2004 Consolidated Financial Statements under IFRS

Consolidated IFRS balance sheet at December 31, 2004, and consolidated opening balance at January 1, 2004 (not incl. IAS 32/39 and IFRS 4)

In millions of euros	31.12.2004	01.01.2004
ASSETS		
Cash, due from central banks	5,206	6,755
Securities portfolio	217,285	193,357
Due from banks	66,117	60,283
Customers loans	208,184	191,929
Lease financing and similar agreements	20,589	17,812
Tax assets	1,374	1,514
Other assets	70,809	56,800
Investments in subsidiaries and affiliates accounted for by the equity method	348	562
Tangible and intangible fixed assets	9,110	8,445
Goodwill	2,333	2,187
Total	**601,355**	**539,644**
LIABILITIES		
Due to central banks	1,505	2,827
Due to banks	92,380	83,620
Customer deposits	213,433	196,090
Securitized debt payables	97,730	82,917
Tax liabilities	2,411	2,499
Other liabilities	109,563	96,295
Underwriting reserves of insurance companies	46,833	41,144
Provisions for general risks and commitments	2,854	2,509
Subordinated debt	11,930	10,945
Preferred shares	2,049	2,120
Total liabilities	**580,688**	**520,966**
Shareholders' equity		
Shareholders' equity, Group share		
• Common stock	556	548
• Equity instruments and associated reserves	2,672	3,061
• Retained earnings	12,055	13,134
• Net income	3,293	
• **Sub-total equity, Group share**	**18,576**	**16,743**
Minority interests	2,091	1,935
Total equity	**20,667**	**18,678**
Total	**601,355**	**539,644**

Consolidated IFRS income statement (not incl. IAS 32/39 and IFRS 4)

In millions of euros	2004
Net interest income	6,147 [(1)]
Dividend income	396
Dividends paid on preferred shares	(144)
Commissions (revenue)	7,106
Commissions (expense)	(1,831)
Net income from financial transactions	4,222
Net income from other activities	510 [(2)]
Net banking income	**16,406**
Personnel expenses	(6,743)
Other operating expenses	(3,651)
Amortization and depreciation expenses for intangible and tangible fixed assets	(668)
Gross operating income	**5,344**
Cost of risk	(568)
Operating income	**4,776**
Net income from companies accounted for by the equity method	40
Net income from other assets	195
Impairment losses on goodwill	4
Earnings before tax	**5,015**
Income tax	(1,380)
Consolidated net income	**3,635**
Minority interests	(342)
Net income, Group share	**3,293**
Earnings per share in euros	**8.06**
Diluted earning per share in euros	**7.99**

(1) Of which EUR 21,835 million of interest and similar income and EUR (15,688) million of interest and similar expenses.
(2) Of which EUR 14,499 million of income from other activities and EUR (13,989) million of expenses from other activities (especially relating to real estate, insurance activities and leasing).

Change in shareholders' equity and minority interests under IFRS (not incl. IAS 32 & 39 and IFRS 4)

In millions of euros	Capital and associated reserves			Conso-lidated reserves	Net income, Group share	Share-holders' equity, Group share	Share-holders' equity, minority share	Total conso-lidated share-holders' equity
	Capital	Reserves associated with the capital	Elimination of treasury stock					
IAS shareholders' equity at January 1, 2004	**548**	**4,200**	**(1,139)**	**13,134**		**16,743**	**1,935**	**18,678**
Increase in common stock	8	350				358		358
Elimination of treasury stock			(739)	30		(709)		(709)
2004 payment of dividends				(1,031)		(1,031)	(190)	(1,221)
Sub-total of transfers related to relations with shareholders	**556**	**4,550**	**(1,878)**	**12,133**		**15,361**	**1,745**	**17,106**
2004 Income					3,293	3,293	342	3,635
Sub-total	**556**	**4,550**	**(1,878)**	**12,133**	**3,293**	**18,654**	**2,087**	**20,741**
Effect of acquisitions and disposals on minority interests (1)							(14)	(14)
Translation differences and other (2)				(78)		(78)	18	(60)
IAS shareholders' equity at December 31, 2004	**556**	**4,550**	**(1,878)**	**12,055**	**3,293**	**18,576**	**2,091**	**20,667**

(1) The impact of consolidation scope changes on minority interests (EUR –14 million) is mainly due to buybacks from non-group shareholders in BRD, SG Côte d'Ivoire and Sogeprom, capital reimbursments to minority shareholders in Génécal and Sogébail and the acquisition of new entities (principally the General Bank of Greece).
(2) "Translation differences and other" comprises the following items:

In millions of euros	Group share	Minority share	Total
Change in translation differences during 2004	(114)	17	(97)
Adjustments for share-based payment (a)	41	1	42
Others	(5)		(5)
Total	**(78)**	**18**	**(60)**

(a) The impact on shareholders' equity of restating share-based compensation payments is reconciled with the transition table for 2004 income as follows (in million of euros):

• *2004 gain/loss on share-based payments under French standards*	*+ 8*
• *IFRS adjustments for 2004*	*– 50*
	– 42

Transition table from the consolidated balance sheet at December 31, 2004 under French standards to the consolidated IFRS balance sheet (not incl. 32/39 and IFRS 4)

In millions of euros	Balance sheet at January 1, 2004, under French standards	Total restatements	Total reclassifications	Balance sheet at January 1, 2004, under IFRS
ASSETS				
Cash, due from central banks	6,755	0	0	6,755
Securities portfolio * (1)	193,567	51	(261)	193,357
Due from banks (2)	60,282	1	0	60,283
Customers loans (3)	193,547	33	(1,651)	191,929
Lease financing and similar agreements (4)	17,886	(20)	(54)	17,812
Tax assets (5)	0	166	1,348	1,514
Other assets (6)	56,548	141	111	56,800
Investments in subsidiaries and affiliates accounted for by the equity method (7)	554	8	0	562
Tangible and intangible fixed assets (8)	8,098	28	319	8,445
Goodwill (9)	2,150	37	0	2,187
Total	**539,387**	**445**	**(188)**	**539,644**
LIABILITIES				
Due to central banks	2,827	0	0	2,827
Due to banks (10)	83,608	12	0	83,620
Customer deposits	196,090	0	0	196,090
Securitized debt payables	82,917	0	0	82,917
Tax liabilities (11)	0	209	2,290	2,499
Other liabilities (12)	97,727	193	(1,625)	96,295
Underwriting reserves of insurance companies (13)	41,164	(20)	0	41,144
Provisions for general risks and commitments (14)	2,849	513	(853)	2,509
Subordinated debt	10,945	0	0	10,945
Preferred shares	2,120	0	0	2,120
General reserve for banking risks (15)	312	(312)	0	0
Total liabilities	**520,559**	**595**	**(188)**	**520,966**
Shareholders' equity				
Shareholders' equity, Group share				
• Common stock	548	0	0	548
• Equity instruments and associated reserves	3,061	0	0	3,061
• Retained earnings and net income	13,268	(134)	0	13,134
Sub-total equity, Group share (16)	**16,877**	**(134)**	**0**	**16,743**
Minority interests (17)	**1,951**	**(16)**	**0**	**1,935**
Total equity (18)	**18,828**	**(150)**	**0**	**18,678**
Total	**539,387**	**445**	**(188)**	**539,644**

** This item includes Treasury notes, bonds, shares, equity investments and securities relating to investments of insurance companies.*

Comments on the restatements of the consolidated balance sheet as at January 1, 2004: impact by theme

In millions of euros	IAS 19 Employee benefits	Tangible fixed assets	Fee recognition	Provisions booked as a liability	General reserve for banking risks	Deferred tax on Sogécap's capitalization reserve	Lease financing	Consolidation scope	Others	Total
ASSETS										
Securities portfolio								51		51 [1]
Due from banks								1		1 [2]
Customer loans			28					4	1	33 [3]
Lease financing and similar agreements			4				(24)			(20) [4]
Tax assets	119	36	8					3		166 [5]
Other assets	155	(4)	(38)				26	1	1	141 [6]
Investments in subsidiaries and affiliates accounted for by the equity method								8		8 [7]
Tangible and intangible fixed assets		4						27	(3)	28 [8]
Goodwill								34	3	37 [9]
LIABILITIES										
Due to banks								12		12 [10]
Tax liabilities	2	139	(13)	6		73	1		1	209 [10]
Other liabilities			60					146	(13)	193 [12]
Underwriting reserves of insurance companies								(20)		(20) [13]
Provisions for general risks and commitments	551			(42)				3	1	513 [14]
General reserve for banking risks					(312)					(312) [15]
ASSETS – LIABILITIES	**(279)**	**(103)**	**(45)**	**36**	**312**	**(73)**	**1**	**(12)**	**13**	**(150)**

(a) The impact of restating tangible fixed assets (EUR –103 million) is mainly due to:
• deferred tax liabilities relating to reassessment reserves for buildings revalued in 1991 and 1992 (EUR –85 million).
• deferred tax liabilities relating to the revaluation of BRD' buildings under hyperinflation accounting (EUR –14 million).
The gross values of buildings revalued in 1991 and 1992 and under hyperinflation accounting are retained at their values under French standards.
(b) Changes in consolidation scope are due to the consolidation under IFRS of 36 UCITS held as part of the Group's insurance activities and 4 companies held as part of its private equity operations (see note 2).

Impact of these adjustments on shareholders' equity:

In millions of euros	[16] Group share	[17] Minority share	[18] Total
IAS 19 employee benefits	(265)	(14)	(279)
Fixed assets	(103)		(103)
Commissions	(37)	(8)	(45)
Provisions booked as a liability	35	1	36
Reversal from the General reserve for banking risks	312		312
Deferred tax on Sogecap's capitalization reserve	(73)		(73)
Other restatements	(3)	5	2
Shareholders' equity	**(134)**	**(16)**	**(150)**

Comments on the reclassifications of the consolidated balance sheet as at January 1, 2004

In millions of euros	Investment property of insurance companies	Assets not leased after cancellation	Sector and country risk reserves [(a)]	Separate assets	Doubtful loans on rental transactions	Reclas-sification of employees benefit	Reclas-sification of defered tax [(b)]	Reclas-sification of current income tax [(2)]	Total
ASSETS									
Securities portfolio	(265)			4					(261) [(2)]
Customer loans			(1,012)		(639)				(1,651) [(3)]
Lease financing and similar agreements		(54)							(54) [(4)]
Tax assets							914	434	1,348 [(5)]
Other assets				(4)	639		(90)	(434)	111 [(6)]
Tangible and intangible fixed assets	265	54							319 [(8)]
Total	**0**	**0**	**(1,012)**	**0**	**0**	**0**	**824**		**(188)**
LIABILITIES									
Tax liabilities							824	1,466	2,290 [(11)]
Other liabilities						(159)		(1,466)	(1,625) [(12)]
Provisions for general risks and commitments			(1,012)			159			(853) [(14)]
Total	**0**	**0**	**(1,012)**	**0**	**0**	**0**	**824**		**(188)**

The Group is not applying IAS 32 and 39 in its 2004 financial statements. However it has nonetheless reclassified some balance sheet items to match the future IFRS 2005 presentation, for the purpose of comparability.

(a) Provisions for sector and country risk were transferred from liabilities to assets against a reduction in the Customer loans item (early application of 2005 IFRS presentation).

(b) Under IFRS, deferred tax assets and liabilities are offset within each tax unit.

Deferred tax assets as well as current tax assets were transferred from Other assets to Tax assets.

Deferred tax liabilities, previously booked as a reduction of Other assets are now booked under Tax liabilities.

Current tax liabilities were transferred from Other liabilities to Tax liabilities

Transition table from the consolidated balance sheet at January 1, 2004 under French standards to the consolidated IFRS balance sheet (not incl. IAS 32/39 and IFRS 4)

In millions of euros	Balance sheet at December 31, 2004, under French standards	Total restatements	Reclassifications	Balance sheet at December 31, 2004, under IFRS
ASSETS				
Cash, due from central banks	5,206	0	0	5,206
Securities portfolio * (1)	217,493	132	(340)	217,285
Due from banks (2)	66,114	3	0	66,117
Customers loans (3)	209,839	24	(1,679)	208,184
Lease financing and similar agreements (4)	20,636	(11)	(36)	20,589
Tax assets (5)	0	178	1,196	1,374
Other assets (6)	70,643	128	38	70,809
Investments in subsidiaries and affiliates accounted for by the equity method (7)	343	5	0	348
Tangible and intangible fixed assets (8)	8,709	21	380	9,110
Goodwill (9)	2,106	227	0	2,333
Total	**601,089**	**707**	**(441)**	**601,355**
LIABILITIES				
Due to central banks	1,505	0	0	1,505
Due to banks (10)	92,361	19	0	92,380
Customer deposits	213,433	0	0	213,433
Securitized debt payables	97,730	0	0	97,730
Tax liabilities (11)	0	208	2,203	2,411
Other liabilities (12)	111,246	175	(1,858)	109,563
Underwriting reserves of insurance companies (13)	46,828	5	0	46,833
Provisions for general risks and commitments (14)	3,042	598	(786)	2,854
Subordinated debt	11,930	0	0	11,930
Preferred shares	2,049	0	0	2,049
General reserve for banking risks (15)	284	(284)	0	0
Total	**580,408**	**721**	**(441)**	**580,688**
Shareholders' equity				
Shareholders' equity, Group share				
• Common stock	556	0	0	556
• Equity instruments and associated reserves	2,672	0	0	2,672
• Retained earnings	12,223	(168)	0	12,055
Net income	3,125	168	0	3,293
Sub-total equity, Group share (16)	**18,576**	**0**	**0**	**18,576**
Minority interests (17)	2,105	(14)	0	2,091
Total equity (18)	**20,681**	**(14)**	**0**	**20,667**
Total	**601,089**	**707**	**(441)**	**601,355**

** This item includes Treasury notes, bonds, shares, equity investments and securities relating to investments of insurance companies.*

Comments on the restatements of the consolidated balance sheet as at December 31, 2004: impact by theme

In millions of euros	IAS 19 Employee benefits	Tangible fixed assets	Fee recognition	Provisions booked as a liability	General reserve for banking risks	Deferred tax on Sogecap's capitalization reserve	Lease financing	Consolidation scope	Goodwill	Others	Total
ASSETS											
Securities portfolio								132			132 [1]
Due from banks								3			3 [2]
Customer loans			19					4		1	24 [3]
Lease financing and similar agreements			8				(21)			2	(11) [4]
Tax assets	119	40	15				4	3		(3)	178 [5]
Other assets	154	(5)	(46)				26	1		(2)	128 [6]
Investments in subsidiaries and affiliates accounted for by the equity method								5			5 [7]
Tangible and intangible fixed assets		8						23	(10)	0	21 [8]
Goodwill								32	198	(3)	227 [9]
LIABILITIES											
Due to banks								19			19 [10]
Tax liabilities	5	134	(12)	5		76	5	1		(6)	208 [11]
Other liabilities	3		64					189		(81)	175 [12]
Underwriting reserves of insurance companies								5		0	5 [13]
Provisions for general risks and commitments	543			(29)				3		81	598 [14]
General reserve for banking risks					(284)						(284) [15]
ASSETS – LIABILITIES	**(278)**	**(91)**	**(56)**	**24**	**284**	**(76)**	**4**	**(14)**	**188**	**1**	**(14)**

Impact of these adjustments on shareholders' equity:

In millions of euros	[16] Group share	[17] Minority share	[18] Total
IAS 19 employee benefits	(264)	(14)	(278)
Fixed assets	(95)	4	(91)
Commissions	(41)	(15)	(56)
Lease financing	3	1	4
Provisions booked as a liability	24		24
Goodwill	186	2	188
Reversal from the General reserve for banking risks	284		284
Tax on Sogecap's capitalization reserve	(76)		(76)
Other restatments	(21)	8	(13)
Shareholders' equity	**0**	**(14)**	**(14)**

The change in the impact of the restatements on the shareholders' equity between January 1, 2004 (EUR –150 million) and December 31, 2004 (EUR –14 million) amounted to EUR +136 million.

This change is due to (in millions of euros):

- the restatements on the 2004 income statement +170
- the restatements related to IFRS 2 (share-based payments) +42
- the cancellation of the change in the reassessment reserves +15
- the change in translation differences (counter-entry for the cancellation of write-backs of translation differences to income statement) –90
- other restatements –1

Comments on the reclassifications of the consolidated balance sheet as at December 31, 2004

In millions of euros	Investment property of insurance companies	Assets not leased after cancellation	Sectoral and for country risk provisions (a)	Separate assets	Doubtful loans on rental transactions	Reclassification of employee benefits	Reclassification of deferred tax (b)	Reclassification of current income tax (b)	Total
ASSETS									
Securities portfolio	(344)			4					(340) [1]
Customer loans			(1,004)		(675)				(1,679) [3]
Lease financing and similar agreements		(36)							(36) [4]
Tax assets						1	747	448	1,196 [5]
Other assets				(4)	675	7	(192)	(448)	38 [6]
Tangible and intangible fixed assets	344	36							380 [8]
Total	**0**	**0**	**(1,004)**	**0**	**0**	**8**	**555**		**(441)**
LIABILITIES									
Tax liabilities						5	555	1,643	2,203 [11]
Other liabilities						(215)		(1,643)	(1,858) [12]
Provisions for general risks and commitments			(1,004)			218			(786) [14]
Total	**0**	**0**	**(1,004)**	**0**	**0**	**8**	**555**		**(441)**

The Group is not applying IAS 32 and 39 in its 2004 financial statements. However it has nonetheless reclassified some balance sheet items to match the future IFRS 2005 presentation, for the purpose of comparability.

(a) Provisions for sector and country risk were transferred from liabilities to assets against a reduction in the Customer loans item (early application of 2005 IFRS presentation).

(b) Under IFRS, deferred tax assets and liabilities were offset within each tax unit.

Deferred tax assets as well as current tax assets were transferred from Other assets to Tax assets.

Deferred tax liabilities, previously booked as a reduction of Other assets are now booked under Tax liabilities.

Current tax liabilities were transferred from Other liabilities to Tax liabilities

Transition table from the 2004 consolidated income statement under French standards to the consolidated income statement under IFRS (not incl. IAS 32 & 39 and IFRS 4)

	2004 income under French standards	Goodwill (1)	Translation differences (2)	Share-based payments (3)	General reserve for banking risks (4)
Net interest income	6,161	0	0	0	
Dividend income	396	0	0	0	
Dividends paid on preferred shares	(144)				
Commissions (revenue)	7,139	0	0	0	
Commissions (expense)	(1,870)	0	0	0	
Net income from financial transactions	4,217	0	0	0	
Net income from other activities	517	0	0	0	
Net banking income	**16,416**	**0**	**0**	**0**	**0**
Personnel expenses	(6,603)	0	0	(56)	
Other operating expenses	(3,702)	0	0	0	
Amortization and depreciation expenses for intangible and tangible fixed assets	(662)	0	0	0	
Gross operating income	**5,449**	**0**	**0**	**(56)**	**0**
Cost of risk	(541)	0	0	0	
Operating income	**4,908**	**0**	**0**	**(56)**	**0**
Net income from companies accounted for by the equity method	42	0	0	0	
Net income from other assets	119	0	90	0	
Impairment losses on goodwill	(186)	190	0	0	
Earnings before tax	**4,883**	**190**	**90**	**(56)**	**0**
Exceptional items	(48)	0	0	0	
Income tax	(1,398)	0	0	6	
Allocation to reversal from the general reserve for banking risks	28	0	0	0	(28)
Consolidated net income	**3,465**	**190**	**90**	**(50)**	**(28)**
Minority interests	(340)	(2)	0	4	
Net income	**3,125**	**188**	**90**	**(46)**	**(28)**
Earnings per share in euros*	**7.65**				
Diluted earning per share in euros*	**7.59**				

** 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.*

Comments on restatements and adjustments

(1) Impact of cancellation of goodwill amortization booked under French standards: EUR 190 million.

(2) Writebacks to income statement of translation differences prior to January 1, 2004, booked under French standards when consolidated subsidiaries were sold or liquidated, were cancelled under IFRS.

(3) Restatement of share-based payments had a EUR 46 million negative impact on Group net income of which EUR –41 million from application of IFRS 2 and EUR –5 million from the restatement of a stock option plan.

(4) A EUR 28 million writeback from the General reserve for banking risks under French standards was cancelled under IFRS as the GRBR was transferred to Retained earnings at January 1, 2004.

Restatements					Total restatements	Reclassifications [9]	2004 income under IFRS
Provisions [5]	Tangible fixed assets [6]	Fee recognition [7]	Employee benefits [8]	Other restatements			
(14)	(3)	(25)	7	3	(32)	18	6,147
			0	0	0		396
					0		(144)
		(33)	0	0	(33)	0	7,106
		39	0	0	39	0	(1,831)
			0	5	5	0	4,222
		(1)	0	32	31	(38)	510
(14)	**(3)**	**(20)**	**7**	**40**	**10**	**(20)**	**16,406**
1		10	(73)	(22)	(140)	0	(6,743)
	(2)	2	60	(9)	51	0	(3,651)
	(5)		0	(1)	(6)	0	(668)
(13)	**(10)**	**(8)**	**(6)**	**8**	**(85)**	**(20)**	**5,344**
1			0	0	1	(28)	(568)
(12)	**(10)**	**(8)**	**(6)**	**8**	**(84)**	**(48)**	**4,776**
			0	(2)	(2)	0	40
	(13)		0	(1)	76	0	195
			0	0	190	0	4
(12)	**(23)**	**(8)**	**(6)**	**5**	**180**	**(48)**	**5,015**
			0	0	0	48	0
1	19	2	2	(12)	18	0	(1,380)
			0	0	(28)	0	0
(11)	**(4)**	**(6)**	**(4)**	**(7)**	**170**	**0**	**3,635**
	(3)	1	1	(3)	(2)	0	(342)
(11)	**(7)**	**(5)**	**(3)**	**(10)**	**168**	**0**	**3,293**
							8.06
							7.99

(5) Discounting to present value of provisions booked as a liability gave rise to a EUR 11 million charge against Group net income.

(6) Application of a component-based approach to Group tangible fixed assets and the cancellation of the writeback from reassessment reserves booked under French standards on the sale of fixed assets, gave rise to a EUR 7 million charge against Group net income.

(7) The staggering of commissions gave rise to a EUR 5 million reduction in Group net income.

(8) Application of IAS 19 on employee benefits gave rise to a EUR 3 million reduction in Group net income.

(9) Exceptional items booked under French standards were transferred to the appropriate items under IFRS. The change in estimate of income invoiced for maintenance services provided in connection with operating leasing activities (EUR –20 million) is restated in net banking income.

The provision booked to cover the fraud affecting Cowen's former private client brokerage division (EUR –28 million) is restated in cost of risk.

Interest incomes and expenses of the leasing activities are restated in net income from other activities.

2004 consolidated income statement by business line

In millions of euros	Retail Banking & Financial Services			Global Investment Management & Services			Corporate & Investment Banking			Corporate Center			Group		
	2004 IFRS	2004 FR	Change	2004 IFRS	2004 FR	Change	2004 IFRS	2004 FR	Change	2004 IFRS	2004 FR	Change	2004 IFRS	2004 FR	Change
Net banking income	9,675	9,685	(10)	2,265	2,266	(1)	4,727	4,697	30	(261)	(232)	(29)	16,406	16,416	(10)
Operating expenses	(6,374)	(6,346)	(28)	(1,649)	(1,631)	(18)	(2,924)	(2,887)	(37)	(115)	(103)	(12)	(11,062)	(10,967)	(95)
Gross operating income	**3,301**	**3,339**	**(38)**	**616**	**635**	**(19)**	**1,803**	**1,810**	**(7)**	**(376)**	**(335)**	**(41)**	**5,344**	**5,449**	**(105)**
Cost of risk	(589)	(589)	0	(7)	(8)	1	61	60	1	(33)	(4)	(29)	(568)	(541)	(27)
Operating income	**2,712**	**2,750**	**(38)**	**609**	**627**	**(18)**	**1,864**	**1,870**	**(6)**	**(409)**	**(339)**	**(70)**	**4,776**	**4,908**	**(132)**
Net income from companies accounted for by the equity method	5	5	0	0	0	0	26	28	(2)	9	9	0	40	42	(2)
Net income from other assets	19	33	(14)	2	2	0	16	16	0	158	68	90	195	119	76
Impairment of goodwill	0	0	0	0	0	0	0	0	0	4	(186)	190	4	(186)	190
Exceptional items	0	0	0	0	0	0	0	0	0	0	(48)	48	0	(48)	48
General reserve for banking risk	0	0	0	0	0	0	0	0	0	0	28	(28)	0	28	(28)
Income tax	(937)	(955)	18	(187)	(193)	6	(447)	(449)	2	191	199	(8)	(1,380)	(1,398)	18
Net income before minority interests	1,799	1,833	(34)	424	436	(12)	1,459	1,465	(6)	(47)	(269)	222	3,635	3,465	170
Minority interests	(218)	(218)	0	(43)	(44)	1	(6)	(6)	0	(75)	(72)	(3)	(342)	(340)	(2)
Net income	**1,581**	**1,615**	**(34)**	**381**	**392**	**(11)**	**1,453**	**1,459**	**(6)**	**(122)**	**(341)**	**219**	**3,293**	**3,125**	**168**

Notes to the consolidated financial statements

Note 1 - First time adoption of IFRS [1]

Context

In accordance with European Regulation 1606/2002 of July 19, 2002 on international accounting standards, the Société Générale Group will prepare its consolidated financial statements for the year ending December 31, 2005 in accordance with IAS/IFRS international accounting standards in force at December 31, 2005 approved by the European Union. The first set of accounts to be prepared under IAS/IFRS standards will be those for 2005, but comparative 2004 data will also be presented under the same standards, except for IAS 32 and IAS 39 and IFRS 4 which will be applied as from January 1, 2005.

As part of its preparations for the publication of the comparative financial statements for 2005, and according to the recommendation of French Securities Regulator the *Autorité des Marché Financiers* (AMF), on financial communication during the transition, Société Générale Group has prepared financial information for 2004 on the transition to IAS/IFRS, giving preliminary forecast figures for the impact that transition to IFRS is likely to have on:

- the balance sheet at January 1, 2004: the definitive impact of the transition on shareholders' equity will be applied to this date when the 2005 consolidated accounts are published *(the impact of transition to IAS 32 and IAS 39 and IFRS 4 will be recognized in shareholders' equity as at January 1, 2005)*;
- the financial position at December 31, 2004 and income for financial year 2004.

The financial information for 2004 on the quantitative impact of the transition to IFRS was prepared by applying to 2004 data the same IFRS standards and interpretations that Société Générale intends to use in preparing its comparative consolidated accounts for December 31, 2005. The 2004 financial information in these notes was therefore prepared according to:

- all the IFRS standards and interpretations that will be mandatory for the December 31, 2005 financial statements insofar as they are already known;
- the same options and exemptions as the Group is likely to apply in preparing its first consolidated financial statements under IFRS in 2005.

For these reasons, it is possible that the opening balance sheet presented here may differ from that on which the consolidated accounts for 2005 will be based.

Standards applied

The financial information presented below has been prepared in accordance with the standards and interpretations published by the IASB and approved by the European Union as at the end of February 2005. For the significant accounting principles used in valuing and presenting comparative data for 2004, refer to Note 2.

The Société Générale Group has decided, as is allowed under IFRS 1, to delay first-time application of IAS 32, IAS 39 and IFRS 4 until January 1, 2005. For the main changes in accounting principles resulting from the application of these three standards, refer to Note 3.

Methods of first-time adoption of IFRS at January 1, 2004

International accounting standards were applied for the first time to the Société Générale Group's consolidated financial statements at January 1, 2004 in accordance with IFRS 1. Under IFRS 1 the standards are applied retrospectively and the shareholders' equity item on the opening balance sheet for January 1, 2004 includes the impact of the change in accounting principles from the French standards applied until December 31, 2003.

IFRS 1 allows special treatment options for some items on first-time adoption of IFRS. The Société Générale Group has opted for the following treatments:

- Business combinations (IFRS 3): the Société Générale Group has opted not to restate acquisitions made before January 1, 2004, as allowed under IFRS 3. As such, goodwill on acquisitions financed by capital increases before January 1, 2000 has not been restated in the opening balance sheet for January 1, 2004, provided that this goodwill was charged against additional paid-in capital in proportion to the part of the total purchase price covered by the capital increase, in line with the French standards.

(1) IFRS: the version of international accounting standards adopted by the European Union.

■ Fair value of tangible fixed assets (IAS 16 and IAS 40): the Société Générale Group opted to maintain tangible fixed assets at their historical cost. For fixed assets previously revalued in the 1977 or 1978 regulatory restatements and/or affected by the restructuring and transfer of asset components within the Group on December 31, 1991, historical cost is taken to mean their value as restated at those dates.

■ Employee benefits (IAS 19): the Société Générale Group opted, as allowed under IFRS 1, to book the balance of any unrecognized actuarial gains and losses to shareholders' equity at the transition date.

■ Cumulative translation differences (IAS 21): the Group booked to Retained earnings differences arising on translation of foreign currency financial statements at January 1, 2004 totaling Euro 1,351 million. This adjustment has no effect on total shareholders' equity in the opening balance sheet at January 1, 2004. Any gains or losses from the future sale of the entities concerned will not include a writeback of translation differences dating from before January 1, 2004 but will include translation differences posted after this date.

■ Share-based payments: for plans settled in shares, the Group opted to apply IFRS 2 to plans opened since November 7, 2002, which had not vested at January 1, 2005. For plans settled in cash, the Group opted to apply IFRS 2 to plans that had not yet been settled at January 1, 2005.

Presentation of comparative data for 2004

As IAS 32 and IAS 39 on financial instruments were not applied in preparing comparative data for 2004, financial instruments will be valued and presented differently in the 2004 and 2005 accounts.

The format of the summary financial statements presenting the comparative data for 2004 has been adjusted to make it structurally comparable with the format for summary financial statements proposed in CNC recommendation 2004 R 03 of October 27, 2004 on IFRS financial statements to be prepared by companies that come under the French Consultative Committee on Financial Regulation and Legislation (French acronym: CCLRF).

Note 2 - Main principles governing valuation and presentation of comparative data in the 2004 financial statements

IFRS 1 on first-time adoption of International Financial Reporting Standards allows application of IAS 32 and 39 on financial instruments and of IFRS 4 on insurance contracts to be deferred and so the Group's consolidated financial statements will only be prepared according to these standards from 2005. Comparative information for 2004 on instruments and transactions covered by these standards therefore continues to be valued and presented in accordance with French accounting standards as described in Note 1 of the French consolidated financial statements for 2004.

French accounting standards have for several years been gradually converging towards international standards. As a result, some of the accounting treatments applied to the Group's published consolidated financial statements for 2004 do not significantly differ from international standards.

The sections below describe the main outstanding differences from French accounting standards described in note 1 of the consolidated accounts for 2004, for all instruments and transactions other than those covered by IAS 32 and 39 and IFRS 4.

Consolidation principles and procedures

The consolidated financial statements were prepared from individual annual financial statements of Société Générale, all significant subsidiaries controlled by Société Générale and all associates. Subsidiaries whose closing date differs from that of the parent by more than three months prepared interim financial statements as at December 31 for the 12 preceding months.

The main differences affecting the scope and methods of consolidation relate to the assessment of control exercised over a subsidiary, consolidation criteria for special purpose entities (SPEs), treatment of entities acquired or set up with the intention of selling all or part of them, and treatment of goodwill.

Assessment of control (IAS 27 and 28)

Companies over which Société Générale exercises exclusive control are subject to a full consolidation.

Compared with French standards, international accounting standards define exclusive control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, whether by virtue of:
- direct or indirect ownership of the majority of voting rights in the subsidiary;
- the power to appoint or remove the majority of the members of the subsidiary's governing, management or supervisory bodies, or to cast the majority of the voting rights at meetings of these bodies;
- the power to exercise a dominant influence over the subsidiary through an agreement or provisions in the company's charter or bylaws.

The Group has chosen to maintain a proportionate consolidation of companies over which it exercises a joint control, using the same procedures as those applied under French standards.

Companies over which the Group exercises significant influence are accounted for under the equity method, using the same procedures as those applied under French standards.

When assessing whether a group controls or significantly influences a subsidiary, international accounting standards take a broader view of the voting rights involved, taking into account the effects potential voting rights conferred by instruments that can be exercised or converted at any time, such as call options on outstanding ordinary shares on the market or bonds convertible into new ordinary shares.

Consolidation of special purpose entities (SIC 12)

Legally independent bodies (special purpose entities) over which the Group exercises effective control are consolidated even where it has no stake in the capital. Exceptions that were previously applied according to French consolidation standards are no longer applicable.

The key criteria used to determine whether such control exists differ from those laid down in French regulations and can be summarized as follows:
- The activities of the SPE are being conducted on behalf of the Group so that the Group obtains benefits.
- The Group has the decision-making powers to obtain the majority of the benefits of the SPE's ordinary activities, whether or not this control has been delegated through an "autopilot" mechanism.
- The Group has rights to obtain the majority of the benefits of the SPE.
- The Group retains the majority of the risks related to the SPE.

Subsidiaries acquired and held for the sole purpose of sale (IAS 27 and IFRS 5)

Under IFRS, unlike French standards, wholly owned subsidiaries must continue to be consolidated even if the Group has always intended, from the time they were acquired, to sell them. This could have implications for the reporting of subsidiaries related to private equity investments. In the case of subsidiaries considered as non-current assets intended for disposal within twelve months, and for which the Group is already actively seeking a buyer, their total assets and total liabilities are shown on two specific lines of the consolidated balance sheet.

Consolidation scope

Consolidation scope under IFRS includes 723 entities as at December 31, 2004:
- 642 fully consolidated companies;
- 65 proportionately consolidated companies;
- 16 companies accounted for by the equity method.

The differences between the consolidation scopes under French standards and IFRS are due to the following elements:
- Consolidation of 36 mutual funds held for the purpose of insurance activities, of which 24 are fully consolidated and 12 are proportionately consolidated. As an exception, French accounting regulations did not require the consolidation of these entities.
- Consolidation of 4 companies related to private equity investments, of which 2 are fully consolidated and 2 are accounted for by the equity method. These entities were not consolidated under French standards since they were intended for disposal.

Treatment of acquisitions and goodwill (IFRS 3)

Under French standards, identifiable assets, liabilities and off-balance sheet items in an acquired subsidiary were initially valued at their market value or their likely net realizable value if they were not intended for operational use. If intended for operational use, they were valued at their value in use, calculated as a global figure for all items contributing to intermediation activities.

Under IFRS, each identifiable asset, liability and off-balance sheet item must be booked at its fair value at the acquisition date, regardless of its purpose. The analysis and professional appraisals required for this initial valuation must hence forward be carried out within 12 months from the date of acquisition as must any adjustments to the value based on new information.

Any surplus of the purchase price above the acquired share of these net revalued assets is booked on the asset side of the consolidated balance sheet under Goodwill. Any deficit is immediately booked to income.

Goodwill is carried on the balance sheet at cost denominated in the subsidiary's reporting currency, and translated into Euro at the official exchange rate as at the closing date.
Goodwill is no longer amortized, but it is tested for impairment whenever there is any indication that its value may have diminished and at least once a year. At the acquisition date each item of goodwill is attributed to one or more cash-generating units expected to derive benefits from the acquisition. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating units. If the recoverable amount of the cash-generating units is less than their carrying amount an irreversible impairment is booked to the consolidated income statement for the period under *Impairment losses on goodwill.*

Accounting policies and valuation methods

Leases (IAS 17)

Leases are classified as finance leases if they transfer substantially all the risks and rewards incident to ownership of an asset to the lessee. Otherwise they are classified as operating leases.

Finance lease receivables are booked under Lease *financing and similar agreements* and represent the Group's net investment in the lease, calculated as the minimum lease payments to be received from the lessee plus any unguaranteed residual value discounted at the interest rate implicit in the lease.

Interest included in the lease payments is booked under Net interest income on the P&L such that the lease generates a constant periodic rate of return on the lessor's net investment.

International standards require systematic review of the unguaranteed residual values used to calculate the lessor's gross investment in a finance lease. If these values should fall, a charge is booked to adjust the financial income previously recorded.

Operating lease assets are booked on the balance sheet under Tangible and intangible fixed assets. If the lease is on a building it is booked under *Investment Property*. Lease payments are booked on a straight-line basis over the life of the lease under income item *Net Income from other activities*.

Property, plant & equipment (IAS 16, 36, 38, 40)

Operating and investment fixed assets are booked on the balance sheet at cost. Borrowing costs incurred to fund the acquisition or a lengthy construction period of the fixed assets are included in the acquisition cost, as well as direct attributable costs. Investment subsidies received are deducted from the cost of the relevant assets.

Software designed in-house is booked as an asset on the balance sheet at its direct cost of development, calculated as spending on external supplies and services and personnel costs directly attributable to producing the asset and making it ready for use.

Under IFRS, unlike French standards applied until 2004, any residual value in an asset shall be taken into consideration for depreciation purposes, and the depreciation shall be computed using a component approach:

- As soon as the assets are fit for use as intended by the Group, fixed assets are depreciated over their useful life by straight-line or diminishing balance method where this reflects the expected pattern of economic benefits from the asset. Any residual value of the asset is deducted from its depreciable amount.
- Where one or several components of a fixed asset are used for different purposes or to generate economic benefits over a different time period from the asset considered as a whole, these components are depreciated over their own useful life.

For operating and investment property, the Group applied this approach through a breakdown of these assets into at least the following components and related depreciation periods:

Infrastructure	Major structures	50 years
	Doors and windows, roofing	20 years
	Façades	30 years
Technical installations	Elevators Electrical installations Electricity generators Air conditioning, extractors Technical wiring Security and surveillance installations Plumbing Fire safety equipment	10-30 years
Fixtures and fittings	Finishings, surroundings	10 years

Depreciation periods for the other categories of fixed assets depend on their useful life, usually estimated in the following ranges:

- Plant and equipment 5 years
- Transport 4 years
- Furniture 10-20 years
- Office equipment 5-10 years
- IT equipment 3-5 years
- Software, developed or acquired 3-5 years
- Concessions, patents, licenses, etc. 5-20 years

Fixed assets are tested for impairment whenever there is any indication that their value may have diminished, and at least once a year as far as intangible fixed assets are concerned. The existence of any indication of impairment shall be assessed at each reporting date. These tests are carried out on assets grouped by cash-generating unit. Where an impairment loss is established, it shall be booked on the income under the item *Amortization and depreciation expenses for intangible and tangible fixed assets.* This impairment loss will reduce the depreciable amount of the asset and will also lead to a prospective modification of its depreciation schedule.

Realized capital gains or losses on operating fixed assets are booked under *Net Income from other activities,* while profits on investment assets are booked under Net Banking Income.

Non-current assets held for sale (IFRS 5)

If the Group has begun actively seeking to sell the asset and it is highly likely that the asset will be sold within twelve months, the assets concerned and any liabilities directly associated with them are booked under Non-current assets held for sale and Liabilities associated with non-current assets held for sale on the balance sheet.

Unrealized capital losses — the difference between the fair value net of disposal costs of non-current assets or groups of assets held for sale and their net book value — are recognized by a provision for impairment booked to income. Note that, once declassified, non-current assets held for sale are no longer depreciated.

Provisions for general risks and commitments – except for credit risk and employee benefits (IAS 37)

Provisions for general risks and commitments, other than those arising from credit risk or employee benefit schemes, are liabilities whose timing or amount cannot be precisely determined. A provision shall be recognized when the entity has a present obligation towards a third party that will probably or necessarily lead to an outflow of resources to the third-party without compensation for at least an equivalent amount being expected from this third party.

Unlike under French standards, the expected outflows are discounted to present value to determine the amount of the provision, where this discounting has a significant impact. The provision allowances and reversals are booked to income for the relevant future expense.

These provisions include provisions for sundry and legal risks, as well as restructuring charges.

General reserve for banking risks (IAS 30 and 37)

International standards do not allow the recording through income of a general reserve for banking risks.

The general reserve for banking risks that appeared on the liabilities side of the Group's consolidated balance sheet at December 31, 2003 was transferred to shareholders' equity in the opening balance sheet under IFRS for 2004.

Transactions denominated in foreign currency (IAS 21)

At the closing date, monetary assets and liabilities denominated in foreign currencies are converted into the entity's accounting currency at the prevailing spot exchange rate. Realized or unrealized forex losses or gains are booked to income.

International standards specify a particular treatment for non-monetary assets denominated in foreign currencies, including shares and other variable income securities that are not part of the trading portfolio. Their value is translated into the entity's accounting currency at the exchange rate applying when they were acquired. Translation losses or gains on these assets are only booked to income when the assets are sold or impaired.

However, if the non-monetary assets are funded by a liability that is denominated in the same currency, they are converted at the spot rate prevailing at the balance sheet date.

Employee benefits (IAS 19)

Group companies, in France and abroad, may grant their employees:

- post-employment benefits, such as pension plans or retirement payments;
- long-term benefits such as deferred bonuses, long service awards or the Time Saving Account;
- termination benefits.

Some of Société Générale's retired workers enjoy other post-employment benefits such as medical insurance.

Post-employment benefits

Pension plans may be defined contribution or defined benefit.

Under IAS 19, the valuation method and accounting treatment are more precisely defined than under French Standards, leading to an increase in the scope of employee commitments to be considered.

Defined contribution plans limit the company's liability to the subscriptions paid into the plan but do not commit the company to a specific level of future benefits. Contributions paid are booked as an expense for the year in question.

Defined benefit plans commit the company, either formally or constructively, to pay a certain amount or level of future benefits, and the company therefore bears the medium- or long-term risk.

Provisions are booked on the liabilities side of the balance sheet under Provisions for general risks and commitments to cover the whole of these retirement obligations. The obligations are revalued regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

When these plans are financed from external funds classed as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

Differences arising from changes in the calculation assumptions (early retirements, discount rates, etc.) or arising from differences between actuarial assumptions and real performance (return on plan assets) are booked as actuarial gains or losses. They are amortized in the income statement according to the "corridor" method: i.e. over the expected average remaining working lives of the employees participating in the plan, as soon as they exceed the greater of:

- 10% of the present value of the defined benefit obligation (before deducting plan assets);
- 10% of the fair value of the assets at the end of the previous financial year.

Where a new or amended plan comes into force the cost of past services is spread over the remaining period until vesting.

An annual charge is booked under Personnel expenses for defined benefit plans, consisting of:
- additional entitlements vested by each employee (current service cost);
- the financial expense resulting from discount rate;
- expected return on plan assets (gross return);
- amortization of actuarial gains and losses and past service cost;
- settlement or curtailment of plans.

Long-term benefits
These are benefits paid to employees more than 12 months after the end of the period in which the employees render the related service. Long-term benefits are measured in the same way as post-employment benefits, except for the treatment of actuarial gains and losses and past service costs which are booked immediately to income.

Payments based on Société Générale shares or shares issued by a consolidated entity (IFRS 2)

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

Unlike under French standards, share-based payments give rise to a personnel expense under IFRS as follows.

Option plans
The Group awards some of its employees stock purchase or subscription options.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, nor for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behavior of the option beneficiaries. When such data are not available, the Black & Scholes model is used. Valuations are performed by independent actuaries.

For equity-settled share-based payments, the fair value of these options, measured at the grant date, is spread over vesting period and booked to additional paid-in capital under shareholders equity. At each accounting date, the number of options expected to be exercised is revised and the overall cost of the plan as originally determined is adjusted. Expenses booked since the start of the plan are then adjusted correspondingly.

For cash-settled share-based payments, the fair value of the options is booked as an expense over vesting period of the options against a corresponding entry under liabilities on the balance sheet. This payables item is then remeasured at fair value until settled.

Global Employee Share Ownership plan
Every year the Group carries out a capital increase reserved for current and former employees. New shares are offered at a discount with an obligatory five-year holding period.

The resultant benefit to the employees is booked by the Group as an expense for the year. The benefit is calculated as the difference between the fair value of each share acquired, taking account of the obligatory holding periods and the acquisition price paid by the employee, multiplied by the number of shares subscribed.

Net fees for services (IAS 18)

Fee income and expense for services provided and received are recognized in different ways depending on the type of service.

Fees for continuous services, such as payment services, custody fees, or telephony subscriptions are booked to income over the lifetime of the service. Fees for one-off services, such as fund movements, finder's fees received, arbitrage fees, or penalties following payment incidents are booked to income when the service is provided.

In syndication operations, underwriting fees and participation fees proportional to the share of the issue placed are booked to income at the end of the syndication period on condition that the effective interest rate for the share of the issue retained on the Group's balance sheet is comparable to that applying to the other members of the syndicate. Arrangement fees are booked to income when the placement is legally complete.

Income tax (IAS 12)

IFRS treatments for deferred tax differ from French standards on the following points:

• International standards do not allow deferred tax assets and liabilities to be discounted to present value. French rules allowed this where it was possible to define a precise schedule for payment.

• All differences between the carrying value of each asset and liability recorded in the balance sheet and their tax value shall lead to a deferred tax provided these differences will affect future tax payments.

• Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

Note 3 – Accounting principles applicable in 2005

The accounting principles that would be applied in 2005 include those described in the Note 2 and the provisions applicable to financial instruments and transactions which are under the scope of IAS 32 and 39 on financial instruments and IFRS 4 on insurance contracts as they are described in the present Note.

As mentioned in Note 2, for comparative figures of 2004, the financial instruments and transactions which fall under the scope of IAS 32 and 39 and IFRS 4 have been accounted for according to the French accounting principles applied by the Group in compliance with the provisions of Regulation 99-07 and 2000-04 of the French Accounting Regulation Committee *(Comité de la Réglementation Comptable),* as detailed in the Note 1 to the 2004 consolidated financial statements.

For these instruments and transactions, these accounting principles are, in certain aspects, different from those which will be used to prepare the 2005 and following consolidated financial statements in application of IAS 32 and 39 and IFRS 4 in the form endorsed by the European Community. The main differences are the following:

Financial instruments (IAS 32 and 39)

Classification and valuation of securities portfolio

Group securities portfolio accounting classification is modified by IAS 39. The securities, previously recorded as trading securities, short-term investment securities and long-term investment securities and as shares intended for portfolio activities, investments in non-consolidated subsidiaries and affiliates, and other long-term equity investments will be classified in the four following categories:

■ Financial assets at fair value through profit or loss. These are financial assets held for trading purposes, they will be measured at fair value and this fair value revaluation will be recorded in the income statement of the period.

■ Held to maturity investments. These are non-derivative financial assets with fixed and determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Contrary to French accounting standards, held to maturity assets cannot be hedged against interest rate risk. They are measured at amortized cost, taking into consideration premiums and discounts, and transaction costs.

■ Available for sale financial assets are non-derivative financial assets held for an undetermined period and that the Group could sell at any time. These are financial assets that cannot be classified in the two previous categories. These financial assets are measured at fair value through shareholders' equity and accrued or earned income on these assets is booked through profit and loss. Revaluation differences, excluding this income, are booked in a specific item under shareholder's equity. Cumulative gains or losses previously recognized in this specific item under shareholders' equity shall be recognized in profit and loss in the event of disposal or impairment. Impairment losses on equity instruments are not reversible.

■ The held for trading assets category will also include the financial assets designated by the Group for valuation at fair value through profit or loss in compliance with the fair value option. Under the version of IAS 39 endorsed by the European Community, the use of the fair value option is restricted to financial assets. This limitation is scheduled to be reviewed under the amendment process for IAS 39 launched by the IAS 13, which will specify the conditions for the application of the fair value option for the valuation of financial assets and liabilities.

Loans and receivables

Contrary to French standards, loans and receivables are initially measured at their fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest rate which takes into consideration all contractual cash-flows.

Derivatives and hedging

According to IAS 39, all derivatives shall be recognized at fair value in the balance sheet. These financial instruments will be considered as trading instruments and subsequently measured at fair value through the income statement except for those instruments designated as hedging instruments for which the expected effectiveness of the hedge with respect to the hedged instrument is adequately documented and has been verified a posteriori.

Derivatives designated as hedging instruments in a fair value hedge will be measured at fair value through the income statement in symmetry with the hedged items which will also be remeasured in profit or loss for the gain or loss attributable to the hedged risk.

Gains or losses on derivatives designated as hedging instruments in a cash flow hedge will be recognized directly in a specific item under shareholders' equity, and the ineffective portion of the gain or loss on the hedging instrument will be recognized in the income statement.

European Regulation No. 2086/2004 has endorsed IAS 39 with the carve-out of some requirements in order to facilitate:

- the use of fair value hedge accounting for macro-hedging derivatives used in Asset & Liability Management in order to hedge the Group's fixed rate gaps from interest rate fluctuations (including customer demand deposits);
- the effectiveness test required by the standard.

Accordingly, Société Générale has decided to prepare its consolidated financial statements in accordance with this carve-out version of IAS 39.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument. Under IFRS, unlike French standards, provided this hybrid instrument is not measured at fair value through income statement, the embedded derivative must be separated from its host contract if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, and if it meets the definition of a derivative.

Fair value

When a financial instrument is quoted in an active market, the market price is considered as the best estimate of the fair value to be used for its valuation. If them is no active market, the fair value shall be established using valuation models and techniques incorporating observable market parameters. If the observability of such items is not documented, the income, previously recorded up front under French standards at the date of issuance of some financial instruments, will be deferred.

Société Générale has chosen to apply these provisions to the only transactions originated after October 25, 2002.

Allowances for credit risk

The criteria to be used under IFRS to assess whether there is objective evidence that a financial asset is impaired for credit risk are similar to those applied under French regulations to assess whether a receivable is doubtful.

But the amount of the provisions shall be now determined on the basis of the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Allocations to and write-backs of provisions are recorded in P&L under *Cost of risk.* The progressive reversal of the discount is deemed to be income from the impaired loans and is booked under *Net interest income.*

Furthermore, when the evidence of impairment is collectively assessed on a group of financial assets with similar credit risk characteristics, the incurred credit risk is recorded through a collective provision pending the identification of impairment losses on individual assets. Part of provisions for country risks, as documented in the accounts under French standards, will be reviewed in the light of IFRS.

Commitments related to mortgage savings accounts *(épargne-logement)*
When the specific commitments linked to these regulated French savings instruments are expected to generate future adverse effects for the Group, a provision is booked on the liabilities side of the balance sheet. For the purposes of this assessment, savings accounts with similar terms and conditions are grouped and then collectively provisioned. There was no provision previously recorded under French standards.

Distinction between liabilities and equity
Issued financial instruments shall be considered as financial liabilities or equity instruments pending on the existence of a contractual obligation by the issuer to deliver cash to the holder of the instruments.

According to the terms of IAS 32 used to analyse the substance of these instruments, undated subordinated securities issued by the Group would be considered as debts. But preferred shares issued by the Group would be considered as equity instruments and the remuneration paid to the holders will be accounted for as distributions.

Treasury shares
Société Générale shares acquired by the Group will be deducted from consolidated shareholders' equity, regardless of the purpose for which they are held. The related gain or loss will be removed from the consolidated P&L. Under French standards, treasury shares held for trading purposes or bought with the view to allocating them to employees were kept among assets in the consolidated balance sheet.

Insurance contracts (IFRS 4)

Classification and valuation of the contracts
Provisions of IAS 39 applicable to financial instruments, as described here before, will be applied for the valuation of contracts that do not fall under the scope of IFRS 4.

Technical reserves
Existing French regulations on the valuation of technical reserves are maintained. The Provision for Deferred Profit-Sharing will be adjusted according to the policyholders' rights to gains or their contribution to losses recognized on the revaluation of financial assets at fair value. Furthermore, a test will be performed to assess whether the amount of technical reserves is adequate according to IFRS 4 (Liability adequacy test).

Note IAS 4 - Employee benefits

(In millions of euros at December 31)

A. Post-employment defined contribution plans

Defined contribution plans limit the Group's liability to the contributions paid to the plan but do not commit the Group to a specific level of future benefits.

The main defined contribution plans provided to employees of the Group are located in France. They include State pension plans and other national retirement plans such as ARRCO and AGIRC.

B. Post-employment defined benefit plans and other long-term benefits

B1. Reconciliation of assets and liabilities recorded in the balance sheet

		2004			
		Post employment benefits		Other long-term benefits	Total
		Pension plans	Others		
Reminder of gross liabilities		2,026	153	338	**2,517**
Reminder of plan assets		(1,537)	0	(47)	**(1,584)**
Deficit in the plan (Net balance)		**489**	**153**	**291**	**933**
Breakdown of the deficit in the plan					
Present value of defined benefit obligations		1,854	0	72	**1,926**
Fair value of plan assets		(1,757)	0	(47)	**(1,804)**
Actuarial deficit (net balance)	A	97	0	25	**122**
Present value of unfunded obligations	B	242	156	266	**664**
Other items recognized in balance sheet	C				
Unrecognized items					
Unrecognized Past Service Cost		40	0	0	**40**
Unrecognized Net Actuarial (Gain)/Loss		30	3	0	**33**
Separate assets		(5)	0	0	**(5)**
Plan assets impacted by change in Asset Ceiling		(215)	–	–	**(215)**
Total unrecognized items	D	(150)	3	–	**(147)**
Deficit in the plan (Net balance)	A+B+C–D	489	153	291	**933**

Notes

1. For pensions and other post-employment plans, actuarial gains and losses, which exceed 10% of the greater of the defined benefit obligations or funding assets, are amortized over the estimated average remaining working life of the employees participating in the plan in accordance with the option under IAS 19.

Regarding the 2004 opening balance sheet, all actuarial gains and losses have been recorded directly in the shareholder's equity in accordance with IFRS1 option.

2. Pension plans include pension benefits as annuities and end of career payments. Pension benefit annuities are paid additionally to state pension plans. The Group grants 89 pension plans located in 31 countries. 10 pension plans located in France, the UK, Germany, the US and Switzerland represents 86% of gross liabilities of these pension plans.

Other post employment benefit plans are healthcare plans. These 10 plans are located in 7 countries, with France representing 90% of gross liabilities.

Other long-term employee benefits include deferred bonuses, Time Saving Accounts and long-service awards. There are 84 schemes located in 24 countries. 60% of gross liabilities are located in France.

3. The present values of defined benefit obligations have been valued by independant qualified actuaries.

4. Information regarding plan assets

The breakdown of the fair value of plan assets is as follows: 43% bonds, 42% equities, 9% monetary instruments and 6% others.

For pension plans with a fair value of plan assets in excess of defined benefit obligations, the aggregate of plan assets is EUR 245 million, including EUR 216 million unrecognized.

Separate assets (3 benefit plans) are insurance contracts with related Group companies covering post-employment benefits.

B2. Reconciliation of charges recognized in the income statement

	2004			
	Post employment benefits		Other long-term benefits	Total
	Pension plans	Others		
Current Service Cost including Social Charges	51	3	77	**131**
Employee contributions	(2)	0	0	**(2)**
Interest Cost	94	7	6	**107**
Expected Return on Plan Assets	(80)	0	(3)	**(83)**
Expected Return on Separate Assets	(0)	0	0	**0**
Amortisation of Past Service Cost	3	0	0	**3**
Settlement, Curtailment	0	0	0	**(0)**
Transfers from non recognized assets	0	0	0	**0**
Amortisation of Losses (Gains)	0	0	4	**4**
Total Charges	**66**	**10**	**84**	**160**

The actual return on plan and separate assets were, in millions of euros

	2004			
Plan Assets	112	0	4	**116**
Separate Assets	0	0	0	**0**

B3. Movements in the present value of defined benefit obligations included in the balance sheet

	2004			
	Post employment benefits		Other long-term benefits	Total
	Pension plans	Others		
At January 1	456	151	236	**843**
Foreign exchange adjustments	(3)	(0)	(4)	**(7)**
Amounts recognized in the income statement	65	10	85	**160**
Employer Contributions to plan assets	(40)	–	(4)	**(44)**
Unfunded Benefit payments	(18)	(8)	(22)	**(48)**
Changes in consolidation scope	29	–	–	**29**
Transfers and others	–	–	–	–
At December 31	**489**	**153**	**291**	**933**

B4. Main actuarial assumptions

	2004
Discount rate	
Europe	2.25% - 5.43%
Americas	2.55% - 6.07%
Asia-Oceania	0.78% - 5.40%
Expected return on plan assets (separate and plan assets)	
Europe	2.84% - 7.40%
Americas	6.50% - 6.50%
Asia-Oceania	1.25% - 1.25%
Future salary increase	
Europe	0.5% - 3.46%
Americas	2% - 2%
Asia-Oceania	1% - 4%
Healthcare cost increase rate	
Europe	4.55% - 10%
Americas	NA
Asia-Oceania	0.8% - 2.3%
Average and remaining working life of employees (in years)	
Europe	2.6 - 21.6
Americas	9.6 - 21.5
Asia-Oceania	5.2 - 19.7

Notes

1.The range in discount rates is due to the durations of different post-employment benefit plans and to the different levels of interest rates used in the same geographical area, notably Europe and Asia.

2. The range of expected returns on plan assets is due to the composition of current plan assets.

3. The average remaining working life of employees is calculated taking into account turnover assumptions

B5. Analysis of the sensitivity of post-employment benefits to changes in the main actuarial assumptions

Measured element percentage	Pension plans	Post-employment healthcare plans	Other plans
Change of +1% in the discount rate			
Impact on the present value of commitments at December 31	– 11%	– 15%	– 3%
Impact on total net expenses of the plan	– 6%	– 8%	– 37%
Change of +1% in the expected return on plan assets			
Impact on plan assets at December 31	1%	1%	1%
Impact on total net expenses of the plan	– 11%	NA	0%
Change of +1% in Future salary increases			
Impact on the present value of commitments at December 31	6%	NA	2%
Impact on total net expenses of the plan	14%	NA	39%
Change of +1% in Healthcare cost increase rate			
Impact on the present value of commitments at December 31		13%	
Impact on total net expenses of the plan		16%	

Note IAS 5 - Share-based payments

(In millions of euros at December 31)

1. Expenses recorded in the income statement

In millions of euros	2004		
	Cash-settled plans	**Equity settled plans**	**Total plans**
Net charge from stock purchase plans		7.3	7.3
Net charge from stock options plans	– 7.0	35.4	28.4

The above charges relate to stock-option plans booked under shareholders' equity as of November 7, 2002.

2. Main characteristics of Société Générale stock-option plans

2.1 Equity-settled stock-options plans for Group employees for the year-ended December 31, 2004 are briefly described below:

Issuer	Société Générale	Société Générale	Société Générale
Grant year	2002	2003	2004
Type of plan	stock option	stock option	stock option
Shareholders agreement	05/13/97	04/23/02	04/23/02
Board of Directors decision	01/16/02	04/22/03	01/14/04
Number of stock-options granted	3,543,977	3,891,579	3,788,300
Life time of the options granted	7 years	7 years	7 years
Settlement	Société Générale shares	Société Générale shares	Société Générale shares
Vesting period	01/16/02 - 01/16/05	04/22/03 - 04/22/06	01/14/04 - 01/14/07
Performance conditions	no	no	no
Dismissal outside the Group	expired	expired	expired
Redundancy	expired	expired	expired
Retirement	maintain	maintain	maintain
Death	maintain during 6 months	maintain during 6 months	maintain during 6 months
Share price at grant date (in EUR)	62.50	52.00	70.10
Grant price (in EUR) (average of 20 previous market prices)	62.50	52.00	70.00
Non granted options	0	0	0
Exercised options	180	0	0
Forfeited options	273,127	80,396	20,000
Outstanding options at December 31, 2004	3,270,670	3,811,183	3,768,300
Number of shares reserved at December 31, 2004	3,270,670	3,811,183	3,768,300
Share price of shares reserved	64.11	52	51.17
Total value of shares reserved (in EUR million)	210	198	193
First authorized date for selling the shares	01/16/06	04/22/07	01/14/08
Delay for selling after vesting period	1 year	1 year	1 year
Fair value (% of the share price at grant date)	28%	25%	21%
Valuation method used to determine the fair value	binomial model	binomial model	binomial model

2.2. Statistics on Société Générale stock-option plans

Main figures for Société Générale stock-option plans for Group employees for the year ended December 31, 2004

	Options granted in 2002	Options granted in 2003	Options granted in 2004	Weighted average remaining contractual life time	Weighted average fair value at grant date	Weighted average share price at exercise date	Range of exercise prices
Outstanding options at 1/1/2004	3,341,558	3,882,735	0				
Options granted during the year	0	0	3,788,300				
Options forfeited during the year	70,708	71,552	20,000				
Options exercised during the year	180	0	0	61 months		74.55	62.5
Options expired during the year	0	0	0				
Outstanding options at 12/31/2004	3,270,670	3,811,183	3,768,300	0	15.05		
Exercisable options at 12/31/2004	0	1,500	0	0			

Notes

1. The binomial model provides a more detailed simulation of the expected exercise of options by their holders and the performance conditions. It incorporates assumptions based on the observation of the behavior of holders and the realization of performance conditions.
2. The main assumptions used to value the Société Générale stock-option plans are as follows:

	2002	2003	2004
Risk-free interest rate	4.8%	3.5%	3.8%
Implicit share volatility	28%	34%	25%
Forfeited right rate	0%	0%	0%
Expected dividend (payout)	4.0%	4.7%	4.0%
Expected exercise period	5 years	5 years	5 years

The implicit volatility used is the implicit volatility of Société Générale 5-year share options traded OTC.

The dividend payout ratio indicated above is the average of estimated annual dividends.

3. Other stock-option plans - TCW Company

3.1 Main characteristics of stock-option plans attributed to employees of TCW Group in the period ending December 31, 2004

Issuer	TCW	TCW	TCW
Grant year	2001	2002	2003
Type of plan	Stock option	Stock option	Stock option
Shareholders' agreement	07/07/01	07/07/01	07/07/01
Board of Directors decision	07/07/01	01/01/02-07/16/02	02/19/03-03/31/03-06/27/03
Number of stock options granted	1,343	1,418	1,269
Life time of the options granted	10 years	10 years	10 years
Settlement	Société Générale shares	Société Générale shares	Société Générale shares
Vesting period	07/07/2001 - 07/07/2003	01/01/2003 - 07/15/2008	02/18/2005 - 06/26/2009
Performance conditions	no	no	no
Dismissal	no	no	no
Redundancy	expired	expired	expired
Retirement	expired	expired	expired
Death		Partial maintain with accelerated vesting	
Share price at grant date	22,225.01	18,138.39	15,503.90
Discount	3,292.48	2,686.94	2,296.56
Exercise price (in euros)	18,932.53	15,451.45	13,207.34
Non granted options			
Exercised options	0	0	0
Forfeited options	0	0	224
Outstanding options at 12/31/2004	1,343	1,418	1,045
Number of shares reserved on December 31, 2004			
Share price of shares reserved	0.00	0.00	
Total value of shares reserved (in EUR million)			
First date authorized for selling the shares	08/07/03	02/01/03	03/18/05
Delay for selling after vesting period	none	none	none
Fair value (% of the share price at grant date)	42%	56%	51%
Valuation method used to determine the fair value	*black & scholes*	*black & scholes*	*black & scholes*

3.2 Statistics on TCW stock-option plans

Stock options plans granted to TCW employees during the period ending December 31, 2004 have the following characteristics:

	Options granted in 2002	Options granted in 2003	Options granted in 2004	Weighted average remaining contractual life time	Weighted average fair value at grant date	Weighted average share price at exercise date	Range of exercise prices
Outstanding options at 1/1/2004	1,343	1,418	1,045				
Options granted during the period	0	0	0				
Options forfeited during the period	0	0	0				
Options exercised during the period	0	0	0			NA	NA
Options expired during the period	0	0	0				
Outstanding options at 12/31/2004	1,343	1,418	1,045	60 months	6,145		
Exercisable options at 12/31/2004	1,254	328	0				

Notes

1. The main assumptions used to value the TCW stock-option plans are as follows:

Risk free interest rate	4%
Implicit share volatility	39%
Forfeited right rate	0%
Expected dividend payout	0%
Expected exercise rate	0%

2. The forecast volatility has been estimated using the historical volatility of US listed companies belonging to the same segment and various maturities.
The fair value reflects the future performances of the Company.

4. Information on other plans

4.1 Attribution of Société Générale shares at a discount

In 2004, Société Générale granted 5,522,573 shares with a maximum discount of 20% to employees of the Group, as part of its employee shareholding policy. (NB: In certain countries, notably the US, this discount is less than 20%).

The Group recorded a EUR 7.3 million charge for these shares, taking into account the qualified 5-year holding period. In accordance with the communiqué of the National Accounting Council dated December 21, 2004, the cost of the qualified holding period is taken to be the cost of a strategy consisting in the forward sale of the subscribed shares and the spot purchase of an equivalent number of Société Générale shares in the market, funded using a loan.

4.2 Stock-options plans granted by unlisted companies

A number of Group companies have granted stock options to employees and chief executive officers.These plans are cash-settled. The life time of the options granted is generally 6 years and the last option will be exercised in 2008 at the latest.

When the shares are sold, they are generally bought by an other subsidiary of the Group, in accordance with the general equity-control policy of the Société Générale Group.

The total booked liability for these plans is EUR 14.5 million. The related impact on the 2004 income statement of the settlement of these options is a net income of EUR 7 million, resulting from a difference between the exercise price and the value of the shares to be delivered amounting to EUR 14.5 million.

4.3 Boursorama stock-options plan

In June 2004, Boursorama implemented a stock-option plan for its employees which will be settled in Boursorama shares. 1,419,354 options have been granted, with a 10 year life time. The vesting period is 3 years, followed by a qualified 1 year holding period. The total cost of the plan has been estimated at EUR 3.5 million and a related EUR 582,00 expense was recorded for the year 2004. This cost was calculated using Black & Scholes model.

5. Amendment of existing plans: no plans were modified during 2004.

Special purpose audit report of the Statutory Auditors on the IFRS restated consolidated financial statements for the year ended December 31, 2004

This is a free translation into English of the original Statutory Auditors' report on the restated consolidated financial statements signed and issued in French language and is provided solely for the convenience of English speaking readers.

To the shareholders of Société Générale

At your request and in our capacity as Statutory Auditors of Société Générale SA, we have audited the accompanying consolidated financial statements for the year ended December 31, 2004, which were restated (the "restated consolidated financial statements") in accordance with International Financial Reporting Standards ("IFRS"), as adopted in the European Union.

These restated consolidated financial statements are the responsibility of the Board of Directors. They have been prepared as part of the company's conversion to IFRS as adopted by the European Union in respect of the preparation of the 2005 consolidated financial statements. These restated consolidated financial statements are based on the consolidated financial statements ("the consolidated financial statements") for the year ended December 31, 2004 prepared in accordance with the accounting rules and principles applicable in France which we have audited in accordance with French professional standards. Based on our audit, we issued an unqualified opinion on such consolidated financial statements. Our responsibility is to express an opinion on these restated consolidated financial statements, based on our audit.

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

In our opinion, the restated consolidated financial statements have been prepared, in all material respects, in accordance with the basis set out in the notes, which describe how IFRS 1 and the other International Financial and Reporting Standards as adopted in the European Union, have been applied, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted for the preparation of the first complete set of consolidated financial statements in accordance with IFRS as adopted in the European Union.

Without qualifying our opinion, we draw your attention on Note 1 "First time adoption of IFRS", which explains that the restated consolidated financial statements have been prepared on the basis of existing standards and interpretations as at January 1, 2005, and why there is a possibility that the accompanying restated consolidated financial statements may require adjustment before their inclusion as comparative information in the consolidated financial statements for the year ended December 31, 2005, when the Company prepares its first set of consolidated financial statements in accordance with IFRS as adopted in the European Union.

Moreover, because the restated consolidated financial statements for the year ended December 31, 2004 have been prepared as part of the company's conversion to IFRS as adopted by the European Union in respect of the preparation of the 2005 consolidated financial statements, they do not include comparative information relating to 2003, nor all the explanatory notes required by IFRS as adopted in the European Union, which would be necessary to provide, in accordance with these standards, a fair view of the assets, liabilities, financial position and results of the consolidated group of companies.

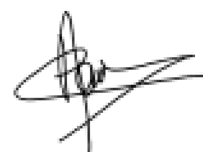
Neuilly-sur-Seine and Courbevoie, March 10, 2005.

The Statutory Auditors

DELOITTE & ASSOCIES

José-Luis Garcia

ERNST & YOUNG Audit



Christian Mouillon