egypt	FULL	61.73	–	80.00	–
ALD Automotive Maroc ⁽³⁾	Morocco	FULL	42.79	–	50.00	–
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	73.44	70.15	87.07	82.83
The Americas						
Banks						
Banco Societé Générale SA	Argentina	FULL	99.53	99.53	99.45	99.54
Banco Societé 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⁾	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 LLC	United States	FULL	50.31	50.31	100.00	100.00
TCW Group ⁽¹⁾	United States	FULL	66.54	60.90	86.83	60.90
Turquoise	Cayman Islands	FULL	100.00	100.00	100.00	100.00
Brokers						
Fimat 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
Specialized financing						
Cousto Investments LP	United States	FULL	100.00	100.00	55.00	55.00
Makatea JV Inc.	United States	FULL	100.00	100.00	60.00	60.00
Mehetia Inc.	United States	FULL	100.00	100.00	51.00	51.00
Rexus LLC ⁽²⁾	United States	FULL	100.00	–	70.83	–
SG Ariki Inc. ⁽¹⁾	United States	FULL	100.00	100.00	100.00	100.00
SG Astro Finance LP	United States	FULL	100.00	100.00	100.00	100.00

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Companies included in the consolidation scope

At December 31	Country	Method*	Group ownership interest		Group voting interest	
			2004	2003	2004	2003
SG Astro Finance Trust	United States	FULL	100.00	100.00	100.00	100.00
SG Constellation Canada Ltd ⁽²⁾	Canada	FULL	100.00	–	100.00	–
SG Equity Finance LLC ⁽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⁾	United States	FULL	100.00	100.00	100.00	100.00
Sorbier Investment Corp	United States	FULL	100.00	100.00	60.00	60.00
Surzur Overseas Ltd	Cayman Islands	FULL	100.00	100.00	100.00	100.00
Portfolio management						
Sofital	Argentina	FULL	99.90	99.90	99.90	100.00
Asia and Oceania						
Banks						
Bank SG Indonesia ⁽⁹⁾	Indonesia	FULL	–	100.00	–	100.00
SG Australia Holdings ⁽¹⁾	Australia	FULL	100.00	100.00	100.00	100.00
SG Private Banking (Japan) Ltd	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⁾ ⁽⁸⁾	Thailand	EQUITY	–	36.05	–	36.05
SG Asia (Singapore) Ltd ⁽⁴⁾	Singapore	FULL	–	100.00	–	100.00
SG Asset Management Singapore Ltd	Singapore	FULL	100.00	95.75	100.00	100.00
SGAM Japan	Japan	FULL	100.00	95.00	100.00	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	South Korea	FULL	100.00	100.00	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	Australia	FULL	100.00	100.00	100.00	100.00
Special purpose vehicles						
TOBP	Arbitrage vehicle	United States	FULL			

(1) Companies carrying out sub-consolidation.

(2) Consolidated for the first time in 2004.

(3) Entities previously sub-consolidated and now reporting individually.

(4) Entities deconsolidated during 2004.

(5) Merger of Fimatex Sa, Finance Net, Fimatex SG and Selftrade.

(6) Entities previously reporting individually, now sub-consolidated.

(7) Dissolution of Gèneplus and Gèneinvestissement by a merger of assets with Sogéplus.

(8) Entities sold in 2004.

(9) Entities wound up in 2004.

(10) Name change, formerly Genéfitec.

* FULL: full consolidation - PROP: proportionate consolidation - EQUITY: equity method.

Report of the Statutory Auditors on the consolidated accounts

Year ended December 31, 2004

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information on the group management.

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with French law and French professional auditing standards.

To the shareholders of Société Générale

In compliance with the assignment entrusted to us by your shareholders' meeting, we have audited the accompanying consolidated financial statements of Société Générale for the year ended December 31, 2004.

These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

I. Opinion on the consolidated statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

II. Justification of assessments

In accordance with the requirements of article L. 225-235 of the French Company Law (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As detailed in note 1 to the consolidated financial statements, your company records provisions 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 consolidated financial statements, your Company uses internal models to value financial instruments that are not listed on organised 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 goodwill 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 consolidated financial statements.

We carried out the assessment of 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 formation of the opinion expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, March 10, 2005.

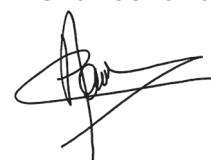
DELOITTE & ASSOCIES



José-Luis Garcia

The Statutory Auditors

ERNST & YOUNG Audit



Christian Mouillon